

Exhibit No.:
Issue: Policy
Witness: Chris B. Giles
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Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2009-0089
Date Testimony Prepared: April 7, 2009

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2009-0089

SURREBUTTAL TESTIMONY

OF

CHRIS B. GILES

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
April 2009**

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CHRIS B. GILES

Case No. ER-2009-0089

1 **Q: Are you the same Chris B. Giles who previously submitted pre-filed, written**
2 **testimony in this case on behalf of Kansas City Power & Light Company**
3 **(“KCP&L” or the “Company”)?**

4 **A: Yes, I am.**

5 **Q: What is the purpose of your Surrebuttal Testimony?**

6 **A: I will address issues related to off-system sales (“OSS”). In particular, I will respond to**
7 **claims that the Company’s proposed treatment of OSS is inappropriate and violates the**
8 **Stipulation and Agreement in Case No. EO-2005-0329 (“Regulatory Plan Stipulation”). I**
9 **also respond to the recommendation of Office of Public Counsel witness Russell**
10 **Trippensee that KCP&L’s rate case expense should be disallowed.**

11 **OFF-SYSTEM SALES MARGIN ADJUSTMENTS**

12 **Q: What is the purpose of this portion of your Surrebuttal Testimony?**

13 **A: Several witnesses in this proceeding, including Mr. Kind on behalf of the Office of Public**
14 **Counsel (“OPC”), Mr. Harris on behalf of the Missouri Public Service Commission Staff,**
15 **and Mr. Meyer on behalf of certain industrial customers have testified they believe**
16 **KCP&L violated the terms of the Regulatory Plan Stipulation by adjusting a portion of**

1 the OSS margins contained in Company witness Michael Schnitzer's analysis. I will
2 respond to these allegations.

3 **Q: Do KCP&L's adjustments to OSS margins violate the Regulatory Plan Stipulation?**

4 A: No, they do not. KCP&L has not violated the terms of the Stipulation and Agreement.
5 As more fully explained in Mr. Burton Crawford's pre-filed testimony in this case, one
6 adjustment (Purchases for Resale adjustment) simply includes OSS transactions that are
7 supplied by purchased power. Since the manner which is used to calculate the projection
8 of OSS assumes a perfect match of purchases for load obligations, Mr. Schnitzer does not
9 model Purchases for Resale transactions and thus a mismatch is created when comparing
10 Mr. Schnitzer's forecast to actual results. The Company and or customer will be
11 penalized inappropriately when comparing actual to forecast without this adjustment. In
12 addition, the Stipulation and Agreement requires the inclusion of all OSS margins. This
13 adjustment is to include OSS margins that are not part of Mr. Schnitzer's forecast.

14 **Q: Please discuss the next adjustment.**

15 A: As more fully explained by Mr. Crawford in his pre-file testimony in this case, KCP&L
16 has made an adjustment to OSS margins as projected by Mr. Schnitzer for transmission
17 line loss charges, net of revenues resulting from participation in the Southwest Power
18 Pool Regional Transmission Organization. Similar to the Purchases for Resale
19 adjustment, since this item is not included in Mr. Schnitzer's forecast but is recorded in
20 the Company's books, an adjustment to the OSS margins in this case is necessary.

21 **Q: Are there other claims that the Company has violated the Stipulation and**
22 **Agreement with regards to OSS margins?**

1 A: Yes. Parties claim that the Company violated the Stipulation and Agreement by
2 excluding sales that do not result from power generated by KCP&L's generating assets,
3 referred to as "Q" transactions.

4 **Q: Are these claims correct?**

5 A: No, the Company has not violated the Stipulation and Agreement by excluding Q
6 transactions in this case.

7 **Q: Please explain.**

8 A: Q transactions are not off-system sales. These transactions are not related to KCP&L's
9 generation or transmission system. Nor are they related to serving KCP&L's native load.
10 They are transactions that occur in other (non-KCP&L) systems, for example a purchase
11 in PJM in support of a sale in PJM. These types of transactions where the Company
12 serves only as a conduit in non-KCP&L system-related transactions were never
13 contemplated to be included in OSS margins. The reason the Regulatory Plan Stipulation
14 flows through OSS margins is because the assets generating those sales are in rate base,
15 the rationale being that if KCP&L's customers paid for those assets, they should reap the
16 full benefits of those assets. Such is not the case with Q transactions.

17 **RATE CASE EXPENSES**

18 **Q: Mr. Trippensee suggests that utilities should not be able to include their rate case**
19 **expenses in rates. Do you agree with that recommendation?**

20 A: No, I do not. Mr. Trippensee bases his recommendation on the very narrow view that
21 rate cases that result in rate increases only benefit the utility's shareholders by increasing
22 earnings. First, I would point out that an authorized revenue requirement merely gives
23 the utility an opportunity to earn a return on its investments. Increased rates do not

1 necessarily mean higher earnings for shareholders. More to the point, customers
2 definitely have an interest in ensuring that their utilities' rates are just and reasonable,
3 which is the ultimate objective of any rate case, whether it results in an increase or
4 decrease in a given utility's rates. It is for this reason that I am unaware of an instance in
5 which the Commission has prohibited a utility from including its prudently incurred rate
6 case expenses in rates.

7 **Q: Does Mr. Trippensee allege or suggest that any specific rate case expenses incurred**
8 **by the Company were not prudently incurred?**

9 A: No, he does not. He proposes to disallow all of the Company's rate case expenses
10 without any allegations or suggestions of imprudence. It appears Mr. Trippensee is
11 attempting to establish a new policy concerning the recovery of rate case expenses on a
12 generic basis. The Commission should reject his proposal.

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

14 A: Yes, it does.

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

In the Matter of the Application of Kansas City)
Power & Light Company to Modify Its Tariff to) Case No. ER-2009-0089
Continue the Implementation of Its Regulatory Plan)

AFFIDAVIT OF CHRIS B. GILES

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Chris B. Giles, being first duly sworn on his oath, states:

1. My name is Chris B. Giles. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President, 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 consisting of four (4) pages and Schedule(s) _____ through _____, 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.

Chris B. Giles
Chris B. Giles

Subscribed and sworn before me this 7th day of ~~March~~ ^{April} 2009.

Nicole A. Wehry
Notary Public

My commission expires: Feb 4, 2011

