

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In The Matter Of The Application)
Of Great Plains Energy Incorporated,)
Kansas City Power And Light Company) KCC Docket No. 18-KCPE-095-MER
And Westar Energy, Inc. For Approval)
Of The Merger Of Westar Energy, Inc.)
And Great Plains Energy Incorporated)

DIRECT TESTIMONY OF

STACEY HARDEN

ON BEHALF OF

CITIZENS' UTILITY RATEPAYER BOARD

JANUARY 29, 2018

1 **I. STATEMENT OF QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is Stacey Harden. My business address is 1500 SW Arrowhead Road, Topeka,
4 Kansas 66604.

5

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

7 A. I am employed by the Citizens' Utility Ratepayer Board ("CURB") as a Senior
8 Regulatory Analyst.

9

10 **Q. Please describe your educational background.**

11 A. I earned a Bachelor of Business Administration degree from Baker University in 2001. I
12 earned a Master of Business Administration degree from Baker University in 2004.

13

14 **Q. Please summarize your professional experience in the utility industry.**

15 A. I served as a Regulatory Analyst for the Citizens' Utility Ratepayer Board from February
16 2008 until March 2016. I rejoined CURB in September 2017 as a Senior Regulatory
17 Analyst.

18

19 **Q. Have you previously testified before the Commission?**

20 A. Yes. I have previously offered testimony in KCC Docket Nos. 08-WSEE-1041-RTS, 10-
21 KGSG-421-TAR, 10-EPDE-497-TAR, 10-BHCG-639-TAR, 10-SUBW-602-TAR, 10-
22 WSEE-775-TAR, 10-KCPE-795-TAR, 10-KCPE-415-RTS, 11-SUBW-448-RTS, 12-
23 SUBW-359-RTS, 12-MKEE-410-RTS, 12-MKEE-491-RTS, 13-HHIW-570-RTS,14-

1 WSEE-148-TAR, 14-ATMG-230-TAR, 15-WSEE-181-TAR, 15-KCPE-116-RTS, 15-
2 SPEE-519-RTS, 16-KCPE-446-TAR, 16-EPDE-410-ACQ, and 16-KCPE-593-ACQ. I
3 have also authored Report and Recommendations to the Commission in 13-HHIW-570-
4 RTS, 14-KCPE-042-TAR, and 15-WSEE-021-TAR.

5
6 **Q. What is the purpose of your testimony?**

7 A. On August 25, 2017, Great Plains Energy, Inc. (“GPE”), KCP&L, and Westar Energy,
8 Inc. (“Westar”, collectively “Joint Applicants”) filed an Application with the Kansas
9 Corporation Commission (“KCC” or “Commission”) seeking KCC approval of an
10 Amended Merger Agreement between Westar and GPE, the parent company of KCP&L.
11 I am providing testimony supporting CURB’s recommendation that the Joint Applicants
12 be required to report on capital expenditures each year following the proposed 2018 rate
13 cases. My testimony will supplement the direct testimony provided by CURB witness
14 Andrea C. Crane, who is providing testimony on CURB’s overall recommendation, and
15 Cary Catchpole who is providing testimony on quality of service issues relating to the
16 proposed merger.

17
18 **Q. Why do you recommend the Commission approve an annual review mechanism?**

19 A. The reason that I recommend the Commission approve an annual review process is for
20 ratepayer protection. The Joint Applicant’s estimate that it will exceed \$6 billion in
21 capital expenditures during a five-year period is the most significant driver of my
22 recommendation. \$6 billion in capital costs will put upward pressure on rates during a
23 general base rate case. Additionally, it is CURB’s recommendation that if the

1 Commission approves the merger, a five-year rate moratorium should also be approved.
2 Such a moratorium would provide a ratepayer benefit through the recommended fixed
3 bill credits, but without a capital expenditure review process, ratepayers may be put at
4 risk due to unchecked capital spending during the moratorium.
5

6 **Q. Please describe your recommended annual review process.**

7 A. My recommended annual review process will allow the Commission Staff and CURB to
8 continue to review the level of capital expenditures during the proposed five-year rate
9 moratorium. The filing, potentially made as part of a compliance docket, would include
10 both a backwards and forward look at capital expenditures. The first filing, which for
11 illustrative purposes I am assuming the date to be March 1, 2019, would include the
12 merged company's budget for the upcoming year's capital expenditures. In addition to
13 providing the fiscal budget, a narrative report should be included that identifies capital
14 projects by category (generation and environmental, transmission and delivery,
15 information technology, and other categories) and a statement regarding the necessity of
16 the expenditures. In the second filing, presumably March 1, 2020, the report would
17 include the same budget and narrative information as the first report, and would also
18 include a review of the previous year's actual expenditures. This section of the report
19 should compare the year's proposed fiscal budget and the expected projects to be
20 completed with the actual results. This annual filing would be duplicated each year
21 during the five-year moratorium.
22
23

1 **Q. Did the Joint Applicants provide a forecast of the projected level of capital**
2 **expenditures?**

3 A. Yes. Anthony Somma, testifying on behalf of Westar, reports that the Joint Applicants’
4 “financial plan contemplates capital expenditures will exceed \$6 billion over the 2018-
5 2022 time period.”¹ In the Joint Applicant’s response to Staff DR 70, the \$6 billion in
6 projected capital expenditures are captured in general categories like generation and
7 environmental, transmission and delivery, information technology, and other categories.

8
9 **Q. Are you offering an opinion regarding the necessity of the proposed \$6 billion in**
10 **capital expenditures?**

11 A. No. My testimony is not focusing on whether the Joint Applicant’s \$6 billion forecast of
12 capital expenditures during 2018-2022 is appropriate or prudent. All capital expenditures
13 should be reviewed for prudence as part of a subsequent base rate case. Instead, my
14 testimony is focused on requiring the Joint Applicants to provide an annual report and
15 review of its proposed and actual capital expenditures.

16
17 **Q. Do you recommend the annual filing capture only the Joint Applicant’s capital**
18 **expenditures?**

19 A. Yes. My testimony and recommendation is limited to capital expenditures during the
20 five-year period following the merger.

21

22

¹ Direct Testimony of Mr. Anthony Somma, page 20.

1 **Q. Why is it important to review the merged utility’s capital expenditures annually**
2 **instead of after the proposed five-year moratorium?**

3 A. It is important to review the capital expenditures annually for two reasons. First,
4 according to testimony, the merged company is planning on spending over \$6 billion on
5 capital projects from 2018-2022. \$6 billion, which is not an insignificant amount, will
6 increase the merged company’s rate base, which in turn will increase rates during a
7 general base rate case. If the merged company were to increase its capital expenditures
8 over its \$6 billion estimate of capital expenditures from 2018-2022, ratepayers will bear
9 the risk of increased rates, which may result in rate shock during the first rate case
10 following the moratorium. An annual review process will allow the Commission to
11 remain proactive and mindful of the merged company’s capital expenditures during the
12 proposed five year rate moratorium.

13 Second, in addition to estimating that the merged company would exceed \$6
14 billion in capital expenditures from 2018-2022, Mr. Somma also testifies that capital
15 spending efficiencies “are expected to reduce capital expenditures by approximately \$329
16 million from 2018 through 2022.”² Further, Mr. Busser testifies that there may be
17 additional merger savings “that result either from the avoidance, or more likely, deferral
18 of capital projects” that have not been included in the estimate of merger savings.”³ An
19 annual review of capital expenditures, along with a narrative schedule of budgeted
20 projects, would enable the Commission Staff and CURB to determine if capital spending
21 efficiencies are occurring as proposed by the Joint Applicants.

22

² Direct Testimony of Mr. Anthony Somma, page 19.

³ Direct Testimony of Mr. Steven P. Busser, pages 15-16.

1 **Q. What happens if Staff or CURB discover inconsistencies or unnecessary increases**
2 **in capital expenditures during the annual review process?**

3 A. As part of the compliance filing, either Commission Staff or CURB would file a report
4 with the Commission that would identify its concerns regarding the newly merged
5 Company's annual capital expenditure filing. This report would inform the Commission
6 of potential concerns involving either a specific project or the overall level of capital
7 expenditures, which would then be fully investigated in the first base rate case following
8 the five-year moratorium.

9

10 **Q. If the Commission approves the proposed merger, but denies your recommendation,**
11 **is there another process by which the Commission could review the Joint**
12 **Applicant's capital expenditures?**

13 A. Yes. An Integrated Resource Planning ("IRP") process would provide the Commission
14 the ability to review the merged utility's capital expenditure planning processes.

15

16 **Q. Are utilities in Kansas required to complete and submit an IRP to the Commission?**

17 A. No. Kansas does not have a required IRP process. However, KCPL is required to file an
18 IRP every three years in Missouri.

19

20 **Q. Is it your recommendation that Kansas utilities complete and submit an IRP?**

21 A. Not at this time. It is my opinion that there are benefits to having an IRP requirement, but
22 the implementation of such a policy extends beyond the issues contained in this proposed
23 merger.


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

2 **A. Yes, it does.**

VERIFICATION

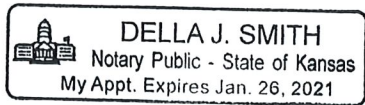
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) ss:
COUNTY OF SHAWNEE)

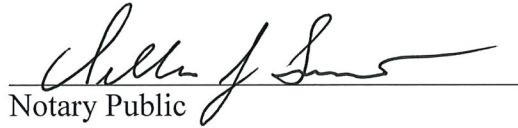
I, Stacey Harden, of lawful age and being first duly sworn upon my oath, state that I am a Senior Regulatory Analyst for the Citizens' Utility Ratepayer Board; that I have read and am familiar with the above and foregoing document and attest that the statements therein are true and correct to the best of my knowledge, information, and belief.



Stacey Harden

SUBSCRIBED AND SWORN to before me this 29th day of January, 2018.





Notary Public

My Commission expires: 01-26-2021.

CERTIFICATE OF SERVICE

18-KCPE-095-MER

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Direct Testimony was served by electronic service on this 29th day of January, 2018, to the following:

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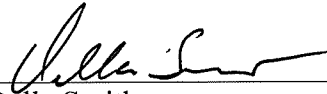
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