

Exhibit No.:
Issue: Iatan regulatory assets; rate case
expense; updated revenue deficiency
Witness: John P. Weisensee
Type of Exhibit: True-Up Rebuttal Testimony
Sponsoring Party: KCP&L Greater Missouri Operations Company
Case No.: ER-2010-0356
Date Testimony Prepared: February 28, 2011

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-0356

TRUE-UP REBUTTAL TESTIMONY

OF

JOHN P. WEISENSEE

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
February 2011**

KCP&L Exhibit No. GMO 60
Date 3/3/11 Reporter JNB
File No. ER-2010-0356

TRUE-UP REBUTTAL TESTIMONY

OF

JOHN P. WEISENSEE

Case No. ER-2010-0356

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

2 A: My name is John P. Weisensee. My business address is 1200 Main Street, Kansas City,
3 Missouri, 64105.

4 **Q: Are you the same John P. Weisensee who prefiled direct, rebuttal, surrebuttal and**
5 **true-up direct testimony in this matter?**

6 A: Yes, I am.

7 **Q: What is the purpose of your true-up rebuttal testimony?**

8 A: The purpose of this testimony is to rebut Missouri Public Service Commission (“MPSC”
9 or the “Commission”) Staff (“Staff”) witness Keith Majors on Iatan regulatory asset and
10 rate case expense issues addressed by Mr. Majors in his true-up direct testimony.
11 Additionally, I will discuss KCP&L Greater Missouri Operations Company’s (“GMO” or
12 “the Company”) update to its revenue deficiency.

13 **Iatan Regulatory Assets**

14 **Q: Please discuss the Iatan regulatory asset issue.**

15 A: In his various testimonies leading up to the Evidentiary Hearing, Mr. Majors has taken
16 the position that the Iatan 1 Air Quality Control System (“AQCS”) regulatory asset
17 authorized by the *Non-Unanimous Stipulation and Agreement* in Case No. ER-2009-0090
18 (“2009 Case”), page 4, should not be allowed in rate base in the current case. The Iatan 1
19 AQCS regulatory asset issue was fully scrutinized prior to and at the Evidentiary Hearing

1 and is not a “true-up issue.” However, Mr. Majors has now, near the end of this rate
2 case, extended this theory to include a partial disallowance of both the Iatan Common
3 and Iatan 2 regulatory assets.

4 **Q: Were the Iatan Common and Iatan 2 regulatory assets also authorized by the**
5 **MPSC?**

6 A: Yes, the Iatan Common regulatory asset was authorized by the same Stipulation and
7 Agreement discussed above for the Iatan 1 AQCS regulatory asset. The Iatan 2
8 regulatory asset was authorized by the Accounting Authority Order (“AAO”) in Case No.
9 EU-2011-0034.

10 **Q: Please briefly explain the purpose of these regulatory assets.**

11 A: The Iatan 1 AQCS and Iatan Common regulatory assets were established to defer in a
12 regulatory asset the carrying costs and depreciation on Iatan 1 AQCS and Iatan Common
13 costs recorded but not included in the 2009 Case, up to the effective date of new rates in
14 the current rate case. The Iatan 2 regulatory asset was established to allow construction
15 accounting during the period from the Iatan 2 commercial in-service date (August 26,
16 2010) through the effective date of new rates in this rate case. Construction accounting
17 allows GMO the same treatment for expenditures and credits consistent with the
18 treatment for Iatan 2 prior to Iatan 2’s commercial in-service operation date. The
19 combined effect of these two provisions is essentially to treat plant additions not
20 included in the 2009 Case similar to construction work in progress, until new rates are
21 established in this rate case.

1 **Q: Did Staff provide any additional rationale for its proposed partial disallowance of**
2 **the Iatan Common and Iatan 2 regulatory assets beyond its rationale regarding the**
3 **Iatan 1 AQCS regulatory asset?**

4 A: No. Mr. Majors stated identical arguments. His argument regarding the Iatan 1 AQCS
5 regulatory asset was that Staff's proposed Iatan 1 AQCS disallowance resulted in a plant
6 balance less than the balance included in rates in the 2009 Case and therefore the carrying
7 costs included in the regulatory asset were unnecessary. He states in his true-up direct
8 testimony, page 10, that "*The adjustments to the Iatan 2 and Iatan Common Plant*
9 *regulatory assets remove a portion of the carrying cost of these two regulatory assets*
10 *based upon Staff's proposed disallowances.*"

11 **Q: Do you agree with Staff's partial disallowances of the Iatan Common and Iatan 2**
12 **regulatory assets?**

13 A: No, I do not, for the same reasons I have discussed throughout this case in regard to the
14 Iatan 1 AQCS regulatory assets. All Iatan costs, including both plant cost and the
15 regulatory assets, should be included in rate base prior to any decision as to possible
16 prudence disallowances. By excluding all or a portion of the various Iatan regulatory
17 assets, Staff has proposed additional disallowances over and above the prudence
18 disallowances it has proposed in this case.

19 **Q: Do you believe the Iatan Common and Iatan 2 regulatory asset issue should be**
20 **considered a "true-up issue" in this proceeding?**

21 A: No, I do not. The purpose of a true-up is to update numbers, not to bring up new issues.
22 Staff never brought up this issue until the true-up. Additionally, the issue that Staff has

1 now brought up is identical to the Iatan 1 AQCS regulatory asset issue that was an issue
2 at the Evidentiary Hearing.

3 **Q: How then does the Company recommend that the Commission handle this new issue**
4 **being brought up by Staff in the true-up process?**

5 A: Because of Staff' failure to address this issue earlier in the case, the Commission should
6 dismiss Staff's proposed partial disallowances of the Iatan Common and Iatan 2
7 regulatory assets, and adopt GMO's proposed regulatory asset balances as shown in
8 Schedule JPW2010-10 attached to my true-up direct testimony. In the alternative, if the
9 Commission believes Staff has a right to bring up this issue so late in the process, the
10 Company believes the Commission should base its decision on the evidence already on
11 the record regarding the identical Iatan 1 AQCS regulatory asset issue.

12 **Q: Both GMO and Staff have included Iatan-related regulatory assets based on activity**
13 **through December 31, 2010, the true-up date in this case. How does the Company**
14 **expect to address activity between December 31, 2010 and the effective date of new**
15 **rates in this case?**

16 A: As authorized by the 2009 Case Stipulation and Agreement and the AAO discussed
17 earlier in this testimony, GMO will continue to charge activity as appropriate into the
18 regulatory asset balances through the effective date of new rates in this case. We will
19 then adjust the annual amortization of these regulatory assets in the next case. We
20 understand that Staff has this same intent.

21 **Rate Case Expense**

22 **Q: Please discuss the rate case expense issue.**

1 A: Similar to the Iatan regulatory asset issue discussed above, Staff has introduced another
2 new issue in the true-up process. Staff now proposes, as we near the end of the case, that
3 various rate case costs be disallowed.

4 **Q: Why does Staff assert that it had to wait until the true-up process to bring this issue**
5 **to light?**

6 A: Mr. Majors stated in his true-up direct testimony, page 2, that the Company did not
7 provide adequate and timely invoice support. I disagree, as I stated in my rebuttal
8 testimony, pages 4-5.

9 **Q: Has the Staff discussed the disallowance of rate case costs previously in this case?**

10 A: Of the four proposed rate case expense disallowances that Mr. Majors addresses in his
11 true-up direct testimony, only one item, the NextSource charges, was previously
12 discussed by Mr. Majors in this case. Both Staff and GMO have fully vetted the
13 NextSource issue throughout this case and no further testimony is required. Staff has
14 updated correctly the NextSource amount in its true-up adjustment.

15 **Q: Please discuss the other three proposed disallowances.**

16 A: Company witness Tim Rush discusses each of these professional services in his true-up
17 rebuttal testimony, and explains why the costs should be recoverable.

18 **Q: Why is GMO responding to Staff's concerns regarding these three proposed**
19 **disallowances, when you stated above that these proposed disallowances are**
20 **inappropriate at this juncture in the case?**

21 A: While we believe that Staff's proposed adjustments have been made too late in the
22 process, we want to address each of these proposed disallowances in case the
23 Commission does not concur.

1 **Q: Are there any other rate case expense issues that you would like to discuss?**

2 A: Yes, there is one other point. I stated in my rebuttal testimony, page 4, that the Company
3 expects to be able to recover all rate case costs prudently incurred in this case, including
4 costs not recorded as of December 31, 2010 (and therefore not included in the true-up
5 case). Mr. Majors has not addressed post-December 31, 2010 costs in his true-up direct
6 testimony, or in any of his prior testimonies in this case. Therefore, I would like to
7 request of the Commission that all prudent and reasonable rate case costs incurred in the
8 current rate case, but not included in the true-up, be deferred in a regulatory asset for
9 recovery in the next rate case.

10 **Q: Is there a possibility that GMO might “over-recover” rate case costs incurred in
11 this case if the Company does not file a rate case for some time?**

12 A: Consistent with prior rate cases, GMO proposes that any such “over-recovery” be
13 reflected as a reduction in the amount to be recovered in the next case.

14 **Updated Revenue Deficiency**

15 **Q: GMO updated its revenue deficiency in its true-up direct testimony. Why is another
16 update necessary?**

17 A: The Company has been working closely with Staff in the reconciliation process since the
18 filing of each parties’ true-up direct testimony. As a result, there has been a need for both
19 the Staff and GMO to update their respective revenue deficiencies. This process will
20 continue through the Staff’s filing of the reconciliation on or before March 2, 2011. The
21 Company’s revised position will be reflected in that reconciliation.

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

23 A: Yes, it does.

