

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Received
on

JAN 17 2012

In the Matter of the Joint Application of]
Westar Energy, Inc. and Kansas Gas and]
Electric Company for Approval to Make Certain]
Changes in Their Charges for Electric Service]

by
State Corporation Commission
of Kansas

KCC Docket No. 12-WSEE-112-RTS

CROSS ANSWERING TESTIMONY OF

BRIAN KALCIC

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

January 17, 2012

1 **Q. Please state your name and business address.**

2 A. Brian Kalcic, 225 S. Meramec Avenue, St. Louis, Missouri 63105.

3

4 **Q. Are you the same Brian Kalcic who filed direct testimony in this docket on January 5,**
5 **2012?**

6 A. Yes.

7

8 **Q. What is the subject of your cross answering testimony?**

9 A. I will comment on the alternative class revenue allocation proposals sponsored by various
10 parties to this proceeding.

11

12 **Q. Please identify the witnesses that are sponsoring revenue allocation proposals.**

13 A. The following witnesses have prepared alternative revenue allocation proposals for the
14 Commission's consideration: a) Dorothy J. Myrick on behalf of Staff; b) Michael P.
15 Gorman on behalf of USD 259; c) James W. Collins, Jr. on behalf of KIC; and d) Kevin C.
16 Higgins on behalf of Kroger.

17

18 **Q. Have you prepared a summary of the parties' revenue allocation proposals?**

19 A. Yes, on Schedule BK-1C.

20

21 **Q. Please describe Schedule BK-1C.**

22 A. For ease of comparison, Schedule BK-1C provides a summary of the parties' revenue
23 allocation proposals at Westar's requested revenue requirement level, i.e., each revenue

1 allocation provides for a total base revenue increase of \$90.8 million or 8.9%. In addition,
2 Schedule BK-1C shows the parties' proposed base rate increases (or decreases) to
3 individual classes in percentage terms.
4

5 **Q. Why have you presented the parties' revenue allocation proposals in terms of *base***
6 ***rate percentage increases in Schedule BK-1C?***

7 A. Westar is requesting a total increase in *base revenues* of \$90.8 million in this proceeding.
8 Stated differently, it is only the level of Westar's base revenues that are at issue in this
9 proceeding – not the level of the Company's RECA, TDC, ECRR, PTS or EER revenues.
10 Therefore, the appropriate context in which to consider Westar's requested change in base
11 revenue is as a percentage change in total base revenues of 8.9% (per Schedule BK-1,
12 attached to my direct testimony), not as a percentage change in total revenue of only 5.85%
13 (as shown in Section 16, Schedule 16-B of the Company's filing).

14 Similarly, individual class increases should be expressed as a percentage of a class's
15 total *base* revenue (not the class's total revenue inclusive of the RECA, etc.).
16

17 **Q. Do the parties show their proposed class increases as a percentage increase in base**
18 **revenues, when presenting their revenue allocation proposals?**

19 A. With the exception of Staff, no.¹ As a result, the parties' proposed class increases are
20 generally "underreported" and, therefore, misleading.
21

¹ Staff witness Myrick shows Staff's proposed percentage increases in base revenues, by rate class, in Exhibit DJM – E2.

1 **Q. How did the parties arrive at their respective revenue allocation proposals shown in**
2 **Schedule BK-1C?**

3 A. Each witness claims to move all of Westar's rate classes closer to their respective cost-of-
4 service indications, based on the results of the witness' preferred cost-of-service study
5 ("COSS").

6

7 **Q. Do you agree that movement toward cost of service is an appropriate goal of the**
8 **ratemaking process?**

9 A. Yes.

10

11 **Q. What does pursuit of that goal normally necessitate?**

12 A. In order to move classes toward cost of service, rate classes that are "under-contributing"
13 are assigned an above (system) average increase, while classes that are "over-contributing"
14 are assigned a below (system) average increase. In addition, the increases assigned to the
15 under-contributing classes are normally constrained (or capped) so as not to impose a
16 disproportionate increase on one or more rate classes.

17

18 **Q. What does Schedule BK-1C show?**

19 A. Schedule BK-1C shows that USD 259 and KIC propose to assign 100% of Westar's
20 requested increase to the residential and Small General Service ("SGS") rate classes, with a
21 residential increase ranging from 14.6% to 14.9%.

22

23

Kroger proposes to assign over 102% of Westar's requested increase (i.e., \$92.906 million divided by \$90.834 million) to the residential and SGS classes, in order to help pay

1 for Kroger's proposed *decreases* to the Medium General Service ("MGS"), Public Schools
2 and Lighting classes. The residential and SGS increases under Kroger's proposal would be
3 14.4% and 14.3%, respectively.
4

5 **Q. Mr. Kalcic, are the class revenue allocation proposals sponsored by USD 259, KIC**
6 **and Kroger reasonable?**

7 A. No. All such proposals would assign a *disproportionate* share of Westar's requested
8 increase to the residential and SGS classes, in order to facilitate assigning *no* increase (or
9 even a rate decrease) to the Public Schools, High Load Factor ("HLF") and MGS classes.
10 The "all or nothing" type of class increases advocated by USD 259, KIC and Kroger are
11 clearly inconsistent with traditional utility ratemaking practice.

12 The KCC should reject the USD 259, KIC and Kroger revenue allocation proposals.
13

14 **Q. Does this conclude your cross answering testimony?**

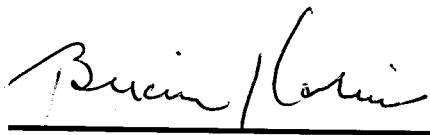
15 A. Yes.

VERIFICATION

STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS) ss:

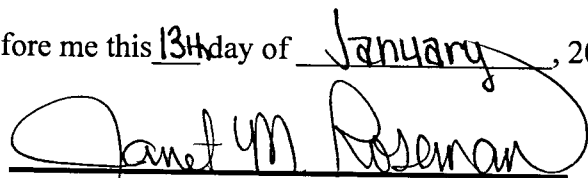
I, Brian Kalcic, of lawful age, being first duly sworn upon his oath states:

That he is a consultant for the Citizens' Utility Ratepayer Board; that he has read the above and foregoing Testimony, and, upon information and belief, states that the matters therein appearing are true and correct.



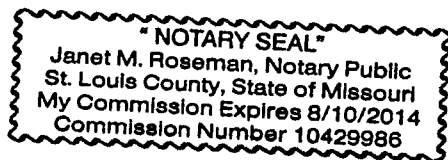
Brian Kalcic

SUBSCRIBED AND SWORN to before me this 13th day of January, 2012.



Notary of Public

My Commission expires: 8-10-2014



SCHEDULE BK-1C

WESTAR ENERGY, INC.

Comparison of Alternative Class Revenue Allocations
 at WEI's Requested Increase of \$90.834 million
 (Dollars in Thousands)

Line	Classification	Per WEI (As Filed)	Proposed Base Revenue Increases				Per Kroger 2/
			Per Staff 1/	Per USD #259 2/	Per KIC 2/	Per KIC 3/	
		1	2	3	4	5	6
1	Residential	\$46,625	\$49,942	\$64,059	\$64,059	\$65,231	\$62,975
	%	10.6%	11.4%	14.6%	14.6%	14.9%	14.4%
2	Small General Service	\$23,018	\$22,798	\$26,774	\$26,774	\$25,601	\$29,931
	%	11.0%	10.9%	12.8%	12.8%	12.2%	14.3%
3	Medium General Service	\$9,587	\$8,099	\$0	\$0	\$0	(\$6,892)
	%	5.5%	4.7%	0.0%	0.0%	0.0%	-4.0%
4	Public Schools	\$1,519	\$1,350	\$0	\$0	\$0	(\$1,191)
	%	5.4%	4.8%	0.0%	0.0%	0.0%	-4.2%
5	HLF Service	\$9,363	\$8,099	\$0	\$0	\$0	\$6,892
	%	6.3%	5.4%	0.0%	0.0%	0.0%	4.6%
6	Lighting Service	\$721	\$548	\$0	\$0	\$0	(\$883)
	%	3.8%	2.9%	0.0%	0.0%	0.0%	-4.7%
7	Total WEI	\$90,834	\$90,835	\$90,833	\$90,833	\$90,832	\$90,833
	%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%

Source: Sch. BK-1 D. Myrick M. Gorman J. Collins J. Collins K. Higgins
 Table 3 Exh. MPG-3, Exhibit 4 Exhibit 5 Exh. KCH-2,
 (Scaled up to pg. 1 of 2 pg. 1 of 2
 \$90.8 million)

Notes:

1/ Based on Staff's P&A COSS.

2/ Based on WEI's Summer 4CP COSS.

3/ Based on KIC's Summer 3CP COSS.

150% of System Average =	13.4%
50% of System Average =	4.5%

CERTIFICATE OF SERVICE

12-WSEE-112-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was placed in the United States mail, postage prepaid, electronic service, or hand-delivered this 17th day of January, 2012, to the following:

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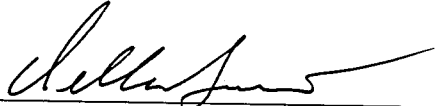
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