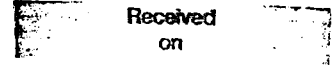


**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

TESTIMONY



OF

MAY 04 2012

DICK F. ROHLFS

by
State Corporation Commission
of Kansas

DOCKET NO. 12-WSEE-651-TAR

- 1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**
- 2 A. Dick F. Rohlfs, 818 South Kansas Avenue, Topeka, Kansas 66612.
- 3 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**
- 4 A. I am employed by Westar Energy, Inc. (Westar). My position is
- 5 Director, Retail Rates.
- 6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND**
- 7 **AND BUSINESS EXPERIENCE.**
- 8 A. I graduated from the University of Northern Iowa with a Bachelor of
- 9 Arts degree in accounting. My utility experience began in 1976
- 10 when I was employed by the Iowa State Commerce Commission as
- 11 a utility analyst. In 1980, I joined the staff of the State Corporation
- 12 Commission of Kansas. In 1982, I accepted a position with Kansas
- 13 Gas and Electric Company (KGE) as a rate auditor, advancing to
- 14 senior regulatory accountant. In 1992, with the merger of The
- 15 Kansas Power and Light Company (KPL) and KGE, I accepted a

1 position of regulatory coordinator before advancing to senior
2 manager in February 1996. In June 2001, I assumed my current
3 position.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
5 **PROCEEDING?**

6 A. I will provide an overview of Westar's request to update its
7 Transmission Delivery Charge (TDC) to reflect current costs
8 pursuant to K.S.A. 66-1237(c) and the manner in which Westar
9 proposed to allocate the TDC costs to the various classes of
10 customers.

11 **Q. WHAT IS THE TDC?**

12 A. The TDC is a mechanism authorized by statute to ensure that
13 utilities have the opportunity to recover transmission-related costs
14 associated with service to their KCC-jurisdictional customers.

15 K.S.A. 66-1237(c) provides:

16 All transmission-related costs incurred by an
17 electric utility and resulting from any order of a
18 regulatory authority having legal jurisdiction
19 over transmission matters, including orders
20 setting rates on a subject-to-refund basis, shall
21 be conclusively presumed prudent for
22 purposes of the transmission delivery charge
23 and an electric utility may change its
24 transmission delivery charge whenever there is
25 a change in transmission-related costs
26 resulting from such an order. The commission
27 may also order such a change if the utility fails
28 to do so. An electric utility shall submit a report
29 to the commission at least 30 business days
30 before changing the utility's transmission
31 delivery charge. If the commission

1 subsequently determines that all or part of
2 such charge did not result from an order
3 described by this subsection, the commission
4 may require changes in the transmission
5 delivery charge and impose appropriate
6 remedies, including refunds.

7 Westar's TDC was established in Docket No. 05-WSEE-981-
8 RTS (981 Docket). Westar has updated its TDC annually since it
9 was established to reflect its current transmission-related costs. In
10 this docket, Westar provided notice to the Commission of its intent
11 to update its TDC to reflect its current transmission-related costs

12 **Q. HOW IS THE AMOUNT RECOVERED THROUGH THE TDC**
13 **DETERMINED?**

14 A. Westar purchases transmission service from the Southwest Power
15 Pool, Inc. (SPP) to serve its retail customers. The amount included
16 in the TDC is the amount Westar pays to SPP for transmission
17 service to serve those customers.

18 **Q. HOW MUCH WILL WESTAR'S TDC INCREASE AS A RESULT**
19 **OF THE NOTICE PROVIDED IN THIS DOCKET?**

20 A. The notice reflects an annual increase of \$36.7 million.

21 **Q. PLEASE EXPLAIN THE METHOD WESTAR USES TO**
22 **ALLOCATE THE TRANSMISSION EXPENSES RECOVERED**
23 **THROUGH THE TDC TO THE VARIOUS CLASSES OF**
24 **CUSTOMERS?**

25 A. The TDC tariff requires Westar to use the 12-CP allocation ratio
26 from its most recent rate case to allocate the transmission revenue

1 requirement among classes. A 12-CP allocation is used because
2 the SPP calculates the charges for Network Integration
3 Transmission Service (NITS) – the type of transmission service
4 Westar purchases from the SPP – based on each NITS customer’s
5 proportionate share of the total system transmission load using a
6 12-CP methodology. This calculation determines each NITS
7 customer’s “load ratio share” of the SPP transmission system load.
8 SPP uses Westar’s load ratio share to determine Westar’s bill for
9 NITS. To properly recognize the causation of Westar’s TDC costs,
10 it is appropriate to utilize the same allocation methodology – 12-CP
11 – to allocate TDC costs to Westar’s retail customers. Thus, Westar
12 allocates the TDC transmission revenue requirement to classes of
13 retail customers based on each class’ contribution to Westar’s 12
14 coincident peaks.

15 At the time of a general rate case – or at a minimum of at
16 least every five years – the TDC is adjusted for each customer
17 class using the updated 12-CP allocation ratio from Westar’s most
18 recent rate case. Between rate proceedings, the 12-CP allocation
19 ratio from the previous rate case is maintained and the TDC rate is
20 adjusted by increasing or decreasing the rates for each customer
21 class by the same percentage amount.

22 Prior to this docket, the most recent adjustment to the
23 allocation of the TDC revenue requirement occurred following

1 Westar's rate case in Docket No. 08-WSEE-1041-RTS (1041
2 Docket), based on the 12-CP allocation ratio determined in that
3 case.

4 **Q. WHAT TRANSPIRED FOLLOWING THE 1041 DOCKET THAT**
5 **AFFECTED THE CLASS 12-CP ALLOCATION RATIO?**

6 A. Following the 1041 Docket, Westar was permitted to file an
7 abbreviated rate case to reflect in rates the remaining cost of the
8 Emporia Energy Center and the two Westar-owned wind farms that
9 were not reflected in rates in the 1041 Docket. The abbreviated
10 case was docketed as Docket No. 09-WSEE-925-RTS (925
11 Docket). In the 925 Docket, Westar also restated a proposal it had
12 previously made to consolidate rates for Westar North and Westar
13 South. In that docket, the parties signed a unanimous settlement
14 that resulted in the consolidation of rates for more than 96 percent
15 of Westar's customers. The Commission approved the settlement
16 on January 27, 2010.

17 Rates were set in the 925 Docket using the 12-CP allocation
18 ratios from the 1041 Docket; thus, no reallocation of TDC charges
19 occurred at that time. However, when we consolidated rates, we
20 introduced new tariff options, primarily for Westar North customers,
21 and customers migrated to those new options in the subsequent
22 years. This migration caused the 12-CP allocation ratio from the
23 1041 Docket to become stale prematurely. Moreover, the

1 consolidation caused certain large customers to migrate from the
2 High Load Factor rate schedule to the Medium General Service
3 rate schedule following the conclusion of the 925 Docket.

4 **Q. HOW DID THE 12-CP ALLOCATION RATIO CHANGE FROM**
5 **THE 1041 DOCKET TO WESTAR'S MOST RECENT RATE**
6 **CASE?**

7 A. There were two changes. The first is that the 12-CP ratio
8 developed in Westar's most recently filed rate case, Docket No. 12-
9 WSEE-112-RTS (112 Docket), was developed on a system-wide
10 basis as opposed to separately for Westar North and Westar South
11 as was done in the 1041 Docket. Second, the make-up of the
12 customer classes in the 12-CP allocation ratios changed slightly
13 from the 1041 Docket to the 112 Docket. In particular, customers
14 that were on a specific rate schedule at the time of the 1041 Docket
15 had moved to a different rate schedule when the 12-CP allocation
16 ratio was determined for the 112 Docket. The movement of these
17 customers between rate schedules did not impact the rate increase
18 they received in the 112 Docket. However, if the costs in the TDC
19 are allocated according to the existing tariff, these customers will be
20 disproportionately impacted from the increase in the TDC.

21 **Q. HOW WOULD CUSTOMERS BE DISPROPORTIONATELY**
22 **IMPACTED IF COSTS ARE ALLOCATED ACCORDING TO THE**
23 **EXISTING TDC TARIFF?**

1 A. As indicated above, Westar's TDC tariff currently requires the costs
2 included in the TDC to be allocated using the 12-CP allocation ratio
3 from Westar's most recent rate case. Because of the impacts from
4 rate consolidation discussed above, use of the 12-CP allocation
5 ratio from the 112 Docket results in disproportionately high rate
6 increases for certain customer classes, including certain school and
7 church customers and high load factor customers.

8 **Q DID WESTAR DISCUSS THE POTENTIAL FOR**
9 **DISPROPORTIONATE CUSTOMER IMPACTS WITH STAFF**
10 **PRIOR TO MAKING ITS FILING IN THIS DOCKET?**

11 A. Yes. We met with Staff prior to filing the TDC update. Staff had a
12 few TDC-related questions and we advised Staff of the potential
13 issues related to allocation among customer classes. We
14 discussed three possible solutions to the allocation issue. The
15 solutions we discussed were the same three that Staff identified
16 and included in its Motion for a Suspension Order and Temporary
17 Waiver filed March 15, 2012. The options are (1) using the 12-CP
18 ratio from Westar's most recently filed rate case, the 112 Docket;
19 (2) using the 12-CP ratio from Westar's previous rate case, the
20 1041 Docket; and (3) using a hybrid allocation method with some
21 combination of the two 12-CP ratios.

1 **Q. WHICH OF THESE THREE OPTIONS DID WESTAR PROPOSE**
2 **IN THIS DOCKET TO REDUCE THE IMPACT OF THE**
3 **ALLOCATION CHANGE ON AFFECTED CUSTOMERS?**

4 A. Westar proposed to apply the hybrid approach – to apply the 12-CP
5 ratio from the 1041 Docket to the transmission-related costs
6 previously included in the TDC and the 12-CP ratio from the 112
7 Docket to the additional costs being added in this update.

8 **Q. WHY DID WESTAR PROPOSE A HYBRID APPROACH?**

9 A. We were concerned that the impact on customers would be very
10 uneven if all of the TDC costs were allocated using the 12-CP
11 allocation ratio from the 112 Docket. The customers that would be
12 most disproportionately impacted include certain churches and
13 schools as well as high load factor customers, We also recognized
14 that a number of other customers would benefit from use of the
15 hybrid approach.

16 A table outlining the impacts to each customer class of each
17 of the three allocation methods is attached hereto as Exhibit DFR-
18 1. As is indicated in this Exhibit DFR-1, if Westar were to utilize the
19 12-CP ratio from the 112 Docket to allocate the TDC costs, a
20 number of customer classes would receive disproportionate rate
21 increases. Use of the new 12-CP ratio would have very significant
22 impacts on the Religious Institution Time of Day Service and

1 Restricted Total Electric – School and Church Service customers
2 with respective percent changes of 150% and 93%.

3 We proposed the hybrid approach because we believed it
4 would allow for transition from the historic 12-CP allocation ratio to
5 a new 12-CP allocation ratio and would reduce the impacts on
6 certain customers.

7 **Q. IS OCCIDENTAL CHEMICAL CORPORATION ONE OF THE**
8 **CUSTOMERS THAT WOULD BE IMPACTED BY USE OF THE**
9 **12-CP ALLOCATION RATIO FROM THE 112 DOCKET?**

10 A. Yes. The hybrid approach proposed by Westar reduced the impact
11 to Occidental Chemical Corporation by approximately **\$[REDACTED]**
12 when compared to the impact if the 12-CP ratio from the 112
13 Docket is used.

14 **Q. WHAT ALLOCATION METHOD DID STAFF PROPOSE IN ITS**
15 **MOTION FOR SUSPENSION ORDER AND ORDER GRANTING**
16 **TEMPORARY WAIVER?**

17 A. Staff proposed to utilize the 12-CP ratio from the 1041 Docket
18 during an interim period while the Commission determines the
19 appropriate allocation method for Westar to use. The Commission
20 accepted Staff's proposal and allowed Westar to begin collecting its
21 updated TDC with the allocation of the costs to customers charged
22 on a subject-to-refund basis.

1 **Q. WHAT ALLOCATION METHOD DOES WESTAR PROPOSE TO**
2 **BE APPLIED TO THE CURRENT TDC UPDATE AND UPDATES**
3 **THAT OCCUR IN THE FUTURE?**

4 A. We believe that the Commission should use this docket to soften
5 the impact of the differences between the 12-CP ratios in the 1041
6 Docket and 112 Docket that occurred because of rate
7 consolidation. By utilizing a hybrid of the two ratios to allocate the
8 TDC costs in this docket, the Commission can move towards use of
9 the most current allocation ratio but reduce the impact to customers
10 that would result from moving to the new allocation ratio all at once.
11 Once this transition occurs, Westar can return to allocation of its
12 TDC costs as provided in the current tariff language – using the
13 most current allocation ratio available from Westar’s most recent
14 rate case.

15 **Q. THANK YOU.**

TRANSMISSION DELIVERY CHARGE Rate schedule	percent change						
	previous	as filed	staff interim (1)	new 12-CP	as filed	staff interim	new 12-CP
Dedicated Off-Peak Service	\$0.006559	\$0.008959	\$0.008391	\$0.010778	37%	28%	64%
Generation Substitution Service	\$0.006559	\$0.008959	\$0.008391	\$0.010778	37%	28%	64%
High Load Factor Service	\$2.406144	\$3.127564	\$3.078308	\$3.239889	30%	28%	35%
Interruptible Contract Service	\$0.005169	\$0.006705	\$0.006613	\$0.006900	30%	28%	33%
Large Tire Manufacturing (per KVa)	\$1.991956	\$2.675647	\$2.548415	\$3.070235	34%	28%	54%
Medium General Service	\$2.551426	\$3.130704	\$3.264175	\$2.601533	23%	28%	2%
Private Area Lighting Service	\$0.003523	\$0.004357	\$0.004507	\$0.003746	24%	28%	6%
Religious Institution Time Of Day Service	\$0.002685	\$0.004182	\$0.003435	\$0.006723	56%	28%	150%
Residential Service	\$0.007882	\$0.010173	\$0.010084	\$0.010289	29%	28%	31%
Restricted Peak Service	\$0.006559	\$0.008959	\$0.008391	\$0.010778	37%	28%	64%
Restricted Service to Schools	\$0.004922	\$0.006077	\$0.006297	\$0.005186	23%	28%	5%
Restricted Educational Institution Service	\$0.004922	\$0.006077	\$0.006297	\$0.005186	23%	28%	5%
Restricted Total Electric – School and Church Service	\$0.002685	\$0.006077	\$0.003435	\$0.005186	126%	28%	93%
Short-Term Service	\$0.006559	\$0.008959	\$0.008391	\$0.010778	37%	28%	64%
Small General Service	\$0.006559	\$0.008959	\$0.008391	\$0.010778	37%	28%	64%
Small General Service – Church Option	\$0.006559	\$0.008959	\$0.008391	\$0.010778	37%	28%	64%
Standard Educational Service	\$0.004922	\$0.006077	\$0.006297	\$0.005186	23%	28%	5%
Street Lighting	\$0.003523	\$0.004357	\$0.004507	\$0.003746	24%	28%	6%
Traffic Signal Service	\$0.003523	\$0.004357	\$0.004507	\$0.003746	24%	28%	6%
Contract (a)	\$0.004271	\$0.005557	\$0.005464	\$0.005776	30%	28%	35%

(1) staff interim - subject to refund

CERTIFICATE OF SERVICE

I hereby certify that on this 4th day of May, 2012, the original and eight copies foregoing **Response to Petition for Reconsideration** were delivered to:

Patti Peterson-Klein
Executive Director
KANSAS CORPORATION COMMISSION
1500 SW Arrowhead
Topeka, Kansas 66604

that one copy was served via electronic mail to:

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Cathryn J. Dingess



CATHRYN J. DINGES
Corporate Counsel

May 4, 2012

Patti Petersen-Klein
Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, Kansas 66604

Received
on
MAY 04 2012
by
State Corporation Commission
of Kansas

Re: In the Matter of Westar Energy, Inc. and Kansas Gas and Electric Company Seeking Commission Approval to Implement Changes in their Transmission Delivery Charges Rate Schedules, Docket No. 12-WSEE-651-TAR

Dear Ms. Petersen-Klein:

Enclosed for filing please find the original and eight photocopies of the Testimony of Dick F. Rohlfs.

Please file stamp one copy for my files.

Thank you for your assistance.

Sincerely,


Cathryn J. Dinges

cc: Service List