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Kansas Corporation Commission  
/S/ Kim Christiansen

BEFORE THE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

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State Corporation Commission  
Kansas

In the Matter of the Joint Applications of            ] ]  
Westar Energy, Inc. and Kansas Gas and            ] ] KCC Docket No. 13-WSEE-629-RTS  
Electric Company for Approval to Make Certain] ]  
Changes in Their Charges for Electric Service ] ]

CROSS-ANSWERING TESTIMONY OF

BRIAN KALCIC

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

SEPTEMBER 5, 2013

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 August 21,**  
5 **2013?**

6 A. Yes.

7

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

9 A. I will comment on the class cost of service and revenue allocation positions of various  
10 parties to this proceeding.

11

12 **Q. Please identify the witnesses that are sponsoring class cost of service and/or revenue**  
13 **allocations positions.**

14 A. The following witnesses present class cost of service or revenue allocation positions: a)  
15 Steve W. Chriss on behalf of Wal-Mart Stores, Inc. ("Wal-Mart"); b) Michael P. Gorman  
16 on behalf of Kansas Industrial Consumers ("KIC"), Unified School District #259 ("USD  
17 259") and Kansas Association of Schools Boards ("KASB"); c) Jeffry Pollock on behalf of  
18 Occidental Chemical Corporation ("OxyChem"); d) Gregory L. Wilson on behalf of  
19 Frontier El Dorado Refining LLC ("FEDR"); e) Robert H. Glass on behalf of Staff; and f)  
20 F. Kathleen Vinlove on behalf of Staff.

21

22 **Q. Have you prepared a summary of the parties' revenue allocation positions?**

23 A. Yes, in Exhibit BK-3, Schedule 1.

1

2 **Q. Please describe Exhibit BK-3, Schedule 1.**

3 A. For ease of comparison, Schedule 1 provides a summary of the parties' revenue allocation  
4 positions at Westar's requested revenue requirement level, i.e., each revenue allocation  
5 provides for a total base revenue increase of \$31.75 million or 2.8%. In addition, Schedule  
6 1 shows the parties' proposed base rate increases (or decreases) to individual classes in  
7 percentage terms.

8

9 **Q. Why have you presented the parties' revenue allocation proposals in terms of *base***  
10 ***rate percentage increases in Exhibit BK-3, Schedule 1?***

11 A. Westar is requesting a total increase in *base revenues* of \$31.75 million in this proceeding.  
12 Stated differently, it is only the level of Westar's base revenues that are at issue in this  
13 proceeding – not the level of the Company's RECA, TDC, ECRR, PTS or EER revenues.  
14 Therefore, the appropriate context in which to consider Westar's requested change in base  
15 revenue is as a percentage change in total base revenues of 2.8% (per Exhibit BK-1,  
16 Schedule 2, attached to my direct testimony), not as a percentage change in total revenue of  
17 1.7% (as depicted in Table 1, on page 12 of Company witness Greg A. Greenwood's direct  
18 testimony).

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

21

1 **Q. Exhibit BK-3, Schedule 1 shows that Wal-Mart, KIC/USD259/KASB, OxyChem and**  
2 **FEDR agree with Westar's proposed class revenue allocation. How did these parties**  
3 **evaluate the Company's proposed class revenue allocation?**

4 A. The parties used class cost of service as the primary factor in evaluating the Company's  
5 proposal. More specifically, the parties examined whether or not Westar's proposed  
6 revenue allocation would move all rate classes toward cost of service.

7

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

10 A. Yes, I do.

11

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

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

19

20 **Q. Does Westar's revenue allocation proposal include an appropriate cap on class**  
21 **increases?**

22 A. No. As shown in Exhibit BK-3, Schedule 1, the Company's proposal would assign an  
23 aggregate increase of \$83.8 million to the Residential and Small General Service classes, in

1 order to pay for an aggregate *decrease* of \$52.0 million to its remaining rate classes. The  
2 Company's proposal to assign 264% of its requested increase (i.e., \$83.8 million divided by  
3 \$31.75 million) to the Residential and SGS classes does not comport with traditional utility  
4 ratemaking practice.

5  
6 **Q. Did Wal-Mart, KIC/USD259/KASB, OxyChem or FEDR prepare a cost-of-service  
7 study for the purpose of evaluating Westar's proposed revenue allocation?**

8 A. No.

9  
10 **Q. How then did Wal-Mart, KIC/USD259/KASB, OxyChem and FEDR determine that  
11 Westar's proposed class revenue allocation was appropriate?**

12 A. Each party claims that Westar's proposal is appropriate since it would move all rate classes  
13 closer to their respective cost-of-service revenue levels, based on the results of the  
14 Company's four coincident peak ("4CP") and/or average and peak ("A&P") cost-of-service  
15 study ("COSS").

16  
17 **Q. Has the KCC approved the use of either the 4CP or A&P methodology?**

18 A. No. As discussed in my direct testimony, the KCC specifically rejected both the 4CP and  
19 A&P methodologies in two fully litigated Kansas City Power & Light Company ("KCPL")  
20 rate proceedings at Docket Nos. 10-KCPE-415-RTS and 12-KCPE-764-RTS.

21  
22 **Q. Given the KCC's recent rejection of the 4CP and A&P methodologies, have Wal-  
23 Mart, KIC/USD259/KASB, OxyChem or FEDR provided any evidence to support the**

1 **claim that Westar’s proposed revenue allocation would move all classes closer to their**  
2 **respective cost-based revenue levels?**

3 A. No.

4  
5 **Q. On page 6 of his direct testimony, FEDR witness Gregory L. Wilson claims that “the**  
6 **HLF class has historically provided above average rates of return to the utility,” i.e.,**  
7 **that the HLF class has been subsidizing other classes. Do you have any comment?**

8 A. Yes. Mr. Wilson’s claim is based on a comparison of the HLF class rate of return to  
9 Westar’s system average rate of return over the Company’s last three rate proceedings.  
10 However, in each case, the rate of return results referenced by Mr. Wilson were taken from  
11 the Company’s COSS, which relied upon either: a) the 4CP methodology (Docket Nos. 08-  
12 WSEE-1041-RTS and 12-WSEE-112-RTS); or b) the 4CP and A&P methodologies  
13 (Docket No. 13-WSEE-629-RTS). As such, Mr. Wilson’s claim relies upon an  
14 unsupported premise – that the 4CP and/or A&P cost-of-service methodology is valid in  
15 Kansas.

16  
17 **Q. On page 10 of his direct testimony, OxyChem witness Jeffrey Pollock references the**  
18 **KCC’s generic investigation into the class cost of service and rate design**  
19 **methodologies to be employed in utility rate cases (at Docket No. 13-GIMX-606-GIV).**  
20 **Mr. Pollock states “the Commission need not decide here which CCROSS is the most**  
21 **appropriate in determining the extent to which class revenues should be realigned to**  
22 **recover the allocated costs, since Westar’s proposed realignment generally moves the**

1 **classes closer to cost of service under either [the 4CP or A&P] approach.” How do**  
2 **you respond?**

3 A. On the one hand, Mr. Pollock acknowledges that the KCC has opened a generic  
4 investigation into class cost-of-service methodologies. On the other hand, Mr. Pollock  
5 suggests that a KCC decision with respect to the more appropriate cost-of-service  
6 methodology is unnecessary at this time, since both the 4CP and A&P methodologies  
7 generally support the Company’s revenue allocation proposal. What Mr. Pollock fails to  
8 acknowledge is that the KCC specifically rejected the two cost-of-service methodologies  
9 that Westar (and OxyChem) relied upon to determine class increases in this proceeding.

10

11 **Q. Do you have any other comment?**

12 A. Yes. The KCC adopted the Base, Intermediate and Peak (“BIP”) methodology in two  
13 recent KCPL rate cases. To the extent that the Commission intends to reexamine that  
14 decision in Docket No. 13-GIMX-606-GIV, it would not be reasonable to adopt a specific  
15 cost-of-service methodology (based on the record) in this case in advance of that generic  
16 proceeding.

17

18 **Q. Absent an approved COSS, how should the Commission determine final class**  
19 **increases in this proceeding?**

20 A. If the Commission were to reject all of the filed COSSs in this case, I would recommend  
21 that the KCC direct Westar to recover its awarded revenue increase via an across-the-board  
22 increase in base revenue to all classes.

23

1 **Q. Mr. Kalcic, have you reviewed the COSS sponsored by Staff witness F. Kathleen**  
2 **Vinlove?**

3 A. Yes.

4

5 **Q. What methodology does Dr. Vinlove employ in Staff's COSS?**

6 A. Dr. Vinlove employs the same A&P methodology that formed the basis of Staff's COSS in  
7 Docket No. 12-WSEE-112-RTS.

8

9 **Q. Does Staff's A&P COSS in this proceeding also reflect the same cost-of-service**  
10 **methodology that Staff employed in KCPL Docket No. 10-KCPE-415-RTS?**

11 A. Yes, I believe it does.

12

13 **Q. Did the Commission reject Staff's A&P COSS in Docket No. 10-KCPE-415-RTS?**

14 A. Yes.<sup>1</sup>

15

16 **Q. Does Staff explain why it chose to sponsor an A&P rather than BIP COSS in this**  
17 **case?**

18 A. Not to my knowledge.

19

20 **Q. Does Staff witness Robert H. Glass use the results of Staff's A&P COSS to develop**  
21 **Staff's proposed revenue allocation shown in Exhibit BK-3, Schedule 1?**

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<sup>1</sup> See KCC Order: 1) *Addressing Prudence*; 2) *Approving Application, in Part*; & 3) *Ruling on Pending Requests*, Docket No. 10-KCPE-415-RTS, November 22, 2010, at page 117.

1 A. In part. On page 24 of his direct testimony, Dr. Glass states “Staff constructed its class  
2 revenue allocation based on Staff’s COSS and the principle of gradualism.” The impact of  
3 gradualism on Staff’s proposal is shown in Table 7, on page 24 of Dr. Glass’ direct  
4 testimony.

5

6 **Q. How does Staff’s proposed revenue allocation compare to those sponsored by the  
7 Company and CURB?**

8 A. As shown in Exhibit BK-3, Schedule 1, there are significant differences in individual class  
9 increases across the three proposals. In general, however, Staff’s revenue allocation is  
10 more closely aligned with CURB’s proposal than that of Westar. This closer alliance is  
11 due, in part, to the fact that: 1) the A&P (like the BIP) methodology classifies a portion of  
12 production plant as energy-related, whereas the 4CP methodology does not; and 2) both  
13 Staff and CURB employed the concept of gradualism when developing their respective  
14 revenue allocation proposals.

15

16 **Q. Does this conclude your cross-answering testimony?**

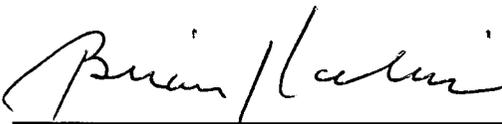
17 A. Yes.

**VERIFICATION**

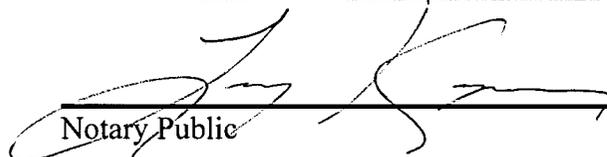
STATE OF MISSOURI                    )  
  )  
COUNTY OF ST. LOUIS                )        ss:

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 5<sup>th</sup> day of September, 2013.

  
\_\_\_\_\_  
Notary Public

My Commission expires:

Jan 3 2014

LARRY KOPECKY  
Notary Public - Notary Seal  
STATE OF MISSOURI  
St. Louis County  
Commission #10916713  
My Commission Expires: January 3, 2014

**EXHIBIT BK-3**

**Schedule 1**

WESTAR ENERGY, INC.

Comparison of Alternative Class Revenue Allocation Positions  
at WEI's Requested Increase of \$31.750 million  
(Dollars in Thousands)

Line	Classification	Proposed Base Revenue Increases						
		Per WEI (As Filed) 1	Per Staff 1/ 2	Per CURB 2/ 3	Per Wal-Mart 3/ 4	Per KIC, USD 259 & KASB 5	Per OxyChem 6	Per FEDR 7
1	Residential	\$61,974	\$14,287	\$0				
	%	12.7%	2.9%	0.0%				
2	Small General Service	\$21,793	\$6,712	\$16,804				
	%	9.4%	2.9%	7.2%				
3	Medium General Service	(\$18,510)	\$683	\$0	Same as Westar	Same as Westar	Same as Westar	Same as Westar
	%	-9.7%	0.4%	0.0%				
4	Public Schools	(\$3,610)	\$308	\$0				
	%	-11.8%	1.0%	0.0%				
5	HLF Service	(\$28,547)	\$9,207	\$12,948				
	%	-18.2%	5.9%	8.2%				
6	Lighting Service	(\$1,350)	\$552	\$1,999				
	%	-7.0%	2.9%	10.4%				
7	Total WEI	\$31,750	\$31,750	\$31,750				
	%	2.8%	2.8%	2.8%				

Source: Exhibit BK-1, Sch. 2      R. Glass Table 7 (Scaled up to \$31.75 million)      Exhibit BK-1, Sch. 3      Dir. Test. of S. Chriss at pg. 9      Dir. Test. of M. Gorman at pg. 4      Dir. Test. of J. Pollock at pg. 4      Dir. Test. of G. Wilson at pg. 7

Notes:

- 1/ Based on Staff's P&A COSS.
- 2/ Based on CURB's BIP COSS.
- 3/ Based on WEI's 4CP COSS.

**CERTIFICATE OF SERVICE**

13-WSEE-629-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 5<sup>th</sup> day of September, 2013, to the following parties who have waived receipt of follow-up hard copies:

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A handwritten signature in cursive script, appearing to read "Della Smith", written over a horizontal line.

Della Smith  
Administrative Specialist