

Exhibit No.:
Issue: Cost Allocations – Auxiliary Power and
Renewable Energy Credits
Witness: Linda J. Nunn
Type of Exhibit: Surrebuttal 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: August 5, 2019

MISSOURI PUBLIC SERVICE COMMISSION

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

SURREBUTTAL TESTIMONY

OF

LINDA J. NUNN

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
August 2019

KCP&L Exhibit No. 4
Date 8-27-19 Reporter By/
File No. EO-2019-0067
EO-2019-0068
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SURREBUTTAL TESTIMONY

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Case Nos.

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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 KCP&L and GMO.

12 **Q: Are you the same Linda J. Nunn who filed Direct Testimony in EO-2019-
13 0067 and the other consolidated dockets?**

14 A: Yes, I am.

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

16 A: The purpose of my testimony is to rebut the recommendations made by Office of
17 Public Counsel (“OPC”) regarding the costs associated with auxiliary power used

1 to produce industrial steam at GMO's Lake Road Generating Station. In addition,
2 I will provide testimony which rebuts the Missouri Public Service Commission
3 Staff's ("Staff") assertion that KCP&L is in violation of its Rider Fuel Adjustment
4 Clause ("FAC") tariff.

5 **I. RESPONSE TO OPC**

6 **Q: On pages 3 and 13 of witness Mantle's rebuttal testimony in this case, she**
7 **makes five recommendations to the Commission. Do you agree with these**
8 **recommendations?**

9 A: No. All of her recommendations should be rejected because they are based on
10 OPC's incorrect claim that GMO is not allocating auxiliary power costs to its
11 steam operations, and OPC's refusal to recognize the settlement agreements
12 which govern how steam customers have been allocated costs in GMO's last six
13 rate cases.

14 **Q: Do you agree with Ms. Mantle's claim on p. 7 of her rebuttal testimony that**
15 **auxiliary power for the electric and steam systems needs to be determined by**
16 **a 1995 allocations procedures manual?**

17 A: No. There are a variety of ways to account for the amount of auxiliary power used
18 by the steam system. There can be direct assignment of costs, or an allocation
19 percentage of costs can be employed. The use of the 1995 allocations procedures
20 manual, which resulted in a direct assignment of costs, is no longer used based on
21 the agreement of all parties, including OPC, in the last six GMO rate cases. As
22 recounted on pp. 4-7 of my direct testimony, the allocation of costs between the
23 steam and electric systems is now accomplished by the use of a seven-factor
24 allocation procedure. Auxiliary power is not allocated directly from the fuel

1 accounts, but through the allocation of non-fuel steam production Operating and
2 Maintenance (“O&M”) costs.

3 **Q: Ms. Mantle claims at p. 8 of her rebuttal testimony that if the cost to provide**
4 **auxiliary power for steam operations is not removed from the actual net**
5 **energy cost of the FAC then electric customers are paying all of the fuel costs**
6 **for auxiliary power and therefore subsidizing GMO’s steam operations. Do**
7 **you agree with this claim?**

8 A: No. Ms. Mantle ignores the fact that a representative amount of costs has been
9 allocated within the non-fuel steam production O&M accounts to account for
10 steam auxiliary power. No direct assignment has been made. An allocation
11 method that has been used to develop rates which was approved of by the
12 Commission in each electric case as well as GMO’s last industrial steam case
13 from 2009 forward was used.

14 **Q: Is any method of sharing costs without problems?**

15 A: No allocation or direct assignment method is perfect, and there may be
16 improvements that can be made. However, as I indicate above, the allocation
17 method used by GMO has been used to develop rates approved by the
18 Commission in the past five electric rate cases as well as GMO’s last industrial
19 steam rate case. Additionally, in its last electric rate case GMO agreed to work
20 with Staff, OPC and MECG to develop new steam allocation procedures prior to
21 GMO’s next electric general rate case.¹

¹ 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: Ms. Mantle argues at p. 11 that because Staff's fuel run in GMO's previous**
2 **rate case was modeled as "electric only" that the seven-factor allocation**
3 **procedure does not allocate auxiliary electric power because none of the**
4 **allocation factors are applied to fuel costs in the FAC. Do you agree?**

5 **A:** No. A representative amount of overall O&M costs was allocated to cover a
6 variety of costs, including the cost of auxiliary power, in the last rate case by
7 allocating other non-fuel steam O&M costs out of the electric base rates. There is
8 no requirement that there be a direct assignment to account for fuel used to
9 produce steam auxiliary power. Approximately \$3.4 million in non-fuel O&M
10 costs were allocated to the steam business in the true-up filing of GMO's most
11 recent rate case. GMO's last filed Steam Management Report included \$3.4
12 million in allocated non-fuel O&M costs as well.

13 **Q: In the FAC rate change filing related to Accumulation Period 23 in Case No.**
14 **ER-2019-0198, GMO agreed to make an adjustment of \$263,061 for auxiliary**
15 **power costs. Does this indicate an agreement on the part of GMO that**
16 **OPC's proposed adjustment is necessary?**

17 **A:** No. GMO agreed to make the above-mentioned adjustment solely to remove that
18 as an obstacle to the FAC tariffs becoming effective in a timely manner for
19 Accumulation Period 23 in Case No. ER-2019-0198. GMO agreed to make the
20 adjustment knowing that the Commission will be ruling on the appropriate
21 treatment of these costs in this current prudence review case.

1 **Q: Should the Commission find GMO imprudent for including costs for its**
2 **steam operation in its fuel costs to be recovered from its electric customers?**

3 A: GMO has not included costs for its steam operation in its fuel costs to be
4 recovered from its electric customers. As I indicated in my direct testimony, a
5 representative amount of costs has been excluded from electric base rates that
6 covers the cost of auxiliary power used to produce industrial steam. These costs
7 were managed by using an allocation method used in settlements agreed to by
8 many parties, including OPC, and approved by the Commission in GMO's 2009
9 industrial steam general rate case and five previous GMO electric general rate
10 cases. Therefore, it is unknown if actual costs were higher or lower than the
11 amount allocated. However, it is clear that costs have been allocated out of the
12 electric base rates using the allocation methodology used to develop rates
13 approved by the Commission in six previous GMO rate cases.

14 **Q: Should the Commission order GMO to return \$469,409 plus interest to its**
15 **customers?**

16 A: No. While OPC's calculated amount may represent the amount of fuel that was
17 used to produce auxiliary power for steam as calculated under the direct
18 assignment method used in the 1994 case, it does not take into consideration that
19 GMO has allocated out of the electric base rates a representative amount of costs
20 from the non-fuel steam production O&M accounts in its last rate case using the
21 approved seven-factor allocations procedure. Consequently, OPC's adjustment is
22 unwarranted.

1 **Q: Should GMO be ordered to calculate the fuel cost of steam operations**
2 **auxiliary power that was recovered through the FAC since July 1, 2011 and**
3 **return that amount plus interest to its customers?**

4 A: No, as I've explained previously, a representative amount of costs has been
5 allocated to the steam customers to cover auxiliary power among other applicable
6 O&M costs. Additionally, this current prudence review is the eighth prudence
7 review for GMO's FAC ². In the seven previous audits, OPC never indicated that
8 the cost for steam operations was improperly allocated. The Commission
9 approved Staff's prudence audits (except when a different issue was taken to
10 hearing) and those dockets are closed. OPC's adjustment in this case unfairly
11 penalizes GMO.

12 **Q: Should GMO be ordered to calculate the correct adjustment for the 23rd**
13 **Accumulation Period and make the appropriate adjustment in the true-up of**
14 **that period?**

15 A: No. As I've indicated in my Direct Testimony and again above in this testimony,
16 a representative amount of costs has been allocated out of the electric business to
17 cover the auxiliary power costs to produce industrial steam using the allocation
18 methodology used to develop rates approved by the Commission. Therefore, no
19 additional amount needs to be calculated for Accumulation Period 23 of GMOs
20 FAC.

² Case Nos. EO-2009-0115, EO-2010-0167, EO-2011-0390, EO-2013-0325, EO-2014-0242, EO-2016-0053, EO-2017-0232 and the current case EO-2019-0067.

1 **Q: Should GMO be ordered to make an adjustment to exclude the costs of the**
2 **auxiliary power necessary to generate steam for its steam system from future**
3 **FAC rate changes until otherwise authorized by the Commission?**

4 **A:** No. As explained above, GMO has already allocated a representative amount of
5 costs from its electric business in the setting of base rates. This representative
6 amount is based upon allocation methods used to develop rates approved by the
7 Commission in six previous GMO rate cases. In addition, the Commission has
8 already ordered GMO to work with Staff and OPC to develop new allocation
9 procedures before GMO's next rate case.

10 **II. RESPONSE TO STAFF**

11 **Q: Staff witness Kory Boustead states on page 3 of her rebuttal testimony that**
12 **KCP&L's FAC tariff mandates that KCP&L sell unused Renewable Energy**
13 **Credits ("RECs") that are not needed to meet the Renewable Energy**
14 **Standards in the state of Missouri. Do you agree with this assessment?**

15 **A:** No, I do not. Prior to January 26, 2013, when rates became effective from rate
16 case number ER-2012-0175, there was no mention in GMO's FAC tariff of RECs.
17 I participated in the discussions leading to the changes made to the FAC tariffs in
18 that case. The wording added that is referenced in witness Boustead's testimony
19 was only intended to ensure that if the GMO ever did decide to sell RECs, the
20 proceeds would flow through the FAC. At no time was it even discussed that the
21 wording included in the tariff would indicate a mandate that GMO sell excess
22 RECs. When KCP&L first applied for an FAC tariff, KCP&L fashioned its tariff
23 after GMO's. Thus, neither company's tariff mandated that the company was
24 required to sell excess RECs.

1 Q: **Does this 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)

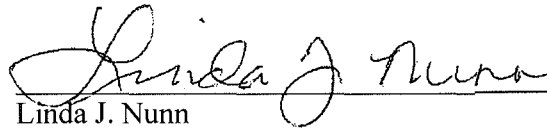
Linda J. Nunn, being first duly sworn on her oath, states:

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.

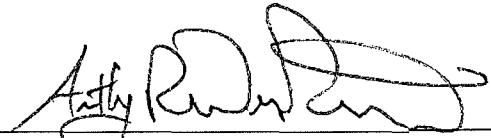
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company, consisting of eight (8) pages, having been prepared in written form for introduction into evidence in the above-captioned 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 5th day of August 2019.


Notary Public

My commission expires: 4/26/2021

