

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

DIRECT TESTIMONY

OF

REBECCA A. FOWLER

WESTAR ENERGY

DOCKET NO. _____

I. INTRODUCTION

1

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. Rebecca A. Fowler, 818 South Kansas Avenue, Topeka, Kansas
4 66612.

5 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

6 A. Westar Energy, Inc. (Westar). I am a Senior Regulatory Analyst.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
8 **BUSINESS EXPERIENCE.**

9 A. I graduated from Pittsburg State University with a Bachelor of
10 Business Administration degree with an accounting major. My utility
11 experience began in 1990 when I was employed by Westar as an
12 internal auditor. Subsequently, I held positions as a staff accountant,
13 and as the lead accountant for financial reporting. I left the company
14 in 1997 and resumed employment with the company in 2011 as an

1 internal auditor. I assumed my current position as a regulatory
2 analyst in July 2013. I am a Certified Public Accountant, a Certified
3 Management Accountant and a Certified Internal Auditor. I am also
4 a member of the American Institute of Certified Public Accountants
5 and the Institute of Internal Auditors.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. I am sponsoring the accounting adjustments in the Abbreviated Rate
8 Case Minimum Filing Requirements (MFRs). These adjustments
9 reflect (1) Westar's expenditures for the installation of environmental
10 controls at the La Cygne Generating Station (La Cygne) that have
11 not already been included in rates, (2) the capital projects completed
12 at Wolf Creek that were described in the Direct Testimony of John
13 Bridson filed in Docket No. 15-WSEE-115-RTS (115 Docket), (3) the
14 final roll-in of environmental costs incurred in 2015 that were
15 previously noticed to the Commission and would have been
16 recovered through the Environmental Cost Recovery Rider (ECRR),
17 and (4) Westar's investments in grid resiliency that were
18 contemplated in the Stipulation and Agreement filed in the 115
19 Docket. We also made a small adjustment that results from these
20 rate base adjustments for interest synchronization.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

II. LA CYGNE GENERATING STATION ENVIRONMENTAL EXPENDITURES

Q. PLEASE PROVIDE AN OVERVIEW OF WESTAR'S ADJUSTMENTS RELATED TO THE INSTALLATION OF ENVIRONMENTAL CONTROLS AT LA CYGNE.

A. In Docket No. 11-KCPE-581-PRE, the Commission approved Westar's recovery of costs associated with the installation of environmental controls at La Cygne up to \$615 million – Westar's 50% share of the approved amount for the project. Costs related to the La Cygne environmental project have been included in rates as a result of Docket Nos. 12-WSEE-112-RTS, 13-WSEE-629-RTS, and 15-WSEE-115-RTS. In the 115 Docket, the Commission approved a Stipulation and Agreement (S&A) authorizing Westar to utilize the abbreviated rate case process contemplated by K.A.R. 82-1-231(b)(3) to include the capital costs for the environmental project at La Cygne up to the amount of costs approved by the Commission but not included in rates in previous dockets. As discussed below, Westar is making Adjustments RB-2, and IS-2 in order to fully reflect the capital costs it expects to incur as of March 1, 2017, to install the preapproved environmental project at La Cygne.

Q. DO THE ADJUSTMENTS RELATED TO THE ENVIRONMENTAL PROJECT AT LA CYGNE REFLECT ACTUAL COSTS OR DO THEY ALSO INCLUDE SOME COMPONENT OF PROJECTED COSTS?

1 A. The La Cygne adjustments in this case include predominately the
2 actual capital costs incurred by Westar as of August 31, 2016, but
3 also include a relatively small amount of projected costs Westar
4 expects to incur between September 1, 2016, and March 1, 2017.

5 **Q. WHY DID WESTAR USE PROJECTED COSTS FOR A PORTION**
6 **OF THE LA CYGNE ADJUSTMENTS?**

7 A. Although at the time of Westar's Application in this docket a
8 component of these adjustments will be projected, the actual costs
9 as of March 1, 2017, will be known to Staff and other parties to the
10 docket before their direct testimony is due. As a result, the rates
11 implemented pursuant to this case will be based on actual costs
12 incurred by Westar and readily available for audit by Staff and other
13 parties. This is the same procedure used by Westar, accepted by
14 Staff, and reflected in the Commission's orders in Docket Nos. 08-
15 WSEE-1041-RTS, 12-WSEE-112-RTS, and 13-WSEE-629-RTS.
16 This procedure has also been widely adopted in many other matters
17 before the Commission.

18 **Q. WHAT ADJUSTMENTS ARE NECESSARY TO REFLECT**
19 **WESTAR'S CAPITAL INVESTMENT IN THE LA CYGNE**
20 **ENVIRONMENTAL PROJECT IN RATES?**

21 A. Two adjustments are necessary in order to fully reflect the capital
22 costs Westar will have incurred as of March 1, 2017, related to the

1 environmental projects at La Cygne. These two adjustments are
2 made in RB-2 and IS-2.

3 **Q. PLEASE EXPLAIN ADJUSTMENT RB-2.**

4 A. In Adjustment RB-2, I make an adjustment to add both the actual
5 capital costs incurred by Westar as of August 31, 2016, and the
6 projected costs through February 28, 2017. This portion of the
7 adjustment adds \$52.6 million to rate base. In this adjustment I also
8 include accumulated depreciation on the portion of costs that have
9 gone in service between May 31, 2015 (Staff's true-up date in the
10 112 docket) and August 31, 2016. Finally, the adjustment includes
11 the impact of Accumulated Deferred Income Tax (ADIT) on rate
12 base.

13 **Q. WHAT IS THE PURPOSE OF ADJUSTMENT IS-2?**

14 A. Adjustment IS-2 adds to the cost of service annualized depreciation
15 on capital costs incurred between May 31, 2015 and August 31, 2016
16 as well as those projected to be incurred by February 28, 2017. This
17 adjustment also includes the tax impact of the depreciation expense.

18 **Q. WHAT IS THE EFFECT ON A COMBINED BASIS OF BOTH**
19 **ADJUSTMENTS RELATED TO LA CYGNE ENVIRONMENTAL**
20 **EXPENDITURES?**

21 A. The net effect of RB-2 is to increase rate base by \$51,810,811. IS-
22 2 increases operating expense by \$1,252,372.

1 **III. WOLF CREEK PROJECTS**

2 **Q. PLEASE EXPLAIN THE ADJUSTMENTS YOU MAKE RELATED**
3 **TO THE CAPITAL PROJECTS COMPLETED AT WOLF CREEK.**

4 A. In the 115 Docket, Westar included in rates the capital costs
5 associated with a set of projects being completed at Wolf Creek
6 during the 2014 mid-cycle outage and the Spring 2015 outage as
7 described in the Direct Testimony of John Bridson in the 115 Docket.
8 These projects were all related to safety systems at the plant and
9 were necessary to replace and enhance aging, original plant
10 systems. The S&A approved by the Commission in the 115 Docket
11 authorized Westar to include any remaining costs for these projects
12 at Wolf Creek in rates during this abbreviated rate case proceeding.

13 In order to accomplish this, I make an adjustment to rate base
14 – RB 3 – to add actual capital costs incurred between May 31, 2015
15 and August 31, 2016 of \$2,101,436. I also make the corresponding
16 addition to accumulated depreciation of \$4,749 and reflect the effect
17 of ADIT. I also make adjustment IS-3 to reflect annualized
18 depreciation expense on the additional costs as well as the income
19 tax effect of the depreciation expense. Adjustment IS-3 increases
20 the cost of service by a total of \$19,367.

21 **IV. FINAL ROLL-IN OF 2015 ENVIRONMENTAL COSTS**

22 **Q. PLEASE EXPLAIN THE ADJUSTMENTS YOU MAKE RELATED**
23 **TO THE FINAL ROLL-IN OF ENVIRONMENTAL COSTS**
24 **INCURRED IN 2015.**

1 A. In the 115 Docket, Westar agreed to discontinue its ECRR; however,
2 the S&A provided that Westar could complete a final roll-in of
3 environmental costs incurred in 2015 that were previously noticed to
4 the Commission and would have been recovered through the ECRR.
5 I calculated the impact to Westar's revenue requirement in this case
6 just as I would have calculated the ECRR update based on the 2015
7 costs had the ECRR not been discontinued.

8 In order to accomplish this, I make two adjustments – RB-1
9 and IS-1.

10 **Q. WHAT IS THE AMOUNT OF ADJUSTMENT RB-1?**

11 A. RB-1 increases rate base by \$22,589,427. This adjustment includes
12 the plant costs incurred by Westar of \$22,944,283, the accumulated
13 depreciation of \$354,856, and the related impact on ADIT.

14 **Q. WHAT IS THE AMOUNT OF ADJUSTMENT IS-1?**

15 A. Adjustment IS-1 increases cost of service by \$319,695. It includes
16 annualized depreciation expense on plant additions and the related
17 impact on income tax expense that would have been included in the
18 ECRR.

19 **V. GRID RESILIENCY IMPROVEMENT PROJECTS**

20 **Q. PLEASE EXPLAIN THE ADJUSTMENTS YOU MAKE RELATED**
21 **TO THE COSTS ASSOCIATED WITH WESTAR'S GRID**
22 **RESILIENCY PROJECTS.**

23 A. The S&A approved by the Commission in the 115 Docket authorized
24 Westar to recover up to \$50 million of capital investment in grid

1 resiliency improvements completed between October 28, 2015, and
2 March 1, 2017. The S&A provided that Westar would include in rates
3 in this abbreviated rate case such plant in service less the associated
4 accumulated depreciation and deferred income taxes. See S&A, ¶
5 20, 115 Docket.

6 The adjustments related to the grid resiliency projects include
7 the actual capital costs incurred by Westar as of August 31, 2016,
8 but also include a relatively small amount of projected costs Westar
9 expects to incur between August 31, 2016, and March 1, 2017, the
10 cut-off date for the projects set by the S&A. Similar to the costs for
11 the La Cygne environmental project, the actual costs as of March 1,
12 2017, will be known to Staff and other parties to the docket before
13 their direct testimony is due and the rates implemented pursuant to
14 this case will be based on actual costs incurred by Westar and readily
15 available for audit by Staff and other parties.

16 In order to incorporate these costs into Westar's rates, I made
17 two adjustments – RB-4 and IS-4.

18 **Q. WHAT IS THE AMOUNT OF ADJUSTMENT RB-4?**

19 A. RB-4 increases rate base by \$50,416,723. It includes the actual
20 additions to cost of capital and the projected additions through
21 February 28, 2017, the reduction to rate base for accumulated
22 depreciation that has been incurred on plant in service through
23 August 31, 2016, and the impact of ADIT.

