

In the Matter of the Joint Application of)
Westar Energy, Inc. and Kansas Gas and)
Electric Company for Approval to Make) Docket No.18-WSEE-328-RTS
Certain Changes in their Charges for)
Electric Services....

TESTIMONY IN SUPPORT OF THE
NON-UNANIMOUS STIPULATION AND AGREEMENT

PREPARED BY

ROBERT H. GLASS, PHD

UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

July 18, 2018

I. INTRODUCTION

Qualifications

Q. What is your name?

A. Robert H. Glass.

Q. By whom and in what capacity are you employed?

A. The Kansas Corporation Commission (KCC) employs me as the Chief of Economics and Rates.

Q. What is your business address?

A. 1500 SW Arrowhead Road, Topeka, Kansas, 66604-4027.

Q. Are you the same Robert H. Glass who, in this Docket, filed direct testimony on June 13, 2018, and two errata on June 19 and July 6, 2018?

A. Yes.

Organization

Q. What is the purpose of your testimony?

A. I am testifying in Support of the Non-Unanimous Stipulation and Agreement (S&A) submitted by Staff of the State Corporation Commission of the State of Kansas ("Staff," and "Commission," respectively), Westar Energy, Inc. and Kansas Gas and Electric Company (collectively, "Westar"), Citizens' Utility Ratepayer Board (CURB), Kansas Industrial Consumers Group, Inc., on its own behalf and on behalf of its members (KIC)¹, Unified School District No. 259 (USD 259),² The

¹ KIC members that have been admitted as parties to this docket are Cargill, Incorporated, Coffeyville Resources Refining & Marketing, LLC, Occidental Chemical Corporation, Spirit AeroSystems, Inc., CCPS Transportation, LLC, Goodyear Tire & Rubber Company, and Learjet Inc.

² USD 259 signs subject to approval by its Board of Education. KASB signs subject to approval by its board of directors. Counsel for USD 259 and KASB will file a letter with the Commission confirming approval by the Board of Education and KASB board of directors.

1 Kroger Co. (Kroger), U.S. Department of Defense and all other Federal Executive
2 Agencies (DOD/FEA), HollyFrontier El Dorado Refining LLC (Frontier), Wal-
3 Mart Stores, Inc. (Wal-Mart), Tyson Foods, Inc., the Topeka Metropolitan Transit
4 Authority,³ and The Kansas State Board of Regents⁴ (referred to collectively as the
5 “Parties”).

6 **Q. How is your testimony structured?**

7 A. My testimony will discuss the rate design issues in the Stipulation and Agreement
8 (S&A) along with the allocation of the income tax credits discussed by Staff
9 Witness Justin Grady and Westar’s new estimated twelve month coincidental peak
10 (12-CP) used in the allocation of the Transmission Delivery Charge (TDC).

11 **II. ANALYSIS**

12 **Rate Design Issues: Specific Class Rate Designs and Class Revenue Allocation**

13 ***The Residential Standard Distributed Generation Rate (DG rate)***

14 **Q. What does the S&A propose for the Residential Distributed Generation (DG)**
15 **Rate?**

16 A. The compromise rate design for Residential DG customers is presented in Table 1
17 below. The three signatory parties to the S&A that had proposed a residential DG
18 rate design—Westar, CURB, and Staff—agreed that the new rate design should be
19 a three-part tariff—service charge, demand charge, and energy charge.

³ Counsel for the Topeka Metropolitan Transit Authority has indicated it does not oppose this Stipulation and Agreement.

⁴ The Kansas State Board of Regents was unable to meet to review and approve support for this Stipulation and Agreement; however, counsel for the Board of Regents has indicated that it does not oppose this Agreement.

1

Table 1

Current & New Residential - Distributed Generation Rates			
	Current Rates	New Rates	Percentage Change
	(1)	(2)	(3)
Service Charge	\$14.50	\$14.50	
Energy Charge			
Winter			
1st block - 500 kWh	\$0.076833	\$0.045941	-40.21%
2nd block - 400 kWh	\$0.076833	\$0.045941	-40.21%
3rd block - additional kWh	\$0.062804	\$0.045941	-26.85%
Summer			
1st block - 500 kWh	\$0.076833	\$0.045941	-40.21%
2nd block - 400 kWh	\$0.076833	\$0.045941	-40.21%
3rd block - additional kWh	\$0.084752	\$0.045941	-45.79%
Demand Charge			
Winter		\$3.00	
Summer		\$9.00	

2
3

Q. If there was agreement about the structure of the tariff, why was a compromise necessary?

A. Although the three parties had all proposed a three-part tariff, each proposal had different values for the three different charges in part because of different revenue requirements for the Residential DG class. When the differences in revenue requirement was taken into account, the three parties' proposed values for the three different charges were close enough that a compromise rate design was achieved.

Q. Will CURB and Staff be able to evaluate the effect of the DG tariff?

A. Yes. Westar has agreed to file an annual report that contains the number of customers on the DG tariff, their demand and energy consumption, the change in

1 consumption from before the customers were on the DG tariff, and the bill impacts
2 for each DG customer.

3 ***The Residential Peak Efficiency and Residential Electric Vehicle Rates***

4 **Q. What other residential three-part tariffs are proposed in the S&A?**

5 A. In addition to the DG three-part tariff, Westar proposed the Residential Peak
6 Efficiency Rate (RPER) and the Residential Electric Vehicle (REV) rate. The
7 RPER is an optional three-part rate choice for residential customers which can give
8 customers the opportunity to reduce their electric bill if they are able to shift load
9 from the peak period to other times. The REV rate is for customers that have
10 electric vehicles. If customers charge their electric vehicles after 7 pm during the
11 week, then they will be charged a lower energy rate than the Residential Standard
12 Service and not affect their demand charge.

13 To emphasize the point made earlier, these two rates are voluntary. And Westar
14 will allow a one-year opt out provision for customers who sign up for either of these
15 tariffs.

16 **Q. What are the RPER and REV rates?**

17 A. The RPER and REV have rates identical rates to the new Residential DG rates
18 provided in Table 1 above.

19 **Q. If the RPER and REV rates actually do provide the opportunity for**
20 **customers to reduce their electric bill, how will Westar recover its full**
21 **revenue requirement?**

22 A. Westar will track the revenue effect of customers moving to either of these rates
23 and place that amount in a regulatory asset or liability account.

1 **Q. Will CURB and Staff be able to keep track of the customers on these new**
2 **rates?**

3 A. Yes. Westar has agreed to submit an annual report that contains the number of
4 customers on the two new rates, the number of customers that opted out after
5 choosing one of the new rates, and the change in customer demand and energy
6 consumption.

7 ***Remaining Rate Design Items in the S&A***

8 **Q. What other rate design items are in the S&A?**

9 A. For the residential classes and the Small General Service (SGS) customers, the
10 monthly service fee will remain unchanged.

11 The S&A provides for a new Electric Transit Rate Schedule whose rate design is a
12 combination of SGS's service charge and the Off Peak Service's off-peak energy
13 charge. The on-peak energy charge was calculated to be revenue neutral based on
14 a full day of constant energy use at the SGS energy charge.⁵

15 The S&A also provides for the Clean Charge Network Rate Schedule. The Level
16 2 energy rate is the Residential Standard Rate (service charge plus average usage
17 times the energy charge with the total revenue divided by average usage), and the
18 Level 3 energy rate is 120% of the Level 2 energy rate.

19 The S&A proposes to change the Large General Service and Industrial and Large
20 Power demand and energy rates. The transmission-level demand rates implement
21 the modification proposed by Department of Defense and all other Federal
22 Executive Agencies' Witness Larry Blank in his Exhibit LB-2. The new proposed

⁵ John Wolfram, Direct Testimony, Docket No. 18-WSEE-329-RTS, p. 19.

1 rate design implements Kansas Industrial Customers Witness Brian Andrews in
2 Table 8, page 23 which establishes transmission-level differentials for energy rates.
3 Finally, the S&A proposes the consolidation of lighting rates between Westar North
4 and Westar South, and Westar agrees to conduct a formal lighting study in the next
5 general rate case.

6 All of the proposed rate design changes are presented in Appendix E attached to
7 the S&A.

8 ***Class Revenue Allocation***

9 **Q. How was the revenue requirement allocated among customer classes?**

10 A. The decrease in revenue requirement allocation started with an equal percentage
11 decrease to all customer classes based on existing base rate revenue. Then the
12 decrease for Large General Service, Industrial and Large Power, and Schools and
13 Churches was increased by reducing the revenue requirement decrease to
14 Residential, Small General Service and Lighting. The proposed revenue allocation
15 is in Appendix C, the proposed billing determinants are in Appendix D, and the
16 proposed rate design is in Appendix E.

17 **Allocation of Income Tax Credits**

18 **Q. How are the income tax credits described by Staff Witness Justin Grady**
19 **allocated among Westar customers?**

20 A. The proposed allocation of income tax credits among customer classes is done
21 based on revenue from the base rate revenue after the decrease in revenue
22 requirement and the roll-in of the ad valorem tax. The income tax credits for

1 residential customers will be the same amount for all customers. The allocation for
2 commercial and industrial customers will be based on base rate revenue.

3 **The New Twelve Month Coincidental Peak (12-CP)**

4 **Q. What are the new 12-CP allocation factors?**

5 A. The 12-CP allocation factors are the 12-CP allocator created for this rate case using
6 billed data and load research data. The 12-CP factors are presented in Appendix B
7 attached to the S&A.

8 **Q. Why are the new 12-CP allocation factors important with rate case nearly**
9 **over?**

10 A. The 12-CP allocation factors will be used to allocate the Transmission Delivery
11 Charge among customer classes in future applications.

12 **The Commission's Standard of Review for Settlement Agreements**

13 ***Balancing Test***

14 **Q. Are you aware of the balancing test set forth by the Kansas Supreme Court**
15 **for determining whether rates are "just and reasonable?"**

16 A. Yes, the Kansas Supreme Court has stated:

17 The leading cases in this area clearly indicate that the goal should be a
18 rate fixed within the 'zone of reasonableness' after the application of a
19 balancing test in which the interests of all concerned parties are
20 considered. In rate-making cases, the parties whose interests must be
21 considered and balanced are these: (1) The utility's investors vs. the
22 ratepayers; (2) the present ratepayers vs. the future ratepayers; and (3)
23 the public interest.⁶

24
25 **Q. Have you performed the requisite balancing test?**

26 A. Yes. As explained below, I performed the requisite balancing test, as it pertains to
27 Staff's proposed rate design.

⁶ *Kan. Gas and Electric Co. v. State Corp Comm'n.* 239 Kan. 483, 488 (1986).

1 ***Investors vs. Ratepayers***

2 Ratepayers benefit from the utilities' continuous, reliable operation. Moreover, the
3 proposed rate design provides an opportunity for the utility to recover revenues
4 necessary to cover its costs. Thus, both ratepayers and investors are helped by the
5 recovery of the revenue requirement which means this balancing test is met.

6 ***Present vs. Future Ratepayers***

7 This balancing factor is commonly referred to as an intergenerational conflict
8 between ratepayers. If one set of ratepayers is paying for costs that do not
9 adequately represent the service received by those ratepayers, then an
10 intergenerational subsidy can occur. A good example of an intergenerational
11 subsidy is the situation regarding the benefits that the first generation of social
12 security recipients received relative to the payments they made into the system. In
13 the electric utility industry, an example would be if the costs of decommissioning
14 a power plant were back-loaded onto future generations. The only instance of a
15 potential intergenerational conflict is with Westar ownership of the Western Plains
16 Wind Farm. But the S&A's fixed price, purchased power agreement mechanism
17 eliminates the potential problem of the all the capital investment being paid by only
18 today's customers.

19 ***The Public Interest***

20 The public interest is served when the utility remains a healthy, viable business,
21 able to provide reliable service. The proposed rate design provides an opportunity
22 for the utility to recover revenues necessary to cover its costs and fund its ongoing
23 operations. Furthermore, Staff's proposed rate plan is in the best interest of the

1 public because ratepayers are protected from unrealistic price increases, undue
2 discrimination, and unreliable service.

3 **III. RECOMMENDATION**

4 **Q. Should the Commission accept the S&A as a reasonable resolution of the**
5 **issues in this docket?**

6 A. Yes. The S&A represents a reasonable resolution of the issues in this docket, is
7 supported by substantial competent evidence in the record, conforms to applicable
8 law, will provide guidance for designing just and reasonable rates in future rate
9 proceedings, and is in the public interest. Therefore, the Commission should accept
10 the S&A as a reasonable resolution of the issues in this docket.

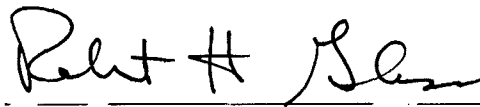
11 **Q. Does this conclude your testimony?**

12 A. Yes, thank you.

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

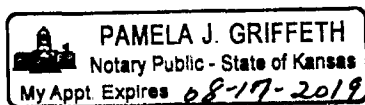
VERIFICATION

Robert H. Glass, being duly sworn upon his oath deposes and says that he Chief of Economics and Rates in the Utilities Division of the Kansas Corporation Commission; that he has read and is familiar with the foregoing *Settlement Testimony*, and that the statements therein are true to the best of his knowledge, information and belief.



Robert H. Glass
Chief of Economics and Rates, Utilities Division
Kansas Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 18th day of July, 2018.


Notary Public

My Appointment Expires: August 17, 2019

CERTIFICATE OF SERVICE

18-WSEE-328-RTS

I, the undersigned, certify that a true and correct copy of the above and foregoing Staff Robert H. Glass' Testimony in Support of Non-Unanimous Stipulation and Agreement was served via electronic service this 18th day of July, 2018, to the following:

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