

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

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    )     Docket No. 17-WSEE-147-RTS

**EXHIBITS AND SCHEDULES ACCOMPANYING THE DIRECT TESTIMONY  
OF**

**FELIPE A. SALCEDO**

**ON BEHALF OF**

**THE UNITED STATES DEPARTMENT OF DEFENSE  
AND ALL OTHER FEDERAL EXECUTIVE AGENCIES**

**April 11, 2017**

**EXETER**  
ASSOCIATES, INC.  
10480 Little Patuxent Parkway, Suite 300  
Columbia, Maryland 21044

**Exhibit FAS-1**

**Educational Background, Qualifications, and Professional Experience  
of  
Felipe A. Salcedo**

## **FELIPE A. SALCEDO**

Mr. Salcedo is an economist at Exeter Associates, Inc. Mr. Salcedo has twelve years of experience providing a full range of financial, rate, management, and consulting services to publicly-owned utilities, local governments, and the federal government. Clients served include potable water, wastewater, stormwater, and solid waste utility providers as well as large industrial users. Mr. Salcedo has successfully provided financial consulting services to clients including municipal, cooperative and county-owned utility systems, community development, special purpose districts, not-for-profit utility corporations, and military installations located throughout the United States.

Mr. Salcedo has participated in utility consulting projects involving either electricity, natural gas, potable water, reclaimed water, wastewater, stormwater, or solid waste service throughout the United States. Mr. Salcedo's experience includes the creation of historical billing analyses, customer forecast and revenue projections, revenue sufficiency analyses, rate structure and miscellaneous charges design, and system availability fees (impact fees) development. Other experience includes designing long range financial planning models for management forecast models, development of bond feasibility studies, and utility valuation and acquisition studies.

Mr. Salcedo works regularly in support of client intervention in litigated proceedings before state public utility commissions. He conducts rate case research for several federal government clients, and is currently involved in conducting utility evaluations of installations for the U.S. Air Force and the U.S. Army. This includes examining electricity, natural gas, and water supply contracts and prices for each installation and identifying where savings could be achieved. Mr. Salcedo also provides technical advisory services for the negotiation of utility contracts including an evaluation of fair and reasonable rates across all utility industry sectors and with both regulated and unregulated utilities.

### Education

M.S. (Finance) – Georgia State University, 2001

B.S. (Economics) – Universidad del Rosario, Bogotá, Colombia, 2000

### Employment

2012 – Present    Senior Economist  
Exeter Associates, Inc.  
Columbia, MD

2005-2012        Senior Rate Analyst  
Public Resources Management Group, Inc.  
Maitland, FL

#### Certifications:

Association of Government Accountants – Certified Government Financial Manager (CGFM)

#### Professional Experience

Financial consulting services performed by Mr. Salcedo include: prepared rate and cost of service studies, bond feasibility reports required for the issuance of over \$719 million of municipal bonds, prepared secondary disclosure reports as required by the SEC, strategic and economic analyses, debt structuring analyses, historical billing analyses, customer forecast and revenue projections, revenue sufficiency analyses, utility assessment reviews, energy price forecasting, utility rate structure and utility miscellaneous charges design, and impact fee development. Other project involvement included designing comprehensive interactive computerized long range financial and capital funding planning models for management forecast models, development and monitoring of municipal budgets, review of financial statements, presentation of financial results before bond rating agencies, valuation analyses for utility sales and purchase transactions, and other financial studies.

Mr. Salcedo's project experience includes:

#### Electricity Consulting Reports

Utility Assessment Reports for dozens of U.S. Air Force and the U.S. Army installations, which includes the review and evaluation of utility costs incurred by the installations for electricity, natural gas, potable water, fireline, wastewater, and stormwater services.

Commodity Energy Price Forecasts for Argonne National Laboratory (ANL) – Commodity energy price forecasts applicable for ANL on behalf of the U.S. Department of Energy (DOE).

Commodity Energy Price Forecasts for SLAC National Accelerator Laboratory (SLAC) – Commodity energy price forecasts applicable for SLAC on behalf of the DOE.

Evaluation of Economic Factors Affecting the Potential Costs and Benefits of On-site Electric Generation at Fort Drum U.S. Army Base – Assessment and projections of the economic factors that will affect the economic feasibility of developing on-site generation at Ft. Drum on behalf of the Defense Logistics Agency Energy.

#### Natural Gas Consulting Reports

Altus Air Force Base (Altus AFB) Natural Gas Contract Review and Evaluation – Review and evaluation of the natural gas service costs and future contract options for Altus AFB.

#### Water and Wastewater Cost of Service and Rate Studies

Cities of Auburn in Alabama; Boca Raton, Eustis, Leesburg, Marco Island, Margate, Ocoee, Oviedo, Plant City, and West Palm Beach in Florida; as well as for the counties of Charlotte, Citrus, and Collier in Florida and Fairfax in Virginia. Additionally, for Daphne Utilities in Alabama; Bonita Springs Utilities, Inc., Florida Government Utility Authority, Key Largo

Wastewater Treatment District, Gasparilla Island Water Association, Inc., and South Walton Utility Company, Inc. in the State of Florida.

#### Stormwater Rate Studies

Cities of Eustis and West Palm Beach in Florida.

#### System Availability Fees (Impact Fees) Studies

Cities of Auburn in Alabama and Eustis, Leesburg, and West Palm Beach in Florida; as well as for the counties of Charlotte in Florida and Fairfax in Virginia. Additionally, for Daphne Utilities in Alabama, and Bonita Springs Utilities, Inc. and Gasparilla Island Water Association, Inc. in Florida.

#### Water Conservation Rate Structure Analyses

Cities of Apopka, Leesburg, Margate, and West Palm Beach in Florida; in addition to Charlotte County in Florida, Daphne Utilities in Alabama and Gasparilla Island Water Association, Inc. in Florida.

Other Financial consulting services for Mr. Salcedo include the development of water supply financial planning analysis to the City of Margate and the St. Johns River Water Management District in Florida.

#### Utility Valuation and Acquisition Studies

Mr. Salcedo has also assisted in the development of utility valuation and acquisition studies used in conjunction with transition of ownership between private and public utilities. Utility valuation experience includes:

City of Oviedo, Florida – Financial Evaluation of Alafaya Utilities, Inc.

Florida Government Utility Authority – Florida Financial Evaluation Analysis of the North Fort Meyers Utility, Inc. Water and Wastewater System.

Financial Feasibility Studies for Issuance of Long-Term Indebtedness

Charlotte County, Florida – preparation of the County's revenue study and financing plan required for the issuance of the County's Utility System Refunding Revenue Bonds, Series 2006 and Series 2011.

Florida Government Utility Authority, Florida – preparation of the Authority's revenue study and financing plan required for the issuance of the Authority's Tax-Exempt and Taxable Utility

Revenue Bonds, Series 2010A and 2010B (Build America Bonds) for the North Fort Myers System and the Aloha Utility System.

City of Oviedo, Florida – preparation of the bond feasibility report for the issuance of the City's Tax-Exempt and Taxable Utility Revenue Bonds, Series 2010A and Series 2010B.

City of West Palm Beach, Florida – preparation of the City's revenue study and financial plan required for the issuance of the City's Utility System Revenue Bonds, Series 2008A, Series 2008B, Series 2008C, Series 2010, Series 2011A, and Series 2012A.

Fairfax County, Virginia – preparation of the County's revenue study and financing plan required for the issuance of the County's Sewer Revenue Bonds, Series 2009.

Mr. Salcedo has also assisted in the preparation of bond resolutions, official statements, additional bond test certificates, and other related documents in support of long-term indebtedness.

**Schedules FAS-1 through FAS-8**

WESTAR ENERGY, INC. & KANSAS GAS and ELECTRIC COMPANY

Summary of Operating Income and Rate Base  
For the Test Year Ended September 30, 2014

Line No.	Description	Westar Pro Forma Operations at Present Rates	1/ DOD/FEA Adjustments	Amounts After DOD/FEA Adjustments	Pro Forma Change in Revenues	Amounts After Change in Revenues
1	Total Operating Revenues	\$2,218,749,937	\$ -	\$2,218,749,937	\$ 16,269,104	\$2,235,019,041
	<u>Operating Expenses</u>					
2	Production Steam	\$ 574,128,611	\$ -	\$ 574,128,611	\$ -	\$ 574,128,611
3	Production Nuclear	132,307,101	-	132,307,101	-	132,307,101
4	Production Other	46,133,336	-	46,133,336	-	46,133,336
5	Production Purchased Power	212,980,598	-	212,980,598	-	212,980,598
6	Transmission	8,863,368	-	8,863,368	-	8,863,368
7	Distribution	99,736,578	-	99,736,578	-	99,736,578
8	Customer Accounts	30,196,323	-	30,196,323	-	30,196,323
9	Customer Service and Information	3,918,467	-	3,918,467	-	3,918,467
10	Sales	26	-	26	-	26
11	Administration and General	187,709,130	-	187,709,130	-	187,709,130
12	Total Operating Expenses	\$1,295,973,536	\$ -	\$1,295,973,536	\$ -	\$1,295,973,536
13	Depreciation and Amortization Exp.	\$ 271,951,038	\$ (501,848)	\$ 271,449,190	\$ -	\$ 271,449,190
14	Taxes Other Than Income Taxes	120,673,329	-	120,673,329	-	120,673,329
15	Gain on Disposition of Allowances	(665,523)	-	(665,523)	-	(665,523)
16	Income Taxes	151,310,935	262,757	151,573,692	6,434,431	158,008,123
19	Total Expenses	\$1,839,243,315	\$ (239,091)	\$1,839,004,224	\$ 6,434,431	\$1,845,438,655
20	Net Operating Income	\$ 379,506,622	\$ 239,091	\$ 379,745,713	\$ 9,834,673	\$ 389,580,386
21	Rate Base	\$5,101,727,168	\$ (6,175,725)	\$5,095,551,443	\$ -	\$5,095,551,443
22	Return On Rate Base	7.4388%		7.4525%		7.6455%

Notes:

1/ Westar's Section 3 - Schedule 3-A, and Section 9 - Schedule 9-A



WESTAR ENERGY, INC. & KANSAS GAS and ELECTRIC COMPANY

Summary of Revenue Increase after DOD/FEA Adjustments  
For the Test Year Ended September 30, 2014

Line No.	Description		Amount	Source
1	Adjusted Rate Base		\$ 5,095,551,443	Schedule FAS-2, Page 2
2	Required Rate of Return		7.6455%	
3	Net Operating Income Required		\$ 389,580,386	
4	Net Operating Income at Present Rates		379,745,713	Schedule FAS-3
5	Income Deficiency/(Surplus)		\$ 9,834,673	
6	Revenue Multiplier		1.6542597	
7	Required Change in Westar Revenue		\$ 16,269,104	
8	Proposed Revenue Change	100.00%	\$ 16,269,104	
9	State Income Tax	7.00% 1/	1,138,837	
10	Income Before Federal Tax		\$ 15,130,267	
11	Less: Federal Income Tax	35.00%	5,295,593	
12	Net Operating Income		\$ 9,834,673	
13	Net Income Surplus/(Deficiency)		\$ 16,269,104	

Notes:

1/ Westar ACOS Excel file.

WESTAR ENERGY, INC. & KANSAS GAS and ELECTRIC COMPANY

Summary of Rate Base  
For the Test Year Ended September 30, 2014

Line No.	Plant in Service and Rate Base	Amount per Westar Filing 1/	DOD/FEA Rate Base Adjustments			Amount After DOD/FEA Adjustments
			La Cygne	Grid Resilience	Wolf Creek	
	<u>Plant in Service</u>					
1	Plant in Service	\$ 9,271,198,489	\$ (6,618,501)	\$ (508,835)	\$ (629,497)	\$ 9,263,441,656
2	Less: Accumulated Depreciation & Amortization	3,205,861,637	(1,858,023)	266,242	10,673	3,204,280,528
3	Less: Cost Free Items	1,306,141,700	-	-	-	1,306,141,700
4	Gross Plant in Service	\$ 4,759,195,152	\$ (4,760,478)	\$ (775,077)	\$ (640,170)	\$ 4,753,019,428
5	Cash Working Capital	\$ 342,532,015	\$ -	\$ -	\$ -	\$ 342,532,015
6	Total Rate Base	\$ 5,101,727,168	\$ (4,760,478)	\$ (775,077)	\$ (640,170)	\$ 5,095,551,443

Notes:

1/ Westar's Section 3 - Schedule 3-A.

WESTAR ENERGY, INC. & KANSAS GAS and ELECTRIC COMPANY

Summary of Rate Base Adjustments  
For the Test Year Ended September 30, 2014

Line No.	Rate Base	Source	Amount
1	Rate Base per Westar Filing	Schedule FAS-2, Page 1	<u>\$ 5,101,727,168</u>
	<u>DOD/FEA Adjustments:</u>		
2	Reflect Updated La Cygne Environment Plant Expenditures	Schedule FAS-4	\$ (4,760,478)
3	Reflect Updated Grid Resiliency Expenditures	Schedule FAS-5	(775,077)
4	Reflect Updated Wolf Creek Plant Expenditures	Schedule FAS-6	<u>(640,170)</u>
5	Total Ratemaking Adjustments		\$ (6,175,725)
6	Adjusted Rate Base per DOD/FEA		<u>\$ 5,095,551,443</u>

WESTAR ENERGY, INC. & KANSAS GAS and ELECTRIC COMPANY

Summary of Adjustments to Income Before Income Taxes  
For the Test Year Ended September 30, 2014

Line No.	Description	Amount	Source
1	Operating Income Before Income Taxes per Westar	<u>\$ 379,506,622</u>	Westar's Section 3 - Schedule 3-A
	<u>DOD/FEA Adjustments:</u>		
2	Reflect Updated La Cygne Environment Plant Expenditures	\$ 137,456	Schedule FAS-3, Page 2
3	Reflect Updated Grid Resiliency Expenditures	159,990	Schedule FAS-3, Page 2
4	Reflect Updated Wolf Creek Plant Expenditures	5,899	Schedule FAS-3, Page 2
5	Interest Synchronization	(64,255)	Schedule FAS-3, Page 2
6	Total DOD/FEA Adjustments	<u>\$ 239,091</u>	
7	Operating Income Before Income Taxes per DOD/FEA	<u>\$ 379,745,713</u>	

WESTAR ENERGY, INC. & KANSAS GAS and ELECTRIC COMPANY

Summary of Adjustments to Income Before Income Taxes  
For the Test Year Ended September 30, 2014

Line No.	Description	Operating Revenues	Production and Purchased Power	O&M Expenses	Taxes Other Than Income	Depreciation & Amortization	Gain on Disposition of Allowances	Income Taxes	Net Operating Income
1	Amount per Westar	<u>\$2,218,749,937</u>	<u>\$ 965,549,646</u>	<u>\$ 330,423,890</u>	<u>\$ 120,673,329</u>	<u>\$ 271,951,038</u>	<u>\$ (665,523)</u>	<u>\$ 151,310,935</u>	<u>\$ 379,506,622</u>
	<u>DOD/FEA Adjustments:</u>								
2	Reflect Updated La Cygne Environment Plant Expenditures	\$ -	\$ -	\$ -	\$ -	\$ (228,168)	\$ -	\$ 90,711	\$ 137,456
3	Reflect Updated Grid Resiliency Expenditures	-	-	-	-	(263,922)	-	103,932	159,990
4	Reflect Updated Wolf Creek Plant Expenditures	-	-	-	-	(9,758)	-	3,859	5,899
5	Interest Synchronization	-	-	-	-	-	-	64,255	(64,255)
6	Total DOD/FEA Adjustments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (501,848)</u>	<u>\$ -</u>	<u>\$ 262,757</u>	<u>\$ 239,091</u>
7	Total Adjusted Income Before Income Taxes	<u><u>\$2,218,749,937</u></u>	<u><u>\$ 965,549,646</u></u>	<u><u>\$ 330,423,890</u></u>	<u><u>\$ 120,673,329</u></u>	<u><u>\$ 271,449,190</u></u>	<u><u>\$ (665,523)</u></u>	<u><u>\$ 151,573,692</u></u>	<u><u>\$ 379,745,713</u></u>

WESTAR ENERGY, INC. & KANSAS GAS and ELECTRIC COMPANY

Adjustment to Reflect Updated La Cygne Environment Plant Expenditures  
For the Test Year Ended September 30, 2014

Line No.	Description	La Cygne Environmental Plant Updated 04/05/17	La Cygne Environmental Plant As Filed 1/	Adjustment
1	Electric Operations Rate Base			
2	Electric Plant in Service	\$ 38,152,532	\$ 44,771,033	\$ (6,618,501)
3	Less: Accumulated Provision for Depreciation and Amortization	(8,897,802)	(7,039,779)	(1,858,023)
4	Less: Cost Free Capital	-	-	-
5	Net Electric Plant in Service	\$ 47,050,334	\$ 51,810,812	\$ (4,760,478)
6	Working Capital	\$ -	\$ -	\$ -
7	Electric Operations Rate Base	\$ 47,050,334	\$ 51,810,812	\$ (4,760,478)
8	Electric Operating Income Operating Revenues	\$ -	\$ -	\$ -
9	Operating Expenses w/o Income Taxes	\$ 1,842,559	\$ 2,070,727	\$ (228,168)
10	Income Taxes	(727,644)	(818,355)	90,711
11	Operating Income	\$ (1,114,916)	\$ (1,252,372)	\$ 137,456

Notes:

1/ From Adjustments RB-2 and IS-2 (Direct Testimony of Rebecca A. Fowler, p.5.)

WESTAR ENERGY, INC. & KANSAS GAS and ELECTRIC COMPANY

Adjustment to Reflect Updated Grid Resiliency Expenditures  
For the Test Year Ended September 30, 2014

Line No.	Description	Grid Resiliency Plant Updated 04/05/17	Grid Resiliency Plant As Filed 1/	Adjustment
	Electric Operations Rate Base			
1	Electric Plant in Service	\$ 50,000,000	\$ 50,508,835	\$ (508,835)
2	Less: Accumulated Provision for Depreciation and Amortization	358,354	92,112	266,242
3	Less: Cost Free Capital	-	-	-
4	Net Electric Plant in Service	\$ 49,641,646	\$ 50,416,723	\$ (775,077)
5	Working Capital	\$ -	\$ -	\$ -
6	Electric Operations Rate Base	\$ 49,641,646	\$ 50,416,723	\$ (775,077)
	Electric Operating Income			
7	Operating Revenues	\$ -	\$ -	\$ -
8	Operating Expenses w/o Income Taxes	\$ 681,197	\$ 945,119	\$ (263,922)
9	Income Taxes	(269,413)	(373,345)	103,932
10	Operating Income	\$ (411,784)	\$ (571,774)	\$ 159,990

Notes:

1/ From Adjustments RB-4 and IS-4 (Direct Testimony of Rebecca A. Fowler, pp. 8-9.)

WESTAR ENERGY, INC. & KANSAS GAS and ELECTRIC COMPANY

Adjustment to Reflect Updated Wolf Creek Plant Expenditures  
For the Test Year Ended September 30, 2014

Line No.	Description	Wolf Creek Plant Updated 04/05/17	Wolf Creek Plant As Filed 1/	Adjustment
	Electric Operations Rate Base			
1	Electric Plant in Service	\$ 1,471,939	\$ 2,101,436	\$ (629,497)
2	Less: Accumulated Provision for Depreciation and Amortization	15,422	4,749	10,673
3	Less: Cost Free Capital	-	-	-
4	Net Electric Plant in Service	\$ 1,456,517	\$ 2,096,687	\$ (640,170)
5	Working Capital	\$ -	\$ -	\$ -
6	Electric Operations Rate Base	\$ 1,456,517	\$ 2,096,687	\$ (640,170)
	Electric Operating Income			
7	Operating Revenues	\$ -	\$ -	\$ -
8	Operating Expenses w/o Income Taxes	22,216	31,974	(9,758)
9	Income Taxes	(8,748)	(12,607)	3,859
10	Operating Income	\$ (13,468)	\$ (19,367)	\$ 5,899

Notes:

1/ From Adjustments RB-3 and IS-3 (Direct Testimony of Rebecca A. Fowler, p.6.)



WESTAR ENERGY, INC. & KANSAS GAS and ELECTRIC COMPANY

Interest Synchronization Adjustment  
For the Test Year Ended September 30, 2014

Line No.	Description	Amount
1	Rate Base per DOD/FEA	\$ 5,095,551,443 1/
2	Synchronized Interest Rate	<u>2.6307% 2/</u>
3	Tax Deductible Interest per DOD/FEA	\$ 134,048,672
4	Tax Deductible Interest per Westar	<u>134,211,137 3/</u>
5	Adjustment to Tax Deductible Interest	\$ (162,465)
6	Combined Tax Rate	<u>39.5500%</u>
7	Adjustment to Combined Taxes	<u><u>\$ 64,255</u></u>

Notes:

1/ Schedule FAS-2.

2/ Weighted Cost of Debt per Westar.

3/ Westar's Section 11 - Schedule 11-C.

WESTAR ENERGY, INC. & KANSAS GAS and ELECTRIC COMPANY

Summary of Revenue Requirement Increase and Customer Allocation

Line No.	Retail Customer Classes	Revenue Requirement Increase			
		Amount per Westar Filing	Percentage per Westar Filing	Adjusted DOD/FEA Amount	Adjusted DOD/FEA Percentage
1	Residential	\$ 9,809,961	1.20%	\$ 9,157,398	1.12%
2	Small General Service	3,091,978	0.74%	2,886,298	0.69%
3	Medium General Service	1,650,791	0.68%	1,540,980	0.63%
4	LGS/ILP/LTM	1,633,393	0.43%	1,510,455	0.39%
5	Interruptible Contract Service	19,969	0.66%	18,466	0.61%
6	Special Contracts	188,467	0.32%	174,283	0.29%
7	Schools	507,472	0.95%	473,714	0.87%
8	Churches	14,968	0.93%	13,972	0.88%
9	Lighting	528,708	1.81%	493,538	1.69%
10	Revenue Requirement Increase	<u>\$ 17,445,707</u>	<u>0.87%</u>	<u>\$ 16,269,104</u>	<u>0.81%</u>