

Exhibit No.:
Issue: Fuel Adjustment Clause
Witness: Linda J. Nunn
Type of Exhibit: Direct Testimony
Sponsoring Party: KCP&L Greater Missouri
Operations Company
Case No.: ER-2014-_____
Date Testimony Prepared: June 30, 2014

MISSOURI PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

LINDA J. NUNN

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OF

LINDA J. NUNN

Case No.

1 **Q: Please state your name and business address.**

2 A: My name is Linda J. Nunn. My business address is 1200 Main, Kansas City,

3 Missouri 64105.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Kansas City Power & Light Company (“KCP&L”) as

6 Supervisor - Regulatory Affairs.

7 **Q: What are your responsibilities?**

8 A: My general responsibilities include the preparation of rate cases and rate case

9 support for both KCP&L and KCP&L Greater Missouri Operations Company

10 (“Company” or “GMO”). I am responsible for most aspects of the GMO Fuel

11 Adjustment Clause (“FAC”) as well as the GMO Steam Quarterly Cost

12 Adjustment (“QCA”). I am also responsible for various regulatory reporting and

13 general activities as they relate to the Missouri Public Service Commission

14 (“MPSC” or “Commission”).

15 **Q: Please describe your education.**

16 A: I received a Bachelors of Science Degree in Business Administration with a

17 concentration in Accounting from Northwest Missouri State University in

18 Maryville, Missouri.

19 **Q: Please provide your work experience.**

1 A: I became a Senior Regulatory Analyst with KCP&L in 2008, as a part of the
2 acquisition of Aquila, Inc., by Great Plains Energy. In 2013, I was promoted to
3 Supervisor - Regulatory Affairs. Prior to my employment with KCP&L, I was
4 employed by Aquila, Inc. for a total of eleven years. In addition to Regulatory, I
5 have had experience in Accounting, Audit, and Business Services, where I had
6 responsibility for guiding restructuring within the delivery division. In addition to
7 my utility experience I was the business manager and controller for two area
8 churches. Prior to that, I was an external auditor with Ernst & Whinney.

9 **Q: Have you previously testified in a proceeding before the MPSC or before any**
10 **other utility regulatory agency?**

11 A: I have provided written testimony in various filings made before the MPSC
12 relating to KCP&L GMO's FAC. I have also worked closely with many MPSC
13 Staff on numerous filings as well as on rate case issues.

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

15 A: GMO consists of two rate jurisdictions identified as All Territories Served as L&P
16 and MPS ("L&P" and "MPS," respectively). This FAC tariff filing consists of a
17 Fuel Adjustment Rate ("FAR") for each of the rate jurisdictions. My testimony
18 supports the rate schedule filed by GMO to adjust rates for the FAC includable
19 costs experienced during the six-month period December 2013 through May
20 2014. This six-month period is the fourteenth accumulation period under GMO's
21 FAC, which was originally approved by the Commission in Case No. ER-2007-
22 0004 ("2007 Case") and modified in Case Nos. ER-2009-0090, ER-2010-0356
23 ("2010 Case"), and ER-2012-0175 ("2012 Case"). The proposed change will

1 result in an increase to a typical MPS residential customer's bill of approximately
2 \$2.44 per month and an increase of approximately \$1.20 per month to a typical
3 L&P residential customer's bill.

4 **Q: Please explain why GMO filed the FAC adjustment rate schedules at this**
5 **time.**

6 A: The Commission's rule governing fuel and purchased power cost recovery
7 mechanisms for electric utilities – specifically 4 CSR 240-20.090(4) – requires
8 GMO to make periodic filings to allow the Commission to review the actual net
9 FAC includable costs the Company has incurred and to allow rates to be adjusted,
10 either up or down, to reflect those actual costs. The Commission's rule requires at
11 least one such review and adjustment each year. GMO's approved FAC calls for
12 two annual filings – one filing covering the six-month accumulation period
13 running from June through November and another filing covering the
14 accumulation period running from December through May. Any increases or
15 decreases in rates in these filings are then included in the customers' bills over a
16 subsequent twelve-month recovery period. Since the conclusion of the 2007
17 Case, overall, the cost of fuel and purchased power necessary to meet the demand
18 for electricity by the Company's customers has been higher than the amount
19 included in the base energy costs. Fuel and purchased power costs net of off
20 system sales revenues were rebased in the 2010 and 2012 Cases. The newest base
21 rates became effective on January 26, 2013. Even with the establishment of new
22 base rates, the cost of providing energy to its customers continues to rise as off
23 system sales margins continue to remain even or shrink.

1 For the accumulation period December 2013 through May 2014, GMO's actual
2 FAC includable costs exceeded the base costs included in base rates by
3 approximately \$6.6 million for L&P and \$22.0 million for MPS. In accordance
4 with the Commission's rule and GMO's approved FAC, GMO is filing the FAC
5 tariff that provides for a change in rates to recover 95% of those cost changes.

6 **Q: How did you develop the various values used to derive the proposed FARs**
7 **that are shown on Schedule LJN-1?**

8 A: The proposed tariff rates are shown in Schedule LJN-1. The filing made in
9 conjunction with this testimony contains all of the information as set in 4 CSR
10 240-3.161(7)(A) which supports these proposed rates. In addition, I am
11 submitting a copy of the workpapers that support the determination of the current
12 FAR.

13 **Q: Please describe the impact of the change in costs and how it will affect a**
14 **typical customer.**

15 A: As stated above, GMO consists of two rate jurisdictions. This FAC tariff filing
16 consists of a FAR for each of the rate jurisdictions. The FAR for the current
17 period is \$0.00332 per kWh for primary voltage customers and \$0.00342 per kWh
18 for secondary voltage customers for MPS and \$0.00290 per kWh for primary
19 voltage customers and \$0.00297 per kWh for secondary voltage customers for
20 L&P. This is the difference between base FAC includable costs and the actual
21 costs incurred by the Company including interest and adjustments during the
22 December-May accumulation period over a recovery period running from
23 September 2014 through August 2015.

1 The proposed FAR was calculated in the manner specified in the Company's
2 FAC. Attached to my testimony, as Schedule LJM-1, is a copy of the tariff sheet
3 with the current FAR, the prior period FAR and the total FAR that will be billed
4 to customers over the recovery period. The FAR calculated for the twelfth
5 accumulation period has been removed as its recovery period will cease on
6 August 31, 2014. The FAR for the thirteenth accumulation period is added to the
7 FAR for the current accumulation period to provide the annual FAR. Thus, given
8 the proposed current FAR calculations, the annual FAR for MPS will be \$0.00385
9 per kWh for primary voltage customers and \$0.00397 per kWh for secondary
10 voltage customers and \$0.00332 per kWh for primary voltage customers and
11 \$0.00340 per kWh for secondary voltage customers for L&P. As stated earlier,
12 this will result in an increase to a typical MPS residential customer's bill of
13 approximately \$2.44 per month and an increase of approximately \$1.20 per month
14 to a typical L&P residential customer's bill.

15 **Q: If the rate schedules filed by GMO are approved or allowed to go into effect,**
16 **what safeguards exist to ensure that the revenues the Company bills to its**
17 **customers do not exceed the fuel and purchased power costs that GMO**
18 **actually incurred during the Accumulation Period?**

19 A: GMO's FAC and the Commission's rules provide two mechanisms to ensure that
20 amounts billed to customers do not exceed GMO's actual, prudently-incurred fuel
21 and purchased power costs. First, at the end of each recovery period the
22 Company is required to true up the amounts billed to customers through the FAR
23 with the excess fuel and purchased power costs that actually were incurred during

1 the accumulation period to which the FAR applies. Second, GMO's fuel and
2 purchased power costs are subject to periodic prudence reviews to ensure that
3 only prudently-incurred fuel and purchased power costs are billed to customers
4 through GMO's FAC. These two mechanisms serve as checks to ensure that the
5 Company's customers pay only the prudently-incurred, actual costs of fuel and
6 purchased power used to provide electric service.

7 **Q: Have each of these mechanisms been in effect throughout the FAC process**
8 **since its inception in the 2007 Case?**

9 A: Yes, GMO has been through four prudence reviews as well as ten true-up filings.
10 A prudence review of the first four accumulation periods has been completed and
11 the MPSC Staff indicated in each of their reports that there were no areas of
12 imprudence identified within the audits. The recommendation made by Staff in
13 the third prudence review covering the next three accumulation periods was taken
14 before the Commission. The Commission issued its order stating no indication of
15 imprudence by the Company. Staff's review of the next three accumulation
16 periods in its fourth prudence review again lead to a report stating no imprudence.
17 In addition, the Company has made ten true-up filings following the completion
18 of the recovery periods for the first through tenth accumulation periods. These
19 true-up filings were approved by the Missouri Public Service Commission.
20 Additionally, an eleventh true-up filing is being made concurrent with this filing
21 covering the eleventh accumulation period of June 2012 through November 2012
22 and its corresponding recovery period of March 2013 through February 2014.

1 The Company's calculation of the under/over recovery for both MPS and L&P
2 has been included in the calculation of the current proposed tariff change.

3 **Q: What action is GMO requesting from the Commission with respect to the**
4 **rate schedules that the Company has filed?**

5 A: The Company requests the Commission approve the rate schedules to be effective
6 as of September 1, 2014.

7 **Q: Does this conclude your testimony?**

8 A: Yes, it does.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 8th
 Canceling P.S.C. MO. No. 1 7th
KCP&L Greater Missouri Operations Company
KANSAS CITY, MO

Revised Sheet No. 127
 Revised Sheet No. 127
 For Territories Served as L&P and MPS

FUEL ADJUSTMENT CLAUSE – Rider FAC
 FUEL AND PURCHASE POWER ADJUSTMENT ELECTRIC
 (Applicable to Service Provided January 26, 2013 and Thereafter)

Accumulation Period Ending:		May 30, 2014	
		MPS	L&P
1	Actual Net Energy Cost (ANEC) = (FC+E+PP+TC-OSSR-R)	\$96,222,724	\$31,390,532
2	Net Base Energy Cost (B)	-	\$24,745,173
	2.1 Base Factor (BF)	0.02278	0.02076
	2.2 Accumulation Period NSI (S _{AP})	3,252,608,999	1,191,963,999
3	(ANEC-B)	\$22,128,291	\$6,645,359
4	Jurisdictional Factor (J)	* 99.470%	100.00%
5	(ANEC-B)*J	\$22,011,011	\$6,645,359
6	Customer Responsibility	* 95%	95%
7	95% *((ANEC-B)*J)	\$20,910,460	\$6,313,091
8	True-Up Amount (T)	+	(\$94,476)
9	Interest (I)	+	\$51,311
10	Prudence Adjustment Amount (P)	+	\$0
11	Fuel and Purchased Power Adjustment (FPA)	=	\$6,269,926
12	Estimated Recovery Period Retail NSI (S _{RP})	÷	2,253,743,508
13	Current Period Fuel Adjustment Rate (FAR)	=	\$0.00278
14	Current Period FAR _{Prim} = FAR x VAF _{Prim}		\$0.00290
15	Prior Period FAR _{Prim}	+	\$0.00042
16	Current Annual FAR _{Prim}		\$0.00332
17	Current Period FAR _{Sec} = FAR x VAF _{Sec}		\$0.00297
18	Prior Period FAR _{Sec}	+	\$0.00043
19	Current Annual FAR _{Sec}		\$0.00340
	MPS VAF _{Prim} = 1.0419		
	MPS VAF _{Sec} = 1.0712		
	L&P VAF _{Prim} = 1.0421		
	L&P VAF _{Sec} = 1.0701		

Issued: June 30, 2014
 Issued by: Darrin R. Ives, Vice President

Effective: September 1, 2014