

Exhibit No.:
Issues: RES Amortization
Witness: Matthew R. Young
Sponsoring Party: MoPSC Staff
Type of Exhibit: True-up Rebuttal Testimony
Case No.: ER-2016-0285
Date Testimony Prepared: March 10, 2017

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING

TRUE-UP REBUTTAL TESTIMONY

OF

MATTHEW R. YOUNG

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2016-0285

Jefferson City, Missouri
March, 2017

STAFF Exhibit No. *258*
Date *3-16-17* Reporter *KF*
File No. *ER-2016-0258*

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TRUE-UP REBUTTAL TESTIMONY

OF

MATTHEW R. YOUNG

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2016-0285

Q. Please state your name and business address.

A. Matthew R. Young, Fletcher Daniels Office Building, 615 East 13th Street, Room 201, Kansas City, Missouri, 64106.

A. I am a Utility Regulatory Auditor with the Missouri Public Service Commission ("Commission").

Q. Are you the same Matthew R. Young who has previously filed testimony in this case?

A. Yes.

Q. What is the purpose of your true-up rebuttal testimony?

A. I will respond to Kansas City Power & Light Company's ("KCPL") position to amortize Vintage 3 of its Missouri Renewable Energy Standard ("RES")¹ costs over 2.7 years.

Q. What are RES Vintages?

A. In between rate cases, KCPL defers RES costs into a regulatory asset account. Regulatory assets exist for each time period in between changes in KCPL's rates and these time periods are separated into vintages. While RES Vintages 1 and 2 were established in

¹ Mo. Rev. Stat. § 393.1020 (2000).

True-up Rebuttal Testimony of
Matthew R. Young

1 prior KCPL rate cases, RES Vintage 3 represents the RES costs deferred between June 1,
2 2015 and the true-up date in this case, December 31, 2016.

3 Q. Is the balance of RES Vintage 3 in dispute?

4 A. No. KCPL and Staff agree on the balance of RES Vintage 3 at the
5 December 31, 2016 true-up date. Also, KCPL and Staff agree that the RES costs contained in
6 RES Vintage 3 (including carrying costs calculated based on KCPL's short term debt rate)
7 should be fully recovered by KCPL. The dispute is the time period in which RES Vintage 3
8 should be amortized for purposes of setting rates.

9 Q. What are RES costs?

10 A. RES was enacted as a voter initiative petition in November 2008. Provisions
11 of the resulting statute and regulations require KCPL (and other investor-owned utilities) to
12 meet certain requirements regarding the use of renewable energy, while not exceeding the one
13 percent (1%) retail rate impact limit annually. Furthermore, Commission Rule 4 CSR 240-
14 20.100 (6)(D) provides a recovery option for RES compliance costs. This Rule provides that
15 KCPL may:

16 ...recover RES compliance costs without the use of a RESRAM
17 through rates established in a general rate proceeding. In the
18 interval between general rate proceedings, the electric utility
19 may defer the costs in a regulatory asset account and monthly
20 calculate a carrying charge on the balance in that regulatory
21 asset account equal to its short-term cost of borrowing. All
22 questions pertaining to rate recovery of the RES compliance
23 costs in a subsequent general rate proceeding will be reserved to
24 that proceeding, including the prudence of the costs for which
25 rate recovery is sought and **the period of time over which any**
26 **costs allowed rate recovery will be amortized.** [emphasis
27 added]
28

True-up Rebuttal Testimony of
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1 Q. Will you summarize KPCL's position on the amortization period?

2 A. Yes. As of the December 31, 2016 true-up date, KPCL proposes to amortize
3 RES vintage 3 at 2.7 years, which results in an annual RES expense equal to the annual
4 expense allowable with the 1% rate impact limitation. This approach maximizes KCPL's
5 annual amortization expense, which also maximizes RES' impact on the revenue requirement
6 in this case.

7 Q. What is Staff's recommendation for RES amortization period?

8 A. Staff recommends amortizing RES Vintage 3 over a three-year period. While
9 Missouri statutes and Commission Rules establish a limitation of RES amortization expense,
10 that limitation is a ceiling for annual costs and does not in any way mandate that annual RES
11 costs be recovered in rates at that level.

12 Q. Will KCPL's net operating income be impacted by the length of the
13 amortization period of RES Vintage 3?

14 A. No. Theoretically, the length of the RES Vintage 3 amortization period will
15 have a neutral impact on KCPL's net operating income. This is because the amount of annual
16 expense included in this case is matched dollar-for-dollar by an increase in the overall
17 revenue requirement. In other words, as the amount of annual expense increases, the amount
18 of money collected from KCPL's ratepayers on an annual basis increases on a 1:1 ratio. If an
19 expense increases at the same rate as revenues, the effect on net operating income is zero.
20 However, by using Staff's annualization period, the annual increase in rates resulting from
21 this proceeding will be mitigated by approximately \$200,000 per year.

22 Q. Does that conclude your true-up rebuttal testimony?

23 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light)
Company's Request for Authority to) Case No. ER-2016-0285
Implement A General Rate Increase for)
Electric Service)

AFFIDAVIT OF MATTHEW R. YOUNG

STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

COMES NOW Matthew R. Young and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing True-Up Rebuttal Testimony; and that the same is true and correct according to his best knowledge and belief.

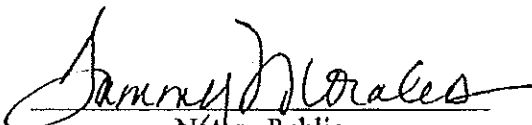
Further the Affiant sayeth not.



Matthew R. Young

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 9th day of March, 2017.



Notary Public



TAMMY MORALES
My Commission Expires
January 7, 2018
Clay County
Commission #14451086