

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

DIRECT TESTIMONY

OF

LINDA K. HAINES

WESTAR ENERGY

DOCKET NO. 08-WSEE-1041-RTS

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. Linda K. Haines, 818 South Kansas Avenue, Topeka, Kansas
3 66612.

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

5 A. Westar Energy, Inc. I am Manager, Revenue Requirements.

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

8 A. I graduated from Emporia State University with a Bachelor of
9 Science Degree in Business Administration with an accounting
10 major and obtained a Masters of Business Administration from
11 Washburn University in 1994. My utility experience began in 1992,
12 when I was employed by Westar as an internal auditor, advancing
13 to supervisor of interchange accounting in 1996. In June 2001, I

1 assumed my current position. I became a Certified Internal Auditor
2 in 1994 and a member of the Institute of Internal Auditors in 1992.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
4 **PROCEEDING?**

5 A. I sponsor certain accounting adjustments in the minimum filing
6 requirements (MFRs) of Westar North and South in this proceeding.
7 I sponsor the adjustments for donations, rate case expenses,
8 advertising elimination, interest on customer deposits, postage
9 increase, fleet fuel increase, bad debt expense, LaCygne fixed
10 O&M, decommissioning funding and EEI dues.

11 **Q. PLEASE EXPLAIN ADJUSTMENTS 10 IN SECTION 9 OF**
12 **WESTAR NORTH AND SOUTH'S MFRS IDENTIFIED AS**
13 **DONATIONS.**

14 A. These adjustments are consistent with K.S.A. 66-101f and the
15 Commission's historical practice of permitting only 50% of civic and
16 charitable donations in the determination of revenue requirements.
17 These adjustments decrease operating income of Westar North
18 and South by \$190,955.48 and \$182,611.64, respectively,
19 consistent with including only 50% of such amounts in the cost of
20 service.

21 **Q. PLEASE EXPLAIN THE ADJUSTMENTS ENTITLED RATE CASE**
22 **EXPENSES, ADJUSTMENTS NO. 11 IN SECTION 9 OF**
23 **WESTAR NORTH AND SOUTH'S MFRS.**

1 A. These adjustments reflect a three-year amortization of the
2 estimated expenses associated with this proceeding. The estimate
3 was determined by using the actual costs incurred by us in our
4 most recent rate proceeding, Docket No. 05-WSEE-981-RTS, then
5 adjusting that total for anticipated changes. I recommend that the
6 Commission direct Westar and Staff to update and adjust this
7 amount with the best available information just prior to issuance of
8 the order in this proceeding.

9 **Q. WHAT IS THE EFFECT UPON NET OPERATING INCOME OF**
10 **THE RATE CASE EXPENSES ADJUSTMENTS?**

11 A. These adjustments decrease the net operating income of Westar
12 North \$282,190 with a corresponding decrease of \$112,248 to
13 income taxes and decrease the net operating expense of Westar
14 South \$234,016 with a corresponding decrease of \$93,086 to
15 income taxes.

16 **Q. PLEASE EXPLAIN ADJUSTMENTS NO. 12 IN SECTION 9 IN**
17 **WESTAR NORTH AND SOUTH'S MFRS ENTITLED**
18 **ADVERTISING EXPENSE ELIMINATION ADJUSTMENT.**

19 A. These adjustments remove any expense for advertising, where the
20 purpose of that advertising is principally to promote Westar's
21 image. Historically, the Commission has not permitted us to
22 include such expenses in the cost of service. These adjustments
23 increase Westar North's operating income by \$24,247 and Westar

1 South's operating income by \$16,212. Mr. Ludwig, in his testimony,
2 discusses the nature of advertising related to encouraging energy
3 efficiency, the expenses for which should be and are included in the
4 cost of service.

5 **Q. PLEASE EXPLAIN ADJUSTMENTS NO. 13 IN SECTION 9 IN**
6 **WESTAR NORTH AND SOUTH'S MFRS ENTITLED INTEREST**
7 **ON CUSTOMER DEPOSITS.**

8 A. These adjustments are consistent with the Commission's finding in
9 our 2001 rate proceeding, Docket No. 01-WSRE-436-RTS, with
10 respect to the ratemaking treatment of interest on customer
11 deposits. Customer deposits are treated as a reduction in rate
12 base, with the interest expense on customer deposits recognized
13 as an expense included in cost of service. The interest expense
14 was determined by using the December 20, 2007, interest rate
15 pursuant to K.S.A 12-822 that set the interest rate paid on security
16 deposits at 3.15% for the calendar year 2008.

17 **Q. WHAT IS THE EFFECT UPON OPERATING INCOME OF THE**
18 **INTEREST ON CUSTOMER DEPOSITS ADJUSTMENTS?**

19 A. These adjustments decrease operating income of Westar North by
20 \$321,846 and Westar South by \$321,949.

21 **Q. PLEASE EXPLAIN ADJUSTMENTS NO. 15 IN SECTION 9 OF**
22 **WESTAR NORTH AND SOUTH'S MFRS FOR POSTAGE.**

1 A. Under the Postal Act of 2006, the Postal Rate Commission
2 approved postage rate increases with effective dates of May 14,
3 2007 and May 15, 2008. The adjustment reflects these known and
4 measurable postage rates and related postal expense based on
5 three years of historical postage volumes. These adjustments
6 decrease operating income by \$57,993 to Westar North and
7 \$49,872 to Westar South.

8 **Q. PLEASE EXPLAIN THE VEHICLE FLEET FUEL INCREASE**
9 **ADJUSTMENTS NO. 16 IN SECTION 9 OF WESTAR NORTH**
10 **AND SOUTH'S MFRS.**

11 A. Our fuel expenses have increased dramatically as prices at the
12 pump have gone up. These adjustments reflect the escalation of
13 fuel expense projected into 2008 based on the last three years'
14 average gallons we have used in our vehicle fleet. The adjustments
15 decrease net operating income by \$104,869 and \$60,625
16 respectively to Westar North and South.

17 **Q. BRIEFLY EXPLAIN ADJUSTMENTS NO. 20 IN SECTION 9 OF**
18 **WESTAR NORTH AND SOUTH'S MFRS RELATED TO BAD**
19 **DEBT EXPENSE.**

20 A. These adjustments normalize bad debt expense for the test period.
21 The adjustments normalize bad debt expense to actual net charge-
22 offs incurred as a percentage of revenue averaged over the last
23 three years for both Westar North and South. The effect of the

1 adjustments is to decrease net operating income for Westar North
2 and South by \$461,585 and \$322,246 respectively.

3 **Q. PLEASE EXPLAIN ADJUSTMENT NO. 21 IN SECTION 9 IN**
4 **WESTAR SOUTH'S MFRS ENTITLED LACYGNE FIXED O&M**
5 **ADJUSTMENT.**

6 A. This adjustment reflects the "known and measurable" fixed O&M
7 cost increases that Westar will incur in connection with its
8 ownership share of the LaCygne plant.

9 **Q. WHAT IS THE EFFECT UPON OPERATING INCOME OF THE**
10 **LACYGNE FIXED O&M ADJUSTMENT?**

11 A. This adjustment decreases the operating income of Westar South
12 by \$319,666.

13 **Q. PLEASE EXPLAIN WESTAR SOUTH'S DECOMMISSIONING**
14 **FUNDING ADJUSTMENT NO. 22 IN SECTION 9.**

15 A. This adjustment reflects the Commission approved reduction in
16 funding in the most recent triennial review of Wolf Creek
17 decommissioning trust fund. The adjustment reduces operating
18 expenses by \$946,576 for Westar South.

19 **Q. PLEASE EXPLAIN THE EEI DUES ADJUSTMENT NO. 22 IN**
20 **SECTION 9 OF WESTAR NORTH'S MFRS.**

21 A. The EEI dues as assessed for 2007 include the non-deductible
22 legislative advocacy expenditures. This adjustment removes those

1 assessments from the recorded expenses in the amount of
2 \$271,035.

3 **Q. THANK YOU.**