

Exhibit No.:
Issues: Revenue Requirements
Witness: Curt Wells
Sponsoring Party: MO PSC Staff
Type of Exhibit: Direct Testimony
Case No.: HR-2009-0092
Date Testimony Prepared:

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

CURT WELLS

KCP&L

GREATER MISSOURI OPERATIONS COMPANY

CASE NO. HR-2009-0092

(L&P steam operations)

Jefferson City, Missouri

February 2009

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

In the Matter of the Application of)
KCP&L Greater Missouri Operations)
Company for Approval to Make Certain)
Changes in its Charges for Steam Heating)
Service)

Case No. HR-2009-0092

AFFIDAVIT OF CURT WELLS

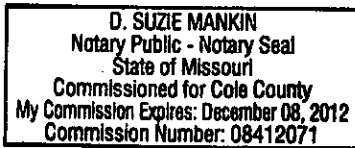
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

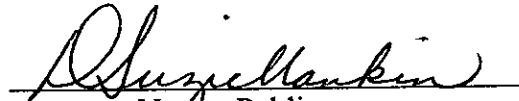
Curt Wells, of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 4 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



Curt Wells

Subscribed and sworn to before me this 13th day of February, 2009.




Notary Public

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

Table of Contents

DIRECT TESTIMONY

OF

CURT WELLS

KCP&L

GREATER MISSOURI OPERATIONS COMPANY

**CASE NO. HR-2009-0092
(L&P steam operations)**

EXECUTIVE SUMMARY 2

RATE REVENUE 2

SPECIAL DISCOUNTS..... 3

FUEL AND PURCHASED POWER..... 3

FUEL ADJUSTMENT RIDER(QUARTERLY COST ADJUSTMENT)..... 4

AREAS OF RESPONSIBILITY 4

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

DIRECT TESTIMONY
OF
CURT WELLS
KCP&L
GREATER MISSOURI OPERATIONS COMPANY

CASE NO. HR-2009-0092
(L&P steam operations)

Q. Please state your name and business address.

A. My name is Curt Wells and my business address is Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri, 65102.

Q. What is your present position with the Missouri Public Service Commission (Commission)?

A. I am a Regulatory Economist in the Energy Department of the Utility Operations Division.

Q. Please review your educational background and work experience.

A. I have a Bachelor's degree in Economics from Duke University, a Master's degree in Economics from The Pennsylvania State University, and a Master's degree in Applied Economics from Southern Methodist University. I have been employed by the Missouri Public Service Commission since February, 2006. Prior to joining the Commission, I completed a career in the U.S. Air Force, which included assignments as an aircraft navigator, and later in the Purchasing/Contracting area as Contract Negotiator and Administrator, Installation Purchasing Department Chief,

Direct Testimony of
Curt Wells

1 Contracting Policy Manager, Director of the Air Force warranty center, and Program
2 Manager responsible for developing and awarding technical support contracts.

3 Q. Have you filed testimony in prior cases?

4 A. Yes. My previous testimony is listed in Schedule CW-1.

5 Q. With reference to Case No. HR-2009-0092, have you participated in the
6 Commission Staff's (Staff) audit of KCP&L-Greater Missouri Operations Company
7 (GMO, or Company) concerning its request for a rate increase in this proceeding?

8 A. Yes, I have, with the assistance of, and reliance on, other members of the
9 Staff in the areas listed below.

10
11 **EXECUTIVE SUMMARY**

12 Q. What is the purpose of your direct testimony?

13 A. The purpose of my direct testimony is to sponsor Staff recommendations
14 originating from the Utility Operations Division of the Staff and to provide an overview
15 of Staff's positions in the areas of Rate Revenue, Special Discounts, Fuel and Purchased
16 Power, and the Fuel Adjustment Rider for the steam operations of GMO, which are in
17 GMO's St. Joseph, Missouri service area. The sections of Staff's Report relating to these
18 issues were prepared by Staff members in the Utility Operations Division and are based
19 on their work and analysis.

20
21 **RATE REVENUE**

22 Q. How did Staff develop rate revenue?

1 A. Staff used the Company's hourly test year load data and estimated the
2 missing data for the test year. Staff then calculated the difference between the test year
3 load energy and the billed energy for the update period, then increased each customer's
4 test year hourly load by the percent difference between the two, on a customer specific
5 basis. These adjusted hourly loads were provided to Staff expert David W. Elliott for
6 input into the production cost model.

7 Staff used the annualized usage of mmBTUs (million British Thermal Units)
8 developed above for each GMO Steam customer, applied appropriate revenue
9 adjustments resulting from special discounts, then calculated the revenues associated with
10 that usage using current tariff rates.

11 **SPECIAL DISCOUNTS**

12 Q. How did Staff treat Special Discounts?

13 A. Special Discounts provided for in previous agreements between the
14 Company and its customer Ag Processing, Inc.(AGP) were imputed to reflect full tariff
15 rates to insure that these discounts were being borne by shareholders and not ratepayers.
16 The methodology and results of this treatment are provided in the Rate Revenue section
17 of Staff's Cost of Service Report.

18 **FUEL AND PURCHASED POWER**

19 Q. How are Fuel and purchased power costs determined?

20 A. Staff used the RealTime ® production cost model to perform an hour-by-
21 hour chronological simulation of GMO's generation and power purchases (electric
22 model), and an hour-by-hour chronological simulation of Lake Road Plant steam boiler
23 steam generation (steam model). Staff used both electric and steam models to determine
24 annual variable cost of boiler fuel consumption necessary to economically match GMO's
25 steam sales load within the operating constraints of its resources used to meet that load.

Direct Testimony of
Curt Wells

1 These amounts are supplied to Auditing Staff who use this input in the annualization of
2 fuel expense.

3
4 **FUEL ADJUSTMENT RIDER(QUARTERLY COST ADJUSTMENT)**

5 Q. What is Staff's proposal regarding the current Fuel Adjustment Rider?

6 A. In the last steam heating case, HR-2005-0450, Aquila, Inc., Staff, Ag
7 Processing, Inc., and the City of St. Joseph, Missouri executed a Stipulation and
8 Agreement regarding a fuel adjustment rider which is commonly referred to as the
9 Quarterly Cost Adjustment or QCA. Although Staff was not involved in the negotiations
10 regarding the QCA, it did support the agreement and would welcome the opportunity to
11 participate in discussions in this case regarding a fuel adjustment rider.

12
13
14 **AREAS OF RESPONSIBILITY**

15 Q. Please identify the Staff witness responsible for addressing each area in
16 the Report.

17 A. The Staff witness for each listed issue is as follows:

<u>Issue</u>	<u>Staff Witness</u>
Rate Revenue	Tom Solt
Special Contracts	Mike Ensrud
Fuel and Purchased Power Expense	Dave Elliott
Fuel Adjustment Rider	Lena Mantle

23 Q. Does this conclude your direct testimony?

24 A. Yes it does.

CURT WELLS

TESTIMONY/REPORTS FILED BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

<u>Case Number</u>	<u>Company</u>	<u>Issue</u>
ER-2006-0314 Direct/ True-up Direct	Kansas City Power & Light Company	Calculation of Normal Weather, Revenue
ER-2006-0315 Direct/Rebuttal	Empire District Electric	Revenue
GR-2006-0387 Direct	ATMOS Energy Corporation	Calculation of Normal Weather
GR-2006-0422 Direct/Rebuttal/ Surrebuttal	Missouri Gas Energy	Calculation of Normal Weather
ER-2007-0002 Direct/Rebuttal	Union Electric d/b/a AmerenUE	Calculation of Normal Weather, Large Customer Annualization
GR-2007-0003 Direct	Union Electric d/b/a AmerenUE	Calculation of Normal Weather
ER-2007-0004 Direct/ Supplemental Direct	Aquila, Inc	Calculation of Normal Weather, Revenue
GR-2007-0208 Direct	Laclede Gas Company	Calculation of Normal Weather
ER-2007-0291 Direct/Rebuttal	Kansas City Power & Light Co.	Calculation of Normal Weather, Large Power Revenue
ER-2008-0093 Direct(Report)/ Surrebuttal True-up Direct HR-2008-0300 Direct(Report)	Empire District Electric Trigen-Kansas City Energy Corp.	Revenue, Rate Design Rate Design
ER-2008-0318 Direct(Report)	Union Electric d/b/a AmerenUE	Revenue