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Witness: Curt Wells
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2012-0175
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MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

SURREBUTTAL TESTIMONY

OF

CURT WELLS

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2012-0175

*Jefferson City, Missouri
October 2012*

Staff Exhibit No. 3012
Date 10/17/12 Reporter MM
File No. ER-2012-0175

Staff Exhibit - 3012

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

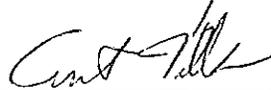
In the Matter of KCP&L Greater Missouri)
Operations Company's Request for)
Authority to Implement General Rate)
Increase for Electric Service)

Case No. ER-2012-0175

AFFIDAVIT OF CURT WELLS

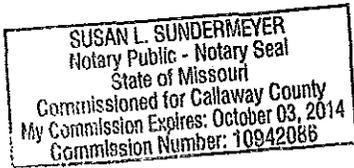
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Curt Wells, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 4 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



Curt Wells

Subscribed and sworn to before me this 10th day of October, 2012.



Notary Public

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SURREBUTTAL TESTIMONY

OF

CURT WELLS

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2012-0175

13 Q. Please state your name and business address.

14 A. My name is Curt Wells, and my business address is Missouri Public Service
15 Commission, P.O. Box 360, Jefferson City, Missouri, 65102.

16 Q. By whom are you employed and in what capacity?

17 A. I am employed by the Missouri Public Service Commission ("Commission")
18 as a Regulatory Economist in the Energy Unit.

19 Q. Are you the same Curt Wells who provided testimony in Staff's Cost of
20 Service Report in this case?

21 A. Yes, I am.

22 Q. Please state the purpose of your surrebuttal

23 A. My surrebuttal testimony will address GMO witness Mr. Tim Rush's rebuttal
24 testimony regarding the GMO-L&P Phase-in.

25 Q. Do you agree with Mr. Rush's description of the Phase-in, should the
26 Commission order its continuance?

27 A. In general, yes. However, I would like to provide Staff's understanding of:
28 1) how GMO would implement the Phase-in, if it continues, given this intervening rate case,
and 2) how Staff would apply the revenue requirement if the Phase-in is ended.

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1 Q. What is Staff's understanding of how GMO would continue the GMO-L&P
2 rate district Phase-in?

3 A. As Mr. Rush stated in his rebuttal testimony, the revenue requirement in this
4 case is based on the rates to be in effect after completion of the Phase-in in 2014. However,
5 the increase in rates would be applied to the current 2012 rates. In discussions with GMO,
6 they stated that with continuation of the Phase-in, tariff rates in the next two Phase-in periods
7 would be reduced from those ordered in this case by the amounts specified in Schedule
8 TMR-1 of Mr. Rush's direct testimony in Case No. ER-2012-0024. The rates effective
9 June 25, 2013, would be reduced to a level that results in a reduction in revenue of \$124,665
10 from the rates approved in this case. Tariff rates going into effect on June 25, 2014, would be
11 lowered from the 2013 rates so as to reduce revenue by \$3,960,519. At the point that the
12 June 25, 2014 rates go into effect for GMO-L&P, the Phase-in would be complete.

13 Q. How would Staff implement the rate increase if the Commission approves
14 cancellation of the Phase-in?

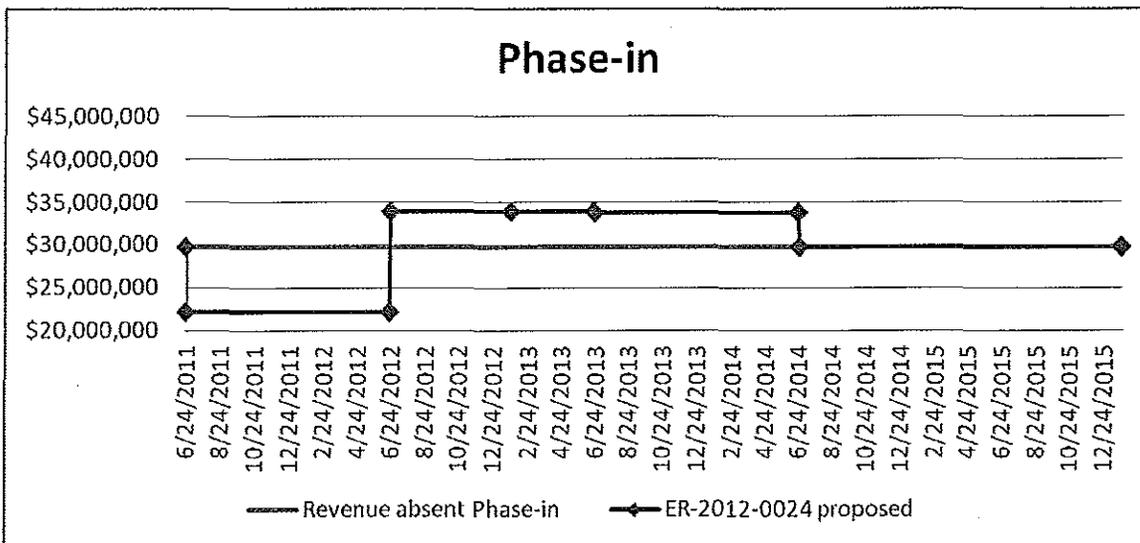
15 A. As part of Staff's and GMO's discussion on cancelling the Phase-in, the
16 uncollected revenue resulting from implementation of tariffs in this case will be amortized,
17 enabling GMO to recover its shortfall. The amortization of this uncollected revenue in this
18 case ends the Phase-in, and, in essence, brings the parties to the post-Phase-in 2014 rates. The
19 revenue requirement will be applied to the revenue calculated in this case using the 2014
20 rates, and the rate increase will be applied to these 2014 rates.

21 Q. Would you further compare the two options?

22 A. The following graphs are a conceptual presentation of how the mechanisms of
23 the two Phase-in options would work. The first chart shows the proposed rate

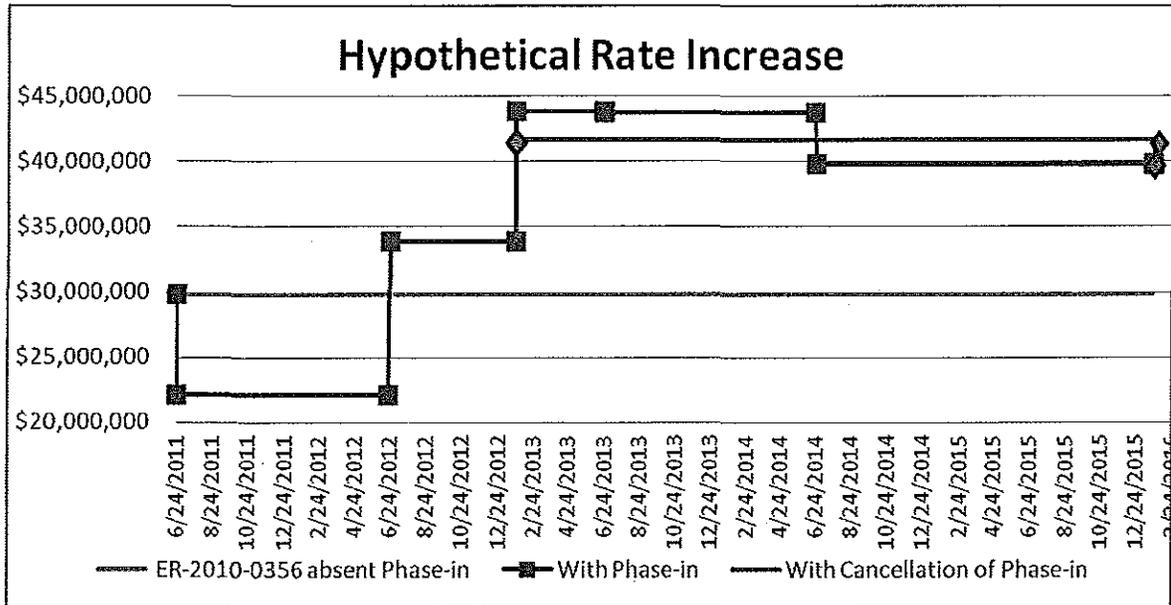
Surrebuttal Testimony of
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1 increase/decreases that were to occur without an intervening rate case. The second chart
 2 shows the effect on revenue, given a hypothetical \$10 million ordered increase with
 3 continuation of the Phase-in as a result of this case, and the relative rate increase resulting
 4 from cancellation of the Phase-in. The rates that include the cancellation of the Phase-in are
 5 higher than what the final rates would have been without the cancellation of the Phase-in, due
 6 to one-third (1/3) of the proposed three-year (3-year) amortization being placed in rates in this
 7 case. However, the cancellation of the Phase-in will result in a lower rate increase effective
 8 with this case, compared to the rate increase with continuation of the Phase-in, and the
 9 cancellation will eliminate the 2013 and 2014 tariff adjustments.



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As shown above, cancellation of the Phase-in will result in lower rates compared to continuation of the Phase-in for the approximate year and a half remaining in the Phase-in, and higher rates for the following year and a half until the next anticipated rate case rates go into effect.

Q. What is Staff's recommendation regarding appropriate treatment of GMO-L&P's Phase-in?

A. Staff recommends that the Commission approve Staff's proposal to end the Phase-in, and Staff further recommends that the Commission allow a three-year amortization of the unrecovered Phase-in revenues as discussed in more detail in the surrebuttal testimony of Staff witness Karen Lyons.

Q. Does this conclude your testimony?

A. Yes, it does.