BEFORE THE STATE CORPORATION COMMISSION

OF THE STATE OF KANSAS

DIRECT TESTIMONY

OF

JEANETTE BOUZIANIS

WESTAR ENERGY

DOCKET NO. 18-WSEE-328-RTS

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Jeanette Bouzianis, 818 South Kansas Avenue, Topeka, Kansas 66612.

Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A. Westar Energy, Inc. (Westar) as Director, Financial Accounting.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EMPLOYMENT EXPERIENCE.

A. I received a Bachelor of Science degree with a major in Accounting from St. Joseph's College in Patchogue, New York. I worked two years in the public accounting industry before joining Westar in 1992. While at Westar, I have held various positions within the Corporate Tax Department including Director, Income Tax until 2013, at which time I joined the Financial Accounting department in my current position. I am a Certified Public Accountant and am a member of the American Institute of Certified Public Accountants and the Kansas Society of Certified Public Accountants.

Q. WHAT ARE YOUR PRESENT RESPONSIBILITIES WITH WESTAR?

A. I have managerial responsibility for Westar's financial accounting and reporting functions.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes. I have submitted testimony to the Commission in previous rate cases.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to sponsor the following adjustments in Westar's Minimum Filing Requirements (MFRs):

1. The Aquila consent fee (RB-2),
2. An adjustment related to Westar's Wholesale Contracts (IS-43)
3. An adjustment related to generation O&M (IS-21),
4. An adjustment for a Wolf Creek Settlement (IS-12),
5. Working capital
6. An adjustment to annualize Western Plains Wind Farm O&M (IS-40),

7. An adjustment to remove wind generation PILOT and Royalty payments (IS-44),
8. An adjustment for the increase in Environmental assessments (IS-45),
9. An adjustment for La Cygne Dismantlement cost estimate reduction (IS-41).

II. AQUILA CONSENT FEE

Q. PLEASE EXPLAIN ADJUSTMENT NO. RB-2 "AQUILA CONSENT FEE."

A. This adjustment recognizes, as cost-free capital, the unamortized portion of the consent fee that Westar received from Aquila related to the purchase of Aquila's 8% interest in Jeffrey Energy Center (JEC). The adjustment decreases rate base by $2,280,304. The amortization of the regulatory liability has been booked to account 451 – Other Revenues – during the test year and is included in the cost of service. Therefore, no income statement adjustment is required.

III. CHANGE IN WHOLESALE CUSTOMERS

Q. PLEASE EXPLAIN ADJUSTMENT NO. IS-43 "WHOLESALE CONTRACT REVENUE DECREASE."

A. As Mr. Bridson explains in his direct testimony, our service to Midwest Energy, Inc. (Midwest) under two wholesale agreements ended on May 31, 2017. Effective June 1, 2017, Midwest began taking service under a capacity contract which extends through May 31, 2022. In general, the revenue Westar receives from wholesale customers taking service under these various agreements is credited to retail customers in base rates and is adjusted for changes in a rate review. The revenue received from Midwest during the test year under its expired agreements is significantly greater than the annualized revenue under the new capacity contract. This adjustment reflects the known and measurable impact of this reduction in revenue in the cost of service. This adjustment decreases test year revenues by $9,452,141.

IV. GENERATION O&M

Q. PLEASE EXPLAIN ADJUSTMENT NO. IS-21 "GENERATION O&M."

A. This adjustment corrects fuel-handling charges that were recorded to an incorrect account during the test year. As fuel handling charges, the following amounts should have been recorded to account 501 and recovered through the Retail Energy Cost Adjustment (RECA):

1. $64,022.40 spent on calcium bromide for mercury control, originally recorded to account 502.
2. $360,141.65 spent on chemicals used to remove coal combustion residuals (CCRs) from scrubber wastewater, originally charged to account 502.

3. $329,473.88 spent from coal yard to first plant hopper removing coal and coal dust from fuel handling equipment such as conveyors and transfers, originally charged to account 506.
4. $93,840.85 spent re-railing coal cars, originally charged to account 511 and 512.
5. $178,708.75 spent cleaning and/or disposing of fly ash, originally charged to account 512.
6. $19,441.06 spent cleaning and/or disposing of bottom ash, originally charged to account 512.

The net of these amounts is a decrease in test year Operation and Maintenance expense of $1,045,628.59.

V. WOLF CREEK SETTLEMENT

Q. PLEASE EXPLAIN ADJUSTMENT NO. IS-12 "WOLF CREEK SETTLEMENT."

A. This adjustment reverses the effect of a one-time settlement of a civil action for which settlement proceeds were received in June 2017 related to a dispute between the owners of the Plant and a vendor that provided various equipment repair and refurbishment services at the Wolf Creek Nuclear Generating Station (the Plant) in the course of a scheduled outage in 2011. KGE's share of the settlement was ****Confidential** [redacted]******. Of this amount, ****Confidential** [redacted]****** was primarily related to direct damages from lost energy production at the Plant. We recorded this as a reduction to fuel expense during the test year, which flows through the RECA. The remaining ****Confidential [redacted] **** was for other direct damages incurred at the Plant including inside labor, consultants' costs, and NRC compliance costs. We recorded this amount as a reduction to Operation and Maintenance expense during the test year. This portion of the settlement proceeds decreased our Operations and Maintenance costs during the test year, although it is related to an incident that occurred in 2012. As a result, this adjustment increases test year Operation and Maintenance expense by ****Confidential [redacted] ****.

VI. WORKING CAPITAL – SECTION 6

Q. PLEASE DESCRIBE THE PORTION OF SECTION 6 RELATED TO FOSSIL FUEL, AND OTHER INVENTORY BALANCES.

A. Material and Supplies inventory, Prepayments and Fossil Fuel inventory for coal, oil and natural gas are calculated using the month end book balances for each month from June 30, 2016 through June 30, 2017 then averaging these amounts to derive a 13-month average. Nuclear Fuel follows a similar approach with the exception of the use of an 18-month average to reflect a normal refueling cycle.

VII. ANNUALIZE WESTERN PLAINS WIND FARM O&M

Q. PLEASE EXPLAIN ADJUSTMENT NO. IS-40 "ANNUALIZE WESTERN PLAINS WIND FARM O&M."

A. This adjustment reverses Operation and Maintenance (O&M) expense in the test year that was incurred prior to the start of commercial operation of Western Plains Wind Farm and replaces it with a normalized twelve months of O&M expense. Commercial operations began in March 2017, therefore, the normalized twelve months of O&M expense includes actual expense for March through September 2017 and O&M budgeted amounts for October 2017 through February 2018. As a result, this adjustment increases test year O&M expense by $4,564,846.

VIII. REMOVE WIND GENERATION PILOT AND ROYALTY PAYMENTS

Q. PLEASE EXPLAIN ADJUSTMENT NO. IS-44 "REMOVE WIND GENERATION PILOT AND ROYALTY PAYMENTS."

A. As Mr. Wilkus discusses in his direct testimony, Westar is proposing to remove wind generation Payments in Lieu of Taxes (PILOT) and royalty payments from test year Operating expense and request approval to recover them in the Property Tax Surcharge (PTS) rider and RECA clause, respectively. This adjustment removes these amounts from base rates so they can be recovered through the PTS and RECA. Total PILOT payments during the test year were $1,009,158. Total royalty payments during the test year were

$1,801,976. The net adjustment to reverse PILOT and royalty payments from the cost of service results in a decrease to test year Operating expense of $2,811,134, subject to Commission approval to add these costs to the Property Tax Surcharge rider and RECA clause.

IX. INCREASE IN ENVIRONMENTAL ASSESSMENTS

Q. PLEASE EXPLAIN ADJUSTMENT NO. IS-45 "INCREASE IN ENVIRONMENTAL ASSESSMENTS."

A. This adjustment increases test year Operating expense for the increase in emission fees from $37 per ton to $53 per ton of emissions per Kansas Department of Health and Environment (KDHE) regulations and documented in section 28-19-517(b)(1)(B) of the Kansas Register, dated December 21, 2017. This increase is applicable to 2017 calendar year emissions which are reportable to KDHE by April 1, 2018. We estimate a company-wide emission fee, excluding La Cygne, of $602,716 for the calendar year 2017 at the new fee of $53 per ton. This compares to actual test year emissions fees of $383,505 at $37 per ton of emissions. As a result, this adjustment increases the cost of service Operating expense by $219,211.

X. LA CYGNE DISMANTLEMENT COST ESTIMATE REDUCTION

Q. PLEASE EXPLAIN ADJUSTMENT NO. IS-41 "LA CYGNE DISMANTLEMENT COST ESTIMATE REDUCTION."

A. This adjustment reduces test year Operating expense due to a decrease in the dismantling estimate for La Cygne unit 2. Westar has a leasehold interest in 50% of La Cygne unit 2 and Kansas City Power & Light Company owns the other 50%. The most recent dismantling cost study reflects a total dismantling cost of $26,160,000 after adjusting for inflation compared to the previous estimate of $58,500,000. As of the end of the test year, Westar's cumulative accrued liability, based on the previous dismantling cost study, exceeds the new estimate of $26,160,000. As a result, this adjustment reverses the dismantling expense accrued during the test year, thereby decreasing test year Operating expense by $2,412,371.

Q. THANK YOU.