

Exhibit No.:
Issue: FAC Support
Witness: Elizabeth Herrington
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

ELIZABETH HERRINGTON

ON BEHALF OF

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

**Kansas City, Missouri
July 2018**

REBUTTAL TESTIMONY

OF

ELIZABETH HERRINGTON

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

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

2 A: My name is Elizabeth Herrington. 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 Director of Power,
6 Energy and Revenue Accounting.

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: What are your responsibilities?**

11 A: As Director of Power, Energy and Revenue Accounting, I have responsibility for leading
12 the margin accounting team in support of the monthly accounting close and external
13 reporting processes. The margin accounting team is responsible for the recording and
14 analysis of all revenue, fuel, purchased power, and transmission transactions, including the
15 calculations related to all fuel adjustment clauses and the Energy Cost Adjustment.

16 **Q. Please state your educational background and describe your professional training
17 and experience.**

18 A. I graduated from the University of Missouri-Columbia in May 1992 with a Bachelor of
19 Science in Accountancy. In October 1997, I joined the Company as a staff accountant and

1 have held several roles such as Supervisor - Accounts Receivable, Supervisor - Regulatory
2 Accounting, Manager - Revenue and Fuel Accounting, Manager - Energy Accounting and
3 Senior Manager - Accounting before assuming my current role in 2016.

4 **Q. Have you previously testified in a proceeding at the Missouri Public Service**
5 **Commission (“Commission” or “MPSC”) or before any other utility regulatory**
6 **agency?**

7 A. Yes, I have previously testified before the Kansas Corporation Commission (“KCC”) in
8 Docket No. 16-KCPE-388-ACA, 17-KCPE-400-ACA and the MPSC in Docket No. ER-
9 2016-0285.

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

11 A: My rebuttal testimony serves two purposes. First, I respond to Office of the Public Counsel
12 (“OPC”) witness Mr. John S. Riley’s testimony relating to the definition of fuel costs in
13 the FAC. Second, I dispute OPC witness Ms. Lena M. Mantel’s claims that the Company
14 has not been in compliance with FERC Order 668.

15 **I. FUEL COST DEFINITION**

16 **Q: Do you believe that Mr. Riley’s proposal to use the definition of fuel costs as defined**
17 **by FERC in the FERC fuel clause would result in a simplification of the current FAC?**

18 A: No. The Company has always proposed to include all costs included in FERC’s definition
19 of fuel as found in the Uniform System of Accounts under accounts 501, 518 and 547
20 EXCEPT where the inclusion of such amounts would result in a “double dip”. For
21 example, labor used in fuel handling would be included in the Company’s labor
22 normalization calculations and not in the FAC. By including all costs in account 501, 518
23 and 547 calculation and administration of the FAC is simplified. Mr. Riley’s approach adds

1 complexity by eliminating costs that are appropriately recorded in accounts 501, 518 and
2 547.

3 **Q: Do you agree that fuel additives should be included in the Company's FAC?**

4 A: Yes. The Company agrees that fuel additives should be included in the FAC as they are
5 included as part of the FERC definition of fuel in accounts 501 and 547. Additionally, the
6 Company agrees that fuel additives are recorded in account 501300. However, only fuel
7 additives related to steam plants are recorded in 501300. The Company also records fuel
8 additives in account 547300 related to non-steam plants.

9 **Q: Do you believe that fuel costs that are incurred after fuel is consumed should be
10 included in the cost of fuel?**

11 A: Yes. The Company believes that fuel residuals, less any proceeds from the sale of these
12 residuals should be included in the FAC as they are included as a part of the FERC
13 definition of fuel in accounts 501 and 547.

14 **II. FERC Order 668**

15 **Q: When did KCP&L and GMO join the Southwest Power Pool ("SPP") energy market?**

16 A: On February 1st, 2007, the SPP launched the Energy Imbalance Market ("EIS"). KCP&L
17 joined the EIS market at that time and GMO joined the EIS in September of 2009. On
18 March 1st, 2014, the SPP launched the current Integrated Marketplace ("IM"). Both
19 KCP&L and GMO joined the IM at that time. OPC witness Ms. Mantle states the SPP
20 began its energy market in 2005, which is not correct.

21 **Q: Please explain the difference between these two markets.**

22 A: In the EIS market, a market participant would schedule the amount of energy to be used
23 and produced. When the scheduled and the actual usage were not the same, the market

1 participant would be either charged or credited for the difference. In the IM, a market
2 participant will bid in their load and generation in the day ahead market and operate
3 according to SPP dispatch in the real-time market. Instead of simply settling any
4 differences between these amounts, the market participant is compensated for all generator
5 sales and all load purchases in both the day ahead and real-time markets.

6 **Q: Ms. Mantle believes there are new definitions of off system sales revenues and**
7 **purchased power costs due to the IM. Do you agree?**

8 A: No. While the sales and purchases to the SPP are larger it does not make the FAC
9 calculation different. For example, in the EIS market, the customer paid the cost of fuel for
10 a generating resource and in return did not pay for any of the power used from that resource
11 and received a credit for any additional sales made by that resource. This same theory holds
12 true in the IM where the customer pays the cost of the fuel and the price of the energy used,
13 but receives a credit for the entire output of the resource.

14 To further clarify I will use a simplistic accounting example that only considers the
15 cost of energy and fuel.

Assumptions for 1 hour

Resource A = 100 MWh Produced
Load B = 75 MWh consumed
Counterparty C = 25 MWh sell
Fuel Expense = \$10 per MWh
Base Fuel in Rates = \$8 per MWh
Energy Price = \$25 per MWh

FC = Fuel Costs
PP = Purchased Power
OSSR = Off System Sales Revenue
ANEC = Actual Net Energy Cost
B = Base Energy Cost
FPA = Fuel and Power Adjustment

16

1 Previously in the EIS market, the Load B did not pay for the energy consumed from
 2 Resource A, and received credit for the sale to Counterparty C. The FAC calculation would
 3 have been as follows:

| EIS FAC Calculation | | |
|---------------------|-------|----------------------------|
| FC | 1,000 | \$10 x 100MWh |
| PP | 0 | Scheduled power = consumed |
| OSSR | 625 | \$25 x 25MWh |
| ANEC | 375 | |
| | | |
| ANEC | 375 | \$1,000 + \$0 - \$625 |
| B | (800) | \$8 x 100MWh |
| FPA | (425) | Over Collection |

4
 5 In today's IM the Load B would sell all the generation from Resource A to the SPP and
 6 only purchase back what it used. The FAC calculation would be as follows:

| IM FAC Calculation | | |
|--------------------|---------|-----------------------------|
| FC | 1,000 | \$10 x 100MWh |
| PP | 1,875 | \$25 x 75MWh |
| OSSR | (2,500) | \$25 x 100MWh |
| ANEC | 375 | |
| | | |
| ANEC | 375 | \$1,000 + \$1,875 - \$2,500 |
| B | (800) | \$8 x 100MWh |
| FPA | (425) | Over Collection |

7
 8 As you can see, the customer has an over collection in each case. If we apply FERC Order
 9 668 netting to the examples, the result remains the same. PP would become \$0 and OSSR
 10 would be reduced to \$625, similar to the EIS example.

11 **Q: When did KCP&L and GMO begin using the FERC Order 668, accounting**
 12 **requirement for financial reporting?**

13 **A:** KCP&L and GMO have always applied FERC Order 668 for financial reporting. The Order
 14 applies to all markets such as MISO, PJM and the SPP EIS market, not just the SPP IM.

1 **Q: Ms. Mantle asserts that KCP&L and GMO have caused a disconnect between**
2 **revenues and expenses by including these amounts in the FAC as gross amounts. Is**
3 **this true?**

4 A: No. As shown in the above example, the customer is receiving the benefit of all sales to
5 the SPP, so the customer must pay for the fuel used to produce that power. Further, as
6 shown above, netting has no effect on the energy in the FAC calculation.

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

8 A: Yes, it does.

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

In the Matter of Kansas City Power & Light)
Company's Request for Authority to Implement) Case No. ER-2018-0145
A General Rate Increase for Electric Service)

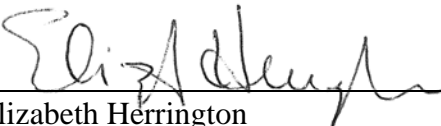
In the Matter of KCP&L Greater Missouri)
Operations Company's Request for Authority to) Case No. ER-2018-0146
Implement A General Rate Increase for Electric)
Service)

AFFIDAVIT OF ELIZABETH HERRINGTON

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

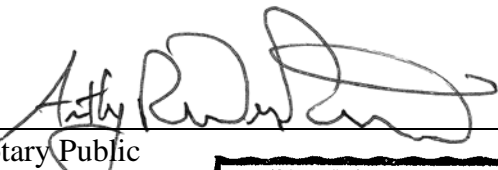
Elizabeth Herrington, being first duly sworn on his oath, states:

1. My name is Elizabeth Herrington. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Director of Energy and Revenue Accounting.
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company consisting of six (6) 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.



Elizabeth Herrington

Subscribed and sworn before me this 27th day of July 2018.



Notary Public

My commission expires: 4/26/2021

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| ANTHONY R WESTENKIRCHNER Notary Public, Notary Seal State of Missouri Platte County Commission # 17279952 My Commission Expires April 26, 2021 |
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