

# Citizens' Utility Ratepayer Board

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## PRESS RELEASE

### CURB to fight Westar/KCC settlement agreement

Topeka, Kansas, February 6, 2012,

The Citizens' Utility Ratepayer Board announced today that it will fight a proposed settlement in the Westar rate case. Westar and the Staff of the Kansas Corporation Commission filed a settlement agreement in the current \$90.8 million Westar rate case. According to the agreement, they recommend the Commissioner's approve a \$50 million increase in Westar rates. Further, they recommend the Commissioners adopt a 10% Return on Equity (shareholder profit) going forward.

According to the agreement, \$41 million of the \$50 will be paid for by Westar's residential and small business customers. The other \$9 million is spread to Westar's medium general service customers like Kroger and Walmart, and to Westar's large industrial customers like Boeing, Occidental Chemical, Spirit Aerosystem, Hawker Beechcraft, Cargil Incorporated, Occidental Chemical and Coffeyville Refinery, all of whom are supporting the agreement or "not-opposing" the agreement.

"If there is one thing we heard very clearly from Westar's customers at the public hearings is that a 10% shareholder profit is simply unacceptable in these difficult economic times," said David Springe, Consumer Counsel at the Citizens' Utility Ratepayer Board. "I expected Westar to be tone deaf to this outcry, having requested a 10.6% shareholder profit, but I'm truly surprised by the KCC staff also being tone deaf". KCC staff witness Adam Gatewood recommended a shareholder profit of 9.5%, which is the midpoint of his range between 9% and 10%. The 10% in the settlement agreement is the very top of his range of potential outcomes and favors Westar, rather than at the bottom which would favor Westar's customers. CURB recommended a shareholder profit of 8.85%. Every 1% change in shareholder profit equals about \$30 million in customer rates.

CURB recommended an \$11.6 million rate reduction for Westar (see press release (<http://curb.kansas.gov/12-01.pdf>)). While CURB reduced shareholder profit to 8.85%, and threw out executive bonuses, it also funded Westar's pension in full, allowed 27% raises for Westar employees over the last 6 years and increased tree trimming expenditures to increase system reliability. "We are recommending a position that is conservative, but not unreasonable to Westar or its rank-and-file employees" said Springe.

Even without this increase, Westar is on track to have increased rates by \$388 million between 2009 and the end of 2012. This adds another \$50 million to that total and the agreement allows Westar to file another abbreviated case within one year to begin recovery of Westar's half (\$600 million) of environmental expenditures at the La Cygne coal plant. And it is clear that these increases are almost totally on the backs of Westar's residential and small business customers. "At some point, these electric rate increases are going to make it impossible to do business in Kansas," said Springe. "We're going to drive away business, drive away jobs and eventually drive away Kansas citizens."

At the proposed settlement rates, an average summer residential bill (1500 Kwh) will have increased 37% in Westar North system (KPL) since 2008. The same bill in Westar South (KG&E) has increase 23% since 2008. Westar projects an additional \$96 million in line item increases in 2012, and an additional \$2.3 billion in new capital spending between 2011-2013.

“If there was ever a time for the public to stand up and make its voices heard about these never ending electric rate increases, this is it” said Springe, “While it is always easier to settle a case than to litigate, that doesn’t mean this settlement is just or fair, and it certainly doesn’t mean the Commissioners should approve it out of expediency.” CURB is asking Westar’s customers to contact the KCC and tell them to throw out this settlement.

The best way to contact the KCC is by email at [public.affairs@kcc.ks.gov](mailto:public.affairs@kcc.ks.gov). Mail can be sent to Public Affairs and Consumer Protection, 1500 S.W. Arrowhead Road, Topeka, Kansas 66604-4027. *Please reference KCC Docket No. 12-WSEE-112-RTS.* There is also a toll free number (1-800-662-0027). The Westar hearing begins next Monday February 13, 2012 at the KCC.

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