

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

**DIRECT TESTIMONY
PREPARED BY
TIMOTHY REHAGEN
UTILITIES DIVISION
KANSAS CORPORATION COMMISSION**

April 11, 2017

1 **Q. Would you please state your name and business address?**

2 A. My name is Timothy Rehagen. My business address is 1500 Southwest Arrowhead .
3 Road, Topeka, Kansas, 66604.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by the Kansas Corporation Commission (Commission) as a Senior
7 Auditor.

8
9 **Q. Would you please describe your educational background and business experience?**

10 A. I received a Bachelor of Arts degree with an emphasis in Accounting from Columbia
11 College in St. Louis, Missouri, in March of 2012. I began employment with the
12 Commission as an Auditor in June 2012. In November 2016, I was promoted to my
13 current position of Senior Auditor.

14
15 **Q. Have you ever testified before the Commission?**

16 A. Yes, I filed testimony before the Commission in Docket Nos. 12-MKEE-410-RTS, 13-
17 MKEE-699-RTS, 14-WTCT-142-KSF, 14-BHCG-502-RTS, 15-KCPE-116-RTS, 15-
18 WSEE-115-RTS, and 16-MKEE-023-TAR.

Q. What are your responsibilities during Staff's review of Westar Energy's (Westar or Company) Application in Docket No. 17-WSEE-147-RTS?

A. My responsibilities are to analyze, audit, and review Westar's abbreviated rate case Application. My duties were carried out under the direction of Managing Auditor, Kristina Luke Fry, and the Chief of Accounting and Financial Analysis, Justin Grady.

SUMMARY

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to explain and support two of Staff's adjustments to Westar's rate base and one of Staff's adjustments to Westar's pro forma income statement.

Adjustments to Rate Base

<u>Adjustment No.</u>	<u>Description</u>	<u>Amount</u>
RB-1	Wolf Creek Plant	(\$629,498)
RB-1	Accumulated Depreciation (Wolf Creek)	(\$143,437)

Adjustment to Income Statement

<u>Adjustment No.</u>	<u>Description</u>	<u>Amount</u>
IS-1	Wolf Creek Depreciation Expense	(\$9,757)

RATE BASE AND INCOME STATEMENT ADJUSTMENTS

Q. Please explain Staff Adjustment No. 1 to Rate Base.

A. Staff Rate Base Adjustment No. 1 (RB-1) decreases Westar's Rate Base by \$629,498.¹ Staff's adjustment is a correction of Westar's Pro Forma Adjustment RB-3, discussed on page 6 of Westar witness Rebecca Fowler's Direct Testimony. In Westar's Adjustment RB-3, activity costs related to Essential Service Water (ESW) guided wave inspections were inadvertently included twice in the total Wolf Creek plant additions for the period of June 2015 through August 2016. Staff's adjustment removes this erroneously included plant amount from Westar's Application, thereby correcting the overstatement of plant additions.²

Q. Please explain Staff's corresponding adjustment to accumulated depreciation on Wolf Creek Plant.

A. Staff Adjustment RB-1 also increases Westar's accumulated depreciation, thereby decreasing Rate Base by \$143,437.³ Staff's adjustment is an update to Westar's Pro Forma Adjustment RB-3. Westar's Adjustment RB-3 reflects accumulated depreciation on Wolf Creek plant for the period of June 2015 through July 2016. Staff's adjustment updates the calculation of accumulated depreciation on Wolf Creek plant in order to reflect accumulated depreciation for the period of June 2015 through February 2017. Staff recommends that the Commission adopt Staff's adjustment as it relies on actual,

¹ See Staff Exhibit TSR-1.

² In Westar's Adjustment RB-3, plant in service as of August 31, 2016, related to Project Number 501177 (ESW Guided Wave Inspections) amounted to \$629,498. This same amount was also included in the total plant in service as of August 31, 2016, related to Project Number 501241 (ESW Above Ground Piping Replacement), thereby overstating Wolf Creek's plant in service balances as of August 31, 2016. Staff's adjustment removes this amount from the Project 501241 plant in service.

³ See Staff Exhibit TSR-2.

1 updated, known and measurable financial data and is necessary in order to reflect
2 Westar's up-to-date, ongoing, normalized operations. This update to accumulated
3 depreciation also coincides with Staff's adjustments to update plant and accumulated
4 depreciation related to LaCygne and the Electric Distribution Grid Resiliency Program
5 and accumulated depreciation related to the Environmental Cost Recovery Rider through
6 February 28, 2017.

7
8 Staff's adjustment also accounts for changes in the Wolf Creek plant additions used to
9 calculate accumulated depreciation. Through the discovery process, it was revealed that
10 the Wolf Creek plant additions used to calculate monthly accumulated depreciation in
11 Westar's Adjustment RB-3 erroneously included additions subsequent to Wolf Creek's
12 spring 2015 refueling outage (refueling outage 20).⁴ These plant additions were removed
13 in the calculation of Staff's adjusted accumulated depreciation on Wolf Creek plant.

14
15 Finally, Westar's original calculation of accumulated depreciation from June 2015
16 through July 2016 was based on Wolf Creek plant additions placed in service during that
17 same period of months.⁵ Staff's adjustment calculates monthly accumulated depreciation
18 based on Wolf Creek plant additions placed in service during the period of May 2015
19 through August 2016. Staff's methodology assumes that a full month of depreciation on

⁴ In Westar's most recent rate case (Docket No. 15-WSEE-115-RTS), Westar included in rates the capital costs related to Wolf Creek projects completed during the 2014 mid-cycle outage and the spring 2015 refueling outage (as discussed in the direct testimony of John T. Bridson in that Docket). The Stipulation and Agreement in that Docket permitted Westar to include any remaining costs for these projects in rates during the current Docket. Therefore, in calculating accumulated depreciation on Wolf Creek plant, any additions that were deemed subsequent to the 2015 spring refueling outage (refueling outage 20) should not be included.

⁵ It should be noted that Westar's Pro Forma Adjustment RB-3 only updates accumulated depreciation through July 2016, thereby causing a mismatch with Westar's corresponding plant in service adjustment (also Adjustment RB-3), where Wolf Creek plant was updated through August 2016.

1 a plant addition does not accumulate until the month after the placement of the addition
2 in service.⁶

3
4 **Q. Please discuss Staff Adjustment No. 1 to the income statement.**

5 A. Staff Income Statement Adjustment No. 1 decreases Westar's operating expenses by
6 \$9,757.⁷ Staff's adjustment is a companion adjustment to the updated Wolf Creek plant
7 balances. The adjustment reflects annualized depreciation expense for actual Wolf Creek
8 plant additions as reflected in Staff Adjustment RB-1. The adjustment was calculated by
9 multiplying actual plant additions through August 2016 related to the Wolf Creek project
10 by Westar's current depreciation rates. This calculation yields a revised annualized
11 depreciation expense. Staff's updated annualized depreciation expense was then
12 compared against Westar's Pro Forma Adjustment IS-3 with the difference being Staff's
13 adjustment.

14
15 **EXHIBITS**

16 **Q. Are you sponsoring any exhibits?**

17 A. Yes. The following provides an outline of the exhibits I am sponsoring:

<u>Exhibit No.</u>	<u>Description</u>
TSR-1	Workpaper for Wolf Creek plant adjustment
TSR-2	Workpaper for adjustment to accumulated depreciation on Wolf Creek plant

⁶ For example, in Westar's Pro-Forma Adjustment RB-3, depreciation on Wolf Creek plant additions placed in service during June 2015 begins accumulating in June 2015. However, in Staff's Adjustment RB-1, depreciation on June 2015 Wolf Creek plant additions does not begin accumulating until July 2015. Wolf Creek plant additions from May 2015 are needed to derive accumulated depreciation for June 2015 (and all subsequent months).

⁷ See Staff Exhibit TSR-3.

TSR-2a

Supplemental workpaper showing calculation of monthly
accumulated depreciation through February 2017

TSR-3

Workpaper for adjustment to annualized depreciation expense on
Wolf Creek plant

Q. Does this conclude your testimony?

A. Yes.

Westar Energy
Staff Adjustment to Wolf Creek Plant
Rate Base Adjustment No. 1

A		B	C	D	E
Line No.		FERC Account	Wolf Creek Plant Additions since May 2015 - Application (Westar Adjustment RB-3)	Wolf Creek Plant Additions since May 2015 - Staff Adjusted *	Staff Adjustment to Wolf Creek Plant (D - C)
		Description			
1	321	Structures and Improvements	\$ 365,041	\$ 365,041	\$ -
2	322	Reactor Plant Equipment	1,663,293	1,033,795	(629,498)
3	324	Accessory Electric Equipment	73,103	73,103	-
4		Total	<u>\$ 2,101,437</u>	<u>\$ 1,471,939</u>	<u>\$ (629,498)</u>

Sources: Westar Pro Forma Adjustment RB-3
Westar's Response to Staff Data Request No. 6

Westar Energy
Staff Adjustment to Accumulated Depreciation on Wolf Creek Plant
Rate Base Adjustment No. 1

Line No.	FERC Account	Description	C		D		E	
			Westar Increase to Accumulated Depreciation - Application (Westar Adjustment RB-3)		Staff Adjusted Increase to Accumulated Deprecation (Updated through 2/28/2017)		Staff Adjustment to Accumulated Depreciation (D - C)	
1	3210	Structures & Improvements	\$	2,204	\$	4,759	\$	2,555
2	3220	Reactor Plant Equipment		996		141,304		140,308
3	3240	Accessory Electric Equipment		1,549		2,122		573
4		Total	\$	4,749	\$	148,185	\$	143,437

Sources: Westar Pro Forma Adjustment RB-3
Westar's Response to Staff Data Request No. 6

Westar Energy
Staff Adjustment to Accumulated Depreciation on Wolf Creek Plant
Rate Base Adjustment No. 1

Staff Calculation of Accumulated Depreciation on Wolf Creek Plant - June 2015 through February 2017

NOTE: Depreciation on plant additions begins accumulating the month after the additions are placed in service.

Line No.	FERC Account	Description	Depreciation Rate	Additions to Plant in Service May 2015		
				2015	Months	Depreciation
1	3210	Structures & Improvements	1.40%	\$ -	21	\$ -
2	3220	Reactor Plant Equipment	1.55%	\$ 4,877,278	21	\$ 132,296
3	3240	Accessory Electric Equipment	1.48%	\$ 18,037	21	\$ 467
				Additions to Plant in Service June 2015		
				2015	Months	Depreciation
4	3210	Structures & Improvements	1.40%	\$ -	20	\$ -
5	3220	Reactor Plant Equipment	1.55%	\$ (290,958)	20	\$ (7,516)
6	3240	Accessory Electric Equipment	1.48%	\$ (45,161)	20	\$ (1,114)
				Additions to Plant in Service July 2015		
				2015	Months	Depreciation
7	3210	Structures & Improvements	1.40%	\$ -	19	\$ -
8	3220	Reactor Plant Equipment	1.55%	\$ (895,315)	19	\$ (21,973)
9	3240	Accessory Electric Equipment	1.48%	\$ 55,530	19	\$ 1,301
				Additions to Plant in Service August 2015		
				2015	Months	Depreciation
10	3210	Structures & Improvements	1.40%	\$ -	18	\$ -
11	3220	Reactor Plant Equipment	1.55%	\$ 436,702	18	\$ 10,153
12	3240	Accessory Electric Equipment	1.48%	\$ 43,284	18	\$ 961
				Additions to Plant in Service September 2015		
				September 2015	Months	Depreciation
13	3210	Structures & Improvements	1.40%	\$ -	17	\$ -
14	3220	Reactor Plant Equipment	1.55%	\$ 407,670	17	\$ 8,952
15	3240	Accessory Electric Equipment	1.48%	\$ 43,742	17	\$ 917

Westar Energy
Staff Adjustment to Accumulated Depreciation on Wolf Creek Plant
Rate Base Adjustment No. 1

Staff Calculation of Accumulated Depreciation on Wolf Creek Plant - June 2015 through February 2017

NOTE: Depreciation on plant additions begins accumulating the month after the additions are placed in service.

				Additions to Plant in Service October 2015			Months		Depreciation
16	3210	Structures & Improvements	1.40%	\$	-		16	\$	-
17	3220	Reactor Plant Equipment	1.55%	\$	399,845		16	\$	8,263
18	3240	Accessory Electric Equipment	1.48%	\$	4,315		16	\$	85

				Additions to Plant in Service November 2015			Months		Depreciation
19	3210	Structures & Improvements	1.40%	\$	-		15	\$	-
20	3220	Reactor Plant Equipment	1.55%	\$	(326,234)		15	\$	(6,321)
21	3240	Accessory Electric Equipment	1.48%	\$	(1,293)		15	\$	(24)

				Additions to Plant in Service December 2015			Months		Depreciation
22	3210	Structures & Improvements	1.40%	\$	-		14	\$	-
23	3220	Reactor Plant Equipment	1.55%	\$	100,249		14	\$	1,813
24	3240	Accessory Electric Equipment	1.48%	\$	(27,314)		14	\$	(472)

				Additions to Plant in Service January 2016			Months		Depreciation
25	3210	Structures & Improvements	1.40%	\$	-		13	\$	-
26	3220	Reactor Plant Equipment	1.55%	\$	(31,239)		13	\$	(525)
27	3240	Accessory Electric Equipment	1.48%	\$	-		13	\$	-

				Additions to Plant in Service February 2016			Months		Depreciation
28	3210	Structures & Improvements	1.40%	\$	214,349		12	\$	3,001
29	3220	Reactor Plant Equipment	1.55%	\$	47,383		12	\$	734
30	3240	Accessory Electric Equipment	1.48%	\$	-		12	\$	-

				Additions to Plant in Service March 2016			Months		Depreciation
31	3210	Structures & Improvements	1.40%	\$	430		11	\$	6
32	3220	Reactor Plant Equipment	1.55%	\$	111,914		11	\$	1,590
33	3240	Accessory Electric Equipment	1.48%	\$	-		11	\$	-

Westar Energy
Staff Adjustment to Accumulated Depreciation on Wolf Creek Plant
Rate Base Adjustment No. 1

Staff Calculation of Accumulated Depreciation on Wolf Creek Plant - June 2015 through February 2017

NOTE: Depreciation on plant additions begins accumulating the month after the additions are placed in service.

				Additions to Plant in Service April 2016			Months	Depreciation
34	3210	Structures & Improvements	1.40%	\$	150,315	10	\$	1,754
35	3220	Reactor Plant Equipment	1.55%	\$	1,053,577	10	\$	13,609
36	3240	Accessory Electric Equipment	1.48%	\$	-	10	\$	-
				Additions to Plant in Service May 2016			Months	Depreciation
37	3210	Structures & Improvements	1.40%	\$	(398)	9	\$	(4)
38	3220	Reactor Plant Equipment	1.55%	\$	14,657	9	\$	170
39	3240	Accessory Electric Equipment	1.48%	\$	-	9	\$	-
				Additions to Plant in Service June 2016			Months	Depreciation
40	3210	Structures & Improvements	1.40%	\$	345	8	\$	3
41	3220	Reactor Plant Equipment	1.55%	\$	5,606	8	\$	58
42	3240	Accessory Electric Equipment	1.48%	\$	-	8	\$	-
				Additions to Plant in Service July 2016			Months	Depreciation
43	3210	Structures & Improvements	1.40%	\$	-	7	\$	-
44	3220	Reactor Plant Equipment	1.55%	\$	(97)	7	\$	(1)
45	3240	Accessory Electric Equipment	1.48%	\$	-	7	\$	-
				Additions to Plant in Service August 2016			Months	Depreciation
46	3210	Structures & Improvements	1.40%	\$	-	6	\$	-
47	3220	Reactor Plant Equipment	1.55%	\$	34	6	\$	0
48	3240	Accessory Electric Equipment	1.48%	\$	-	6	\$	-
				Total Additions to Plant in Service - May 2015 - August 2016			Total Accumulated Depreciation as of February 28, 2017	
49	3210	Structures & Improvements	1.40%	\$	365,041		\$	4,759
50	3220	Reactor Plant Equipment	1.55%	\$	5,911,073		\$	141,304
51	3240	Accessory Electric Equipment	1.48%	\$	91,140		\$	2,122
52		TOTAL		\$	6,367,254		\$	148,185

Source: Westar's Response to Staff Data Request No. 6

Westar Energy
Staff Adjustment to Depreciation Expense on Wolf Creek Plant
Income Statement Adjustment No. 1

Staff Calculation of Annualized Depreciation Expense

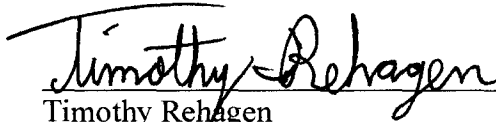
Line No.	A FERC Account	B Description	C Total Depreciable Base at 5/31/15 - Application	D Total Staff Adjusted Depreciable Base at 8/31/16	E Total Staff Adjusted Additions to Depreciable Base (D - C)	F Annual Depreciation/Amortization Rate	G Staff Adjusted Annualized Depreciation/Amortization Expense (E * F)
1	321	Structures and Improvements	\$ -	\$ 365,041	\$ 365,041	1.40%	\$ 5,111
2	322	Reactor Plant Equipment	50,555,288	51,589,083	1,033,795	1.55%	16,024
3	324	Accessory Electric Equipment	8,911,641	8,984,743	73,103	1.48%	1,082
4		Total	<u>\$ 59,466,929</u>	<u>\$ 60,938,868</u>	<u>\$ 1,471,939</u>		<u>\$ 22,216</u>
5						Staff Adjusted Annualized Depreciation/Amortization Expense	\$ 22,216
6						Westar's Adjustment to Annualized Depreciation/Amortization Expense (Westar Adjustment IS-1)	<u>31,974</u>
7						Staff Adjustment to Annualized Depreciation/Amortization Expense	<u>\$ (9,757)</u>

Sources: Westar Pro Forma Adjustment IS-3
Westar's Response to Staff Data Request No. 6

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

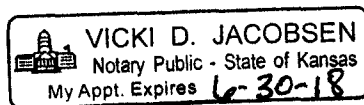
VERIFICATION

Timothy Rehagen, being duly sworn upon his oath deposes and states that he is a Senior Auditor in the Utilities Division of the Kansas Corporation Commission of the State of Kansas, that he has read and is familiar with the foregoing *Staff Direct Testimony*, and attests that the statements contained therein are true and correct to the best of his knowledge, information and belief.



Timothy Rehagen
Senior Auditor

Subscribed and sworn to before me this 11th day of April, 2017.





Notary Public

My Appointment Expires:

6-30-18

CERTIFICATE OF SERVICE

17-WSEE-147-RTS

I, the undersigned, certify that a true and correct copy of the above and foregoing Staff Direct Testimony of Timothy Rehagen was served via electronic service this 11th day of April, 2017, to the following:

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17-WSEE-147-RTS

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/s/ Vicki Jacobsen

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