

**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) Docket No. 17-WSEE-147-RTS
Changes in their Charges for Electric Service)

**TESTIMONY IN SUPPORT OF THE
STIPULATION AND AGREEMENT**

PREPARED BY

FELIPE A. SALCEDO

ON BEHALF OF

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

May 2, 2017

EXETER
ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

1 **I. INTRODUCTION**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Felipe A. Salcedo. My business address is 10480 Little Patuxent Parkway,
4 Suite 300, Columbia, MD 21044.

5 Q. DID YOU PREVIOUSLY SUBMIT TESTIMONY IN THIS
6 PROCEEDING?

7 A. Yes. On April 11, 2017, I filed direct testimony, exhibits, and schedules on behalf of
8 the U.S. Department of Defense (“DoD”) and all other Federal Executive Agencies
9 (“FEA”) (collectively, “DOD/FEA”). On April 18, 2017, I filed cross-answering
10 testimony on behalf of DOD/FEA.

11 Q. PLEASE SUMMARIZE THE RECOMMENDATIONS CONTAINED IN
12 YOUR DIRECT TESTIMONY.

13 A. In my direct testimony I determined that Westar Energy, Inc. and Kansas Gas and
14 Electric Company (collectively referred to as “Westar”) had a revenue deficiency of
15 \$16,269,104 as opposed to the deficiency Westar calculated in its application of
16 \$17,445,707. I arrived at the updated deficiency amount by making certain accounting
17 adjustments to Westar’s rate base and operating expenses. My adjusted revenue
18 deficiency was allocated amongst the different retail customer classes in accordance
19 with the agreed-upon cost allocation of the Kansas Corporation Commission (“KCC”
20 or “Commission”) Order Approving the Stipulation and Agreement for Westar’s latest
21 general rate case, Docket No. 15-WSEE-115-RTS (“115 Order”). In my direct
22 testimony I recommended that Westar was authorized to recover the revenue deficiency
23 of \$16,269,104.

24 Q. PLEASE SUMMARIZE THE RECOMMENDATIONS CONTAINED IN
25 YOUR CROSS-ANSWERING TESTIMONY

1 A. In my cross-answering testimony, I addressed portions of the Direct Testimony filed
2 by KCC Staff witness Lana J. Ellis on April 11, 2017. Specifically, my cross-
3 answering testimony responded to Dr. Ellis' cost allocation of adjustments related to
4 investments in distribution grid resiliency. I recommended that 37.0 percent to 38.3
5 percent of the Commission-approved revenue requirement deficiency in this
6 proceeding be found attributable to distribution grid resilience costs. This percent
7 range reflects the proportion of the total revenue deficiency that is based on distribution
8 grid resiliency investments and reflects the terms agreed upon in the 115 Order. In my
9 cross-answering testimony I also advocated that none of the distribution grid resiliency
10 revenue requirement deficiency should be allocated to Large General Service ("LGS"),
11 Industrial and Large Power ("ILP"), Large Tire Manufacturer ("LTM"), Interruptible
12 Service ("IS") classes, or special contract customers, as is consistent with the terms of
13 settlement described in the 115 Order.

14 15 **II. PURPOSE OF TESTIMONY**

16 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

17 A. I am testifying on behalf of the DOD/FEA in support of the settlement of issues outlined
18 in the Stipulation and Agreement ("S&A") between KCC Staff, Westar, the Citizens'
19 Utility Ratepayer Board ("CURB"), the International Brotherhood of Electrical
20 Workers Local Union No. 304 ("IBEW Local 304"), and DOD/FEA (collectively
21 referred to as the "Parties").¹

22 Q. HOW IS YOUR TESTIMONY STRUCTURED?

23 A. First, I provide a background of this proceeding. Then, I summarize the S&A. Finally,
24 I discuss how the S&A complies with the Commission's standard for approval of

¹ Unified School District #259, Sedgwick County, Kansas ("USD 259"), is not a signatory to the S&A, but has indicated that it does not oppose the S&A.

1 settlement agreements and I recommended the S&A, as filed, be approved by the
2 Commission.

3
4 **III. PROCEEDING BACKGROUND**

5 Q. PLEASE PROVIDE A BRIEF BACKGROUND OF THIS PROCEEDING.

6 A. On October 26, 2016, Westar filed an Application with the Commission pursuant to
7 K.S.A. 66-117 and K.A.R. 82-1-231(b)(3)(A) to make changes to its charges for
8 electric service. Westar's Application showed a revenue requirement deficiency of
9 \$17,445,707. On April 11, 2017, KCC Staff, DOD/FEA, and CURB filed direct
10 testimony in this proceeding recommending rate increases to the various customer
11 classes. As summarized in Table SA-DOD/FEA-1, the total retail, system-wide rate
12 base increase filed by these intervenors ranged from \$16,269,104 to \$16,464,532. The
13 S&A calls for a rate base increase to retail customers of \$16,366,511.

Table SA-DOD/FEA-1 – Revenue Increase Summary				
Retail Customer Class	Westar Application Revenue Increase^[1]	Proposed DoD/FEA Revenue Increase^[2]	Proposed KCC Staff Revenue Increase^[3]	Proposed S&A Revenue Increase^[4]
Residential	\$9,809,961	\$9,157,398	\$9,197,493	\$9,223,271
Small General Service	3,091,978	2,886,298	2,898,935	2,907,061
Medium General Service	1,650,791	1,540,980	1,547,727	1,552,065
LGS/ILP/LTM	1,633,393	1,510,455	1,496,597	1,503,917
Interruptible Contract Service	19,969	18,466	18,297	18,386
Special Contracts	188,467	174,283	172,684	173,528
Schools	507,472	473,714	475,788	477,122
Churches	14,968	13,972	14,034	14,073
Lighting	528,708	493,538	495,699	497,088
Total:	\$17,445,707	\$16,269,104	\$16,317,254	\$16,366,511
<p>Notes:</p> <p>CURB did not file a cost allocation recommendation, only a recommendation for a revenue increase amount of \$16,464,532 from the Direct testimony of Andrea C. Crane, p. 8.</p> <p>Westar's rebuttal testimony identified an updated revenue increase of \$16,412,124, as shown in the rebuttal testimony of Rebecca A. Fowler, p. 1.</p> <p>^[1] Direct Testimony of Westar witness Jeffrey L. Martin, p. 13, Table 1.</p> <p>^[2] Direct Testimony of DOD/FEA witness Felipe A. Salcedo, p. 15, Table DOD/FEA-1.</p> <p>^[3] Corrected Exhibit LJE-1 from KCC Staff witness Lana J. Ellis.</p> <p>^[4] Paragraph 19 of the S&A.</p>				

IV. SUMMARY OF THE STIPULATION AND AGREEMENT

Q. PLEASE PROVIDE AN OVERVIEW OF THE STIPULATION AND AGREEMENT.

A. The S&A is a negotiated settlement that fully resolves the issues in this proceeding. As shown in Table SA-DOD/FEA-1, the S&A would implement a base rate increase of \$16,366,511 to retail customers, which is in line with the proposed increase included in my testimony.

This revenue requirement increase reflects the agreement of the Parties with respect to increases in base rates and cost of service related to the following: (1) installation of environmental controls at La Cygne Energy Center ("La Cygne"); (2)

1 distribution grid resiliency; (3) capital projects completed at Wolf Creek Generating
2 Station (“Wolf Creek”); (4) incurred in 2015 for environmental projects that would
3 have been recovered by the Environmental Cost Recovery Rider (“ECRR”); and (5)
4 adjustments to account for interest synchronization. The S&A allocates the revenue
5 requirement in a manner consistent with the provisions contained in the 115 Order.²
6 Further, the S&A increases all rate design (billing determinants components)
7 proportionately, except for the residential customer charges, as provided in the 115
8 Order.

9
10 **V. COMMISSION STANDARD FOR APPROVAL OF SETTLEMENT**

11 Q. DOES THE S&A MEET THE CRITERIA OR STANDARDS THAT THE
12 COMMISSION RELIES ON TO REVIEW A PROPOSED SETTLEMENT
13 AND AGREEMENT?

14 A. Yes, the S&A meets the requirements for a settlement, as set forth in the Commission’s
15 Order in KCC Docket No. 08-ATMG-280-RTS,³ specifically: (1) there was ample
16 opportunity for every party to take part in the negotiations leading up to the S&A;
17 (2) the S&A is supported by substantial competent evidence, including direct testimony
18 filed by the intervenors; (3) the S&A results in just and reasonable rates; and (4) the
19 results of the S&A are in the public interest.

20 Q. DOES ANY PARTY OPPOSE THE S&A?

21 A. No, none of the intervenors in this proceeding are opposed to the S&A.⁴ In fact, the
22 S&A is supported by Westar, KCC Staff, CURB, DOD/FEA, and IBEW Local 304.

² Particularly at ¶¶ 64-65 of the 115 Order.

³ Particularly at ¶ 11 in the Commission Order Approving the Contested Settlement Agreement in Atmos’ 2008 rate case, May 12, 2012.

⁴ USD 259 is not a signatory to the S&A, but has indicated that it does not oppose the S&A.

1 Q. ARE THE RESULTS OF THE STIPULATION AND AGREEMENT IN
2 THE PUBLIC INTEREST, INCLUDING THE INTEREST OF THE
3 CUSTOMERS REPRESENTED BY ANY PARTY NOT CONSENTING TO
4 THE AGREEMENT?

5 A. As previously mentioned, none of the intervenors in this proceeding are opposed to the
6 S&A. Moreover, the parties involved in the negotiations represented diverse interests
7 and customer classes. CURB represents the interests of residential and small general
8 service customers. DOD/FEA represents the interests of small and medium general
9 service, LGS, and ILP customers. Westar represents the interests of all of its customers,
10 management, and shareholders. KCC Staff balances the interests of all ratepayers and
11 Westar, by representing the interests of the general public. The fact that the parties
12 representing diverse interests were able to agree to the terms of the S&A, which
13 resolved all of the issues in this proceeding, is proof that the public interest standard
14 was met.

15 Q. DO YOU HAVE ANY RECOMMENDATIONS FOR THE COMMISSION?

16 A. Yes. I recommend that the Commission find that all parties had an opportunity to be
17 heard and participate in the settlement process, that the S&A is supported by substantial
18 competent evidence, that the S&A results in just and reasonable rates, and that the S&A
19 is in the public interest. I recommend that the Commission approve the S&A.

20 Q. DOES THIS COMPLETE YOUR S&A SUPPORT TESTIMONY?

21 A. Yes, it does.

VERIFICATION

**STATE OF MARYLAND
COUNTY OF HOWARD**

)
) ss:

Felipe A. Salcedo, of lawful age, being first duly sworn, on his oath states:


1. My name is Felipe A. Salcedo. I am a Senior Economist with Exeter Associates, Inc., having its principal place of business at 10480 Little Patuxent Parkway, Suite 300, Columbia, MD 21044. I have been retained by the U.S. Department of Defense and all other Federal Executive Agencies in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes is my testimony in support of the stipulation and agreement which was prepared in written form for introduction into evidence in the Kansas State Corporation Commission Docket No. 17-WSEE-147-RTS.
3. I have read the above testimony in support of the stipulation and agreement; I know the contents thereof, and declare that the statements made therein are true and correct to the best of my knowledge, information and belief.



FELIPE A. SALCEDO

SUBSCRIBED AND SWORN to before me this 2nd day of May, 2017.

DEBORAH M ADAMS
Notary Public
State of Maryland
Howard County



Notary Public 2/2019