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Rate History; Cost Control  
Witness: Darrin R. Ives  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: KCP&L Greater Missouri Operations Company  
Case No.: ER-2016-0156  
Date Testimony Prepared: September 2, 2016

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2016-0156**

**SURREBUTTAL TESTIMONY**

**OF**

**DARRIN R. IVES**

**ON BEHALF OF**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri  
September 2016**

**SURREBUTTAL TESTIMONY**

**OF**

**DARRIN R. IVES**

**Case No. ER-2016-0156**

1 **Q: Are you the same Darrin R. Ives who pre-filed direct and rebuttal testimony in this**  
2 **matter on behalf of KCP&L Greater Missouri Operations Company (“GMO” or**  
3 **the “Company”)?**

4 **A: Yes.**

5 **Q: What is the purpose of your surrebuttal testimony?**

6 **A: I will respond to the rebuttal testimony of Mr. Keith Majors, Ms. Karen Lyons and Mr.**  
7 **Mark Oligschlaeger submitted in this proceeding on behalf of the Staff of the Missouri**  
8 **Public Service Commission (“Staff”) as they relate to trackers, regulatory lag and**  
9 **forecasted expense issues. I will also respond to the rebuttal testimony of Mr. Cary**  
10 **Featherstone submitted on behalf of Staff as it relates to GMO rate history. Finally, I will**  
11 **respond to the rebuttal testimony of Mr. Charles Hyneman submitted on behalf of the**  
12 **Office of the Public Counsel (“OPC”) as it relates to cost control issues.**

13 **I. REGULATORY LAG/FORECASTED EXPENSES**

14 **Standards Governing Use of Trackers**

15 **Q: Does the rebuttal testimony of Staff witness Mark Oligschlaeger at pages 3-13**  
16 **accurately set forth the standards that govern the establishment of regulatory assets**  
17 **and regulatory liabilities through the use of trackers, as contemplated by the**  
18 **Uniform System of Accounts (“USOA”) and as adopted by this Commission in 4**  
19 **CSR 240-20.030?**

1 A: No. On page 3 of his rebuttal, Mr. Oligschlaeger paraphrases the provisions of the  
2 USOA’s Definition 31 regarding “*Regulatory Assets and Liabilities*,” but fails to advise  
3 the Commission that this is the source of his testimony and the definition that governs  
4 how regulatory assets and liabilities are created. Definition 31 is set forth verbatim at  
5 page 13 of my direct testimony.

6 More importantly, on page 4 of his rebuttal Mr. Oligschlaeger gives the false  
7 impression that the use of trackers, through the establishment of regulatory assets and  
8 regulatory liabilities, are only proper and justified if an applicant shows “unique and  
9 unusual circumstances.” He also suggests that trackers should be used only when costs  
10 are “volatile” or the circumstances giving rise to them are “rare.” See Oligschlaeger  
11 rebuttal at 4, 6. However, there is nothing in Definition 31 or other provisions of the  
12 USOA that requires such a showing. Mr. Oligschlaeger’s rebuttal testimony reflects  
13 Staff’s subjective standards that are not based upon any requirements of the USOA.

14 **Q: Does the USOA state that regulatory assets and regulatory liabilities can only be**  
15 **established if they are unique, unusual, volatile or otherwise extraordinary?**

16 A: No. Definition 31 simply states that such regulatory assets and liabilities “result from  
17 rate actions of regulatory agencies” where “specific revenues, expenses, gains or losses  
18 that would have been included in net income determination in one period under the  
19 general requirements of the [USOA] but for it being probable” that these items “will be  
20 included in different period(s) for purposes of developing the rates the utility is  
21 authorized to charge for” or where “refunds to customers ... will be required.”

1 **Q: What USOA accounts hold the revenues, expenses, gains or losses relating to**  
2 **regulatory assets and regulatory liabilities?**

3 A: Regulatory assets are collected in Account 182.3, “Other regulatory assets.” Regulatory  
4 liabilities are collected in Account 254, “Other regulatory liabilities.” These accounts are  
5 found in the USOA’s Balance Sheet Chart of Accounts. They are not found in the  
6 USOA’s Income Statement Chart of Accounts because they reflect “specific revenues,  
7 expenses, gains or losses” that are not reflected in current income as they have been  
8 deferred to a future general rate case when the utility requests that they be considered by  
9 the Commission in setting the utility’s rates.

10 Both Accounts 182.3 and 254 state that they “shall include the amount of” either  
11 regulatory assets or regulatory liabilities “not includible in other accounts, resulting from  
12 the ratemaking actions of regulatory agencies.”

13 **Q: Based upon the language of the USOA, what is the standard that the Commission**  
14 **should apply to GMO’s request for trackers in this case?**

15 A: The Commission should apply its usual standard of whether a proposal is just and  
16 reasonable. This would be consistent with the Commission’s regulation regarding the  
17 establishment of a tracker mechanism to account for vegetation management expenses,  
18 found at 4 CSR 240-23.030(10). There is no requirement in that regulation that an  
19 electrical corporation demonstrate that vegetation management costs are unusual, unique  
20 or volatile. The regulation only states that a request may be submitted to the Commission  
21 if it incurs vegetation management expenses “in excess of the costs included in current  
22 rates.”

1           This is also the case with the Commission’s regulation regarding expenses for  
2 inspections, record keeping and reporting related to transmission and distribution  
3 facilities of electric utilities found in 4 CSR 240-23.020(4). It contains no requirement  
4 that such expenses must be unusual, unique or volatile before the Commission can grant a  
5 tracker.

6 **Q: Is it appropriate for the Commission to evaluate GMO’s tracker requests on**  
7 **whether they are extraordinary?**

8 A: No. As Mr. Oligschlaeger correctly points out at pages 6-7, the “extraordinary” standard  
9 applies only to Income Statement items that are seeking treatment under an accounting  
10 authority order, and is not relevant or applicable to tracker requests. This is consistent  
11 with the USOA which allows a regulatory commission to remove expenses and revenues  
12 arising from unusual and infrequent events that have occurred from the Income  
13 Statement, pursuant to General Instruction 7, “*Extraordinary Items.*”

14           These expenses and revenues are reflected in Account 434, as “Extraordinary  
15 income,” and in Account 435, “Extraordinary deductions.” These accounts are set forth  
16 in the USOA’s Income Chart of Accounts because they are recorded on the Income  
17 Statement. By contrast, the Regulatory Assets and Regulatory Liabilities established by  
18 trackers are recorded on the Balance Sheet.

19           To the extent that Staff witness Karen Lyons suggests at pages 16-18 of her  
20 rebuttal testimony that an applicant must show that expenses and revenues are  
21 extraordinary in order to be tracked, she is incorrect. Furthermore, any prior Commission  
22 decision applying the “extraordinary” standard to tracker requests is improper under the

1 USOA and, consistent with the Company's position, as well as Mr. Oligschlaeger's  
2 rebuttal testimony at pages 6-7, should no longer be followed.

3 **Q: For what expenses is GMO requesting a tracker?**

4 **A:** In direct and rebuttal testimony, the Company asked for trackers regarding (a) Southwest  
5 Power Pool ("SPP") transmission costs that are not included in the FAC, and (b) critical  
6 infrastructure protection ("CIP") and cyber-security compliance costs. See D. Ives direct  
7 testimony at 11-14. However, in light of a moderation in the level of increases in  
8 CIP/cyber-security compliance costs as explained in the surrebuttal of GMO witness  
9 Joshua Phelps-Roper, the Company is withdrawing its request for forward-looking rate  
10 treatment (i.e., use of forecasted expense levels and/or a tracker) for those expenses.

11 **Q: Is the Company continuing to request that SPP transmission costs be granted a**  
12 **tracker to the extent that they are not included in the FAC or in rates that reflect**  
13 **projected or forecast expenses?**

14 **A:** Yes. As the direct testimony of GMO witness John Carlson stated, and no opposing  
15 witness has contested, SPP costs are rising and will continue to rise in the near future.  
16 GMO's share of SPP's Base Plan Funding expenses (which relate to a variety of  
17 transmission system upgrades described in Mr. Carlson's direct testimony at pages 10-14)  
18 have been set at \$20.0 million for 2016. SPP projects that GMO's share will increase to  
19 \$22.3 million in 2017 and peak at over \$26.7 million by 2021.

1 **Q: On Page 4 of Mr. Oligschlaeger’s rebuttal testimony, he provides “criteria” which**  
2 **he asserts must be met for the authorization of trackers. Do you agree with those**  
3 **criteria?**

4 A: I do not because, as I stated above, these “criteria” are simply Staff’s position which has  
5 been expressed in opposition to similar requests sought by Missouri electric utilities.  
6 They are not based on any generally accepted standard or public policy.

7 While I disagree with his opinion, it is important to note that SPP transmission  
8 costs actually fulfill two of his criteria. He states that the use of trackers “may be  
9 justified” for “new costs for which there is little or no historical experience, and for  
10 which accurate estimation is accordingly difficult.” See Oligschlaeger rebuttal at 4, lines  
11 10-13. SPP is charging GMO and other SPP members for the costs of new transmission  
12 projects and upgrades, pursuant to its FERC-approved tariffs. Given the relatively recent  
13 development of regional transmission organizations (“RTOs”) like SPP and their  
14 assessment of the costs of regional transmission upgrades, these costs are new,  
15 unprecedented, and difficult to estimate.

16 Mr. Oligschlaeger also states that trackers may be justified if the “costs imposed  
17 upon utilities” are the result of a “Commission rule.” This Commission authorized GMO  
18 to transfer functional control of certain transmission assets to SPP in its February 4, 2009  
19 “Order Approving Stipulation and Agreement” in Case No. EO-2009-0179, In re KCP&L  
20 Greater Mo. Operations Co. (Feb. 4, 2009). The transmission costs that GMO is paying  
21 are imposed directly by SPP, and indirectly by FERC through SPP’s federally-approved  
22 tariffs. It is, therefore, accurate to say that the SPP transmission costs that GMO is  
23 paying are imposed upon it “by Commission rule.”

1 **Q: Does the Commission have the power to authorize the establishment of a USOA**  
2 **regulatory asset and regulatory liability to track SPP transmission expenses?**

3 A: Yes. The Commission has the authority to determine when such an accounting treatment  
4 is appropriate, just and reasonable. Any effort by Staff to attempt to circumscribe or  
5 hamstring the Commission's authority by establishing criteria to authorize a tracker  
6 should be rejected, particularly since they are at odds with the provisions of the USOA.  
7 Tracker requests should be considered based upon their specific facts and circumstances,  
8 which is what the USOA intended.

9 **Q: What is the basis of Staff's general opposition to trackers?**

10 A: Mr. Oligschlaeger states that "excessive use of trackers would tend to unreasonably skew  
11 ratemaking results either in favor of the utility or in favor of its customers," and that  
12 "broad use of trackers would inevitably dull the incentive a utility has to operate  
13 efficiently and productively under the rate regulation approach employed in Missouri."  
14 See Oligschlaeger rebuttal at 7.

15 **Q: Has GMO proposed "excessive" or "broad" use of trackers in this case?**

16 A: No. In direct and rebuttal testimony GMO proposed trackers only for SPP transmission  
17 expenses and CIP/cyber-security expenses. As I stated above, the Company has  
18 withdrawn its request to track CIP/cyber-security expenses.

19 **Q: Does Witness Oligschlaeger provide a concrete example to support his theoretical**  
20 **conclusions?**

21 A: No. The closest that he comes to an actual example is on page 9 of his rebuttal testimony  
22 where he discusses a hypothetical situation where a company experiences an increase or  
23 decrease in a tracked expense. He correctly notes that in either situation there is no



1 reduction or increase in earnings of the utility because the expenses are reflected on its  
2 Balance Sheet, not its Income Statement. He then speculates that because these expenses  
3 are being tracked, there is “less incentive to attempt to minimize any such cost increase”  
4 or “to attempt to produce the lower cost levels in the first place.” See Oligschlaeger  
5 rebuttal at 9, lines 12-13 & 16-17.

6 However, in the real-world situation facing GMO, it has no ability to “minimize”  
7 or “produce the lower cost levels” because transmission costs are charged by SPP  
8 pursuant to its FERC-approved tariffs. As a result, the incentives that Staff suggests  
9 GMO can pursue are illusory with respect to transmission costs.

10 **Q: Does a tracker allow the Company to recover costs?**

11 A: No. A tracker does not allow for the recovery of the costs that are collected in the USOA  
12 accounts for regulatory assets or regulatory liabilities. A tracker causes the designated  
13 revenues, expenses, gains and losses to be removed from a utility’s Income Statement  
14 and placed on its Balance Sheet to be considered in the next general rate case, along with  
15 all other relevant factors.

16 **Q: Do you agree with Mr. Oligschlaeger’s rebuttal testimony on page 10, lines 6-13**  
17 **regarding GMO’s proposal to address its concern that the Commission will set rates**  
18 **that don’t reflect the Company’s current and imminent SPP transmission costs?**

19 A: No. His and Staff’s position seems to be that because “GMO and other electric utilities  
20 have the ability to plan their general rate proceedings, to some degree, in order to capture  
21 these changes in transmission expense on a timely basis,” the Company should just file  
22 more frequent rate cases.

1 **Q: What is the Company's position regarding when rate cases should be filed?**

2 A: GMO recognizes that rate cases are an expensive and time-consuming process.  
3 Therefore, rate cases should not be driven by a few categories of expenses that all parties  
4 know will increase in the immediate future and that are largely outside the control of the  
5 Company. Mechanisms like trackers are designed to address those issues. General rate  
6 cases should be filed when there are significant cost drivers that support a rate increase.

7 **Standards Governing Projected or Forecast Rates**

8 **Q: Has the Commission set rates based on future projections regarding cost of service**  
9 **items?**

10 A: Yes. While the Commission has used the historic test year as its primary methodology to  
11 set rates, it has also used projected costs in ratemaking decisions when it recognized that  
12 certain costs would increase after the test year. For example, the Commission authorized  
13 projected fuel expenses to be put into rates for Kansas City Power & Light Company in  
14 the early 1980's.<sup>1</sup> In 1986 the Commission set rates based on Arkansas Power & Light  
15 Company's projected revenues by using a method that estimated the forecasted peak  
16 times load factor.<sup>2</sup> More recently, during the construction of Iatan 2, KCP&L was  
17 permitted by the Commission to include projected off-system sales in a number of its rate  
18 cases over several years.<sup>3</sup> For all but one of these cases, the mechanism associated with  
19 the inclusion of forecasted off-system sales revenues was asymmetrical, meaning that if  
20 actual off-system sales levels exceeded the projected off-system sales included in rates,  
21 KCP&L would refund the difference, but if actual off-system sales levels fell short of the

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<sup>1</sup> In re Kansas City Power & Light Co., 1992 Mo. PSC LEXIS 33, 43-52, 25 Mo. P.S.C. (N.S.) 229, 243 (July 14, 1982); In re Kansas City Power & Light Co., 1983 WL 909352 at 17-19 (July 8, 1983).

<sup>2</sup> State ex rel. Arkansas Power & Light Co. v. Missouri PSC, 736 S.W.3d 457, 461 (Mo. App. 1987).

<sup>3</sup> In re Kansas City Power & Light, ER-2006-0314 (Dec. 21, 2006); In re Kansas City Power & Light, ER-2007-0291 (Dec. 16, 2007); In re Kansas City Power & Light, ER-2008-0089 (June 23, 2009).

1 projected off-system sales included in rates, KCP&L would absorb the difference by way  
2 of reduced earnings.

3 **Q: Has regulatory policy in Missouri allowed rates to be set on the basis of projected or**  
4 **forecast costs?**

5 A: Yes. Although Mr. Oligschlaeger is correct when he states at page 8 of his rebuttal  
6 testimony that the policy in Missouri has been to set rates based upon all relevant factors,  
7 this concept has never been limited to historical costs. In setting rates, the Commission  
8 must make an intelligent forecast with respect to the future period for which it is setting  
9 rates. Ratemaking is by necessity a predictive science. If the level of present costs is  
10 disregarded, then such a forecast is not possible. In exercising its ratemaking  
11 responsibilities, the Commission is prohibited from using “rules of thumb” or otherwise  
12 adopting criteria in the interest of expediency. However, it may use trending principles  
13 and other techniques to take into account known and measurable future changes in  
14 expenses, as long as they are consistent with the “used and useful” standard relating to  
15 new or existing facilities, consistent with Proposition No. 1 (as set forth in Section  
16 393.135).

17 **Q: Does Mr. Oligschlaeger contradict himself when he opposes GMO’s transmission**  
18 **tracker proposal because transmission costs are “predictable,” but then criticizes**  
19 **the proposal to base rates on projected transmission expenses because they are not**  
20 **known or measurable?**

21 A: Yes. These are completely inconsistent positions. On the one hand, Mr. Oligschlaeger  
22 states that a transmission tracker is inappropriate because transmission “expenses are not

1 volatile or unusually hard to predict.” See Oligschlaeger rebuttal at 10. He then testifies  
2 that basing rates on projected transmission costs is inappropriate because those costs are  
3 not “known” or “measurable,” and characterized by “inherent uncertainty and  
4 speculation.” See Oligschlaeger rebuttal at 14.

5 This is truly an untenable position which forecloses any regulatory treatment to  
6 allow GMO to deal with the financial and economic realities of transmission costs. One  
7 would think that Staff could decide whether it believes transmission costs can or cannot  
8 be predicted, or whether they are certain or uncertain. However, GMO faces this Catch  
9 22 situation because Staff has chosen to oppose both the transmission tracker request and  
10 the request to set rates based on projected transmission expenses.

11 **Q: If the Commission set rates based in part on projected or forecast expenses, would it**  
12 **violate the “matching principle” that Mr. Oligschlaeger cites on pages 14-15 of his**  
13 **rebuttal testimony?**

14 **A:** No. As noted above, the Commission has set rates using projected expenses, which the  
15 courts have not overturned. In addition, GMO’s proposal does not ask the Commission  
16 to look only at expenses, but to set rates based on both transmission expenses and  
17 revenues, as well as to establish a mechanism by which refunds reflecting over-collection  
18 will be returned to customers, with an appropriate interest rate, or where any amounts  
19 reflecting under-collection will be absorbed by the Company.

1 **Q: Similarly, if the Commission set rates based in part on projected or forecast**  
2 **expenses, would it violate the “known and measurable concept” cited on page 4 of**  
3 **Staff witness Karen Lyon’s rebuttal testimony?**

4 A: For the same reasons stated above, no, it would not. The Commission has used  
5 projections and forecasts in setting rates for many years, and has been encouraged to  
6 make such intelligent forecasts because ratemaking is a predictive science

7 **Q: Should the Commission’s goal be to set rates so that a utility only recovers its**  
8 **expenses found in the historic test year?**

9 A: No. In setting rates the Commission must allow the utility to cover all of its allowable  
10 operating expenses and to have an opportunity to earn a fair rate of return. Exclusive use  
11 of the historic test year methodology is only appropriate where the test year reflects the  
12 utility’s level of expenses when rates go into effect. Given the rapid rise in transmission  
13 expenses, and the economic realities faced by GMO, strict adherence to the principles of  
14 setting rates based exclusively on historic expenses is inaccurate and unfair, and, as a  
15 result, unjust and unreasonable.

16 **Q: Has the Commission recognized that transmission costs will be increasing and that**  
17 **rates must be set in a way that allows GMO to recover these costs?**

18 A: Yes. In GMO’s last rate case, the Commission found that GMO’s transmission costs, as  
19 well as those of Kansas City Power & Light Company (“KCP&L”) were increasing at  
20 approximately 14% per year, and that they will “continue to increase at an accelerating  
21 pace.”<sup>4</sup> More recently, the Commission found in KCP&L’s last rate case that “its

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<sup>4</sup> Report and Order at 28-29, In re KCP&L Greater Mo. Operations Co., No. ER-2012-0175 (Jan. 9, 2013).

1 transmission costs have been rising, and projections show that these expenses will  
2 continue to increase at a significant rate from 2014 through 2019.”<sup>5</sup>

3 **Q: In Staff witness Karen Lyons’ rebuttal testimony what position does she take in**  
4 **regards to the use of forecasted transmission expenses?**

5 A: Although Ms. Lyons on page 13 of her rebuttal testimony does agree with the Company  
6 that transmission expenses have increased since the last rate case ER-2012-0175, she  
7 continues to express her disagreement in the use of forecasted amounts for transmission  
8 expense. Her biggest concern seems to be simply that the increases in transmission  
9 expenses are simply “not yet known with certainty.” She goes on to state that there are  
10 other areas where GMO is enjoying cost savings that can help offset increases in other  
11 areas. Ultimately, Staff simply does not believe the use of forecasted transmission costs  
12 should be used.

13 **Q: What is your response to this?**

14 A: I disagree as I have many times in recent cases on Staff’s inability to move away from a  
15 historical cost perspective in areas where to their own admission significant cost  
16 increases are occurring. The Company has proposed to include transmission costs in its  
17 FAC. If the Commission does not see the need to include transmission costs in the FAC  
18 then the Company has proposed the use of forecasted levels of transmission expense with  
19 they use of an asymmetrical tracker. The Company’s proposal is not an attempt to profit  
20 from the potential of increased transmission expense. It is simply trying to address an  
21 unavoidable cost component that has seen significant cost increases in the recent past that  
22 are expected to continue after rates set in this case become effective. As I stated in my  
23 direct testimony, the Company continues to be impacted by areas where increases are

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<sup>5</sup> Report and Order at 33, In re Kansas City Power & Light Co., No. ER-2014-0370 (Sept. 2, 2015).

1 occurring on an annual basis and transmission expenses have been a key component of  
2 the lag. GMO has experienced flat to declining average use per customer and has been  
3 since 2008 which has limited the Company's ability to cover cost increases in other areas  
4 with increases in revenue. In addition, capital investment is expected to continue to  
5 outpace depreciation expense over the next five years. As a result, during the period  
6 when rates set in this case are in effect, regulatory lag resulting from capital expenditures  
7 will have a negative impact on GMO's earnings. With revenues flat and capital  
8 investment increasing, where can GMO turn to absorb the significant increases expected  
9 in transmission expenses? We have continually heard from the Staff the solution is to file  
10 expensive and time consuming rate cases more frequently. Yet, the Company has  
11 proposed in this case a solution to the transmission increases that will be impacting the  
12 Company that could help extend the time frame between costly rate cases. Either include  
13 the transmission costs in the FAC or provide a level of transmission expense using  
14 forecasted amounts for 2017 and 2018. In addition, if the Company does not spend to the  
15 level of transmission expense included in rates during this time period, the Company has  
16 proposed an asymmetrical tracker and will return the amount not spent to customers. If  
17 the Company spends more than the forecasted level set in rates, then shareholders will  
18 absorb this increase. There is a solution to the transmission expense increases and the  
19 Company requests this Commission to reduce the regulatory lag in this area by making  
20 use of forecasted expenses in cost of service.

1 **II. GMO RATE HISTORY**

2 **Q: On page 6 of his rebuttal testimony, Mr. Featherstone states that GMO electric**  
3 **rates are below the national average, do you agree?**

4 A: Yes.

5 **Q: Mr. Featherstone utilized a Winter 2016 publication of the Edison Electric**  
6 **Institute's Typical Bills and Average Rate Report in his rebuttal testimony. Was**  
7 **this available at the time of the GMO filing made on February 23, 2016?**

8 A: No it was not. However, utilizing these updated EEI numbers, MPS and L&P are closely  
9 aligned with the midpoint of all Missouri utilities calculated at 9.81, with MPS at 9.93  
10 and L&P at 9.35.

11 **Q: On page 8 of his testimony, Mr. Featherstone references analysis you included in**  
12 **your direct testimony. What was the intent of your analysis?**

13 A: Using data pulled from the Bureau of Labor Statistics, the comparison showed the annual  
14 change in price for electricity compared to the annual change in price of different goods  
15 for the same time period.

16 **Q: Mr. Featherstone also attempted to draw comparisons using this data. Specifically,**  
17 **he compared the analysis to the change in GMO rates. Was this appropriate?**

18 A: No. It was an apples and oranges comparison for a couple of reasons. First, he uses an  
19 overly simplified calculation for GMO's rate change over time vs. a multi-year  
20 measurement of change in rates as outlined in my direct testimony. He then used that  
21 mismatched calculation to compare against a different time period. Secondly, even using  
22 his data, he completely ignores the importance of comparison relative to other consumer  
23 goods.



1 **Q: Why is a measurement of change for other consumer goods important?**

2 A: It's important because in general, changes in price happen across all goods and services  
3 with the passage of time. So to measure a change in price in isolation, ignores the change  
4 that's happening for all other goods and services. The analysis included in my direct  
5 testimony illustrates that the change in the price of electricity is smaller relative to other  
6 goods and services. In fact, other recent publications further support this observation.  
7 According to Public Utilities Fortnightly<sup>6</sup>, the latest Consumer Price Index for all goods  
8 and services (July 2016) rose by eight-tenths of a percent as compared to a year ago,  
9 while the CPI for electric utility service fell by one percent. In the Midwest specifically,  
10 electric prices fell by eight-tenths of a percent, while the prices of all goods and services  
11 rose by four-tenths of a percent.

12 **III. COST CONTROL**

13 **Q: OPC witness Charles Hyneman has provided rebuttal testimony regarding the**  
14 **equity ratio and capital structure as provided in my direct testimony. What is your**  
15 **response?**

16 A: Mr. Hyneman is wrong. As discussed in GMO witness Kevin Bryant's direct testimony  
17 (at p. 6) and surrebuttal testimony (at p. 4), GMO has reduced both its equity ratio and  
18 cost of debt over time.

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

20 A: Yes, it does.

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<sup>6</sup> "Utility Service Prices Continue to Drop" <http://www.fortnightly.com>, 18 Aug. 2016. Web. 31 Aug. 2016.

**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                    )  
A General Rate Increase for Electric Service                    )            Case No. ER-2016-0156

**AFFIDAVIT OF DARRIN R. IVES**

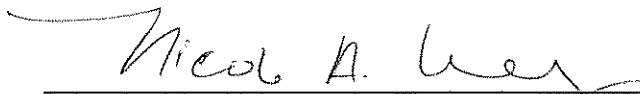
STATE OF MISSOURI    )  
                                  ) ss  
COUNTY OF JACKSON )

Darrin R. Ives, being first duly sworn on his oath, states:

1. My name is Darrin R. Ives. 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 KCP&L Greater Missouri Operations Company consisting of sixteen (16) pages, 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.

  
\_\_\_\_\_  
Darrin R. Ives

Subscribed and sworn before me this 2<sup>nd</sup> day of <sup>September</sup> ~~August~~, 2016.

  
\_\_\_\_\_  
Notary Public

My commission expires: Feb. 4, 2019

