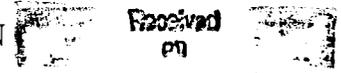


BEFORE THE CORPORATION COMMISSION
OF THE STATE OF KANSAS



AUG 21 2013

IN THE MATTER OF THE APPLICATIONS OF]
WESTAR ENERGY, INC. AND KANSAS GAS]
AND ELECTRIC COMPANY FOR APPROVAL]
TO MAKE CERTAIN CHANGES IN THEIR]
CHARGES FOR ELECTRIC SERVICE]

by
State Corporation Commission
of Kansas

KCC Docket No. 13-WSEE-629-RTS

DIRECT TESTIMONY OF

ANDREA C. CRANE

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

August 21, 2013

TABLE OF CONTENTS

	Page
I. Statement of Qualifications	1
II. Purpose of Testimony	2
III. Summary of Conclusions and Recommendations	3
IV. Discussion of the Issues	4
A. Background	4
B. Revenue Requirement Adjustments	7
C. Promote Kansas Proposal	12

Appendix A – List of Prior Testimonies
Appendix B – Supporting Schedules
Appendix C - Referenced Data Requests

1 **I. STATEMENT OF QUALIFICATIONS**

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

3 A. My name is Andrea C. Crane and my business address is 90 Grove Street, Suite 211,
4 Ridgefield, Connecticut 06877. (Mailing Address: PO Box 810, Georgetown,
5 Connecticut 06829)

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

8 A. I am President of the Columbia Group, Inc., a financial consulting firm that specializes in
9 utility regulation. In this capacity, I analyze rate filings, prepare expert testimony, and
10 undertake various studies relating to utility rates and regulatory policy. I have held
11 several positions of increasing responsibility since I joined The Columbia Group, Inc. in
12 January 1989. I became President of the firm in 2008.

13
14 **Q. Please summarize your professional experience in the utility industry.**

15 A. Prior to my association with The Columbia Group, Inc., I held the position of Economic
16 Policy and Analysis Staff Manager for GTE Service Corporation, from December of
17 1987 to January 1989. From June 1982 to September 1987, I was employed by various
18 Bell Atlantic (now Verizon) subsidiaries. While at Bell Atlantic, I held assignments in
19 the Product Management, Treasury, and Regulatory Departments.

20
21 **Q. Have you previously testified in regulatory proceedings?**

22 A. Yes, since joining The Columbia Group, Inc., I have testified in over 350 regulatory
23 proceedings in the states of Arizona, Arkansas, Connecticut, Delaware, Hawaii, Kansas,

1 Kentucky, Maryland, New Jersey, New Mexico, New York, Oklahoma, Pennsylvania,
2 Rhode Island, South Carolina, Vermont, Washington, West Virginia and the District of
3 Columbia. These proceedings involved electric, gas, water, wastewater, telephone, solid
4 waste, cable television, and navigation utilities. A list of dockets in which I have filed
5 testimony since January of 2008 is included in Appendix A.

6
7 **Q. What is your educational background?**

8 A. I received a Master of Business Administration degree, with a concentration in Finance,
9 from Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a
10 B.A. in Chemistry from Temple University.

11
12 **II. PURPOSE OF TESTIMONY**

13 **Q. What is the purpose of your testimony?**

14 A. On April 15, 2013, Westar Energy, Inc. ("Westar" or "Company"), filed an Application
15 with the State of Kansas Corporation Commission ("KCC" or "Commission") seeking an
16 increase in its rates for electric service in the amount of \$31.7 million or 1.7%. The
17 requested increase relates to incremental utility plant-in-service and construction work in
18 progress ("CWIP") associated with the La Cygne Energy Center ("La Cygne"), offset by
19 a reduction in amortization expense related to deferred costs resulting from a 2007 ice
20 storm. The Application was filed pursuant to K.A.R. 82-1-231(b)(3), which permits a
21 utility to make an abbreviated rate filing within twelve months of a base rate case
22 proceeding.

1 The Columbia Group, Inc. was engaged by the State of Kansas, Citizens' Utility
2 Ratepayer Board ("CURB") to review Westar's Application and to provide
3 recommendations to the KCC regarding the Company's requested rate increase. Brian
4 Kalcic, of Excel Consulting, is providing testimony regarding the Company's proposed
5 class cost of service study and rate design.

6
7 **III. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS**

8 **Q. What are your conclusions and recommendations regarding the Company's rate**
9 **filing?**

10 **A.** Based on my review of the abbreviated rate filing, on the responses to data requests, and
11 on other documentation relating to this case, following are my conclusions and
12 recommendations:

- 13 1. The KCC should approve a rate increase of no more than \$30,629,170, as shown
14 on Schedule ACC-1. This increase is based on a cost of equity of 10.0%.
- 15 2. If the KCC decides to utilize a cost of equity of 9.5%, which is the cost of equity
16 currently approved for KCP&L, then the KCC should approve a rate increase of
17 \$29,285,753 (see Schedule ACC-10).
- 18 3. CURB is generally supportive of programs that provide assistance to customers in
19 lowering their energy bills and/or paying their utility bills.
- 20 4. This abbreviated rate proceeding is not an appropriate forum to examine Promote
21 Kansas, which includes Westar's proposed new programs relating to economic
22 development and low-income assistance.

1 5. As proposed, the Promote Kansas programs are not necessary, have not been well
2 defined, and would shift costs from shareholders to ratepayers.

3 6. The KCC should reject Westar's proposed Promote Kansas programs at this time.
4

5 **IV. DISCUSSION OF THE ISSUES**

6 **A. Background**

7 **Q. Please provide a brief summary of the background of this case.**

8 A. On August 25, 2011, in KCC Docket No. 12-WSEE-112-RTS ("112 Docket"), Westar
9 filed a general rate case seeking a rate increase of \$90.8 million. Several parties in that
10 case subsequently executed a Settlement Agreement that provided for a revenue increase
11 of \$50.0 million. CURB was not a party to the Settlement Agreement. The Settlement
12 Agreement also contained the following provision:

13 Westar may use the abbreviated rate setting process in K.A.R. 82-1-
14 231(b)(3) to update rates to include actual capital costs incurred by Westar
15 related to environmental projects at La Cygne Energy Center that were
16 preapproved in Docket No. 11-KCPE-581-PRE, up to the amount of costs
17 approved by the Commission but not included in rates set as a result of
18 this proceeding. The cost of capital used for such proceeding would be the
19 overall ROR of 8.4049%. If Westar wishes to recover any additional costs
20 related to investment in excess of the predetermined amounts, those may
21 only be recovered through a subsequent general rate proceeding. The
22 increase to rate base is \$8,315,732, which is all construction work in
23 progress. Westar may also use the abbreviated process to: (1) update rates
24 reflecting the expiration of the amortization period for the 2007 ice storm
25 costs in the 08-1041 Docket; (2) examine class cost-of-service (CCOS),
26 class cost allocation and rate design; and (3) address any substantial
27 changes in tax or other applicable laws or regulations or other major
28 events that result in significant differences in Westar's costs.
29

30 The KCC approved the Settlement Agreement in the 112 Docket on April 18, 2012. The
31 Order approving the Settlement Agreement read, in part, "Specifically, the Commission

1 approves the request for Westar to file an abbreviated proceeding, as agreed to by the
2 parties to the S&A. All regulatory procedures, principles, and the ROR of 8.4040%
3 agreed to by the parties are adopted for the abbreviated proceeding.”¹
4

5 **Q. What revenue increase is the Company seeking in this abbreviated rate case?**

6 A. The Company is requesting a revenue increase of \$31.7 million, or approximately 1.7%.
7 The revenue increase is composed of two parts: an increase of approximately \$42 million
8 based on updated environmental plant expenditures at La Cygne and a reduction of
9 approximately \$10 million relating to the termination of an amortization associated with
10 storm damage costs.
11

12 **Q. Please describe the adjustments that Westar is proposing with regard to the La
13 Cygne environmental upgrades.**

14 A. With regard to the La Cygne environmental upgrades, Westar is proposing four
15 adjustments:

- 16 ➤ the removal of CWIP of \$8,315,732 that was included in base rates in the
17 112 Docket;
- 18 ➤ the addition of \$310,225,745 in CWIP, which was the Company’s
19 projected June 2013 CWIP balance for the La Cygne environmental
20 upgrades when the Application was filed;
- 21 ➤ the addition of \$31,519,841 associated with the La Cygne environmental
22 upgrades, which was the amount that the Company estimated would be
23 completed and closed to utility plant-in-service by June 30, 2013; and

¹ Order in KCC Docket No. 12-WSEE-112-RTS, ¶ 84.

1 ➤ additional depreciation expense on the La Cygne plant-in-service
2 additions, based upon a composite depreciation rate of 5.44%.

3
4 **Q. Please describe Westar's adjustment with regard to the ice storm amortization.**

5 A. In Docket No. 08-WSEE-1041-RTS, Westar received approval to amortize total costs of
6 \$46,884,671 associated with an ice storm that occurred in 2007. This amortization began
7 in February 2009 and costs are being amortized over a period of 60 months. Thus, by
8 the time that new rates resulting from this case are in place, Westar estimates that there
9 will be approximately three months of costs remaining to be amortized. Westar is
10 proposing to amortize these remaining costs over a period of 24 months. Thus, Westar is
11 proposing to reduce its annual amortization expense associated with the 2009 Ice Storm
12 from \$9,286,716 to \$1,160,840. In addition, Westar is proposing to reduce the
13 unamortized balance in rate base associated with the ice storm from \$19,688,716 to
14 \$2,362,641 to reflect amortization that has occurred between the last base rate case and
15 the effective date of rates resulting from this case.

16
17 **Q. Did Westar propose any other revenue requirement adjustments?**

18 A. Yes, Westar proposed additional adjustments relating to uncollectible costs and to interest
19 synchronization.

20
21 **Q. Is Westar proposing any other changes, in addition to the revenue requirement
22 increase discussed above?**

1 A. Yes, in addition to the revenue increase, the Company is also proposing a class cost of
2 service allocation that will shift considerably more costs to residential ratepayers. While
3 Westar's request results in an average increase of 1.7%, Westar is proposing to increase
4 residential rates by approximately 8.1%.

5 Westar is also proposing to implement a new program, Promote Kansas, which
6 has two components. First, Westar is proposing changes to its economic development
7 program and associated funding mechanism. These changes would require ratepayers to
8 absorb 100% of the costs for the economic development program instead of the 60%
9 shareholder/40% ratepayer allocation that takes place currently. Second, Westar is
10 proposing to implement a new low-income assistance fund, which would also be funded
11 by ratepayers.

12

13 **B. Revenue Requirement Adjustments**

14 **Q. Are you proposing any adjustments to the Company's claims relating to the La**
15 **Cygne environmental upgrades?**

16 A. Yes. The Company's filing was based on projections of the utility plant-in-service
17 balance and CWIP balance at June 30, 2013. As filed, Westar's schedules reflect actual
18 results through February 28, 2013 and estimated activity for March-June 2013. I am
19 proposing that the projected balances for utility plant-in-service and CWIP be updated
20 based on actual results at June 30, 2013. My adjustment relating to utility plant-in-
21 service is shown in Schedule ACC-2. In quantifying its utility plant-in-service
22 adjustment, the Company did not include any accumulated depreciation or accumulated
23 deferred income taxes associated with the La Cygne environmental upgrades in its rate

1 base claim. Therefore, in Schedule ACC-2, I have also included these rate base offsets to
2 the Company's utility plant-in-service additions, based on actual balances at June 30,
3 2013. My adjustments reduce the Company's rate base by \$11,927,668.

4 My recommended adjustment relating to CWIP is shown in Schedule ACC-3.
5 This adjustment updates the Company's CWIP claim to reflect the actual CWIP balance
6 at June 30, 2013. My CWIP adjustment increases the Company's rate base by
7 \$4,764,063.

8

9 **Q. Did you make an associated adjustment to the Company's depreciation expense**
10 **claim?**

11 A. Yes, at Schedule ACC-4, I have made an adjustment to reduce the Company's
12 depreciation expense, consistent with my utility plant-in-service adjustment. To quantify
13 my adjustment, I applied the pro forma composite depreciation rate of 5.44%, which was
14 the depreciation rate for La Cygne environmental upgrades specified in the Settlement
15 Agreement in the 112 Docket, to my recommended utility plant-in-service adjustment.
16 The associated depreciation expense adjustment reduces the Company's depreciation
17 expense by \$401,634.

18

19 **Q. Are you recommending any other adjustment to the Company's revenue**
20 **requirement claim?**

21 A. Yes, I am recommending that the Commission disallow the Company's bad debt expense
22 adjustment. The Settlement Agreement specifically identified the items that would be
23 addressed in this abbreviated case. The Settlement Agreement did not identify bad debt

1 expense as an issue to be addressed in the abbreviated filing. Also, the Company
2 calculated its adjustment based on its claimed bad debt ratio from the last base rate case
3 filing. However, that case was resolved by stipulation and the Settlement Agreement is
4 silent with regard to the bad debt ratio assumed by the parties. Moreover, even if a bad
5 debt expense ratio had been identified in the Settlement Agreement, there is no evidence
6 that the ratio is still appropriate. Finally, it is my understanding that bad debt expense has
7 not been included in rates established in prior abbreviated rate filings. For all these
8 reasons, I recommend that the Commission reject the Company's bad debt expense claim.
9 It should be noted that the Company's claim actually reduces bad debt expense (and
10 therefore decreases its rate increase request) as shown in Section 3, Schedule 3-C, page 2
11 to the filing. Therefore, my adjustment will result in an increase to the Company's
12 claimed revenue deficiency of \$132,178. My recommendation to eliminate the
13 Company's bad debt expense adjustment is shown in Schedule ACC-5.

14 In addition, at Schedule ACC-6, I have made an interest synchronization
15 adjustment to synchronize interest expense with my recommended rate base and the
16 Company's weighted cost of debt. Since I am recommending a lower rate base than the
17 rate base proposed by Westar, my recommendations will decrease the Company's pro
18 forma interest expense and increase its state and federal income tax expense, as shown on
19 this schedule.

20
21 **Q. What is the impact of your recommended revenue requirement adjustments?**

22 A. My recommendations result in a revenue increase of \$30,629,170 which is \$1,119,075
23 less than the Company's requested increase. My recommendation is summarized in

1 Schedule ACC-1. My recommendation reflects a revenue multiplier of 1.6543 as shown
2 on Schedule ACC-7. This is the same revenue multiplier used by Westar in its filing.

3
4 **Q. Do you have any other comments about the revenue requirement requested by**
5 **Westar in this case?**

6 A. Yes. Westar's revenue requirement is based on an overall cost of capital of 8.4049%,
7 which is the cost of capital specified in the Settlement Agreement. The Settlement
8 Agreement stated that the cost of capital of 8.4049% was based on a 10% return on
9 common equity and on the capital structure and cost of debt filed by Staff witness Adam
10 Gatewood in his testimony in the 112 Docket. CURB opposed the Settlement Agreement
11 in that proceeding. One of CURB's major concerns with the Settlement Agreement was
12 the specified rate of 10% on common equity, which would be used in this abbreviated
13 case to establish rates associated with the La Cygne environmental upgrades.

14 I continue to believe that 10.0% return on equity included in the Settlement
15 Agreement is excessive. Moreover, since the KCC approved the Settlement Agreement
16 in the 112 Docket, the Commission has approved a return on common equity of 9.5% for
17 Kansas City Power and Light Company ("KCP&L"). This is significant because KCP&L
18 is, like Westar, an owner of La Cygne. Since Westar and KCP&L each own 50% of La
19 Cygne, the costs of the environmental upgrades are shared between the two companies.
20 However, if different returns on equity are used for the two companies, Westar ratepayers
21 will pay higher rates than their KCP&L counterparts for exactly the same upgrades.

22 Westar's utility plant-in-service and CWIP balances associated with the La Cygne
23 environmental project were \$24.14 million and \$314.99 million respectively at June 30,

1 2013. As shown on Schedule ACC-8, ratepayers will incur annual costs of \$47,151,792
2 associated with the return on these environmental upgrades as a result of this case,
3 assuming a cost of equity of 10%. If the KCC established rates in this abbreviated case
4 based on the 9.5% return on equity approved for KCP&L, ratepayers would save almost
5 \$1.5 million annually. Thus, Westar's ratepayers will pay 3.23% more than KCP&L
6 ratepayers for the same La Cygne capital additions, based on the higher cost of equity
7 being charged by Westar. If this differential were to continue over the entire life of the
8 environmental upgrades, Westar's ratepayers would pay approximately \$24.58 million
9 more than KCP&L customers for the same plant over the estimated life of the upgrades.

10 The cost to ratepayers of the 10.0% return on common equity approved in the
11 Company's last base rate case versus the 9.5% approved for KCP&L is even more
12 staggering when one considers the impact on Westar's overall rate base. The Company's
13 filing is based on total required return of \$343.91 million.² As shown on Schedule ACC-
14 9, the required return on the Company's overall rate base claim would have only been
15 \$333.15 million if a return on equity of 9.5% had been used, a difference of \$10.76
16 million of company earnings. Moreover, earnings are grossed-up for federal and state
17 income taxes, so ratepayers will be paying \$17.80 million under the Company's proposal
18 that they would not have paid if a return on equity of 9.5% had been adopted in the
19 Company's last case. I believe that it is unreasonable to require Westar customers to pay
20 a higher return on the environmental upgrades than their KCP&L counterparts. The
21 upgrades that are being installed provide the same functionality to both the Westar
22 customers and to the customers of KCP&L. There is no rationale for requiring the
23 Westar customers to pay higher rates for exactly the same plant.

² Company Filing, Section 3, Schedule 3-A, page 1.

1

2 **Q. Have you quantified your overall revenue recommendation, assuming that rates in**
3 **this case are established based on a return on equity of 9.5%?**

4 A. Yes, I have. As shown on Schedule ACC-10, if the KCC utilized a 9.5% cost of common
5 equity to establish rates in this proceeding, my recommended revenue increase would be
6 \$29,285,753, a reduction of \$2,462,492 from the amount requested by Westar.

7

8 **C. Promote Kansas Proposal**

9 **Q. Before addressing the specific programs proposed by Westar, please explain**
10 **CURB's position with regard to customer assistance programs in general.**

11 A. CURB is generally supportive of programs that promote reduced energy usage and/or that
12 provide assistance to customers that have difficulty paying their utility bills. It is my
13 understanding that CURB has supported such programs in the past and has stated its
14 intent to continue to promote programs that will make energy usage more affordable in
15 Kansas. As discussed in detail below, CURB is not supporting the Promote Kansas
16 programs proposed by Westar in this case. However, CURB will continue to work with
17 the utilities in Kansas, with the KCC and its Staff, and with various customer groups to
18 make energy more affordable in Kansas and to promote the efficient use of energy
19 resources.

20

21 **Q. Please describe the Promote Kansas proposal that Westar included in its**
22 **abbreviated filing.**

1 A. As described in the testimony of Mr. Wilson, Westar is proposing to terminate its existing
2 Economic Development Rider (“EDR”) program and to create a new program, Promote
3 Kansas. The Company’s proposal has two components. First, Westar is proposing to
4 implement a new economic development program that “would permit Westar, at its
5 option, to provide economic development assistance in the form of discounted electric
6 service to new customers and existing customers with planned expansions if three
7 conditions are met: (1) the customer adds new jobs to its work force, (2) the customer
8 brings new capital equipment and plant to a new or expanded facility and (3) the
9 economic development effort is supported and backed by a state organization such as the
10 Kansas Department of Commerce or a local economic development organization.”³ The
11 Company states that its proposal “will allow Westar to more actively participate in
12 economic development and job creation in Kansas and will benefit our customers, the
13 communities we serve, and the State of Kansas.”⁴

14 Second, Westar is proposing to create a fund for low-income energy assistance.
15 The fund would be managed and administered by a third party with experience in
16 screening applicants based on established criteria.

17
18 **Q. How does Westar plan to fund Promote Kansas?**

19 A. Westar plans to fund Promote Kansas entirely with ratepayer funds. Westar currently
20 credits margins received from as-available wholesale sales entirely to ratepayers through
21 the Retail Energy Cost Adjustment (“RECA”). Instead of crediting 100% of these funds
22 to ratepayers, Westar is proposing to utilize 30% of the margins to fund its economic

³ Id., page 3, lines 3-12.

⁴ Testimony of Mr. Wilson, page 2, lines 3-6.

1 development fund and to utilize 10% of the margins to fund its low-income assistance
2 fund. The remaining 60% would be credited to customers through the RECA. Westar is
3 proposing that the KCC approve funding for the economic development fund up to a limit
4 of \$25 million. Westar is proposing that if the balance in the economic development fund
5 falls below (\$5) million, it would stop awarding any new economic development
6 incentives until the fund regained a positive balance. Westar is proposing that the low-
7 income assistance fund be funded with 10% of as-available wholesale sales margins
8 regardless of the low-income fund balance.

9
10 **Q. Are you recommending that the KCC approve the Promote Kansas program as**
11 **proposed by Westar?**

12 A. No, I am not. I have several concerns about the Promote Kansas program. First, I do not
13 believe that this abbreviated rate case is the appropriate forum to implement a change to
14 the manner in which wholesale margins are treated for ratemaking purposes. The
15 Settlement Agreement in the abbreviated case was clear that this case would be limited to
16 updating rates based on capital costs incurred by Westar related to environmental projects
17 at La Cygne, updating rates based on the anticipated expiration of the ice storm
18 amortization, and examining class cost-of-service and rate design issues. In addition,
19 Westar was permitted to use the abbreviated rate filing to “address substantial changes in
20 tax or other applicable laws or regulations or other major events that result in significant
21 differences in Westar’s costs.”⁵ However, the Promote Kansas program clearly is not the
22 result of a change in law or regulation nor does it impact Westar’s costs. Therefore, there

⁵ Settlement Agreement in KCC Docket No. 12-WSEE-112-RTS, page 16.

1 is no basis to utilize this abbreviated proceeding as a forum to introduce new programs
2 that will shift additional costs to ratepayers.

3
4 **Q. Do you have other objections to the economic development program included as**
5 **part of Promote Kansas?**

6 A. Yes, I do. Westar currently has an economic development program that provides for a
7 25% discount to the customer's electric bill in the first year of service, with the discount
8 declining by 5% each year over a period of five years. This program is currently funded
9 60% by shareholders and 40% by ratepayers. The Promote Kansas program would
10 eliminate all shareholder funding and instead would require ratepayers to fund 100% of
11 these costs. Therefore, the Company's proposal would unnecessarily increase costs to
12 ratepayers.

13 In addition, there is no evidence that the current economic development program
14 needs to be revised. Westar has not provided an analysis or evaluation of the current
15 program. In response to CURB-9, Westar indicated that "[n]o studies or metrics exist
16 regarding the effectiveness of the current Economic Development Rider." Westar is
17 proposing significant changes in the current program without any data as to how effective
18 the current program is in promoting economic development in Kansas. Moreover,
19 Westar has not proposed any criteria by which to measure the success of a revised
20 economic development program.

21 Finally, Westar has proposed virtually no guidelines as to how funds under the
22 new economic program would be distributed. The Company would have free reign to
23 make disbursements, or not, from a fund that could be as high as \$25 million at any point

1 in time. While the Company indicated that the fund could be used to provide discounted
2 service if (1) the customer adds new jobs to the workforce, (2) the customer brings new
3 capital equipment and plant to a new or expanded facility, and (3) the economic
4 development is supported and backed by a state organization, the Company has not
5 identified any parameters or thresholds around these criteria. For example, Westar has
6 not stated how many new jobs must be created in order for a customer to qualify for the
7 economic development program or how much new capital must be added before a
8 discount would be provided. Moreover, once a customer does qualify, there are no
9 parameters for how much the discount would be or how long it would continue. The
10 proposed tariff provides for initial discounts of 5% to 25% but how the Company would
11 determine the amount of the initial discount or the time period over which it would be
12 offered is not well defined. Westar calls this program “flexible” but I believe that the
13 program, as proposed, is simply ill-defined and gives Westar far too much discretion with
14 regard to the use of ratepayer funds.

15
16 **Q. Please summarize your conclusions with regard to Westar’s proposed economic
17 development program.**

18 A. The abbreviated rate filing is not the appropriate forum in which to review Westar’s
19 proposed program. In addition, Westar has not evaluated the effectiveness of its current
20 economic development program nor has it proposed criteria to evaluate any future
21 program. The proposed economic development program would require ratepayers to
22 absorb 100% of the program costs, thereby shifting costs away from shareholders who
23 currently fund 60% of the economic development program. The proposed program is

1 also flawed in that it does not contain specific criteria for participation in the program or
2 address how discounts under the program would be determined. For all these reasons, I
3 recommend that the KCC reject Westar's economic development program in this case.
4

5 **Q. Do you have some of the same concerns regarding the low-income assistance**
6 **component of Promote Kansas?**

7 A. Yes, I do. Similar to my concerns expressed above with regard to the economic
8 development component, the abbreviated rate filing is not the appropriate forum to
9 introduce a new low-income assistance program. In addition, Westar already participates
10 in a low-income assistance program through Project Deserve, which is funded through a
11 combination of voluntary customer contributions, employee contributions, and
12 contributions from the Westar Energy Foundation, which are funded equally by
13 shareholders and ratepayers.⁶

14 Project Deserve is administered through a third-party administrator and Westar
15 anticipates using a third party for its new low-income assistance fund as well. However,
16 Westar has not identified a third-party administrator at this time.⁷ In addition, while the
17 Company stated that screening of applicants would be based on established criteria, it did
18 not identify the specific criteria to be used or identify how assistance would be disbursed
19 under the low-income fund.

20 Westar already has a mechanism in place to provide low-income assistance
21 through Project Deserve. This program is funded from a variety of sources, including

⁶ Response to CURB-5. As stated in that response, Westar has also contributed funds relating to project contributions received on the Clinch River Breeder Reactor Project and funds relating to an ad valorem tax refund, both with KCC approval.

⁷ Response to CURB-3.

1 from contributions that are shared equally between ratepayers and shareholders for
2 ratemaking purposes. Customers also have the ability to increase their contributions to
3 Project Deserve through voluntary discretionary funding. There is no reason to
4 implement an additional program that would require mandatory funding by ratepayers
5 through a portion of the wholesale margins that are currently being credited to them
6 through the RECA.

7
8 **Q. Are there also potential legal concerns about the low-income assistance fund?**

9 A. I am not an attorney but it is my understanding that there may be legal concerns about the
10 Company's proposal, in addition to the concerns I have raised in this testimony. On
11 August 9, 2013, Staff filed a Motion for Modification of Procedural Schedule
12 ("Motion"), asking the KCC to establish a briefing schedule to address legal issues
13 associated with the requested low-income assistance fund. In addition, it is my
14 understanding that the KCC addressed legal issues relating to certain types of low-income
15 assistance in KCC Docket No. 04-GIMX-531-GIV. In its Order in that case, the KCC
16 found that "low-income assistance rates in the form of pure discounts are impermissibly
17 discriminatory and unduly preferential, and that there is no basis to depart from the prior
18 determinations of the Commission in this regard."⁸

19
20 **Q. What do you recommend?**

21 A. I recommend that the Commission reject the Company's proposal to implement a new
22 low-income assistance program. I recognize that low-income assistance is critical for
23 many customers. But Westar already participates in a program that provides low-income

⁸ Order in KCC Docket No. 04-GIMX-531-GIV, ¶13.

1 assistance for certain customers. Either Westar or individual customers can increase their
2 funding to Project Deserve if they believe that additional assistance is necessary. If
3 Westar believes that a new low-income assistance program is necessary, it should
4 propose such a program in a forum other than this abbreviated filing. Finally, the KCC
5 should consider the fact that while Westar is requesting approval for a new low-income
6 assistance program, it is also promoting a rate design that results in disproportionately
7 higher increases to residential customers. The best way to provide low-income assistance
8 for Kansas ratepayers is to keep rates as low as possible, especially for residential
9 customers.

10

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

12 A. Yes, it does.

13

APPENDIX A

List of Prior Testimonies

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Southwestern Public Service Company	E	New Mexico	12-000350-UT	8/13	Cost of Capital, RPS Rider, Gain on Sale, Allocations	New Mexico Office of Attorney General
Westar Energy, Inc.	E	Kansas	13-WSEE-629-RTS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	13-115	8/13	Revenue Requirements	Division of the Public Advocate
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-447-MIS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Jersey Central Power & Light Company	E	New Jersey	ER12111052	6/13	Reliability Cost Recovery Consolidated Income Taxes	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	12-450F	3/13	Gas Sales Rates	Attorney General
Public Service Electric and Gas Co.	E	New Jersey	EO12080721	1/13	Solar 4All - Extension Program	Division of Rate Counsel
Public Service Electric and Gas Co.	E	New Jersey	EO12080726	1/13	Solar Loan III Program	Division of Rate Counsel
Lane Scott Electric Cooperative	E	Kansas	12-MKEE-410-RTS	11/12	Acquisition Premium Policy Issues	Citizens' Utility Ratepayer Board
Kansas Gas Service	G	Kansas	12-KGSG-835-RTS	9/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power and Light Company	E	Kansas	12-KCPE-764-RTS	8/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Woonsocket Water Division	W	Rhode Island	4320	7/12	Revenue Requirements	Division of Public Utilities and Carriers
Atmos Energy Company	G	Kansas	12-ATMG-564-RTS	6/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	11-258	5/12	Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company (Western)	E	Kansas	12-MKEE-491-RTS	5/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atlantic City Electric Company	E	New Jersey	ER11080469	4/12	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	12-MKEE-380-RTS	4/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	11-381F	2/12	Gas Cost Rates	Division of the Public Advocate
Atlantic City Electric Company	E	New Jersey	EO11110650	2/12	Infrastructure Investment Program (IIP-2)	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	11-384F	2/12	Gas Service Rates	Division of the Public Advocate
New Jersey American Water Co.	WWW	New Jersey	WR11070460	1/12	Consolidated Income Taxes Cash Working Capital	Division of Rate Counsel
Westar Energy, Inc.	E	Kansas	12-WSEE-112-RTS	1/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Southwestern Public Service Company	E	New Mexico	12-000350-UT	8/13	Cost of Capital, RPS Rider, Gain on Sale, Allocations	New Mexico Office of Attorney General
Westar Energy, Inc.	E	Kansas	13-WSEE-629-RTS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	13-115	8/13	Revenue Requirements	Division of the Public Advocate
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-447-MIS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Jersey Central Power & Light Company	E	New Jersey	ER12111052	6/13	Reliability Cost Recovery Consolidated Income Taxes	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Puget Sound Energy, Inc.	E/G	Washington	UE-111048 UG-111049	12/11	Conservation Incentive Program and Others	Public Counsel
Puget Sound Energy, Inc.	G	Washington	UG-110723	10/11	Pipeline Replacement Tracker	Public Counsel
Empire District Electric Company	E	Kansas	11-EPDE-856-RTS	10/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast Cable	C	New Jersey	CR11030116-117	9/11	Forms 1240 and 1205	Division of Rate Counsel
Artesian Water Company	W	Delaware	11-207	9/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS (Remand)	7/11	Rate Case Costs	Citizens' Utility Ratepayer Board
Midwest Energy, Inc.	G	Kansas	11-MDWE-609-RTS	7/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power & Light Company	E	Kansas	11-KCPE-581-PRE	6/11	Pre-Determination of Ratemaking Principles	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	10-421	5/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company	E	Kansas	11-MKEE-439-RTS	4/11	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
South Jersey Gas Company	G	New Jersey	GR10060378-79	3/11	BGSS / CIP	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	10-296F	3/11	Gas Service Rates	Division of the Public Advocate
Westar Energy, Inc.	E	Kansas	11-WSEE-377-PRE	2/11	Pre-Determination of Wind Investment	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	10-295F	2/11	Gas Cost Rates	Attorney General
Delmarva Power and Light Company	G	Delaware	10-237	10/10	Revenue Requirements Cost of Capital	Division of the Public Advocate
Pawtucket Water Supply Board	W	Rhode Island	4171	7/10	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey Natural Gas Company	G	New Jersey	GR10030225	7/10	RGGI Programs and Cost Recovery	Division of Rate Counsel

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Southwestern Public Service Company	E	New Mexico	12-000350-UT	8/13	Cost of Capital, RPS Rider, Gain on Sale, Allocations	New Mexico Office of Attorney General
Westar Energy, Inc.	E	Kansas	13-WSEE-629-RTS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	13-115	8/13	Revenue Requirements	Division of the Public Advocate
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-447-MIS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Jersey Central Power & Light Company	E	New Jersey	ER12111052	6/13	Reliability Cost Recovery Consolidated Income Taxes	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atmos Energy Corp.	G	Kansas	10-ATMG-495-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Empire District Electric Company	E	Kansas	10-EPDE-314-RTS	3/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	09-414 and 09-276T	2/10	Cost of Capital Rate Design Policy Issues	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	09-385F	2/10	Gas Cost Rates	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	09-398F	1/10	Gas Service Rates	Division of the Public Advocate
Public Service Electric and Gas Company	E	New Jersey	ER09020113	11/09	Societal Benefit Charge Non-Utility Generation Charge	Division of Rate Counsel
Delmarva Power and Light Company	G	Delaware	09-277T	11/09	Rate Design	Division of the Public Advocate
Public Service Electric and Gas Company	E/G	New Jersey	GR09050422	11/09	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	09-MKEE-969-RTS	10/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy, Inc.	E	Kansas	09-WSEE-925-RTS	9/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08050326 EO08080542	8/09	Demand Response Programs	Division of Rate Counsel
Public Service Electric and Gas Company	E	New Jersey	EO09030249	7/09	Solar Loan II Program	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	09-MDWE-792-RTS	7/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy and KG&E	E	Kansas	09-WSEE-641-GIE	6/09	Rate Consolidation	Citizens' Utility Ratepayer Board

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Southwestern Public Service Company	E	New Mexico	12-000350-UT	8/13	Cost of Capital, RPS Rider, Gain on Sale, Allocations	New Mexico Office of Attorney General
Westar Energy, Inc.	E	Kansas	13-WSEE-629-RTS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	13-115	8/13	Revenue Requirements	Division of the Public Advocate
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-447-MIS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Jersey Central Power & Light Company	E	New Jersey	ER12111052	6/13	Reliability Cost Recovery Consolidated Income Taxes	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	09-60	6/09	Cost of Capital	Division of the Public Advocate
Rockland Electric Company	E	New Jersey	GO09020097	6/09	SREC-Based Financing Program	Division of Rate Counsel
Tidewater Utilities, Inc.	W	Delaware	09-29	6/09	Revenue Requirements Cost of Capital	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	08-269F	3/09	Gas Service Rates	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	08-266F	2/09	Gas Cost Rates	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	09-KCPE-246-RTS	2/09	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08090840	1/09	Solar Financing Program	Division of Rate Counsel
Atlantic City Electric Company	E	New Jersey	EO06100744 EO08100875	1/09	Solar Financing Program	Division of Rate Counsel
West Virginia-American Water Company	W	West Virginia	08-0900-W-42T	11/08	Revenue Requirements	The Consumer Advocate Division of the PSC
Westar Energy, Inc.	E	Kansas	08-WSEE-1041-RTS	9/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Artesian Water Company	W	Delaware	08-96	9/08	Cost of Capital, Revenue, New Headquarters	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR08020113	9/08	Form 1205 Equipment & Installation Rates	Division of Rate Counsel
Pawtucket Water Supply Board	W	Rhode Island	3945	7/08	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey American Water Co.	WWW	New Jersey	WR08010020	7/08	Consolidated Income Taxes	Division of Rate Counsel
New Jersey Natural Gas Company	G	New Jersey	GR07110889	5/08	Revenue Requirements	Division of Rate Counsel
Kansas Electric Power Cooperative, Inc.	E	Kansas	08-KEPE-597-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Company	E	New Jersey	EX02060363 EA02060366	5/08	Deferred Balances Audit	Division of Rate Counsel

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Southwestern Public Service Company	E	New Mexico	12-000350-UT	8/13	Cost of Capital, RPS Rider, Gain on Sale, Allocations	New Mexico Office of Attorney General
Westar Energy, Inc.	E	Kansas	13-WSEE-629-RTS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	13-115	8/13	Revenue Requirements	Division of the Public Advocate
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-447-MIS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Jersey Central Power & Light Company	E	New Jersey	ER12111052	6/13	Reliability Cost Recovery Consolidated Income Taxes	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Cablevision Systems Corporation	C	New Jersey	CR07110894, et al..	5/08	Forms 1240 and 1205	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	08-MDWE-594-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	07-246F	4/08	Gas Service Rates	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR07100717-946	3/08	Form 1240	Division of Rate Counsel
Generic Commission Investigation	G	New Mexico	07-00340-UT	3/08	Weather Normalization	New Mexico Office of Attorney General
Southwestern Public Service Company	E	New Mexico	07-00319-UT	3/08	Revenue Requirements Cost of Capital	New Mexico Office of Attorney General
Delmarva Power and Light Company	G	Delaware	07-239F	2/08	Gas Cost Rates	Division of the Public Advocate
Atmos Energy Corp.	G	Kansas	08-ATMG-280-RTS	1/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board

APPENDIX B

Supporting Schedules

WESTAR ENERGY, INC.**ABBREVIATED RATE FILING****SUMMARY OF REVENUE DEFICIENCY**

	<u>Company Claim</u>		
1. Incremental Rate Base Claim	\$316,062,817	(A)	
2. Recommended Adjustments	<u>(7,163,605)</u>	(B)	
3. CURB Pro Forma Rate Base			\$308,899,212
4. Required Return (%)			<u>8.4049%</u> (C)
5. Required Return (\$)			\$25,962,670
6. Incremental Operating Income Claim	\$7,372,950	(A)	
7. Recommended Adjustments	<u>74,386</u>	(D)	
8. CURB Pro Forma Operating Income			<u>7,447,336</u>
9. Income Deficiency			\$18,515,333
10. Revenue Multiplier			<u>1.6543</u> (E)
11. Recommended Revenue Increase			\$30,629,170
12. Company Claim			<u>31,748,245</u>
13. Recommended Adjustment			<u><u>\$1,119,075</u></u>

Sources:

(A) Company Filing, Section 3, Schedule 3-B, page 1.

(B) Schedules ACC-2 and ACC-3.

(C) Company Filing, Section 3, Schedule 3-A, page 1.

(D) Schedules ACC-5, ACC-6, and ACC-7.

(E) Schedule ACC-7.

Schedule ACC-2

WESTAR ENERGY, INC.

ABBREVIATED RATE FILING

UTILITY PLANT-IN-SERVICE

1. Actual Plant in Service at June 30, 2013	\$24,136,868	(A)
2. Accumulated Depreciation	(112,749)	(B)
3. Accumulated Deferred Income Taxes	<u>(4,431,946)</u>	(C)
4. Net Rate Base Addition	\$19,592,173	
5. Company Claim	<u>31,519,841</u>	(D)
6. Recommended Adjustment	<u>(\$11,927,668)</u>	

Sources:

(A) Response to CURB-41.

(B) Reflects 9 months of depreciation, to June 30, 2013, on plant completed in 2012.

(C) Response to KCC-18.

(D) Company Filing, Section 3, Schedule 3-C, page 1.

Schedule ACC-3

WESTAR ENERGY, INC.

ABBREVIATED RATE FILING

CONSTRUCTION WORK IN PROGRESS

1. Actual CWIP at June 30, 2013	\$314,989,808	(A)
2. Company Claim	<u>310,225,745</u>	(B)
3. Recommended Adjustment	<u>\$4,764,063</u>	

Sources:

(A) Response to CURB-41.

(B) Company Filing, Section 3, Schedule 3-C, page 1.

WESTAR ENERGY, INC.**ABBREVIATED RATE FILING****DEPRECIATION ON UTILITY PLANT IN SERVICE**

1. Actual Utility Plant in Service at June 30, 2012	\$24,136,868	(A)
2. Company Claim	<u>31,519,841</u>	(B)
3. Recommended Utility Plant in Service Adjustment	\$7,382,973	
4. Depreciation Rate	<u>5.44%</u>	(C)
5. Recommended Depreciation Adjustment	\$401,634	
6. Income Taxes @ 39.55%	<u>158,846</u>	
7. Impact on Operating Income	<u>\$242,788</u>	

Sources:

(A) Schedule ACC-2.

(B) Company Filing, Section 3, Schedule 3-C, page 1.

(C) Company Workpaper - Depreciation, provided in response to CURB-2.

Schedule ACC-5

WESTAR ENERGY, INC.

ABBREVIATED RATE FILING

BAD DEBT EXPENSE

1. Company Claim		(\$132,178)	(A)
2. Income Taxes @	39.55%	<u>(52,276)</u>	
3. Impact on Operating Income		<u>(\$79,902)</u>	

Sources:

(A) Company Filing, Section 3, Schedule 3-C, page 2.

Schedule ACC-6

WESTAR ENERGY, INC.

ABBREVIATED RATE FILING

INTEREST SYNCHRONIZATION

1. Recommended Rate Base Adjustments	(\$7,163,605)	(A)
2. Weighted Cost of Debt	<u>3.1237%</u>	(B)
3. Pro Forma Interest Expense Adjustment	(\$223,766)	
4. Income Taxes @ 39.55%	(\$88,500)	
5. Operating Income Impact	<u>(\$88,500)</u>	

Sources:

(A) Schedule ACC-1.

(B) Staff Schedules in Docket No. 12-WSEE-112-RTS, Schedule C-1.

Schedule ACC-7

WESTAR ENERGY, INC.

ABBREVIATED RATE FILING

REVENUE MULTIPLIER AND TAX FACTOR

1. Revenues		100.0000	
2. State Income Taxes @	7.00%	<u>7.0000</u>	(A)
3. Federal Taxable Income		93.0000	
4. Federal Income Taxes @	35.00%	<u>32.5500</u>	(A)
5. Operating Income		60.4500	
6. Revenue Multiplier		<u>1.6543</u>	(B)
7. Total Tax Factor		<u>39.55%</u>	(C)

Sources:

(A) Reflects statutory rates.

(B) Line 1 / Line 5.

(C) Line 2 + Line 4.

WESTAR ENERGY, INC.

ABBREVIATED RATE FILING

SUMMARY OF REVENUE DEFICIENCY AT DIFFERENT RETURNS

	<u>10.0% ROE</u>		<u>9.5% ROE</u>	
1. La Cygne Plant-in-Service and CWIP	\$339,126,676	(A)	\$339,126,676	(A)
2. Required Return (%)	<u>8.4049%</u>	(B)	<u>8.1420%</u>	(D)
3. Required Return (\$)	\$28,503,258		\$27,611,694	
4. Revenue Multiplier	<u>1.6543</u>	(C)	<u>1.6543</u>	(C)
5. Recommended Revenue Increase	<u>\$47,151,792</u>		<u>\$45,676,913</u>	
6. Difference			<u>\$1,474,878</u>	
7. Percentage Increase			<u>3.23%</u>	

Sources:

(A) Response to CURB-41.

(B) Company Filing, Section 3, Schedule 3-A, page 1.

(C) Schedule ACC-7.

(D) Testimony of Mr. Gatewood, KCC Docket No. 12-WSEE-112-RTS, page 3.

WESTAR ENERGY, INC.

ABBREVIATED RATE FILING

IMPACT OF COST OF EQUITY ON TOTAL RETURN

	<u>10.0% ROE</u>		<u>9.5% ROE</u>	
1. Total Rate Base Claim	\$4,091,788,645	(A)	\$4,091,788,645	(A)
2. Cost of Capital @ 9.5% ROE	<u>8.4049%</u>	(A)	<u>8.1420%</u>	(B)
3. Required Operating Income	\$343,910,744		\$333,153,431	
4. Revenue Multiplier	<u>1.6543</u>	(C)	<u>1.6543</u>	
5. Required Revenue	\$568,917,690		\$551,122,302	
6. Impact of Higher ROE on Revenue			<u>\$17,795,388</u>	

Sources:

(A) Company Filing, Section 3, Schedule 3-A, page 1.

(C) Testimony of Mr. Gatewood in KCC Docket No. 12-WSEE-112-RTS,
page 3.

(D) Schedule ACC-7 .

WESTAR ENERGY, INC.**ABBREVIATED RATE FILING****SUMMARY OF REVENUE DEFICIENCY AT 9.5% COST OF EQUITY**

	<u>Company</u> <u>Claim</u>		
1. Incremental Rate Base Claim	\$316,062,817	(A)	
2. Recommended Adjustments	<u>(7,163,605)</u>	(B)	
3. CURB Pro Forma Rate Base			\$308,899,212
4. Required Return (%)			<u>8.1420%</u> (C)
5. Required Return (\$)			\$25,150,574
6. Incremental Operating Income Claim	\$7,372,950	(A)	
7. Recommended Adjustments	<u>74,386</u>	(B)	
8. CURB Pro Forma Operating Income			<u>7,447,336</u>
9. Income Deficiency			\$17,703,237
10. Revenue Multiplier			<u>1.6543</u> (D)
11. Recommended Revenue Increase			\$29,285,753
12. Company Claim			<u>31,748,245</u>
13. Recommended Adjustment			<u><u>\$2,462,492</u></u>

Sources:

(A) Company Filing, Section 3, Schedule 3-B, page 1.

(B) Schedule ACC-1.

(C) Testimony of Mr. Gatewood in KCC Docket No. 12-WSEE-112-RTS, page 3.

(D) Schedule ACC-7.

APPENDIX C

Referenced Data Requests

CURB-3

CURB-5

CURB-9

CURB-41

KCC-18



DATA
REQUEST
EASY
ACCESS
MANAGEMENT SYSTEM



[Home Page](#) [Change Password](#)

Monday, August 19, 2013

Logged in as: [Andrea Crane] [Logout](#)

Docket: [13-WSEE-629-RTS] 2013 Abbreviated Rate Case

Requestor: [CURB] [David Springe]

Data Request: CURB-03 :: Low-income energy assistance program

Date: 0000-00-00

Question 1 (Prepared by Terry Wilson)

Please identify the current third party administrator for the low-income energy assistance program referenced on page 5 of Mr. Wilson's testimony.

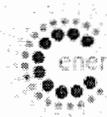
Response:

A third party administrator for the proposed low-income assistance program has not been selected.

No Digital Attachments Found.

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DATA
REQUEST
EASY
ACCESS
MANAGEMENT SYSTEM



[Home Page](#) [Change Password](#)

Monday, August 19, 2013

Logged in as: [Andrea Crane] [Logout](#)

Docket: [13-WSEE-629-RTS] 2013 Abbreviated Rate Case

Requestor: [CURB] [David Springe]

Data Request: CURB-05 :: Contributions

Date: 0000-00-00

Question 1 (Prepared by Mike Stadler)

For each of the last three years, please identify a) the total contributions to Project Deserve, b) the amount of voluntary contributions from ratepayers, c) the amount of contributions funded from utility rates, and d) the amount of contributions funded by shareholders.

Response:

Project DESERVE is a unique partnership between the private sector and a humanitarian agency, the Midway-Kansas Chapter, American Red Cross, to provide financial assistance to those with special needs who do not qualify for government programs. For over 30 years, Project DESERVE has assisted elderly, severely disabled and income-eligible Kansans with their energy-related expenses. Funding for Project DESERVE has been provided by customers and employees of Westar Energy, Inc., Kansas Gas and Electric Company, Wolf Creek Nuclear Operating Corporation, and other companies who voluntarily contribute regularly when paying their bill or by payroll deduction in the case of an employee. There are additional sources of funding from private foundations, including the KG&E Project DESERVE Trust and Westar Energy Foundation. Over the last three years, the sources of funding are as follows:

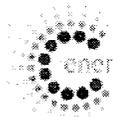
Description	2012	2011	2010
Voluntary Contributions: From WEI & KGE customers	\$162,965.00	\$169,949.20	\$178,634.13
From WEI employees	2,762.00	2,909.00	3,220.00
From WCNOG employees	1,443.00	1,529.00	1,567.00
Contributions Funded from Utility Rates: Westar Energy, Inc. Foundation **	50,000.00	65,000.00	40,000.00
Contributions Funded by Shareholders: Westar Energy, Inc. Foundation **	50,000.00	65,000.00	40,000.00
Disbursements from Project Deserve Trust KG&E Project DESERVE Trust *	92,903.00	95,646.00	91,031.00
Total	\$360,073.00	\$400,033.20	\$354,452.13

* KG&E Project DESERVE Trust (Trust) is a tax exempt private foundation under Section 501(c)(3) of the Internal Revenue Code of 1986 (Code). The purpose of the Trust is to benefit Project DESERVE, managed by the Midway-Kansas Chapter of the American Red Cross. The Trust was initially funded by KG&E when the KCC has allowed KG&E to place in trust certain funds which had been accumulated pursuant to a Utility Contribution Agreement for contributions to the Clinch River Breeder Reactor Project. This project was terminated, and KG&E was no longer obligated to distribute such funds to the project. Additionally, in 2001, there was a stipulated agreement among the Staff of the State Corporation Commission of the State of Kansas (KCC), Williams Gas Pipelines Central, Inc. (Williams), Westar Energy, Inc. (Westar) and KG&E with respect to certain ad valorem tax refunds by Williams. Westar as a former customer of Williams became entitled to a refund and with approval of the KCC deposited its refund into the Project DESERVE Trust. ** Westar Energy Foundation (Foundation) is a tax exempt private foundation under Section 501(a) of the Internal Revenue Code of 1986 (Code) as an organization described in Section 501(c)(3). The Foundation was incorporated on February 14, 1991 as a not for profit corporation under the laws of the State of Kansas in order to make donations to qualified charitable, educational, scientific, and religious organizations operating within the service territory of Westar Energy, Inc. and Affiliated Companies (Westar). The Foundation is funded via contributions made by Westar. The KCC has allowed Westar to included 50% of its contributions in cost of service.

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Monday, August 19, 2013

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Docket: [13-WSEE-629-RTS] 2013 Abbreviated Rate Case

Requestor: [CURB] [David Springe]

Data Request: CURB-09 :: Economic Development Rider

Date: 0000-00-00

Question 1 (Prepared by Terry Wilson)

Please provide any studies or metrics regarding the effectiveness of the current Economic Development Rider in attracting new business and stimulating expansion in Kansas.

Response:

No studies or metrics exist regarding the effectiveness of the current Economic Development Rider. Westar has received verbal feedback from various Economic Development organizations across the state indicating the effectiveness of Economic Development programs including those similar to the current and proposed Economic Development Riders in attracting new business to Kansas.

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Docket: [13-WSEE-629-RTS] 2013 Abbreviated Rate Case
Requestor: [CURB] [David Springe]
Data Request: CURB-41 :: Responses to CURB-2 & CURB-29
Date: 0000-00-00

CURB-41 (Prepared by John Grace)

Regarding the responses to CURB-2 and CURB-29, please provide a) the most recent LaCygne utility plant in service additions and b) construction work in progress. Please continue to update this request with actual results through June 30, 2013.

Response:

Please see the attached document for CWIP and plant in service additions through May 31, 2013 related to the La Cygne environmental project. We will update this response for the balance of CWIP and plant in service in July for the June 30 balances. Supplemental response - July 11, 2011 Please see the attached document for CWIP and plant in service additions through June 30, 2013 related to the La Cygne environmental project.

Attachment File Name	Attachment Note
CURB 41 La Cygne Environmental Actuals (June 2013) 7.11.13.xlsx	
CURB 41 La Cygne Environmental Actuals (May 2013) 6.11.13.xlsx	

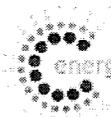
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Westar Energy, Inc.

La Cygne Environmental Plant Balances and Projections

Line #	A Work order	B Description	C La Cygne Environmental Project Balances		
			CWIP	Plant In-service	E Total
			Balance	Balance	
1	7000026	Accrual	\$ 20,782,434		\$ 20,782,434
2	7003204	Environmental Upgrade	87,132,480		87,132,480
3	7003205	AQCS LO Prj Mgmt & Admin	22,352,994		22,352,994
4	7003206	Site Preparation	0		0
5	7003208	Warehouse Replacement	3		3
6	7003211	New Paint Shop - La Cygne	-	383,245	383,245
7	7003262	La Cygne Nonexempt Sales Use Tax	531,769		531,769
8	7003263	La Cygne Warehouse Replacement	-	2,497,037	2,497,037
9	7003275	Materials reimbursed by LEP	20,049		20,049
10	7012601	Feed between Transformers at Plant	681,013		681,013
11	7013453	La Cygne Sub #704 Expansion	700,233		700,233
12	7100025	SCR Retention	14,040,758		14,040,758
13	7100026	La Cygne 1 AQC Accruals	-		-
14	7103186	La Cygne Unit 1 FGD & Baghouse	74,402,627		74,402,627
15	7103202	AQCS Proj Mgt & Admin	(52)		(52)
16	7103267	La Cygne DC5 Unit 1	3,524,670		3,524,670
17	7200026	L2 SCR Accruals	-		-
18	7203187	La Cygne #2 SCR	90,819,478		90,819,478
19	7203203	AQCS Proj Mgt & Admin	-	16,503	16,503
20	7203206	Low Nox Burners	1,353		1,353
21	7203207	La Cygne Unit 2 Low Nox Burners & OFA	-	15,804,366	15,804,366
22	7203260	La Cygne Unit 2 DCS	-	5,435,717	5,435,717
23		Total Balance as of June 2013	\$ 314,989,808	\$ 24,136,868	\$ 339,126,676
24					
25		Less: Plant Balances in 2011 General Rate Filing	8,315,732		8,315,732
26					
27		Net La Cygne Plant Balance Adjustments	\$ 306,674,076	\$ 24,136,868	\$ 330,810,944



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Monday, August 19, 2013
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Docket: [13-WSEE-629-RTS] 2013 Abbreviated Rate Case
Requestor: [KCC] [Kristina Luke-Fry]
Data Request: KCC-18 :: ADIT - LaCygne
Date: 0000-00-00

KCC-18 (Prepared by Jeanette Bouzianis)

Please provide an updated version of the Accumulated Deferred Income Tax spreadsheet (Calculation of ADIT-LaCygne) was provide the in packet provided to Staff during the July 1st meeting. This update should remove plant that was in service at the end of the 12-WSEE-112-RTS docket (columns a-c) and update to the ADIT amounts as of June 30, 2013.

Response:

The attached Accumulated Deferred Income Tax spreadsheet has been updated to remove plant that was in service at the end of the 12-WSEE-112-RTS docket and reflects ADIT amounts as of June 30, 2013.
Supplemental response: August 13 In reviewing the attachment we realized the two workorders completed and closed in June were not incorporated into this analysis. An updated and corrected attachment has been added. We regret any inconvenience this may have caused the parties.

Attachment File Name	Attachment Note
LaCygne June 2013 ADIT	
13 WSEE 629 RTS updated	
08 01 2013.xlsx	

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Westar Energy, Inc.

Abbreviated Rate Case - 13-WSEE-629-RTS

Calculation of Book Depreciation, Tax Depreciation, & ADIT - LaCygne

As of 6/30/2013 (Annualized)

	a	b	c	d	e	f	g	h	i	j
	Paint Shop	Warehouse		Paint Shop	Warehouse	Warehouse	LowNox Burners	DCS		
	2012	2012		2013	2013	2013	2013	2013	(Annualized)	
	7003211	7003263	Total	7003211	7003263	7003263	7203207	7203260	Total	Grand Total
	9/2012	9/2012	2012	9/2012	9/2012	2013	6/2013	6/2013	2013	2012 & 2013
Tax Depreciation										
1	Tax Year									
2	In-Service Work Orders:									
3	In-Service Date									
4	Notes					(1)				
5	Book Basis	383,245	2,380,241	2,763,486	383,245	2,380,241	116,795	15,804,366	5,435,717	24,120,364
6	Less AFUDC Equity	(2,115)	(13,266)	(15,381)	(2,115)	(13,266)	-	(7,380)	(17,732)	(40,493)
7	Tax Basis	381,130	2,366,975	2,748,105	381,130	2,366,975	116,795	15,796,986	5,417,985	24,079,871
8	Less 50% Bonus Depreciation	(190,565)	(1,183,488)	(1,374,053)	(190,565)	(1,183,488)	(58,398)	(7,898,493)	(2,708,993)	(12,039,936)
9	Depreciable Tax Basis	190,565	1,183,488	1,374,053	190,565	1,183,488	58,398	7,898,493	2,708,993	12,039,936
10	MACRS Tax Rate	3.75%	3.75%		7.219%	7.219%	3.75%	3.75%	3.75%	
11	Tax Depreciation	7,146	44,381	51,527	13,757	85,436	2,190	296,193	101,587	499,163
12	Add Bonus Depreciation	190,565	1,183,488	1,374,053			58,398	7,898,493	2,708,993	10,665,883
13	Total Tax Depreciation - Full Year	197,711	1,227,868	1,425,579	13,757	85,436	60,587	8,194,686	2,810,580	11,165,047
14	Monthly Tax Depreciation	16,476	102,322	118,798	1,146	7,120	5,049	682,891	234,215	930,421
15	# Months	12	12		12	12	12	12	12	
16	Total Tax Depreciation by Year	197,711	1,227,868	1,425,579	13,757	85,436	60,587	8,194,686	2,810,580	11,165,047

	2012	2012	Total	2013	2013	2013	2013	2013	(Annualized)	Grand Total
	7003211	7003263	2012	7003211	7003263	7003263	7203207	7203260	2013	2012 & 2013
	9/2012	9/2012	2012	9/2012	9/2012	2013	6/2013	6/2013	2013	
ESL Depreciation										
17	Tax Year									
18	In-Service Work Orders:									
19	In-Service Date									
20	Notes	(1)	(1)			(1)				
21	Tax Basis before Bonus Depr.	381,130	2,366,975	2,748,105	381,130	2,366,975	116,795	15,796,986	5,417,985	24,079,871
22	ESL Depreciation Rate	2.72%	2.72%		5.44%	5.44%	5.44%	5.44%	5.44%	
23	Total ESL Depreciation - Full Year	10,367	64,382	74,748	20,733	128,763	6,354	859,356	294,738	1,309,945
24	Monthly ESL Depreciation	864	5,365	6,229	1,728	10,730	529	71,613	24,562	109,162
25	# Months	12	12		12	12	12	12	12	
26	Total ESL Depreciation by Year	10,367	64,382	74,748	20,733	128,763	6,354	859,356	294,738	1,309,945

	2012	2012	Total	2013	2013	2013	2013	2013	(Annualized)	Grand Total
	7003211	7003263	2012	7003211	7003263	7003263	7203207	7203260	2013	2012 & 2013
	9/2012	9/2012	2012	9/2012	9/2012	2013	6/2013	6/2013	2013	
ADIT										
27	Tax Depr in Excess of ESL Depr	187,344	1,163,487	1,350,831	(6,977)	(43,327)	54,234	7,335,330	2,515,841	9,855,102
28	Statutory Tax Rate	39.55%	39.55%		39.55%	39.55%	39.55%	39.55%	39.55%	
29	Total Deferred Income Tax by Year	74,095	460,159	534,254	(2,759)	(17,136)	21,449	2,901,123	995,015	3,897,693

30 Note (1) Work order #7003263 had additional charges of \$116,795 go in-service in 2013.

	2012	2012	Total	2013	2013	2013	2013	2013	(Annualized)	Grand Total
	7003211	7003263	2012	7003211	7003263	7003263	7203207	7203260	2013	2012 & 2013
	9/2012	9/2012	2012	9/2012	9/2012	2013	6/2013	6/2013	2013	
Book Depreciation										
31	Book Basis	383,245	2,380,241	2,763,486	383,245	2,380,241	116,795	15,804,366	5,435,717	24,120,364
32	Book Depreciation Rate	1.36%	1.36%		5.44%	5.44%	5.44%	5.44%	5.44%	
33	Total Book Depreciation by Year	5,212	32,371	37,583	20,849	129,485	6,354	859,758	295,703	1,312,148

CERTIFICATE OF SERVICE

13-WSEE-629-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 21st day of August, 2013, to the following parties who have waived receipt of follow-up hard copies:

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A handwritten signature in cursive script, appearing to read "Della Smith", written over a horizontal line.

Della Smith
Administrative Specialist