

*Exhibit No.:*  
*Issues:* *Rate Case Expense,  
Iatan Regulatory Assets*  
*Witness:* *Keith A. Majors*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *True-Up Rebuttal Testimony*  
*File Nos.:* *ER-2010-0355 and ER-2010-0356*  
*Date Testimony Prepared:* *February 28, 2011*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**TRUE-UP REBUTTAL TESTIMONY**

**OF**

**KEITH A. MAJORS**

**KANSAS CITY POWER & LIGHT COMPANY**

**FILE NO. ER-2010-0355 and FILE NO. ER-2010-0356**

*Jefferson City, Missouri*  
*February 2011*



1 **RATE CASE EXPENSE**

2 Q. Did you propose adjustments to rate case expense in this proceeding?

3 A. Yes. Staff proposed adjustments to rate case expense updated through  
4 December 31, 2010. The adjustments concern legal expenses and consulting fees. The  
5 Commission, in its Report and Order in Case No. GR-2004-0207 reduced attorney fees that  
6 were significantly higher than the local counsel of MGE. The Commission also recognized  
7 that duplicative attorney work should be removed from rate case expense. Staff's proposed  
8 adjustments, as detailed in my true-up direct, account for some duplication and redundancy of  
9 attorney fees as well as the significantly higher rates that KCPL paid attorneys for prosecuting  
10 the current rate cases.

11 Q. Why is Staff's adjusted level of rate case expense as described in true-up direct  
12 fair, just, and reasonable?

13 A. KCPL did incur a substantially higher amount of rate case expense as  
14 compared to the last rate case. KCPL paid hourly attorney fees that are unnecessarily high.  
15 However, Staff's proposed adjustments only remove approximately 15% of total rate case  
16 expense for the current rate case expense updated through December 31, 2010.

17 Q. Does Staff have an issue with KCPL/GMO witness Weisensee's proposal to  
18 defer rate case expense incurred after the cutoff of December 31, 2010 for consideration in a  
19 future rate case?

20 A. No. Staff does not have an issue with KCPL/GMO requesting the deferral of  
21 these expenses. However, Staff has not evaluated rate case expenses on post-December 31,  
22 2010 expenditures and would review those expenses for prudence and reasonableness in a  
23 subsequent rate case.

1 Q. Does Staff have an issue with KCPL/GMO witness Weisensee's proposed  
2 mechanism to use "over-recovery" of rate case expenses to offset current rate case expense?

3 A. No. Staff is also utilizing this mechanism to offset current rate case expense  
4 with the over-recovery of amortizations from prior rate case expense deferrals.

5 **IATAN REGULATORY ASSETS**

6 Q. What rate did Staff propose to use to amortize the Iatan Common and Iatan 2  
7 regulatory assets in true-up direct?

8 A. Staff proposed to use the aggregate depreciation rate of both categories of  
9 Missouri jurisdictional plant to amortize both assets.

10 Q. What is KCPL's position regarding the amortization of the regulatory assets?

11 A. KCPL proposes to amortize the regulatory assets over the life of Iatan 1 and 2,  
12 i.e., over 26 and 60 years, respectively (KCPL Workpaper CS-111 and CS-112).  
13 Additionally, KCPL's proposed to blend the regulatory assets into the corresponding plant  
14 balances in its direct case. If the Commission adopts KCPL's proposal to incorporate these  
15 assets into the plant balances, then the aggregate depreciation rates would determine the  
16 recovery of the asset, similar to Staff's proposal for the amortization in true-up direct.

17 Q. Does Staff have an alternative approach if the Commission does not adopt  
18 KCPL's proposal?

19 A. Yes. KCPL proposes to amortize the regulatory assets over the life of Iatan 1  
20 and Iatan 2, or 26 years and 60 years, respectively, as detailed in KCPL's true-up direct  
21 workpapers. Staff does not believe that this amortization period is flawed for use in these  
22 cases. However, this distinct amortization period would only be applicable if the regulatory  
23 assets were kept separate, contrary to KCPL's direct position. Because these assets will

1 | continue to accrue carrying cost and depreciation until the date new rates are scheduled to  
2 | take effect in ER-2010-0355 and ER-2010-0356, the full amount of the assets will not be  
3 | known until KCPL's and GMO's next rate cases. It would be more appropriate at that time to  
4 | consider the transfer of the regulatory assets to plant-in-service when the amounts are more  
5 | certain. In the interim, amortization of the assets over the life of the units and segregating the  
6 | asset from plant-in-service is an appropriate methodology for recovery. Thus, the  
7 | Commission should revisit this issue during KCPL's/GMO's next rate cases.

8 |       Q.     Does that conclude your true-up rebuttal testimony?

9 |       A.     Yes, it does.



BEFORE THE PUBLIC SERVICE COMMISSION

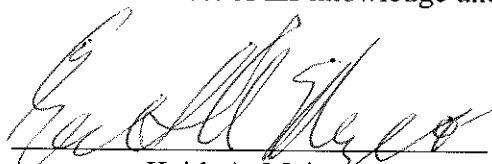
OF THE STATE OF MISSOURI

In the Matter of the Application of KCP&L )  
Greater Missouri Operations Company for )  
Approval to Make Certain Changes in its ) File No. ER-2010-0356  
Charges for Electric Service )

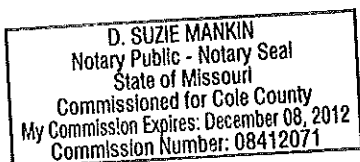
AFFIDAVIT OF KEITH A. MAJORS

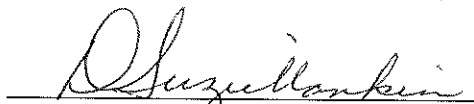
STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

Keith A. Majors, of lawful age, on his oath states: that he has participated in the preparation of the foregoing True-Up Rebuttal Testimony in question and answer form, consisting of 4 pages to be presented in the above case; that the answers in the foregoing True-Up Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
Keith A. Majors

Subscribed and sworn to before me this 28<sup>th</sup> day of February, 2011.



  
Notary Public