

Citizens' Utility Ratepayer Board

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PRESS RELEASE

TOPEKA, Kansas, August 21, 2013 – The Citizen's Utility Ratepayer Board (CURB) filed testimony today in the Westar Energy (Westar) rate case. (*KCC Docket No. 13-WSEE-629-RTS*) CURB recommends overall revenue be increased \$30.6 million rather than the \$31.7 million increase proposed by Westar. CURB recommends no increase in rates for Residential, Medium Business and Public School Customers. Small Business, Large Industrial and Lighting Service customers will see rate increases.

1) Overall Net Revenue Increase.

Westar seeks to increase overall net revenue by \$31.7 million. This increase relates to Westar's current expenditures for retrofitting the La Cygne coal plant, a project the KCC has already approved, less reductions in past storm cost amortizations. Westar calculates the net revenue figure with a 10% built-in shareholder profit, as allowed in a settlement agreement approved by the KCC in Westar's previous rate case¹. CURB opposed that settlement agreement, arguing the 10% shareholder profit was too high.

CURB's recommended \$30.6 million net revenue increase accounts for these prior KCC approvals, and uses the 10% shareholder profit figure. However, Westar shares ownership of the La Cygne coal plant with Kansas City Power & Light (KCP&L). KCP&L ratepayers only pay a 9.5% shareholder profit on their half of the La Cygne retrofit cost. CURB calculates that Westar's 10% shareholder profit costs Westar customers \$1.5 million, or about 3.23% more per year than KCP&L customers pay for the exact same plant retrofit. If the KCC applied a 9.5% shareholder profit to Westar's entire system, Westar customers would save \$17.8 million per year.

"Since the KCC has already approved the La Cygne expenditures in another proceeding², we didn't expect this portion of the case to be controversial," said David Springe, Consumer Counsel for CURB. "What is controversial, however, is that by using a 10% shareholder profit level, KCC makes Westar customers pay more than KCP&L customers for the exact same retrofit costs. Westar customers should rightfully be asking why they have to pay more than KCP&L customers for the same retrofit."

2) Proposed Revenue Shift

Westar proposes to increase Residential rates by \$62 million annually and increase Small Business rates by \$21.5 million annually, while at the same time, reduce the rates of Medium Business, Large Industrial and Public Schools by \$50 million annually. Westar uses a 4 coincident peak (4CP) cost allocation model and the Average and Peak (A&P) cost allocation model to justify this revenue shift.

¹ See KCC Docket 12-WSEE-112-RTS

² See. KCC Docket 11-KCPE-581-PRE (08/19/2011 Order approving:

<http://estar.kcc.ks.gov/estar/ViewFile.aspx/20110819153509.pdf?Id=fc7ebca0-3355-4374-8007-a76ddb717fd9>)

Both of these models have been *specifically rejected* by the KCC in recent KCP&L cases³ in favor of the Base, Intermediate and Peak (BIP) cost allocation model.

CURB uses the KCC preferred Base, Intermediate, Peak (BIP) model to allocate costs. CURB's BIP model shows that Residential, Medium Business and Public Schools are all contributing fairly towards Westar's costs. CURB's BIP model also shows that Small Business, Large Industrial customers and Public Lighting customers do need a rate increase to contribute more fairly towards Westar's costs.

However, unlike Westar's proposal, CURB recommends that no individual class rates be reduced while other classes have their rates increased. CURB's proposal moves rates towards costs in a gradual and reasonable fashion to minimize rate shock while softening the level of increases that any class will pay. Under CURB's proposal, Small Business rates will increase 7.2%, Large Industrial rates will increase 8.2% and Public Lighting customer rates will increase 10.4%. Residential, Medium Business and Public School rates do not change.

"Ultimately, whether any individual class of customers is overpaying or underpaying depends on the cost allocation model that is used," said Springe. "CURB uses the KCC preferred BIP model to answer this question where Westar uses two models that have already been rejected by the KCC. While we were not surprised that CURB's BIP model showed Westar's Residential customers were paying their fair share, contrary to Westar's claims, we were surprised that the model showed Small Business rates do need to be increased."

According to Springe, "Westar wants the KCC to set rates based on models that have been found to be inferior to the model used to set KCP&L customer rates. Much like requiring KCP&L customers to only pay a 9.5% shareholder profit, Westar's customers again should rightfully be asking what reasonable justification there can be to treat the customers of the two largest electric utilities in the state in such a different manner."

3) Economic Development and Low Income Bill Program

According to Springe, "While CURB support's finding additional support for customers struggling with continuing rate increases, CURB ultimately rejects Westar's proposals as being outside of what the KCC said could be addressed in this proceeding."

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The KCC will conduct an evidentiary hearing September 26 and 27, 2013 and must issue a decision in the case by December 11, 2013. The KCC will accept comments from customers through September 23, 2013.

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NOTE: Westar Rate Increase History Fact Sheet attached.

³ In 10-KCPE-415-RTS, decided in November, 2010, the KCC specifically rejected the 4CP model. With regard to the A&P model the KCC said "The BIP method...CCOS Study for allocation of production plant is preferable to Staff's average-and-peak approach. The BIP method provides more structure for modeling costs of production plant and use of generating resources. It also allows for a detailed examination of seasonal costs and corresponding seasonal rate allocations."

In 12-KCPE-756-RTS, decided in December, 2012, the KCC, in addressing Doubletree and Sprint arguments opposing the BIP methodology claiming it allocates a disproportionate amount of costs to the LGS and Large Power customers said, "More importantly, Doubletree's and Sprint's positions ignore the Commission's directive in the 415 Docket, favoring the BIP method over the average-and-peak approach, finding the BIP method provides more structure for modeling costs and allows for a detailed examination of seasonal costs and rate allocations."

Westar Rate Increase Fact Sheet

Westar rate increases 2009-2013,

2009

\$130.0 million general (requested \$177 million) (Rates effective January 2009)
\$ 31.8 million transmission line item
\$ 32.4 million environmental line item

2010

\$17.1 million general (rates consolidated)
\$ 6.0 million transmission line item
\$13.5 million environmental line item
\$ 5.8 million energy efficiency line item

2011

\$17.4 million transmission line item
\$11.2 million environmental line item
\$ 5.0 million energy efficiency line item

2012

\$50.0 million general (requested \$90 million, 12-WSEE-112-RTS)
\$36.5 million transmission line item (12-WSEE-651-TAR)
\$19.5 million environmental line item (09-WSEE-737-TAR)
\$ 3.0 million energy efficiency line item (13-WSEE-033-TAR)
\$21.8 million property tax surcharge (13-WSEEE-382-TAR)

2013

\$ 11.8 million transmission line item (13-WSEE-507-TAR)
\$27.2 million environmental line item (09-WSEE-737-TAR)
\$ 0.5 million energy efficiency line item (14-WSEE-030-TAR) Pending
\$31.7 million general rate case (13-WSEE-629-RTS) Pending

(2009-2013: 19 increases totaling approx \$471.75 million)

2014 Westar Projected

\$22.0 million transmission line item
\$13.0 million environmental line item

Westar Wind in fuel charge, annually

\$22.0 million wind costs in fuel charge⁴ (150 MW since 2010, 08-WSEE-309-PRE)
\$48.0 million wind costs in fuel charge (300 MW end of 2012, 11-WSEE-377-PRE))

⁴ Wind costs in the fuel charge are purchase power contracts required to meet the State Renewable Portfolio Standard. There may be some offsetting fuel savings that result from having these contracts. If there is a fuel savings, the savings also flows through the fuel charge to customer. Westar also owns 150 MW of wind, the cost (approx \$25 million) of which is included in base rates, see testimony of Dick Rohlf, in 08-WSEE-309-PRE

Westar's future capital expenditure projections 2012-2015 ⁵

\$542.7 million Generation replacement and other
\$293.0 million Westar environmental plant upgrades
\$350.3million La Cygne environmental plant upgrades
\$ 89.1 million Nuclear fuel
\$560.6 million Transmission
\$407.5 million Distribution
\$ 72.5 million "other"

**Total additional capital expenditures 2013-2015:\$2,315.7 billion

Residential Rate Impacts Jan 2008-current⁶

	Westar South	Westar North
900 Kwh Summer bill 2008	\$ 83.00	\$ 74.00
900 Kwh Summer bill current	\$ 115.00	\$ 115.00
Percent Increase	38%	55%
1500 Kwh Summer bill 2008	\$ 138.00	\$ 123.00
1500 Kwh Summer bill current	\$ 196.00	\$ 196.00
Percent Increase	42%	59%

⁵ From Westar Investor Presentation, May 2013:

⁶ Shows residential bill increases beginning with the \$130 million increase in 2009, with assumed consistent 2 cent monthly fuel charge and assumed franchise fee and tax increases. Increases include 2013 transmission increase, environmental increase and pending rate case increases and rate impacts from KCC Docket 13-WSEE-629.RTS.

Westar Residential Summer Bill Increases

	Westar North Bill		Westar South	
	900 kWh	1500 kWh	900 kWh	1500 kWh
2008 Rates	\$ 74.00	\$123.00	\$ 83.00	\$138.00
2012 Ending Rates	\$104.00	\$177.00	\$104.00	\$177.00
2012 Rates + TDC	\$105.00	\$178.00	\$105.00	\$178.00
2012 Rates + TDC + ECRR	\$107.00	\$181.00	\$107.00	\$181.00
2012 Rates + TDC + ECRR + Rate Case	\$115.00	\$196.00	\$115.00	\$196.00
Percent Bill Increase 2008-current	55%	59%	39%	42%

2013 TDC: transmission increase \$9 million (approved)

2013 ECRR: Environmental line increase \$27.2 million(pending)

2013Rate Case: \$31.7 million increase, with \$62 million shift to residential, with Westar proposed rate design (pending)

Complied by:

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