BEFORE THE STATE CORPORATION COMMISSION

OF THE STATE OF KANSAS

REBUTTAL TESTIMONY

OF

JOHN T. BRIDSON

WESTAR ENERGY, INC.

DOCKET NO. 18-WSEE-328-RTS

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. John T. Bridson. 818 S. Kansas Ave, Topeka, KS 66601.

Q. ARE YOU THE SAME JOHN BRIDSON WHO SUBMITTED DIRECT TESTIMONY IN THIS DOCKET?

A. Yes, although my title has changed since I filed my direct testimony. I am still employed by Westar Energy, Inc. (Westar) but with the creation of Evergy, Inc. through the merger of Westar and Great Plains Energy, I became Vice-President, Generation Services for Evergy and its operating company subsidiaries, including Westar, Kansas City Power & Light Company ("KCP&L"), and KCP&L Greater Missouri Operations ("GMO").

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I will respond to:

1) testimony from Staff, Citizens' Utility Ratepayer Board ("CURB"), Kansas Industrial Consumers ("KIC"), KeyCorp and Midwest Power Company (together as "Key"), and The Kroger Company ("Kroger") regarding Westar's investment in the Western Plains wind farm;

2) testimony from Staff, CURB and KIC regarding the ratemaking treatment for costs incurred by Westar related to the 8% of Jeffrey Energy Center (JEC) currently leased by Westar from the Wilmington Trust Company, a trust held by Midwest Power Company, a wholly owned subsidiary of KeyCorp;

3) to testimony from Sierra Club regarding Westar's operation of coal plants in our generation fleet; and

4) to Staff witness Dunkel's testimony regarding the depreciable lives of several of our gas plants.

Q. PLEASE PROVIDE AN OVERVIEW OF YOUR REBUTTAL TESTIMONY.

A. The testimony filed by the various intervenors in this docket illustrates the value of Westar's approach to generation planning. Westar has a flexible retirement plan that, with a load and capability forecast, shows when we may become short regarding Southwest Power Pool (SPP) reserve margins. The flexible retirement plan is updated annually. There are several factors that are taken into

consideration when setting retirement dates in this plan. The major components are as follows:

- Plant/equipment age and current condition
- Capital investments needed to continue operating with a reasonable level of reliability
- Ongoing NFOM cost to operate the plants
- Current and future reserve capacity margin vs SPP requirements
- Wholesale energy and capacity contracts forecast
- Expected fuel costs and future market revenues
- Remaining net asset value
- Fleet fuel diversity
- Efficiency of the technology and of alternative generating sources

Diversity of generation sources is important. Westar is working to reduce its reliance on coal, but doing so in a way that makes sense for customers. Our investment in the Western Plains wind farm is a great example of this. It reduces all emissions, including carbon, while lowering costs for customers.

Our approach to generation planning falls between two extremes; both represented by parties in this docket. On one hand, the Sierra Club's testimony suggests the Commission should require Westar to discontinue operating all of its coal plants, regardless of the impact that would have on customers' rates or the reliability of our service. On the other hand, Key suggests that Westar should

not invest in any wind generation whatsoever because of the asserted potential it could impact the operation and dispatch frequency of our coal plants. Westar's approach generally, and with Western Plains specifically, falls between these two extremes and helps balance risks to customers by establishing a diverse portfolio of generation assets while reducing customers' overall rates.

II. WESTERN PLAINS WIND FARM

Q. HOW WOULD YOU CHARACTERIZE THE PARTIES' TESTIMONY REGARDING THE WESTERN PLAINS WIND FARM?

A. Staff witnesses Grady and Glass conclude that Western Plains is currently providing value to customers in the form of avoided energy costs through Westar's Retail Energy Cost Adjustment (RECA), that the assumptions Westar used in its analysis to determine whether to invest in Western Plains were reasonable, and that the method used to make that determination was the best available. *See* Glass Direct, pp. 5-13.

KIC, CURB, and Key all suggest that because the factors we used in our evaluation could vary in the future and because our evaluation is sensitive to those factors, our decision to make the investment may have been imprudent. However, none of these parties actually offer evidence that any of our assumptions or our method were unreasonable at the time the decision was made. These same parties also ignore the simple fact that these factors

could just as likely vary favorably from our base assumption creating incremental benefits to customers.

Additionally, Staff, CURB and KIC propose performance mechanisms or trackers that would constitute improper hindsight regulation but offer no basis to justify imposition of such non-standard ratemaking treatment. Finally, Key's testimony regarding Western Plains improperly conflates a commercial dispute it has with Westar and the ratemaking decisions the Commission has before it in this case by putting its own economic interest ahead of serving customers at the lowest reasonable cost.

Q. SEVERAL PARTIES SUGGEST THAT WESTERN PLAINS WAS NOT NEEDED TO PROVIDE CAPACITY TO CUSTOMERS SO THE INVESTMENT SHOULD BE TREATED DIFFERENTLY THAN OTHER INVESTMENTS. HOW DO YOU RESPOND TO THOSE ARGUMENTS?

A. These parties confuse the concepts of capacity and energy and ignore the very real benefits of our investment in Western Plains. Westar agrees that Western Plains was not required to meet capacity requirements. Westar's intent in purchasing Western Plains was to provide savings to Westar customers by reducing the cost of energy to serve them. We expect the net savings for customers will be approximately $76 million over the next 20 years. As I explained in my direct testimony:

> While our existing plants are still quite necessary to provide *capacity*, relying on them less for *energy* not only reduces emissions, but also reduces customers' rates . . . the most economic approach is to add-low cost renewable wind energy, continue to rely on existing fleet resources for capacity, and replace some of the costlier energy from those existing resources with new wind energy.

Bridson Direct, pp. 7 and 12. It was less expensive to invest in Western Plains than to continue to operate older fossil plants that have become uneconomic due to changes in technology, like wind, and other factors, like changes in the SPP market that allow for more efficient regional operation.

Q. WHAT PROOF DO YOU HAVE THAT YOUR ECONOMIC ANALYSIS DEMONSTRATING THE BENEFITS OF WESTERN PLAINS IS REASONABLE?

A. While demonstrating the absolute proof of reasonableness of economic analysis is always a difficult proposition, there is strong evidence of just that fact in this case. Staff witness Dr. Glass reviewed our analysis, and after much review and discussion in testimony agrees that our method was the most reasonable available at the time of our decision to own the Western Plains wind farm. Further, aside from stress testing our analysis and testifying to the downside, while ignoring the upside potential, no party has provided additional support or analysis to dispute the reasonableness of the assumptions Westar used in determining the decision to own Western Plains Wind Farm.

Q. THE PARTIES ALSO SUGGEST THAT THE PRIMARY DRIVER FOR WESTAR'S INVESTMENT IN WESTERN PLAINS WAS HIGHER SHAREHOLDER PROFITS. IS THAT TRUE?

A. No. The decision to invest in Western Plains was primarily a decision to lower customers' costs and better balance the benefits and risks of wind farm ownership versus PPAs. We determined that Western Plains would result in approximately $27 million in avoided energy costs for customers annually – a value Staff has confirmed exists and a value that will have already been provided to customers for about 19 months *before* we begin to recover our investment from customers.

In addition to these avoided energy costs, Western Plains lowers all emissions across the Westar portfolio, reducing customers' exposure to further expensive investments to comply with environmental regulations. For example, we expect to see a new proposed rule this summer under the Clean Power Plan, which was in effect at the time we made the decision to invest in Western Plains, that will include requirements to reduce CO_2 emissions from past levels.

Ownership of Western Plains also reduces the risk exposure for our customers at the termination of our existing PPA contracts, provides continued access to generation for its entire useful life which we expect to exceed the normal PPA life of 20 years, provides

continued access to favorable wind and transmission sites even after the useful life of the original wind turbines, and retains for customers the residual value in the land leases and easements that support the wind farm.

Q. HOW DOES OWNERSHIP OF WESTERN PLAINS REDUCE CUSTOMERS' RISK AT THE TERMINATION OF WESTAR'S EXISTING PPAS?

A. As I discussed in my direct testimony, rebalancing our interest in wind generation between ownership and PPAs reduces the risk exposure for our customers at the termination of our existing PPA contracts. This shift will help to reduce the "cliff" that currently exists at the end of the PPA terms that was reflected in Figure 4 of my direct testimony. For the wind generation that we buy through PPAs, Westar will have to replace that power at the end of the PPA terms at then market rates which will likely be significantly higher, in part because the federal PTC will have long ago expired. Without the PTC, the price doubles irrespective of inflation. However, for the wind generation that Westar owns, Westar will continue to have access to that generation for its entire useful life which is expected to exceed the normal PPA life of 20 years. Creating options for the future is an important part of generation planning to manage costs for our customers.

Q. SEVERAL OF THE PARTIES SUGGEST THAT STAFF REJECTED THE IDEA OF WESTAR OWNING WESTERN PLAINS BEFORE WESTAR MOVED FORWARD WITH THE INVESTMENT. IS THAT CHARACTERIZATION ACCURATE?

A. No. It is interesting as several of the parties referencing the meetings between Staff and Westar were not even involved in those meetings. The only two parties that are knowledgeable about the context of the discussions before investing in Western Plains are Staff and Westar. Although a CURB representative attended one of the several meetings that occurred, she did not actively participate or offer any opinions during or after that meeting. It is also important to note that Westar initiated these discussions with Staff to inquire about Staff's willingness to support some form of alternative ratemaking treatment for the investment (i.e., deferral of depreciation expense or a return on the plant until such time as the wind farm was reflected in rates) and not to inquire about Staff's support for our ownership of the plant.

Staff did express two concerns regarding Westar's ownership of Western Plains during the meetings – intergenerational inequity and performance risk. As Staff has indicated in testimony in this docket, Westar addressed the concern regarding intergenerational inequity by proposing a levelized approach for the investment, which is supported by Staff witness Mr. Grady in his direct testimony. Grady Direct, pp. 16-18. Staff also acknowledges that when Westar

conducted a cost-benefit analysis to determine whether to invest in Western Plains, the assumptions Westar made were reasonable and the method Westar used was the best available method. *See* Glass Direct, pp. 5-13. Staff's only remaining concern is that it wants to insulate customers completely from any performance risk associated with the wind farm, using hindsight regulation to review the plant's performance and ignoring the potential benefits to customers that balance these risks. As I discuss below, such an approach is unprecedented and would be inappropriate and unwarranted.

The parties' reliance on the letter sent by Staff to Westar regarding the Western Plains investment is misplaced and does not provide a basis for the Commission to disallow recovery or impose a performance mechanism or tracker.

Q. KIC, CURB, AND KEY EXPRESS CONCERNS THAT THE FACTORS RELIED ON IN WESTAR'S COST-BENEFIT ANALYSIS FOR WESTERN PLAINS MAY BE UNCERTAIN OR VARY IN THE FUTURE. HOW SHOULD THE COMMISSION VIEW THESE FACTORS AND WESTAR'S ANALYSIS?

A. Any decision concerning a potential long-term investment is made based on the best information available at the time and is subject to uncertainty. Historically, and as required by precedent, the Commission has determined whether such decisions have been made prudently without resorting to after-the-fact re-evaluation. As

with past investment decisions, the assumptions Westar used regarding gas and energy prices to evaluate its potential investment in Western Plains were reasonable and were based on the best information available at the time. KIC, CURB and Key looked at the variability of gas and energy prices since we made our decision and argue that because these factors have varied over time, there must be something wrong with our analysis. Their approach – looking at actual gas and energy prices after the decision was made to decide whether the decision was a good one – constitutes hindsight regulation, which is not permitted by the Commission.

We used the Henry Hub gas forward prices adjusted to the Southern Star location that were current at the time. Comparing our estimates to current gas pricing in hindsight is not a proper method to test prudency. The same is true for SPP forward market pricing since 2015. The energy markets fluctuate over time due to a number of factors that we cannot control. Both fuel and energy are dynamic markets. As demand and exports increase, gas prices could rise. As utilities continue to retire older units and RTO portfolios evolve, power prices could recover. Prudent evaluations can be based on only the best information known at the time the decision was made.

No party has provided evidence that the methods we used to develop our estimate were unreasonable; they simply argue that the price levels have changed over time. However, precisely because

we expect such fluctuations, it has been our strategy to maintain a balanced and diverse generation portfolio to allow us to reduce risk from dependence on a specific type of generation and thus minimize costs for our customers.

We have also completed a more recent avoided cost study, using current and actual gas and market prices. This evaluation shows that customers received an estimated $27.6 million in benefit during the first year of Western Plains' operation. This is a conclusion with which Staff agrees – Dr. Glass states in his direct testimony that "Staff is confident that Westar's estimate is close to the actual value." Glass Direct, p. 11.

Q. DO YOU AGREE WITH THE PARTIES' SUGGESTION THAT CUSTOMERS BEAR ALL OF THE RISK BECAUSE WESTAR CHOSE TO OWN WESTERN PLAINS INSTEAD OF PURCHASE THE POWER THROUGH A PPA AND SHOULD BE INSULATED FROM THAT RISK THROUGH A PERFORMANCE MECHANISM OR TRACKER?

A. No. The risk customers bear with respect to Western Plains is no different than the risk they bear with respect to any investment Westar makes in order to provide cost-effective service to customers. What the parties ignore, however, is that customers will also receive all of the benefits from owning Western Plains, including additional avoided energy cost savings if the plant performs better than we

projected and any value associated with operation of the plant beyond the typical 20-year PPA term. Based on Westar's past performance, we expect that we will be able to run the plant beyond 20 years with the original equipment. Additionally, if we had chosen to purchase this power through a PPA instead of owning it, we would have been at the mercy of the market at the end of the 20 years as far as a new price for renewable energy to satisfy environmental regulations and customers' desire for renewable power at that time.

Utilities are always subject to the Commission's broad authority including a review of future costs and performance of generating assets, but should not be boxed in on the first day of operating a prudently incurred investment by an asymmetrical mechanism that shields customers from all downside risk but gives them all potential upside related to the wind farm's performance.

Q. YOU MENTIONED THAT THE PERFORMANCE MECHANISMS AND TRACKER PROPOSED BY STAFF, CURB, AND KIC CONSTITUTE HINDSIGHT REGULATION. CAN YOU EXPLAIN?

A. Yes. As Mr. Greenwood explains in his rebuttal testimony, the performance mechanisms or performance trackers recommended by KIC, CURB, and Staff would constitute hindsight prudence review, which is not permitted at the Commission. The performance mechanisms and tracking that KIC, CURB and Staff propose all would review Westar's decision to invest in Western Plains using

information not available until well after the investment decision was made and would adjust in future rate cases the revenue requirement Westar is entitled to recover based on that hindsight review – CURB and KIC by setting a levelized price to be recovered through the RECA using arbitrary numbers not tied to the costs actually incurred by Westar and basing the amount customers pay on the actual performance of the unit and Staff by tracking the performance of the wind farm in the future and potentially adjusting Westar's revenue requirement based on that performance. Each of these constitute an inappropriate form of hindsight prudence review and none of the three parties offer any real justification for imposing such unusual ratemaking treatment on Westar's investment in Western Plains.

Q. ARE THERE OTHER PROBLEMS WITH THE METHOD KIC USED TO DEVELOP ITS PROPOSED MECHANISM?

A. Yes. There are a number of problems with Mr. Gorman's method. For example, the assumptions Mr. Gorman relies on when developing the levelized price he recommends be used for the investment are entirely unreasonable. Rather than using the capacity factor developed by an independent third-party expert in such matters based on data specific to the Western Plains location, the specific turbine technology to be deployed, and input from the project developer, Mr. Gorman uses capacity factors from projects

located in Texas and New Mexico that are wholly irrelevant to our site in Kansas.

Additionally, when Mr. Gorman was developing his own avoided costs estimate, he used a faulty assumption in his calculation of a universal "implied heat rate" derived from Westar's initial avoided cost study. Mr. Gorman applies this implied heat rate to his alternate scenario, defined by a different gas price, to come up with his own avoided cost estimate. This method is a gross over-simplification that produces incorrect and invalid results.

Q. ARE THERE ALSO SIGNIFICANT PROBLEMS WITH CURB'S PROPOSED RATEMAKING TREATMENT FOR WESTERN PLAINS?

A. Yes. The levelized revenue approach suggested by Westar as an alternative rate making mechanism and supported by Staff Witness Mr. Grady as his preferred option, is cash flow neutral to customers and earnings neutral to shareholders over the 20-year period as compared to traditional ratemaking, which allows for the full recovery "on" and "of" a prudent investment. Mr. Grady states, "The goal of this approach would be to ensure that the levelized revenue requirement resulted in a Regulatory Asset/Liability balance that was as close to zero as possible at the end of 20 years and to ensure that Westar is not over-recovering or under-recovering its revenue requirement for Western Plains." Grady Direct, p. 18.

Ms. Crane's proposal potentially does not allow for the full recovery "on" and "of" the investment in Western Plains if for whatever reason Western Plains does not perform to expectations – whether that be turbine performance, market conditions, or a natural disaster, which could result in a future disallowance of investment. In addition, Ms. Crane's proposal does not allow for the levelized revenue requirement to be reviewed and updated at future rate proceedings where significant changes to the cost of capital or depreciation rates could be updated. Ms. Crane essentially would like customers to receive both the benefits of a PPA and the benefits of ownership after a traditional PPA would terminate, without any of the risk in the interim. This approach is inappropriate and should rejected.

III. 8% LEASE AT JEC

Q. CAN YOU PROVIDE SOME BACKGROUND ON THIS ISSUE?

A. As I explained in my direct testimony, Westar currently has a sale/leaseback arrangement with Wilmington Trust Company which will expire at the same time as our PPA with MKEC (January 3, 2019). Wilmington is the trustee of a trust that owns an 8% undivided interest in JEC. Key's subsidiary Midwest Power Company is the sole beneficiary of the trust. As a result of this arrangement, Westar owns 84% of JEC, Wilmington Trust Company owns 8% of JEC, and GMO owns 8% of JEC; however, currently, Westar leases the 8% owned by Wilmington Trust and that portion of the output of the plant

is sold to Mid-Kansas Electric Company (MKEC) through a PPA. Both the lease and the PPA expire in January 2019.

Westar is the operator of JEC and pays all of the upfront cost for O&M work done at the plant and then bills KCP&L for its 8% share. Currently, all of the O&M costs associated with the shares of JEC owned or leased by Westar (which is 92%) are included in Westar's base rates. The revenues from the sale to MKEC are also included in base rates as an offset to 8% of those costs. After the lease expires on January 3, 2019, Westar will continue to serve as the operator of JEC and incur all of the O&M costs associated with running the plant.

The three owners' interests in JEC are undivided in the plant as a whole (and cannot be divided), it is not possible for Westar to simply operate and maintain its share of the plant. In order to continue to utilize JEC to provide power to our customers, Westar must operate and maintain the plant as a whole. As a result, when Westar filed its application in this docket, we included in our cost of service the O&M costs associated with the 92% of the plant which includes the portion owned by Wilmington. In our initial application, we proposed to defer any amount we collected as a regulatory liability and return it to customers our next general rate case. However, now that we have agreed to recover the MKEC lost revenue and any lease expense associated with renewal of the lease

for the 8% of JEC through the RECA, Westar now proposes that as Wilmington reimburses Westar for their 8% share of these costs, we also credit that revenue to customers through the RECA.

Q. IS IT POSSIBLE FOR WESTAR TO REDUCE THE O&M COSTS ASSOCIATED WITH JEC BY 8% BY REDUCING OPERATION OF THE PLANT BY 8%?

A. No. If Westar decreased operation of the plant by 8% (i.e., because Key fails to pay its share of the O&M costs after the expiration of the lease), it would have almost no impact on the cost to operate the plant. With the exception of some small variable items such as water and chemicals, all the remaining costs are fixed and are constant regardless of the generation level or ownership percentage of the JEC. The plant and its components are a combined machine that cannot be maintained in a severed condition. It is impossible to only maintain 92% of turbines, pumps, boilers, etc. In addition, it is also impossible to perform capital maintenance and leasehold improvements on only 92% of the plant. Just as the plant and its components are not severable, neither are the costs associated with maintaining and sustaining the plant and its components.

Q. HOW DO YOU RESPOND TO THE PARTIES' PROPOSED ADJUSTMENTS RELATED TO 8% OF THE O&M COSTS?

A. The 8% of O&M costs should remain in Westar's cost of service. This would be consistent with decades of past practice by this

Commission. Since the execution of the lease for the 8% owned by Key, 92% of the O&M costs (Westar's 84% plus the 8% under lease) have been in Westar's base rates. Any revenue Westar received from MKEC for O&M was treated as a credit to the revenue requirement. As discussed above, the fact is that Westar will incur very close to the same level of O&M costs whether it operates the plant at 100% capacity or 92% capacity. In order to obtain the full value of the plant for our customers, we must incur these costs. Thus, these costs should remain in our cost of service and Westar should not be required to accumulate those costs in a regulatory liability to return to customers as Staff suggests – they are necessary to serve customers with the full value of JEC.

Q. UNDER WESTAR'S PROPOSAL TO INCLUDE THE O&M RELATED TO THE 8% INTEREST IN JEC IN BASE RATES, AND ASSUMING KEY OWNS THE 8% INTEREST AFTER THE LEASE EXPIRES, HOW DO YOU PLAN TO CREDIT ANY REIMBURSEMENT FROM KEY TO CUSTOMERS TO OFFSET THE 8% OF THE O&M COSTS ALREADY REFLECTED IN BASE RATES?

A. In the event that Key continues to be the owner of the 8% share of JEC after expiration of the lease, we will bill and collect from Key their 8% of the costs at JEC. We would then credit these

reimbursements from Key to customers through the RECA, ensuring that they benefit in a timely manner.

Q. HOW DO YOU RESPOND TO THE PARTIES' PROPOSED ADJUSTMENTS RELATED TO THE LEASE PAYMENT FOR THE 8% INTEREST?

A. Westar supports Staff's proposal to remove the lease payment from base rates and allow Westar to recover any future lease payments for this share of JEC through the RECA. Given the timing of the ongoing negotiations with Key regarding the 8% interest that may not be resolved until after the order is issued in this case and the fact that Westar will be subject to a five-year moratorium after this case, it is reasonable to allow Westar to recover any lease payments that result from those negotiations through the RECA. Of course, if Westar chooses to enter a new lease for the 8% interest, Westar would have the responsibility to demonstrate that its decision was cost-effective and in customers' best interests. We ask that the Commission adopt Staff's proposal and reject CURB's, KIC's and Kroger's proposals to eliminate recovery of the lease payment entirely without any potential for future recovery for a new lease.

Q. MR. GORMAN GOES EVEN FURTHER AND RECOMMENDS REMOVAL OF 8% OF THE LEASEHOLD IMPROVEMENTS AND DEPRECIATION COSTS. WHY IS THIS UNREASONABLE?

A. Since inception of the lease, these leasehold improvements have always been paid for by Westar and reflected in cost of service. Under the lease agreement between Westar and Key, Westar is responsible for all capital costs during the term of the lease and Wilmington has no obligation to pay Westar for those costs during the term of the lease or when the lease expires. As Staff witness Grady explained in his response to KIC data request no. 4, the leasehold improvements associated with the 8%, which Mr. Gorman wishes to remove from rate base, "were incurred prior to the expiration of the lease." Therefore,

> WTC is not responsible for them. They are part of Westar's Property, Plant, and Equipment, thus they are part of Westar's revenue requirement. For the period after the lease expires, to the extent there are capital costs . . . WTC will be responsible for those costs.

Staff Response to KIC-4, attached hereto. As a result, it is inappropriate to remove these capital costs and associated depreciation expense associated with the leased 8% incurred during the term of the lease and reflected consistent with the terms of the lease from Westar's revenue requirement.

Furthermore, as I explained above, JEC and its components are a combined machine that cannot be maintained in a severed condition and it is impossible to perform capital maintenance and leasehold improvements on only 92% of the plant. The leasehold improvements installed since the execution of the lease with Key

were capital maintenance items, environmental retrofit investments, and other capital investments necessary to continue the operation of the plant as a whole and necessary for service to our customers. These costs have consistently been included in rate base and this cost of service since they were incurred and there is no basis to remove them from our cost of service.

Q. YOU INDICATED THAT KEY IS ATTEMPTING TO CONFLATE A COMMERCIAL DISPUTE IT HAS WITH WESTAR WITH THE RATEMAKING DECISIONS BEFORE THE COMMISSION IN THIS DOCKET. WHAT DO YOU MEAN BY THAT?

A. Key and Westar have been involved in negotiations exploring if there is a better solution for both entities than simply allowing the lease to expire and Key to become a Kansas utility under the law and the owner of the 8% interest in January 2019 – for example, whether Westar will re-lease the 8% interest, purchase that ownership interest, or whether some other party will purchase or lease the interest from Key. Given this, Key is, of course, very interested in the market value of its 8% interest in JEC and in obtaining the highest price for selling or leasing that interest. However, Key seems to want the Commission to resolve the question of the market value of its interest – something that will be determined by the market – and to resolve its complaints regarding the impact of Westar's investment in Western Plains on its interest in JEC. Key confuses these two

issues with the ratemaking issues before the Commission in this docket.

Key suggests that the Commission's decisions regarding the ratemaking treatment for costs incurred by Westar associated with Key's 8% interest in JEC would somehow be determinative or relevant with respect to the value of that interest when negotiating with Westar to sell or re-lease that share of the plant. This is incorrect. The Commission is reviewing the costs Westar incurs, including any costs incurred related to the 8% interest at JEC, in order to set cost-based rates for a regulated utility. On the other hand, the value of Key's commercial interest will be determined by market conditions.

Key also suggests that Westar's investment in Western Plains has impacted the value of its interest in JEC. As I indicated above, this is really a commercial dispute about whether Westar took some action that devalued Key's ownership interest and whether there is any valid legal basis for such a claim in contract law or otherwise. Additionally, as I discuss below, Westar's investment in Western Plains has virtually no impact on the value of JEC in the SPP market, given the volume of wind already added and planned to be added across the SPP footprint. Key's attacks on Westar's investment in the Western Plains wind farm are simply designed to create leverage

with Westar and have no bearing on the ratemaking questions in front of the Commission in this docket.

Q. ARE THERE OTHER ISSUES WITH KEY'S POSITION IN THIS DOCKET?

A. Yes. Key's suggestion that the addition of Western Plains will impact Key's interest in JEC by reducing JEC's capacity factor is misleading and erroneous. Western Plains by itself would not have a significant impact on the capacity factor at JEC. If Westar were operating as an individual utility balancing authority, this argument might have some merit, though adding a wind farm to lower customer prices by a regulated utility is obviously a reasonable business decision. However, that is not the case. When the entire SPP market is taken into account, this argument is clearly invalid because the size of Western Plains has little impact on the SPP market.

Wind generation has increased in the SPP from 4,000 MW in 2011 to 17,596 MW in 2017. Because of the nature of the SPP market, this additional wind has the potential to reduce capacity factors at fossil units in the SPP including Westar's JEC. Western Plains, with a name plate capacity of 281 MW, is only 2% of this total 13,596 MW increase. Western Plains is too small to have a major impact on the SPP markets, which are the primary driver affecting the dispatch and utilization of units like JEC.

IV. SIERRA CLUB

Q. HOW WOULD YOU DESCRIBE SIERRA CLUB'S TESTIMONY REGARDING WESTAR'S GENERATION FLEET?

A. Sierra Club's also extreme arguments are 180 degrees from Key's arguments. Sierra Club wants the Commission to impose onerous reporting and evaluation requirements on Westar's coal plants in order to force Westar to remove its coal plants from service. Sierra Club wants to achieve this result without consideration of cost impacts for customers, impacts on reliability or the value of diversity in the generation fleet.

Q. DO YOU AGREE WITH SIERRA CLUB THAT WESTAR CANNOT JUSTIFY CONTINUED OPERATION OF ITS COAL PLANTS?

A. No. Elimination of all of the coal units from Westar's fleet would not be reasonable for many reasons. First, as I indicated above, fuel diversity is important. As recently as June 15th a natural gas pipeline explosion occurred near Hesston, greatly restricting the natural gas available for generation on a day when temperatures across the state were in the mid to upper 90s. This gas restriction has lasted for at least 17 days and is still ongoing. Relying too much on one form of generation technology is a poor strategy for providing reliable service to our customers.

Second, Sierra Club's suggestion that our coal units are not performing well because their capacity factors are decreasing is wrong. Westar's coal units are performing well given their current

market mission which is to maintain availability, flexibility and cycle when the market calls them on or off. The current operation of the SPP market is the main reason that the capacity factors have been dropping. As economics have changed in the market place, Westar has responded by offering them in “market” status such that the SPP can cycle them when uneconomic. In fact, as of earlier this year, all Westar fossil units are in market status such that they are only self-scheduled when necessary for safety, reliability, or environmental compliance reasons.

As Westar has responded to the changing market dynamics over the past few years, we have started tracking the savings associated with cycling coal units. By starting with the smaller units in 2016, we were able to assess the impacts of cycling while avoiding risk to the larger units. In 2017, JEC units 2 and 3 began cycling and now, in 2018, JEC unit 1 is available for cycling. Internal estimates for fuel savings due to cycling coal units amounted to $4.7 million in 2017 and $5.3 million YTD in 2018. These savings pass on directly to customers through our RECA.

The Westar units are also operating reliably for customers, performing in the 2nd quartile for the industry. Maintaining and operating our diverse generation portfolio allows our customers access to energy from the most economic sources.

Q. IS WESTAR OPPOSED TO RETIRING FOSSIL FUEL GENERATION WHEN RETIREMENT MAKES SENSE FOR CUSTOMERS?

A. No. In fact, the merger with Great Plains Energy has allowed Westar to accelerate the retirement of several fossil units in the fleet. This includes gas-fired units Murray Gill 3 & 4, Gordon Evans 1 & 2 along with coal-fired Tecumseh unit 7. These fossil retirements are some of our oldest and least-reliable units with a combined capacity of 781MW. For the remaining units in our generation fleet, under our flexible retirement plan, we expect to run them to the point where we have extracted maximum benefit for customers. This is accomplished by minimizing capital expenditures and managing operating costs while maintaining unit reliability. Comparing the average unit age at retirement across the country or region – as Sierra Club does – is not a valid measure to determine when a unit should be retired. There are multiple factors and other drivers which can influence strategic direction regarding plant retirements that are not visible in the data presented by Sierra Club.

Q. ARE THE EXTENSIVE REPORTING AND COST-EFFECTIVENESS STUDIES PROPOSED BY SIERRA CLUB REASONABLE OR NECESSARY?

A. No. Sierra Club offers no real justification for imposition of the onerous requirements it proposes, other than its desire to eliminate

coal from Westar's generation fleet. Furthermore, as part of the Commission's order in the merger docket for our merger with Great Plains Energy, the Commission required Westar and KCP&L to work with Staff and CURB to develop an Integrated Resource Plan (IRP) reporting framework for Kansas. There is no need for the Commission to impose reporting requirements for coal plants in this docket when we are working to develop requirements for all publicly owned utilities in the state, related to all generation assets, not just coal.

V. DEPRECIATION ISSUES

Q. DO YOU AGREE WITH STAFF WITNESS DUNKEL THAT THE DEPRECIABLE LIVES FOR EMPORIA ENERGY CENTER, GORDAN EVANS, AND SPRING CREEK SHOULD BE EXTENDED FROM 30 AND 40 YEARS TO 50 YEARS BECAUSE THE DEPRECIABLE LIFE FOR HUTCHINSON ENERGY CENTER IS 60 YEARS?

A. No. The expected life for the gas turbine units vary and are dependent on the equipment design, number of starts, the peak and non-peak load history, firing temperature, etc. This can vary from unit to unit depending on the model and the expected utilization of the machine. The Hutchinson units were built in 1974 during a time in the combustion turbine era where computer-aided design was in its infancy and equipment included much larger safety factors than present in modern machines. This means that those units have

larger tolerances, lower firing temperatures, and are much more robust than our newer units in question which result in longer life expectancy for the Hutchinson units.

Emporia units 1 through 4 are GE LM6000 aero derivatives that went into service in 2008 and are designed with much higher firing temperatures, tight tolerances, and the ability to quickly and easily replace them at the end of life (similar to an airplane's jet engine). These units are also very flexible and thus see over 200 starts per year on average whereas the Hutchinson units usually see around 30-40 starts per year. This all contributes to wear and tear on the equipment and a lower life expectancy, due to lower design margin, than at Hutchinson. Units 5 through 7 at Emporia are larger GE 7FA frame-type machines which went into service from 2008-2009 and the same concerns about their life expectancy exist as the smaller Emporia units I just discussed.

The units at Spring Creek along with units 1 and 2 at Gordon Evans are GE 7EA machines which all went into service from 2000-2001. Gordon Evans unit 3 is a GE 7FA unit similar to those at Emporia. These are relatively new units that also fire hotter, have tighter tolerances, and are not expected to be nearly as robust as the units at Hutchinson. Based on these factors, Westar does not believe it is reasonable to set their depreciable lives to 50 years.

A final factor regarding the Hutchinson gas turbines is how the units are utilized by the market. There are system reliability concerns which can cause the units to be called on to supply ancillary services as opposed to energy while also providing value from the market in standby status while they are offline. This is likely due to the large increase in wind production to the west of Wichita and Hutchinson and the need for spinning reserves, voltage control, and units capable of quickly starting and ramping to meet load requirements. These units are rarely used and when they are used it is generally not to provide energy, but to provide voltage and VAR support for the transmission system on high demand days or on days when a strong wind resource exists with low demand on the system. The average capacity factors on these units over the past five years are the lowest of all gas turbines in our fleet. This very low operating time combined with the factors listed above and our decision to make significant re-investment in major overhauls on these units gives us the ability to ensure they will be reliable for many years to come and could extend the life to 60 years.

Q. THANK YOU.

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

VERIFICATION

John Bridson, being duly sworn upon his oath deposes and states that he is the Sr. Vice President, Generation and Marketing, for Westar Energy, Inc., that he has read and is familiar with the foregoing Rebuttal Testimony, and attests that the statements contained therein are true and correct to the best of his knowledge, information and belief.

John Bridson

Subscribed and sworn to before me this 2nd day of July, 2018.

Carlene Barkley
Notary Public

My Appointment Expires:
April 18, 2021

CARLENE BARKLEY
Notary Public, State of Kansas
My Appointment Expires
4-18-2021