

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

In the Matter of KCP&L Greater Missouri Operations)
Company's Request for Authority to Implement) Case No. ER-2016-0156
A General Rate Increase for Electric Service)

**REPLY OF KCP&L GREATER MISSOURI OPERATIONS COMPANY
TO PUBLIC COUNSEL AND STAFF TEST YEAR, UPDATE AND TRUE-UP
RECOMMENDATIONS**

COMES NOW KCP&L Greater Missouri Operations Company (“GMO” or “Company”), by and through counsel, and files its Reply to the Response of the Public Counsel to the Commission’s March 3, 2016 Order Directing Filing and to Staff’s Test Year Recommendation filed with the Missouri Public Service Commission (“MPSC” or “Commission”) on March 7, 2016.

1. On March 3, 2016 the Commission issued a Notice of Hearing; Order Setting Conference Date, Directing Notice of Action and Directing Filings. The Commission ordered parties to file responses to the Company’s proposed test year by March 7, 2016. Both Staff and the Office of the Public Counsel submitted such filings, and for its reply GMO will address the topics of test year, update and true-up, in turn.

Test Year

2. Recognizing the complexity associated with the consolidation of the L&P and MPS rate districts proposed by GMO as a result of a study it performed in compliance with an agreement approved by the Commission in Case No. ER-2012-0175, Staff has agreed that GMO’s recommendation to use a test year ending June 30, 2015 is appropriate for this case. In fact, Staff specifically acknowledged that the analysis necessary to determine billing determinants and revenues resulting from the consolidation of rate districts was a time-consuming process. (*Staff’s Test Year Recommendation*, Para. 1)

3. Public Counsel proposes to use a test year ending December 31, 2015, suggesting that end-of-year financial statements are more reliable, verifiable and closer in time to when rates will become effective but failing to mention the time consuming complexity associated with the consolidation of L&P and MPS rate districts. First, the Commission has recently adopted other than calendar year-end test years for GMO and Kansas City Power & Light Company (“KCP&L”) rate cases¹, so using a test year for GMO that does not end with a calendar year has ample precedent. Second, the test year ending June 30, 2015 recommended by GMO and Staff can be updated and trued-up to bring the data set forward to a time closer to when rates will become effective. This update and true-up process is customary when historical test years are used and is reasonable under the circumstances of this case. Third, given the rate district consolidation study GMO was required to perform as a result of agreements from its last case (ER-2012-0175) and the rate district consolidation GMO has proposed as a result of that study, it is simply not possible to re-create the information necessary to do that work within the time frames of this rate case on the basis of a test year other than the twelve-month period ending June 30, 2015.²

4. GMO therefore recommends that the Commission adopt the twelve-month period ending June 30, 2015 as the test year for this case.

Update

5. Staff recommends the use of an update period ending December 31, 2015, and this recommendation is acceptable to GMO provided it is understood that GMO will not be able to update on a timely basis the consolidated district load research data through December 31,

¹ For example, in Case Nos. ER-2012-0174 (KCP&L) and ER-2012-0175 (GMO), the test year ended September 30, 2011; and in Case No. ER-2014-0370 (KCP&L), the test year ended March 31, 2014.

² Public Counsel has been aware for some time of this rate district consolidation initiative because GMO has hosted five meetings since May of 2015 (most recently in February of 2016) on the rate district consolidation topic in which Public Counsel and other parties have participated.

2015. Public Counsel did not specifically justify its recommended update period of July 31, 2016, which date GMO is unusually close to the likely hearing dates compared to procedural schedules adopted by the Commission historically, but Public Counsel did express a desire to make use of information more current than June 30, 2015. In GMO's view, Commission adoption of an update period ending December 31, 2015 as recommended by Staff is consistent with Public Counsel's expressed desire to use more current information.

6. GMO therefore recommends that the Commission adopt an update period ending December 31, 2015.

True-Up

7. Although Public Counsel did not specifically address a true-up, Public Counsel recommended an update through July 31, 2016 which date is consistent with GMO's recommended true-up date of July 31, 2016. Staff recommends a true-up period ending June 30, 2016 – which date is largely based on the Commission's decision to process this case in ten months – and also makes a number of other requests that should not be granted.

8. Staff's recommended true-up date of June 30, 2016 should not be adopted for a number of reasons. First, the construction of the Greenwood solar facility – authorized by the Commission's recent order in Case No. EA-2015-0256 – is not expected to be complete and in-service by June 30, 2016 but is expected to be complete and in-service by July 31, 2016. The primary purpose for handling that case on an expedited basis was so that the Commission's decision could be issued in time to permit construction that would allow the Greenwood solar facility to be eligible for rate recovery in this rate case. Adoption of the June 30, 2016 true-up date recommended by Staff would defeat that purpose. Second, although Staff is correct that the July 31, 2016 true-up date recommended by GMO in its application and direct testimony

assumed this case would be processed on an eleven-month schedule, Staff neglects to recognize that the ten-month schedule contemplated by the Commission can easily accommodate a true-up date of July 31, 2016. This can be seen by comparing the true-up dates in GMO and KCP&L’s recent rate cases to the operation of law dates in those cases, as shown below:

| <u>Case No.</u> | <u>True-Up Date</u> | <u>Operation of Law Date</u> |
|-------------------------|---------------------|------------------------------|
| ER-2012-0174 (KCP&L) | August 31, 2012 | January 26, 2013 |
| ER-2012-0175 (GMO) | August 31, 2012 | January 26, 2013 |
| ER-2014-0370 (KCP&L) | May 31, 2015 | September 29, 2015 |
| ER-2016-0156 (proposed) | July 31, 2016 | December 22, 2016 |

As can be readily seen, the true-up date has customarily occurred approximately four to five months prior to the operation of law date. For purposes of this case, a true-up date of July 31, 2016 leaves nearly five full months until the proposed tariff effective date under the ten-month schedule contemplated by the Commission. As history demonstrates, this provides ample time for the Commission and the parties to do all that is necessary in the context of a July 31, 2016 true-up date and a December 22, 2016 tariff effective date. There is simply no good reason to adopt a true-up date earlier than July 31, 2016.

9. GMO agrees with Staff that rate district consolidation adds complexity to this proceeding and is agreeable to providing all true-up calculations and supporting documentation no later than three weeks after the true-up date of July 31, 2016.

10. GMO does not agree, however, with Staff’s additional requests. GMO is unaware of any requirement that utilities must “identify, by page and line number, the location in its direct testimony of the explanation of the methodology used for calculating each discreet (sic) true-up item.” (*Staff’s Test Year Recommendation*, Para. 4) GMO’s need for a true-up is driven by

typical factors, including but not limited to net rate base growth, transmission expense increases, property tax increases, critical infrastructure protection and cyber-security expense increases, wage and salary increases and changes in customer numbers, but it is possible that unforeseen material revenue requirement impacts could arise in other areas before the end of the true-up period and, if so, those impacts should be eligible for consideration in the true-up process. Nor is GMO aware of any requirement for utilities to “include an estimate of the magnitude and direction of each discreet (sic) true-up item.” (*Staff’s Test Year Recommendation*, Para. 6). First, even if such was required, it is not possible for GMO to provide an estimate of the magnitude and direction of discrete true-up items until the update is done. GMO expects to complete that update (on a GMO consolidated basis) by the end of April and will provide it to the parties when it is complete. In sum, these Staff requests add nothing of material value to the process and, as such, should not be ordered by the Commission.

11. Regarding Staff’s request that GMO file supplemental direct testimony by April 15, 2016 providing the methodology for the allocation of Greenwood solar facility costs between KCP&L and GMO, GMO states that no such supplemental direct testimony is necessary because GMO is firmly of the opinion that no costs of the Greenwood solar facility should be allocated to KCP&L because GMO customers have not been allocated costs of KCP&L projects where GMO customers benefitted from lessons learned by KCP&L employees for introducing new technology such as AMI meters.

WHEREFORE, GMO respectfully requests that the Commission issue its order adopting a test year of June 30, 2015 for use in this case, an update period through December 31, 2015 and a true-up period through July 31, 2016.

Respectfully submitted,

/s/ Robert J. Hack

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**Attorneys for KCP&L Greater Missouri
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 15th day of March, 2016.

/s/ Robert J. Hack

Robert J. Hack