

Exhibit No.:
Issue: Tax Cut and Jobs Act Bill Credits
Witness: Bradley D. Lutz
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
and KCP&L Greater Missouri
Operations Company
Case Nos.: ER-2018-0145 and ER-2018-0146
Date Testimony Prepared: July 27, 2018

MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: ER-2018-0145 and ER-2018-0146

REBUTTAL TESTIMONY

OF

BRADLEY D. LUTZ

ON BEHALF OF

**KANSAS CITY POWER & LIGHT COMPANY and
KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri
July 2018**

REBUTTAL TESTIMONY

OF

BRADLEY D. LUTZ

Case Nos. ER-2018-0145 and ER-2018-0146

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

2 A: My name is Bradley D. Lutz. My business address is 1200 Main, Kansas City, Missouri
3 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” or “Company”) as
6 Senior Manager – Regulatory Affairs.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of KCP&L and KCP&L Greater Missouri Operations Company
9 (“GMO”) (collectively, the “Company”).

10 **Q: Are you the same Bradley D. Lutz who filed Direct Testimony in both ER-2018-0145**
11 **and ER-2018-0146?**

12 A: Yes, I am.

13 **Q: What is the purpose of your rebuttal testimony?**

14 A: The purpose of my rebuttal testimony is to address how the Company proposes that the
15 cost savings impact of the Tax Cut and Jobs Act (“TCJA”) passed on December 22, 2017
16 – for the period between January 1, 2018 (the effective date of TCJA) and the effective
17 date of rates to be set in this case (sometimes call the “stub period”) – would be returned
18 to customers. This is in response to the direct testimony of MECG witness Brosch who
19 recommends that such cost savings be reflected in rates by way of a three-year amortization

1 and OPC witness Riley who recommends implementation of the tax credit as a regulatory
2 liability. Details about TCJA and its impact on the Company are addressed by Company
3 witnesses, Melissa K. Hardesty and Ronald Klote.

4 **Q: What is the amount of the credit to be returned to customers?**

5 A: Company witness Ronald Klote speaks to the methods proposed to quantify the tax credit
6 amount once the true-up data is available.

7 **Q: How does the Company propose to provide the credit to customers?**

8 A: The Company proposes to utilize a method similar to that used to provide the merger credits
9 to customers, identified in the Report and Order dated May 24, 2018 and the Stipulation
10 and Agreement dated January 12, 2018, both in Case No. EM-2018-0012, the application
11 for approval for merger of Great Plains Energy Incorporated with Westar Energy, Inc.

12 **Q: Please describe that method?**

13 A: The jurisdictional amount of stub period TCJA savings for KCP&L's Missouri operations
14 and GMO will be sponsored by Company witness Klote in his true-up direct testimony.
15 Taking those numbers as a starting point for the respective KCP&L-Missouri and GMO
16 jurisdictions, I will now describe how the Company proposes to allocate those amounts
17 between and within the GMO and KCP&L-Missouri customer classes.

18 **Q: Please describe the class allocation process.**

19 A: The Company proposes to allocate the stub period savings amount between the classes
20 based on the retail revenues for the classes as defined by the revenue summaries supporting
21 the final rates approved in these cases. This approach is more reasonable than a sales-
22 based approach given the more direct relationship between the revenues and the level of
23 income taxes included in cost of service of the Company.

1 **Q: Once allocated between the classes, what is the process to allocate the stub period**
2 **savings amount to the individual customers within those classes?**

3 A: The Company proposes to use the following methods for determining the individual
4 customer bill credit attributable to the stub period savings:

5 KCPL – Missouri:

6 Residential: Divided equally among the customer class by customer account
7 Small Gen SVC: Divided equally among the customer class by customer account
8 Med. Gen SVC: Divided equally among the customer class by customer account
9 Large Gen SVC: Based on each customer’s energy usage within the customer class
10 Large Power: Based on each customer’s energy usage within the customer class
11 MO Lighting: Divided equally among the customer class by customer account

12 Greater Missouri Operations:

13 Residential: Divided equally among the customer class by customer account
14 SGS: Divided equally among the customer class by customer account
15 LGS: Based on each customer’s energy usage within the customer class
16 LPS: Based on each customer’s energy usage within the customer class
17 Lighting: Divided equally among the customer class by customer account
18 Thermal: Divided equally among the customer class by customer account
19 TOD: Divided equally among the customer class by customer account

20 **Q: What time period will be used to establish the data supporting these customer**
21 **allocations?**

22 A: The Company proposes to use a twelve-month time period, as near as practicable to the
23 time the bill credits are applied to customer bills to support these allocations. This approach
24 will help minimize issues resulting from customer movement and will best ensure a smooth
25 application of the credit. For example, if the Order in these cases is effective at the end of
26 December and the plan is to start issuing credits with the March billing, the Company
27 would likely prepare the data and allocations using the twelve-month period ending
28 January 31.

1 **Q: How does the Company plan to apply the credit to customer accounts?**

2 A: The Company proposes to apply the credit to customer bills within a reasonable time
3 following the effective date of rates in these cases. More specifically, within the billing
4 process bills are sent to customers in a series of cycles that progress through the month.
5 The credit would be applied consistent with these cycles, over the course of the billing
6 month, such that at the completion of the cycles, all credits would be distributed.

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

8 A: Yes, it does.

