

BEFORE THE
KANSAS CORPORATION COMMISSION

STATE CORPORATION COMMISSION

APR 18 2007

 Docket
Room

In the Matter of the Applications)
of Westar Energy, Inc. and Kansas)
Gas and Electric Company for)
Approval to Make Certain Changes)
in their Charges for Electric Service.)

Docket No. 05-WSEE-981-RTS

DIRECT TESTIMONY OF

BRIAN KALCIC

REGARDING ISSUES ON REMAND

ON BEHALF OF
THE CITIZENS' UTILITY RATEPAYER BOARD

April 18, 2007

TABLE OF CONTENTS

	Page
I. Testimony	3
II. Appendix: Qualifications	9

1 **Q. Please state your name and business address.**

2 A. Brian Kalcic, 225 S. Meramec Avenue, St. Louis, Missouri 63105.

3

4 **Q. What is your occupation?**

5 A. I am an economist and consultant in the field of public utility regulation, and principal of
6 Excel Consulting. My qualifications are described in the Appendix to this testimony.

7

8 **Q. On whose behalf are you testifying in this case?**

9 A. I am testifying on behalf of the Citizens' Utility Ratepayer Board ("CURB").

10

11 **Q. What is the subject of your testimony?**

12 A. I will address the Transmission Delivery Charge ("TDC") Remand Testimony filed by
13 Westar, Inc. and Kansas Gas and Electric Company (collectively "Westar" or "Company")
14 on April 4, 2007.

15

16 **Q. Please summarize your findings and conclusions.**

17 A. Based upon my analysis of Westar's Remand Testimony and base rate case filing, I find
18 that:

- 19 • Westar's refund liability with regard to the TDC should be based on the
20 difference between amounts charged to ratepayers and the approved FERC
21 rates that were in effect at the time that the KCC originally issued its Order
22 in the base rate case;

- 1 • CURB is not opposed to using 2004 cost information from the FERC Form
2 1 to determine the appropriate prospective transmission-related revenue
3 requirements for Westar’s retail and wholesale jurisdictions. However,
4 Westar’s proposed methodology for determining its prospective
5 jurisdictional transmission-related revenue requirements is incomplete and
6 should be rejected by the KCC; and
- 7 • CURB is not opposed to a separate transmission-related line item on
8 customers’ bills, but it should not be identified as a “TDC”.

9
10 The specific details associated with CURB’s findings are discussed below.

11

12 **Transmission Delivery Charge**

13 **Q. Mr. Kalcic, please provide a brief description of the TDC-related issues in this**
14 **proceeding.**

15 A. Previously in this case, Westar proposed that the KCC unbundle transmission-related costs
16 from base rates. The KCC accepted Westar’s proposal and implemented the TDC, as per
17 the Transmission Delivery Charge Stipulation and Agreement (“TDC S&A”) supported by
18 Staff and the Company. The TDC was initially established at the level of the proposed
19 FERC rate being requested by Westar. The KCC envisioned that the TDC would track
20 FERC-approved rates and would be adjusted accordingly with changes in the FERC rate.
21 Subsequent to the KCC’s Order in the base rate case, FERC approved rates that were
22 different from the interim rates used by the KCC to establish the initial TDC. In addition,
23 counsel informs me that the Kansas Court of Appeals (“Court”) ruled that the KCC erred in

1 approving the TDC. The Court held that unbundling transmission charges from base rates
2 must not result in a net increase to customers and must be based on an approved final rate.

3 Therefore, at this time, there are three issues that need to be addressed. First, what
4 refund liability is due to ratepayers who have been charged interim FERC rates? Second,
5 what rates should be charged to these ratepayers prospectively? Third, how should
6 transmission-related costs be collected?

7
8 **Q. How does the Company propose to calculate refunds relating to the TDC issue?**

9 A. Westar proposes to calculate refunds based on the difference between the actual rates
10 charged to customers and the prospective rates that the Company is proposing to charge
11 ratepayers.

12
13 **Q. Do you agree with the Company's methodology?**

14 A. While the Company's methodology may have some intuitive appeal, I understand from
15 counsel that the Court held that the TDC rates approved by the KCC should be based on
16 approved rates, rather than on interim or requested FERC rates. Therefore, CURB
17 recommends that the refund relating to the TDC be calculated based on the difference
18 between the actual rates charged to customers and the FERC-approved rates that existed at
19 the time that the KCC issued its Order in the base rate case. CURB has asked the Company
20 to quantify this refund amount in a data request.

21

1 **Q. Is CURB opposed to using 2004 cost information from the Company's FERC Form 1**
2 **to determine the appropriate prospective transmission-related revenue requirements**
3 **for Westar's retail and wholesale jurisdictions?**

4 A. No, CURB is not opposed to calculating a prospective transmission-related charge, based
5 on the cost data as contained in the Company's 2004 FERC Form 1, as suggested by Mr.
6 Reed in his Remand Testimony.

7
8 **Q. Is CURB opposed to the specific methodology outlined in Mr. Reed's testimony for**
9 **developing its prospective jurisdictional transmission-related revenue requirements?**

10 A. Yes. In CURB's view, the Company's proposed methodology is incomplete and, if
11 adopted, would produce an inflated overall retail revenue requirement.

12
13 **Q. Why do you say that Mr. Reed's proposed methodology is incomplete?**

14 A. On pages 5-6 of his Remand Testimony, Mr. Reed argues that Westar's prospective Kansas
15 retail transmission revenue requirement should be determined by updating KCC staff
16 witness Mark Doljac's Exhibit__(MD-2), Schedule A.¹ Mr. Reed proceeds to do just that
17 in Exhibit__(DLR-4). However, Mr. Doljac's Supplemental Testimony, upon which Mr.
18 Reed proposes to rely, also contains an Exhibit__(MD-1). Exhibit__(MD-1), like
19 Exhibit__(MD-2), was prepared by Mr. Doljac in support of the TDC S&A that was
20 adopted by the KCC. The two exhibits are interrelated. Yet, Mr. Reed proposes to update
21 one without the other, to the detriment of Westar's retail customers.

22

¹ See Supplemental Testimony of Mark F. Doljac in Docket No. 05-WSEE-981-RTS.

1 **Q. What role did Exhibit__(MD-1) play in determining Westar’s TDC S&A**
2 **jurisdictional transmission-related revenue requirements?**

3 A. Exhibit __(MD-1) was used to adjust Westar’s Account 447 – Sales for Resale and
4 Account 456 – Other Electric Revenues, i.e., to remove transmission revenues associated
5 with wholesale transmission transactions.²

6

7 **Q. Would it be appropriate to update Exhibit__(MD-2) without updating Exhibit__(MD-**
8 **1), as suggested by the Company?**

9 A. No. In effect, Westar is proposing to update Exhibit__(MD-2) for changes in the level of
10 wholesale transmission transactions without flowing those same changes through to the
11 revenue credit side of the TDC. Based upon the disproportional reduction in the wholesale
12 transmission expense allocation implicit in Mr. Reed’s Exhibit__(DLR-4), CURB expects
13 that updating Exhibit__(MD-1) would assign retail customers a higher credit from
14 Accounts 447 & 456.

15

16 **Q. Has CURB asked the Company to update Exhibit__(MD-1) in a data request?**

17 A. Yes, it has.

18

19 **Q. What is CURB’s position with regard to continuing to display a TDC-like charge as a**
20 **separate line item on customers’ bills?**

21 A. Conceptually, CURB is not opposed to a separate line item to show the transmission-
22 related costs that are being recovered. However, given the Court’s finding that the TDC

1 did not comply with Kansas law, CURB recommends that the TDC be renamed so as to
2 make it clear to customers that the TDC rate component originally approved by the KCC is
3 no longer being charged. This new rate would not change until the KCC approves a future
4 rate change, either in a base rate proceeding or in some other proceeding initiated by
5 Westar.

6

7 **Q. Does this conclude your direct testimony?**

8 A. Yes.

² These adjustments eliminated a total of \$22.4 million of retail revenue credits from Westar's filed case. See Exhibit__(MD-1), Schedule A.

II. APPENDIX

Qualifications of Brian Kalcic

Mr. Kalcic graduated from Benedictine University with a Bachelor of Arts degree in Economics in December 1974. In May 1977, he received a Master of Arts degree in Economics from Washington University, St. Louis. In addition, he has completed all course requirements at Washington University for a Ph.D. in Economics.

From 1977 to 1982, Mr. Kalcic taught courses in economics at both Washington University and Webster University, including such subjects as Microeconomic and Macroeconomic Theory, Labor Economics and Public Finance.

During 1980 and 1981, Mr. Kalcic was a consultant to the Equal Employment Opportunity Commission, St. Louis District Office. His responsibilities included data collection and organization, statistical analysis and trial testimony.

From 1982 to 1996, Mr. Kalcic joined the firm of Cook, Eisdorfer & Associates, Inc. During that time, he participated in the analysis of electric, gas and water utility rate case filings. His primary responsibilities included cost-of-service and economic analysis, model building, and statistical analysis.

In 1996, Mr. Kalcic founded Excel Consulting, a consulting practice which offers business and regulatory services.

Mr. Kalcic has previously testified before the state regulatory commissions of Delaware, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, and Texas, as well as the Bonneville Power Administration.

VERIFICATION

STATE OF MISSOURI)
)
) ss:
COUNTY OF)

Brian Kalcic, being fully sworn upon his oath, deposes and states that he is a consultant for the Citizens' Utility Ratepayer Board, that he has read and is familiar with the foregoing testimony, and that the statements made herein are true and correct to the best of his knowledge, information and belief.

Brian Kalcic

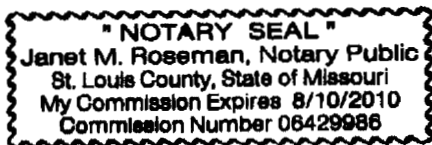
Brian Kalcic

SUBSCRIBED AND SWORN to before me this 18th day of April, 2007.

Janet M. Roseman

Notary of Public

My Commission expires: 8-10-2010



CERTIFICATE OF SERVICE

05-WSEE-981-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was placed in the United States mail, postage prepaid, or hand-delivered this 18th day of April, 2007, to the following:

KURT J. BOEHM, ATTORNEY
BOEHM, KURTZ & LOWRY
36 EAST SEVENTH STREET
SUITE 1510
CINCINNATI, OH 45202
Fax: 513-421-2764
kboehm@bkllawfirm.com

MICHAEL L. KURTZ, ATTORNEY
BOEHM, KURTZ & LOWRY
36 EAST SEVENTH STREET
SUITE 1510
CINCINNATI, OH 45202
Fax: 513-421-2764
mkurtz@bkllawfirm.com

CHARLES M. BENJAMIN, ATTORNEY AT LAW
CHARLES M. BENJAMIN
P.O. BOX 3809
CARSON CITY, NV 89702-3809
Fax: 785-841-5922
chasbenjamin@sbcglobal.net

JAY C. HINKEL, ASSISTANT CITY ATTORNEY
CITY OF WICHITA
CITY HALL 13TH FLOOR
455 N MAIN STREET
WICHITA, KS 67202
Fax: 316-268-4335
jhinkel@wichita.gov

GARY E. REBENSTORF, CITY ATTORNEY
CITY OF WICHITA
CITY HALL 13TH FLOOR
455 N MAIN STREET
WICHITA, KS 67202
Fax: 316-268-4335
grebenstorf@wichita.gov

COLIN WHITLEY, GENERAL MANAGER
CITY OF WINFIELD
200 EAST 9TH
PO BOX 646
WINFIELD, KS 67156
cwhitley@winfieldks.org

CURTIS M. IRBY, ATTORNEY
GLAVES, IRBY & RHOADS
120 SOUTH MARKET
SUITE 100
WICHITA, KS 67202-3892
Fax: 316-264-6860
cmirby@sbcglobal.net

JOHN WINE, JR.
410 NE 43RD
TOPEKA, KS 66617
Fax: 785-246-0339
jwine2@cox.net

DANA BRADBURY, ASSISTANT GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604-4027
Fax: 785-271-3354
d.bradbury@kcc.state.ks.us
**** Hand Deliver ****

SUSAN CUNNINGHAM, GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604-4027
Fax: 785-271-3354
s.cunningham@kcc.state.ks.us
**** Hand Deliver ****

MICHAEL LENNEN, ATTORNEY
MORRIS LAING EVANS BROCK & KENNEDY CHTD
OLD TOWN SQUARE SUITE 200
300 N MEAD STREET
WICHITA, KS 67202-2722
Fax: 316-262-5991
mlennen@morrislaing.com

KEVIN K. LA CHANCE, ATTORNEY
OFFICE OF THE STAFF JUDGE ADVOCATE
HQ, 24TH INFANTRY DIVISION & FORT RILEY
BUILDING 200, PATTON HALL
FORT RILEY, KS 66442-5017
Fax: 785-239-0577
kevin.lachance@us.army.mil

CERTIFICATE OF SERVICE

05-WSEE-981-RTS


JAMES P. ZAKOURA, ATTORNEY
SMITHYMAN & ZAKOURA, CHTD.
7400 W 110TH STREET
SUITE 750
OVERLAND PARK, KS 66210
Fax: 913-661-9863
zakoura@smizak-law.com

SARAH J LOQUIST, ASSISTANT GENERAL COUNSEL
UNIFIED SCHOOL DISTRICT 259
ROOM 405
201 N WATER
WICHITA, KS 67202
Fax: 316-973-4497
sloquist@usd259.net

MARTIN J. BREGMAN, EXEC DIR, LAW
WESTAR ENERGY, INC.
818 S KANSAS AVENUE
PO BOX 889
TOPEKA, KS 66601-0889
Fax: 785-575-8136
martin_bregman@wr.com

DAVID BANKS, ENERGY MANAGER
UNIFIED SCHOOL DISTRICT 259
SCHOOL SERVICE CENTER COMPLEX
3850 N HYDRAULIC
WICHITA, KS 67219-3399
Fax: 316-973-2150
dbanks@usd259.net

ROBERT A. GANTON, ATTORNEY
UNITED STATES DEPARTMENT OF DEFENSE
D/B/A UNITED STATES DEPARTMENT OF DEFENSE
REGULATORY LAW OFFICE
DEPARTMENT OF THE ARMY
901 N. STUART STREET, SUITE 525
ARLINGTON, VA 22203-1837
Fax: 703-696-2960
robert.ganton@hqda.army.mil



Niki Christopher