

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

DIRECT TESTIMONY

OF

DICK F. ROHLFS

WESTAR ENERGY

STATE CORPORATION COMMISSION

NOV 10 2010



DOCKET NO. 11-WSEE-377-PRE

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. Westar Energy, Inc. I am Director, Retail Rates.

5 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND**
6 **AND BUSINESS EXPERIENCE.**

7 A. I graduated from the University of Northern Iowa with a Bachelor of
8 Arts degree in accounting. My utility experience began in 1976
9 when I was employed by the Iowa State Commerce Commission as
10 a utility analyst. In 1980, I joined the staff of the State Corporation
11 Commission of Kansas. In 1982, I accepted a position with Kansas
12 Gas and Electric Company (KGE) as a rate auditor, advancing to
13 senior regulatory accountant. In 1992, with the merger of The

1 Kansas Power and Light Company (KPL) and KGE, I accepted a
2 position of regulatory coordinator before advancing to senior
3 manager in February 1996. In June 2001, I assumed my current
4 position.

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

7 A. I estimate the impact on revenue requirement and rates of adding
8 the proposed wind projects to Westar's system. I also calculate the
9 impact resulting from Westar's most recent wind resources
10 additions added in 2008 and 2009.

11 **Q. WHAT ARE THE COMPONENTS THAT COMPRISE THE RATE**
12 **IMPACT OF THE PROPOSED WIND GENERATION**
13 **ADDITIONS?**

14 A. Generally, there are three components, all of which require some
15 amount of estimation.

16 First, of course, is the cost of the energy that Westar
17 proposes to purchase. While we know the cost per MWh under the
18 power purchase agreements, we will need to estimate the amount
19 of wind generation in order to determine the cost per kWh to
20 customers.

21 The second component is the savings Westar will
22 experience and reflect in its Retail Energy Cost Adjustment (RECA)
23 as a result of being able to substitute wind generation for

1 conventional generation. That savings is difficult to estimate. The
2 amount of savings will depend on when the wind generation runs
3 because the savings will vary depending on the decremental cost of
4 the generator that will be backed down due to the availability of
5 wind generation.

6 The third component is the operating cost imposed on
7 Westar by the need to modify the amount of generation from other
8 sources to compensate for changes in wind generation output.
9 Westar witness Paul Dietz discusses these “regulation” costs in his
10 testimony.

11 **Q. HAVE YOU DETERMINED THE COST TO WESTAR FOR ITS**
12 **PROPOSED PURCHASES OF WIND ENERGY?**

13 A. Yes, I estimated our annual cost under the contracts to be
14 approximately \$48.7 million per year based on the price per MWh
15 and anticipated output of the two wind projects contained in Westar
16 witness Greenwood’s confidential Exhibits GAG-1 and GAG-2.

17 **Q. DID YOU ESTIMATE THE FUEL SAVINGS THAT ARE LIKELY**
18 **TO RESULT FROM THE ADDITION OF NEW WIND**
19 **GENERATION?**

20 A. Yes. As I have stated, adding purchased wind energy to Westar’s
21 generation mix will alter the existing fuel costs currently included in
22 Westar’s Retail Energy Cost Adjustment (RECA). I have made an
23 estimation of the associated change in fuel costs by allocating the

1 assumed amount of wind generation to the months of the year and
2 used the average decremental fuel cost for each month. I
3 estimated our annual fuel savings to be \$17 million.

4 **Q. HOW DID YOU CALCULATE THE EFFECTS OF THE**
5 **ADDITIONAL WIND GENERATION ON WESTAR'S DISPATCH**
6 **EFFICIENCY?**

7 A. As Westar witness Dietz testified, Westar has developed a charge
8 for regulation service provided merchant wind generators located in
9 Westar's balancing area. That charge is based on Westar's
10 quantification of the cost to regulate wind generation. Applying that
11 charge to the generation that would be added under the PPA's, I
12 determined that the regulation cost – approximating the dispatch
13 inefficiency that would result from the PPAs – to equal
14 approximately \$785,000.

15 **Q. WHAT IS YOUR ESTIMATE OF THE IMPACT OF THE**
16 **PROPOSED PURCHASE ON WESTAR'S RETAIL**
17 **CUSTOMERS?**

18 A. The total cost of the purchase would be determined by subtracting
19 the fuel savings from the purchase cost and adding in the costs
20 associated with induced generation inefficiency. That total is \$24
21 million which is approximately 1.3 mills or 13 one-thousands of a
22 cent per kWh – about a 1.7 % increase based on 2009 actual retail
23 revenue.

1 **Q. CONSIDERING BOTH THE RENEWABLE RESOURCES**
2 **CURRENTLY ON WESTAR’S SYSTEM AND THE ADDITION**
3 **PROPOSED IN THIS DOCKET, WHAT IS THE TOTAL IMPACT**
4 **ON WESTAR’S RATES DUE TO THE ADDITION OF**
5 **RENEWABLE RESOURCES TO YOUR GENERATION FLEET?**

6 A. The renewable resources we have previously added increased our
7 costs by approximately 1% or about \$7.29 per year for the average
8 residential customer. Combined with the proposed PPA, the impact
9 on residential customers is an increase of approximately 2.0 mills
10 per kWh or about 2.7%.

11 **Q. IN DOCKET NO. 08-WSEE-309-PRE, WESTAR ESTIMATED**
12 **THAT AN AVERAGE RESIDENTIAL CUSTOMER’S ELECTRIC**
13 **BILL WOULD INCREASE APPROXIMATELY \$2 PER MONTH.**
14 **PLEASE EXPLAIN WHY YOUR CALCULATION IN THIS**
15 **DOCKET IS LOWER.**

16 A. The difference results from primarily two items. The calculated rate
17 impact in the 2008 docket included the cost of the wind purchase
18 but did not reduce other fuel costs due to the displacement of other
19 generation resources by wind energy. Second, the calculation did
20 not reflect the increase in off-system sales caused by the
21 introduction of wind energy on our system. Margins from the off-
22 system energy sales are credited to customers though the RECA
23 thus lowering the overall customer impact.

1 **Q. WHEN AND HOW WILL CUSTOMERS EXPERIENCE THE**
2 **EFFECTS OF THESE NEW RESOURCES?**

3 **A.** Customers will first realize these costs as the turbines start
4 producing electricity, initially as test power, and then as the projects
5 are placed in service. In the identical fashion we use today for the
6 wind power we purchase, the costs associated with these wind
7 energy purchases will be reflected in the RECA.

8 **Q. DOES WESTAR HAVE A WAY INDIVIDUAL CUSTOMERS CAN**
9 **PARTICIPATE IN RENEWABLE ENERGY THROUGH WESTAR**
10 **ENERGY, TO AN EXTENT GREATER THAN THE OVERALL**
11 **SYSTEM AVERAGE?**

12 **A.** Yes. In 2008, in accordance with the Commission's order
13 approving our first increment of wind energy, Westar implemented
14 an optional tariff that allows customers to support renewable energy
15 directly by subscribing to blocks of energy from our wind farms.
16 The rate option is named RENEW and is available to all customers
17 in Westar's service territory. Westar also permits customers to
18 connect renewable resources in parallel with Westar's system.

19 **Q. TO WHAT DEGREE HAVE CUSTOMERS AVAILED**
20 **THEMSELVES OF THIS TARIFF OFFERING?**

21 **A.** Westar's customers have purchased 15,374 100-kWh blocks of
22 renewable energy during the most recent twelve months through
23 Westar's Renewable Energy Program Rider.

1 Q. THANK YOU.