

Exhibit No.:
Issue: Cost Allocations
Witness: Linda J. Nunn
Type of Exhibit: Direct Testimony
Sponsoring Party: KCP&L Greater Missouri Operations Company
Case No.: EO-2019-0067 (lead)
EO-2019-0068 (consolidated)
ER-2019-0199 (consolidated)
Date Testimony Prepared: April 23, 2019

MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.:
EO-2019-0067 (lead)
EO-2019-0068 (consolidated)
ER-2019-0199 (consolidated)

DIRECT TESTIMONY

OF

LINDA J. NUNN

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
April 2019

KCP&L Exhibit No. 3
Date 8-27-19 Reporter Bjt
File No. EO-2019-0067
EO-2019-0068
ER-2019-0199

DIRECT TESTIMONY

OF

LINDA J. NUNN

Case Nos.

**EO-2019-0067 (lead)
EO-2019-0068 (consolidated)
ER-2019-0199 (consolidated)**

INTRODUCTION

1

2 **Q: Please state your name and business address.**

3 A: My name is Linda J. Nunn. My business address is 1200 Main, Kansas City,
4 Missouri 64105.

5 **Q: By whom and in what capacity are you employed?**

6 A: I am employed by Kansas City Power & Light Company (“KCP&L”) and serve
7 as Manager - Regulatory Affairs for KCP&L, KCP&L Greater Missouri
8 Operations Company (“GMO”) and Westar Energy, Inc., the operating utilities of
9 Evergy, Inc.

10 **Q: Who are you testifying for?**

11 A: I am testifying for GMO.

12 **Q: What are your responsibilities?**

13 A: My responsibilities include the coordination, preparation and review of financial
14 information and schedules associated with Company rate case filings and other
15 regulatory filings.

1 **Q: Please describe your education.**

2 A: I received a Bachelor's of Science Degree in Business Administration with a
3 concentration in Accounting from Northwest Missouri State University.

4 **Q: Please provide your work experience.**

5 A: I became a Senior Regulatory Analyst with KCP&L in 2008, as a part of the
6 acquisition of Aquila, Inc., by Great Plains Energy Incorporated. In 2018, I was
7 promoted to Manager - Regulatory Affairs. Prior to my employment with
8 KCP&L, I was employed by Aquila, Inc. for a total of eleven years. In addition to
9 Regulatory, I have had experience in Accounting, Audit, and Business Services,
10 where I had responsibility for guiding restructuring within the delivery division.
11 In addition to my utility experience I was the business manager and controller for
12 two area churches. Prior to that, I was an external auditor with Ernst & Whinney.

13 **Q: Have you previously testified in a proceeding before the Missouri Public
14 Service Commission ("MPSC") or before any other utility regulatory
15 agency?**

16 A: I have provided written testimony before the MPSC and the Kansas Corporation
17 Commission.

18 **Q: What is the purpose of your testimony?**

19 A: The purpose of my testimony is to show that GMO's cost allocations between its
20 electric and steam businesses appropriately allocate the costs associated with the
21 auxiliary electric power between the electric operations and the steam operations
22 at GMO's Lake Road plant.

1 Q: Please provide some background.

2 A: Prior to the purchase of St. Joseph Light and Power Company (“SJLP”) in 2000
3 by UtiliCorp United, Inc., (a predecessor to Aquila, Inc. (“Aquila”), SJLP used an
4 allocation methodology that included direct assignment as well as allocation of
5 costs. At that time, SJLP had separate sets of accounting records for its electric,
6 gas and steam businesses. Auxiliary power, which is the cost of power used to
7 run the Lake Road plant, was identified and directly assigned separately to the
8 electric and steam businesses. The language from the Stipulation and Agreement
9 approved by the Commission in Case No. EO-94-36 reads as follows:

10 For settlement purposes, the parties agree that SJLP will allocate
11 costs between its electric, gas and steam jurisdictions according to
12 the Allocations Procedures manual (attached as Schedule A) **until**
13 **the Commission orders SJLP to use a different allocation**
14 **method** (emphasis added).¹

15 In a subsequent general rate case for the steam operations, Case No. HR-2005-
16 0450 (“2005 Case”), the Stipulation and Agreement specifies the following:

17 Aquila will continue to allocate the cost of Lake Road operations
18 between steam and electric in the Aquila Networks -- L&P
19 division, and between steam and Aquila, Inc. and any other
20 entities, in accordance with recent practice and as set forth in the
21 steam cost allocation manual and as provided in stipulated
22 agreements in Commission Case Nos. ER-2004-0034 combined
23 with HR-2004-0024 and incorporating the agreements from Case
24 No. EO-94-36. **The allocation method(s) will continue until**
25 **another approach is presented and approved or agreed among**
26 **parties in a general rate proceeding.** (emphasis added)²

¹ Report and Order, Case No. EO-94-36, February 10, 1995

² Order regarding Stipulation and Agreement, Case No. HR-2005-0450, paragraph 9, pp. 8-9, February 28, 2006.

1 **Q: Has the allocation methodology changed since the 2005 Case?**

2 A: Yes. More recently, in Case Nos. ER-2009-0090 and HR-2009-0092 (“2009
3 cases”), the Company proposed to allocate its costs, both rate base and cost of
4 service, for its L&P jurisdiction (what SJLP was called after being acquired by
5 Utilicorp/Aquila), between its electric and industrial steam businesses using seven
6 allocation factors.³

7 **Q: Were the costs associated with the production of auxiliary power to run the
8 plant to produce industrial steam directly assigned to the steam business in
9 the 2009 cases?**

10 A: No. Costs for auxiliary power were not directly assigned to the steam business
11 through the allocation methodology used in the 2009 cases.

12 **Q: Did anyone dispute the allocation methodology used during the course of the
13 2009 cases?**

14 A: No. No party to the 2009 cases disputed the electric/steam allocation
15 methodology proposed by GMO.

16 **Q: How were these cases resolved?**

17 A: Case No. ER-2009-0090 was resolved by the Commission’s approval of Non-
18 Unanimous Stipulations and Agreements. In its order approving the Non-
19 Unanimous Stipulations and Agreements, the Commission noted that “[N]o party
20 objected to the Agreements within the deadlines set by the Commission.
21 Consequently, pursuant to the Commission’s rules, the Agreement [sic] shall be

³ Direct Testimony of Ronald Klote in Case No. ER-2009-0090, pp. 4-6, September 5, 2008; and Direct Testimony of Ronald Klote in Case No. HR-2009-0092, pp. 4-6, September 5, 2008.

1 treated as though they are unanimous . . .”⁴ The Commission further noted in
2 that order that “no party has objected to the proposed annual revenue
3 requirement, or to any component of any calculations, allocations, negotiations or
4 compromise resulting in the proposed annual revenue requirement as set forth in
5 the Global Agreement.”⁵ Case No. HR-2009-0092 was resolved by the
6 Commission’s approval of a Unanimous Stipulation and Agreement. In its order
7 approving the Unanimous Stipulation and Agreement in Case No. HR-2009-
8 0092, the Commission noted “that no party has objected to the proposed annual
9 revenue requirement, or to any component of any calculations, allocations,
10 negotiations or compromise resulting in the proposed annual revenue requirement
11 as set forth in the Agreement.”⁶

12 **Q: Has GMO filed a steam rate case since Case No. HR-2009-0092?**

13 A: No.

14 **Q: Has GMO filed an electric case since Case No. ER-2009-0090?**

15 A: Yes. GMO has filed a number of general rate cases for its electric operations
16 since June 10, 2009 (the date on which the Commission issued its orders in the
17 2009 cases). The rates finally established for electric service in each general rate
18 case for GMO’s electric operations since 2009, have been based on the seven-
19 allocation-factor methodology proposed by GMO in the 2009 cases which did not

⁴ Order Approving Non-Unanimous Stipulations and Agreements and Authorizing Tariff Filing, Case No. ER-2009-0090, p. 8, June 10, 2009.

⁵ Order Approving Non-Unanimous Stipulations and Agreements and Authorizing Tariff Filing, Case No. ER-2009-0090, pp. 9-10, June 10, 2009.

⁶ Order Approving Unanimous Stipulation and Agreement and Authorizing Tariff Filing, Case No. HR-2009-0092, p. 7, June 10, 2009.

1 involve direct assignment of auxiliary power costs to the steam operation as set
2 forth in the Allocation Procedures manual from EO-94-36.⁷

3 **Q: Has the same allocation methodology been used in every GMO rate case**
4 **since the 2009 cases?**

5 A: Yes. For each of the following rate cases, ER-2010-0356, ER-2012-0175, ER-
6 2016-0156 and ER-2018-0146, the same seven factor allocation methodology has
7 been used to allocate electric and steam costs.

8 **Q: Has GMO made any changes to the way the allocation factors are**
9 **calculated?**

10 A: The only change made was to accommodate for the consolidation of the MPS and
11 L&P jurisdictions into one GMO jurisdiction. This required a change to the
12 denominator of the O&M and A&G factors. Otherwise, the calculation of the
13 factors has remained consistent from the 2009 cases forward.

14 **Q: Has GMO proposed a more detailed allocation methodology involving direct**
15 **assignment of auxiliary power costs similar to the methodology from EO-94-**
16 **36?**

17 A: Yes, in the Company's most recently concluded general rate case, Case No. ER-
18 2018-0146, GMO proposed just such a change. Staff objected and the
19 electric/steam allocations issue was resolved by GMO's continued use of the
20 allocators developed by Staff in the immediately preceding general rate case, Case
21 No. ER-2016-0156.

⁷ Direct Testimony of Ronald Klote in Case No. ER-2009-0090, pp. 4-6, September 5, 2008; Direct Testimony of John Weisensee in Case No. ER-2010-0356, pp. 4-6 and Schedule JPW2010-6(L&P), June 4, 2010; Direct Testimony of John Weisensee in Case No. ER-2012-0175, pp. 5-6 and Schedule JPW-6(L&P), February 27, 2010; and Direct Testimony of Ronald Klote in Case No. ER-2016-0156, pp. 7-9 and Schedule RAK-20(SJLP), February 23, 2016.

1 **Q: Please explain your understanding of the resolution of the electric/steam**
2 **allocations issue in GMO's two most recent general rate cases for its electric**
3 **operations and how that relates to the auxiliary power issue raised by OPC**
4 **in this case.**

5 A: The time period that is the subject of this prudence review is December 1, 2016
6 through May 31, 2018. Rates from GMO's 2016 electric general rate case (ER-
7 2016-0156) became effective on February 22, 2017. Rates from GMO's 2018
8 electric general rate case became effective on December 6, 2018.

9 In Case No. ER-2018-0146, the Commission approved a number of
10 Stipulations and Agreements. The Stipulation and Agreement filed on September
11 19, 2018 was approved by the Commission and included the following language
12 in paragraph 10:

13 GMO will use the allocations numbers used in Staff's model filed
14 in Case No. ER-2016-0156. These allocation numbers shall be
15 used by GMO in its FAC, QCA and surveillance reporting. GMO
16 agrees to work with Staff, OPC and MECG to develop new steam
17 allocation procedures prior to GMO's next electric general rate
18 case.⁸

19
20 Because this provision regarding electric/steam allocations in GMO's 2018
21 electric general rate case relates back to the resolution of the same issue in
22 GMO's 2016 electric general rate case, it further supports the fact that GMO's
23 electric/steam allocations have been resolved in GMO general rate cases by
24 agreement using a method different than the direct assignment of auxiliary power
25 (among other elements) set forth in the 1994 SJLP rate case.

⁸ Order Approving Stipulations and Agreements, Case No. ER-2018-0146 (consolidated with Case No. ER-2018-0145) issued October 31, 2018, Stipulation and Agreement 1, page 5, paragraph 10.

1 **Q: Please summarize your position.**

2 A: While GMO has not filed a general rate case for its steam operations since the
3 resolution of Case No. HR-2009-0092, GMO has filed a number of general rate
4 cases for its electric operations since June 10, 2009 (the date on which the
5 Commission issued its decisions in Case Nos. ER-2009-0090 and HR-2009-
6 0092). The rates finally established for electric service in each general rate case
7 for GMO's electric operations since 2009, have been based on the seven-
8 allocation-factor methodology proposed by GMO in Case Nos. ER-2009-0090
9 and HR-2009-0092 which did not involve direct assignment of auxiliary power
10 costs to the steam operation as set forth in the Allocation Procedures manual from
11 EO-94-36.⁹ In fact, when GMO proposed a more detailed allocation
12 methodology involving direct assignment of auxiliary power costs more akin to
13 the methodology from EO-94-36 in its most recently concluded general rate case
14 for its electric operations¹⁰, Staff objected¹¹ and the electric/steam allocations
15 issue was resolved by the Company's continued use of the allocators developed
16 by Staff in the immediately preceding general rate case (Case No. ER-2016-
17 0156)¹². Therefore, from the 2009 case forward, the Company has used the
18 allocation method, not the direct assignment methodology approved in ER-94-36,
19 to distribute costs between its electric and steam operations.

⁹ Direct Testimony of Ronald Klote in Case No. ER-2009-0090, pp. 4-6, September 5, 2008; Direct Testimony of John Weisensee in Case No. ER-2010-0356, pp. 4-6 and Schedule JPW2010-6(L&P), June 4, 2010; Direct Testimony of John Weisensee in Case No. ER-2012-0175, pp. 5-6 and Schedule JPW-6(L&P), February 27, 2010; and Direct Testimony of Ronald Klote in Case No. ER-2016-0156, pp. 7-9 and Schedule RAK-20(SJLP), February 23, 2016.

¹⁰ Direct Testimony of Tim Rush in Case No. ER-2018-0146, pp. 9-12, January 30, 2018.

¹¹ Rebuttal Testimony of Charles Poston in Case No. ER-2018-0146, pp. 1-5, July 27, 2018.

¹² Non-Unanimous Partial Stipulation and Agreement filed on September 19, 2018, paragraph 10 on p. 5.

1 Q: **Does that conclude your testimony?**

2 A: Yes, it does.

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

In the Matter of the Eighth Prudence)	
Review of Costs Subject to the)	
Commission-Approved Fuel Adjustment)	<u>Case No. EO-2019-0067</u>
Clause of KCP&L Greater Missouri)	(Lead Case)
Operations Company)	
In the Matter of the Second Prudence)	
Review of Costs Subject to the)	
Commission-Approved Fuel Adjustment)	Case No. EO-2019-0068
Clause of Kansas City Power and Light)	(Consolidated)
Company)	
In the Matter of the Application of KCP&L)	
Greater Missouri Operations Company)	
Containing its Semi-Annual Fuel)	Case No. ER-2019-0199
Adjustment Clause True-Up)	(Consolidated)
)	

AFFIDAVIT OF LINDA J. NUNN

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

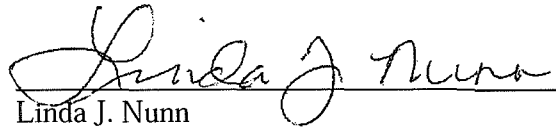
Linda J. Nunn, being first duly sworn on her oath, states:

1. My name is Linda J. Nunn. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Supervisor - Regulatory Affairs.

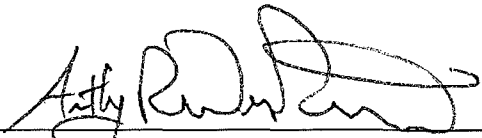
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company, consisting of nine (9) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including

any attachments thereto, are true and accurate to the best of my knowledge, information and belief.


Linda J. Nunn

Subscribed and sworn before me this 23rd day of April 2019.


Notary Public

My commission expires: 4/26/2021

