

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

---

**REBUTTAL TESTIMONY**

**OF**

**KEVIN KONGS**

**WESTAR ENERGY**

---

**DOCKET NO. 18-WSEE-328-RTS**

---

**I. INTRODUCTION**

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

A. My name is Kevin Kongs. My business address is 818 S. Kansas Avenue,  
Topeka, Kansas 66612.

**Q. ARE YOU THE SAME KEVIN KONGS WHO EARLIER FILED DIRECT  
TESTIMONY IN THIS PROCEEDING?**

A. Yes.

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

A. The purpose of my testimony is to respond to various adjustments related  
to depreciation expense and construction work in progress (CWIP)  
proposed by Staff and CURB.

1 II. DEPRECIATION EXPENSE

2 Q. WHAT IS MS. CRANE'S POSITION ON WESTAR'S REQUEST FOR  
3 CHANGES IN ITS DEPRECIATION RATES RESULTING FROM THE  
4 NEW DEPRECIATION STUDY?

5 A. Ms. Crane ignores Westar's depreciation study that calls for changes in  
6 depreciation rates and which was performed in accordance with  
7 Commission requirements. Instead, without performing any study, she  
8 recommends that depreciation rates not be changed in this case.

9 Q. DO YOU AGREE WITH MS. CRANE'S RECOMMENDATION TO LEAVE  
10 DEPRECIATION RATES UNCHANGED BY IGNORING THE RESULTS  
11 OF MR. WHITE'S STUDY?

12 A. No. Although I am not a depreciation expert and leave the analysis of the  
13 appropriate depreciation rates to the experts, I oppose Ms. Crane's  
14 position. It has no analysis or proper theoretical basis and should be  
15 rejected.

16 Q. WHAT RATIONALE DOES MS. CRANE PROVIDE FOR HER  
17 PROPOSAL?

18 A. She asserts that because of the merger of Westar and KCP&L there will  
19 be changes in the way we operate that make it premature to adopt new  
20 depreciation rates at this time.

21 Q. DO YOU AGREE?

22 A. No. Ms. Crane provides no support for her position other than pure  
23 speculation. Westar and Great Plains are each the product of numerous

1 consolidations over many decades. Mergers and combinations do not  
2 change the character of historical investments made by Westar in the  
3 provision of service to customers. Ms. Crane's unsupported attempt to  
4 artificially depress the level of required depreciation expense recovery  
5 through a red herring argument of operations changes resulting from the  
6 merger should be rejected. Furthermore, I disagree with Ms. Crane  
7 because her position is contrary to Commission policy, which requires a  
8 depreciation study every five to seven years. Ms. Crane's proposal to  
9 delay updating depreciation rates for five years is inconsistent with that  
10 policy and can only serve to create inequities in the cost paid by current  
11 versus future customers.

12 **Q. WHY DO YOU CONTEND THAT MS. CRANE'S POSITION IS**  
13 **CONTRARY TO ESTABLISHED PRECEDENT?**

14 A. In Docket No. 01-WSRE-436-RTS, the Commission adopted Staff's  
15 recommendation that Westar be required to file an updated depreciation  
16 study every five .<sup>1</sup> In so ruling, the Commission stated that imposing such  
17 a requirement would "keep depreciation adjustments reasonably  
18 consistent with current information."<sup>2</sup> The Commission reaffirmed this  
19 requirement in Docket No. 05-WSEE-981-RTS.<sup>3</sup> In its general  
20 investigative docket concerning depreciation issues, the Commission

---

<sup>1</sup> Order on Rate Applications, *In re Western Resources*, Docket No. 01-WSRE-436-RTS, at ¶ 28 (July 25, 2001).

<sup>2</sup> *Id.*

<sup>3</sup> Order on Rate Applications, *In re Westar Energy, Inc.*, Docket No. 05-WSEE-981-RTS, at ¶ 105 (December 28, 2005).

1 modified the requirement and set the current requirement of a filing every  
2 five to seven years and either concurrent with or just before a rate case.<sup>4</sup>  
3 And the filing in this case was required by the Commission consistent with  
4 that policy.

5 CURB's decision not to conduct its own depreciation study or  
6 review the studies prepared by Mr. White do not provide any basis for  
7 inaction by the Commission. Ms. Crane has provided no evidence to  
8 support her contention that the Commission should reject out of hand a  
9 study long-standing Commission policy required to be filed.

10 **Q. WHAT WOULD BE THE EFFECT OF DELAYING THE**  
11 **IMPLEMENTATION OF NEW DEPRECIATION RATES?**

12 A. It is critical for effective ratemaking to adjust depreciation rates in a timely  
13 manner to reflect the appropriate amount of depreciation expense in  
14 customer rates. Failure to make timely and appropriate adjustments to  
15 depreciation rates results in intergenerational inequities because current  
16 customers will not pay the full cost of using plant assets and future  
17 customers will be required to pay a higher amount to make up the  
18 shortfall.

19 **Q. DID STAFF WITNESS MR. GRADY PROPOSE ANY ACCOUNTING**  
20 **ADJUSTMENTS RELATED TO DEPRECIATION RATES?**

---

<sup>4</sup> Order Closing Docket, *In the Matter of a General Investigation Into Depreciation Issues*, Docket No. 08-GIMX-1142-GIV, at ¶ 8 (August 1, 2013).

1 A. Mr. Grady did not propose any accounting adjustments to change or delay  
2 implementation of depreciation rates but he did propose an alternative  
3 accounting methodology related to five Westar generating units that are  
4 scheduled to be retired in 2018 as a result of the merger between Westar  
5 and Great Plains Energy.

6 **Q. PLEASE BRIEFLY EXPLAIN THE ACCOUNTING METHODOLOGY**  
7 **PROPOSED BY MR. GRADY.**

8 A. Staff witness Mr. Dunkel expressed a concern that depreciation expense  
9 associated with Tecumseh Unit 7, Gordon Evans Units 1 and 2 and  
10 Murray Gill Units 3 and 4 would not be reflected in accumulated  
11 depreciation once these units are retired but depreciation expense will be  
12 included in Westar's revenue requirement during the rate moratorium  
13 agreed to in the Merger settlement. Staff believes this creates a potential  
14 for customers to pay more than the original cost for these units. In order  
15 to avoid this potential outcome, Mr. Grady proposes to create a regulatory  
16 liability to capture the amount of depreciation expense included in  
17 Westar's revenue requirement after each unit is retired. The depreciation  
18 amounts will accumulate in the regulatory liability account until new rates  
19 are established in a subsequent rate case. At that time, the regulatory  
20 liability account will be closed into accumulated depreciation avoiding the  
21 possibility of customers paying more than the original plant investment.

22 **Q. DO YOU THINK THE ACCOUNTING METHOD PROPOSED BY MR**  
23 **GRADY IS APPROPRIATE?**

1           A.     I do, and it is consistent with the intent of our application. The accounting  
2                   method is a bit unconventional but I do believe it meets the requirements  
3                   of the FERC Uniform System of Accounts and Generally Accepted  
4                   Accounting Principles that rates provide a return on and of utility  
5                   investment. In addition, I think this method is appropriate in that it helps  
6                   ensure customers get the benefit of reduced rate base that should result  
7                   from revenues collected by the utility to fund depreciation.

8                   **III.           CONSTRUCTION WORK IN PROGRESS (CWIP)**

9           **Q.     PLEASE DESCRIBE THE ADJUSTMENT MADE BY STAFF WITNESS**  
10                   **UNREIN AND CURB WITNESS CRANE TO WESTAR'S CWIP**  
11                   **ADJUSTMENT.**

12          **A.**     Mr. Unrein proposed in Staff Adjustment RB-9 to remove \$21,412,967 of  
13                   CWIP included in Westar's rate base for those projects that are not  
14                   anticipated to be completed and in-service by the end of June 30, 2018.  
15                   Ms. Crane proposes an adjustment in ACC-5 to remove \$6,921,799 of  
16                   CWIP for the same reason.

17          **Q.     PLEASE COMMENT ON STAFF'S PROPOSED ADJUSTMENT FOR**  
18                   **CWIP.**

19          **A.**     Mr. Unrein's proposed adjustment would remove \$21,412,967 of CWIP  
20                   from rate base based on information provided by Westar in KCC Data  
21                   Request No. 283. Mr. Unrein's adjustment removed work orders that are  
22                   in cancelled or suspended status, did not have estimated in-service dates

1 or had estimated in-service dates prior to March 31, 2018 that were not  
2 placed in service.

3 **Q. DO YOU AGREE WITH MR. UNREIN'S PROPOSED ADJUSTMENT?**

4 **A.** No. Mr. Unrein's proposed adjustment incorrectly removes a significant  
5 amount of work orders that have been placed in service. The information  
6 provided to Staff and the Intervenors was based on Westar's best  
7 estimate of the timeframe in which various work orders would be  
8 completed and placed in service and was determined at the time Westar  
9 responded to each data request.

10 **Q. PLEASE DISCUSS THE TIME PERIOD TO BE USED FOR PROJECTS**  
11 **IN CWIP AT THE END OF THE TEST YEAR TO BE INCLUDED IN**  
12 **RATE BASE.**

13 **A.** In my original testimony, I stated that projects that were in CWIP at the  
14 end of the test year and completed by June 30, 2018 should be included  
15 in rate base provided the projects were in accordance with K.S.A. 66-128.  
16 However, in reviewing the statute, I do not believe the statute is clear as to  
17 when the 12-month period should commence for CWIP projects to be  
18 included in rate base. There are various starting dates that could be used  
19 to commence the 12-month period to be included in rate base including 12  
20 months from the end of the test year, 12 months from the true-up date or  
21 12 months from the date new rates are scheduled to go into effect.

22 **Q. WHAT DATE DO YOU RECOMMEND BE USED TO DETERMINE CWIP**  
23 **PROJECTS TO BE INCLUDED IN RATE BASE?**

1       A.     The most appropriate date to use to update rate base for projects in CWIP  
2             at the end of the test year is the 12-month period beginning on March 31,  
3             2018, the agreed upon true-up date in this proceeding. This date strikes a  
4             balance between using the end of the test year and the date in which new  
5             rates are scheduled to go into effect.

6       **Q.     DO YOU HAVE UPDATED INFORMATION ON CWIP PROJECTS THAT**  
7             **ARE TO BE COMPLETED AND IN-SERVICE BY THE END OF MARCH**  
8             **31, 2019?**

9       **A.**     Yes. Based on current information available, the amount of work orders  
10            included in CWIP at the end of the test year that will not be completed and  
11            in service by the end of March 31, 2019 is \$1,389,822, a reduction in Mr.  
12            Unrein's proposed adjustment of \$20,023,145.

13       **Q.     PLEASE EXPLAIN WHY IT IS NECESSARY TO MAKE AN**  
14            **ADJUSTMENT TO THE AMOUNTS PREVIOUSLY PROVIDED TO**  
15            **STAFF AND THE INTERVENORS.**

16       **A.**     Some work orders that were included on the original data request  
17            responses provided to Staff and Intervenors have been completed and  
18            placed in service. In addition, some work orders that were originally  
19            estimated to be completed after March 31, 2019, are now expected to be  
20            completed and placed in service by March 31, 2019. The work orders are  
21            for non-revenue producing distribution projects primarily related to  
22            installing new poles and conductor.

23       **Q.     DO YOU AGREE WITH CURB'S ADJUSTMENT FOR CWIP?**



1       **A.**     No. Ms. Crane's proposed adjustment removes \$6,921,799 of CWIP from  
2             rate base. Ms. Crane's proposed adjustment was based on CURB Data  
3             Request No. 48. As with Staff witness Mr. Unrein, the information  
4             provided to Ms. Crane was based Westar's best estimate of the time  
5             period various work orders would be completed and placed in service and  
6             was determined at the time Westar responded to CURB Data Request No.  
7             48.

8       **Q.     WHAT IS YOUR RECOMMENDATION?**


9       **A.**     I recommend the Commission reduce Westar's CWIP adjustment by  
10            \$1,389,822 from Westar's filed position. This adjustment is comprised of  
11            Mr. Unrein's proposed adjustment (Staff Adjustment RB-9) of \$21,412,967  
12            less my adjustment of \$20,023,145 which reflects updated CWIP amounts  
13            that have been or are expected to be placed in service by the end of  
14            March 31, 2019.

15       **Q.     THANK YOU.**

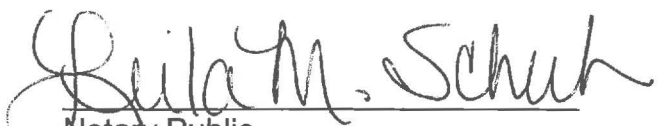
STATE OF KANSAS                    )  
  ) ss:  
COUNTY OF SHAWNEE            )

**VERIFICATION**

Kevin Kongs, being duly sworn upon his oath deposes and states that he is the Executive Director Account Services and Assistant Controller 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.

  
Kevin Kongs

Subscribed and sworn to before me this 2<sup>nd</sup> day of July, 2018.

  
Notary Public

My Appointment Expires: 11-13-2020

