

Exhibit No.:
Issue: *Transmission Tracker Conditions*
Witness: *Mark L. Oligschlaeger*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *ER-2012-0175*
Date Testimony Prepared: *October 10, 2012*

MISSOURI PUBLIC SERVICE COMMISSION

**REGULATORY REVIEW DIVISION
UTILITY SERVICES - AUDITING**

SURREBUTTAL TESTIMONY

OF

MARK L. OLIGSCHLAEGER

**KCP&L GREATER MISSOURI OPERATIONS COMPANY
Great Plains Energy, Inc.**

CASE NO. ER-2012-0175

*Jefferson City, Missouri
October 2012*

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MARK L. OLIGSCHLAEGER
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Surrebuttal Testimony of
Mark L Oligschlaeger

1 Commission. I have also been responsible for the supervision of other Commission
2 employees in rate cases and other regulatory proceedings many times. I have received
3 continuous training at in-house and outside seminars on technical ratemaking matters since I
4 began my employment at the Commission.

5 Q. Have you participated in the Commission Staff's ("Staff") audit of KCP&L
6 Greater Missouri Operations Company (GMO or "Company") concerning its request for an
7 increase to its customer rates in this proceeding?

8 A. Yes, I have, with the assistance of other members of the Staff.

9 Q. What is the purpose of this surrebuttal testimony?

10 A. The purpose of this testimony is to respond to GMO witness Darrin R. Ives'
11 rebuttal testimony, page 25, line 10 commenting on Staff's failure to recommend approval of
12 GMO's request for a transmission tracker in its direct filing. I agree with Mr. Ives where he
13 states at page 22, lines 6-8 of his rebuttal testimony that "it is telling that Staff has had the
14 Company's Direct filed case for over five months and did not provide for the newly requested
15 Trackers in its Report." Staff's recommendation in this case is again to reject the
16 transmission tracker requested by GMO. In Case No. ER-2010-0356, Staff was able to
17 develop its own transmission tracker design which it recommended to the Commission in that
18 case. Unlike in that instance, here Staff's recommendation is to simply reject GMO's
19 proposed transmission tracker, as stated in Staff witness Daniel I. Beck's surrebuttal
20 testimony. While Staff opposes GMO's requested transmission tracker, Staff recognizes it is
21 possible the Commission will authorize GMO to implement one. I provide Staff's
22 recommendations as to the conditions the Commission should attach to any transmission
23 tracker mechanism the Commission may authorize GMO to use.

1 **EXECUTIVE SUMMARY**

2 Q. Please summarize your surrebuttal testimony

3 A. Staff recommends that, if the Commission rejects Staff's recommendation not
4 to authorize GMO to implement a transmission tracker and allows GMO to use one, then
5 certain conditions be attached to the Commission's authorization.

6 **TRANSMISSION TRACKER CONDITIONS**

7 Q. What is your understanding of Staff witness Daniel I. Beck's transmission
8 tracker surrebuttal testimony in response to the rebuttal testimony GMO witness Darren R.
9 Ives regarding KCPL's request for a transmission tracker?

10 A. Mr. Beck presents Staff's recommendations that the Commission reject at this
11 time GMO's request for a transmission tracker. Among other things, Mr. Beck discusses the
12 importance of including transmission revenues in any tracker the Commission may approve,
13 as that was a significant feature of a prior transmission tracker the Staff had supported.

14 Q. If the Commission rejects Staff's recommendation not to authorize GMO to
15 implement a transmission tracker and allows GMO to use one, then should the Commission
16 condition that authorization?

17 A. Yes. If the Commission authorizes GMO to implement a transmission tracker,
18 then the Commission should order a number of conditions to that authorization. Those
19 conditions follow:

- 20 1. That the tracker reflect both transmission revenues and expenses, and
21 thereby operate as a two-way mechanism (i.e., tracking both under and
22 over collections of net transmission costs).
- 23 2. That GMO will provide to all parties in this case on a monthly basis
24 copies of billings from SPP for all SPP rate schedules that contain
25 charges and revenues that will be included in the tracker and will

1 report, per its general ledger, all expenses and revenues included in the
2 tracker by month by Federal Energy Regulatory Commission (FERC)
3 Uniform System of Accounts (USOA) account and GMO subaccount
4 or minor account. GMO shall also provide, on no less than a quarterly
5 basis, the internally generated reports it relies upon for management of
6 its ongoing levels of transmission expenses and revenues. GMO should
7 also commit to notify the parties to this case of any changes to its
8 existing reporting or additional internal reporting instituted to manage
9 its transmission revenues and expenses.

10 3. That all ratemaking considerations regarding transmission revenue and
11 expense amounts deferred by the Company pursuant to a tracker be
12 reserved to the next GMO rate proceeding, including examination of
13 the prudence of the revenues and expenses.

14 4. That GMO must impute into its tracker mechanism, the level of
15 transmission revenues earned by any transmission company affiliate
16 related to facilities in GMO's service territory into its tracker
17 mechanism to the extent necessary to ensure that no additional revenue
18 requirement resulting from any decision by Great Plains Energy, Inc.
19 (GPE) to transfer responsibility for transmission construction activity
20 from GMO's regulated business is passed on to GMO's Missouri retail
21 customers through the tracker.

22 5. That nothing in any order authorizing GMO's use of a transmission
23 tracker is intended to amend, modify, alter, or supersede any previous
24 Commission order or agreement approved by the Commission
25 concerning GMO's involvement in SPP or treatment of SPP
26 transmission revenues and expenses.

27 6. That deferrals resulting from the transmission tracker mechanism cease
28 under certain circumstances, identified in the sixth condition specified
29 below, depending upon GMO's reported return on equity (ROE) level.

30 Q. What is the purpose of Staff's first proposed condition, "that the tracker reflect
31 both transmission revenues and expenses, and thereby operate as a two-way mechanism
32 (i.e., tracking both under and over collections of net transmission costs)?"

1 A. The intent of this condition is to require that both over collections and
2 under collections in rates of GMO's actual net transmission expenses (i.e., Southwest Power
3 Pool (SPP) transmission expenses less SPP transmission revenues) be booked by the
4 Company as a regulatory asset or liability for potential reflection in GMO's rates.

5 Q. Is exclusion of transmission revenues from a transmission tracker acceptable?

6 A. No. In the case of GMO's SPP membership, GMO is both assigned expenses
7 by SPP for transmission service and receives revenues from SPP for the GMO facilities used
8 by SPP to provide transmission service. The SPP transmission charges paid by GMO are
9 intended to reimburse other SPP members for use of their transmission facilities. GMO pays a
10 portion of its costs associated with use of its facilities for SPP transmission service, but
11 receives all of the related revenues. GMO's revenue requirement associated with membership
12 in SPP is dependent upon the ongoing relationship of its assigned SPP transmission revenues
13 to its assigned SPP transmission expenses.

14 If one side of the SPP transmission equation is included in a tracker
15 (the expenses), but the other side is excluded (the revenues), a skewed and inappropriate
16 approach to transmission ratemaking results. Under this approach, changes in transmission
17 expenses will be deferred for future recovery from ratepayers, while offsetting and concurrent
18 transmission revenues will be ignored. This result should not be accepted by the Commission.

19 Mr. Beck also addresses the issue of exclusion of transmission revenues from
20 the transmission tracker in his surrebuttal testimony.

21 Q. What is the purpose of Staff's second condition, "that GMO will provide to all
22 parties in this case on a monthly basis copies of billings from SPP for all SPP rate schedules
23 that contain charges and revenues that will be included in the tracker and will report, per its

1 general ledger, all expenses and revenues included in the tracker by month by FERC USOA
2 account and GMO subaccount or minor account. GMO shall also provide, on no less than a
3 quarterly basis, the internally generated reports it relies upon for management of its ongoing
4 levels of transmission expenses and revenues. GMO should also commit to notify the parties
5 to this case of any changes to its existing reporting or additional internal reporting instituted to
6 manage its transmission revenues and expenses?”

7 A. The purpose of Staff’s second condition is to specify ongoing reporting
8 requirements for GMO in regard to the transmission costs and revenues flowing through
9 the tracker.

10 Q. What is the purpose of Staff’s third proposed condition, “that all ratemaking
11 considerations regarding transmission revenue and expense amounts deferred by the
12 Company pursuant to a tracker be reserved to the next GMO rate proceeding, including
13 examination of the prudence of the revenues and expenses?”

14 A. The purpose of Staff’s third condition is to avoid any claim that any order
15 entered by this Commission implementing a tracker in this proceeding has the effect of
16 making or setting any present or future ratemaking determinations by the present Commission
17 or regarding a future Commission case. Typically when authorizing trackers or other
18 accounting authority, the Commission includes language in its order reserving rate treatment
19 of costs and revenues included in a special accounting mechanism, such as a tracker or
20 accounting authority order, to subsequent rate proceedings.

21 Q. What is the purpose of Staff’s fourth condition, “that GMO must impute into
22 its tracker mechanism the level of transmission revenues earned by any transmission company
23 affiliate related to facilities in GMO’s service territory to the extent necessary to ensure that

1 no additional revenue requirement resulting from any decision by GPE to transfer
2 responsibility for transmission construction activity from GMO's regulated business is passed
3 on to Missouri retail customers?"

4 A. Any decision by GPE to transfer responsibility for construction of transmission
5 projects from GMO to a transmission company affiliate will also transfer primary ratemaking
6 authority over the transmission project's costs and capital investment to the FERC. In recent
7 years, FERC has adopted a number of ratemaking policies that would have the probable
8 impact of increasing revenue requirements associated with these transmission projects above
9 the level that would be normally established under this Commission's ratemaking policies.
10 The purpose of this condition is to require GMO to pass through SPP transmission revenue
11 requirements to Missouri retail customers calculated on an equivalent basis with Missouri
12 Commission ratemaking practices. Staff has expressed a view that the Missouri Commission
13 ratemaking practices rather than the FERC ratemaking practices are appropriate.

14 In his surrebuttal testimony, Mr. Beck discusses the current efforts of GPE to
15 gain approval for a transmission company affiliate to construct SPP transmission projects in
16 GMO's service territory.

17 Q. What is the purpose of Staff's fifth proposed condition, "that nothing in
18 any order authorizing GMO's use of a transmission tracker is intended to amend, modify,
19 alter, or supersede any previous Commission order or agreement approved by the
20 Commission concerning GMO's involvement in SPP or treatment of SPP transmission
21 revenues and expenses?"

22 A. The purpose of this condition is to make clear that any approval of a tracker for
23 GMO in this proceeding is not intended to and does not change any prior order from the

1 Commission or stipulation and agreement approved by the Commission involving GMO's
2 participation in SPP.

3 Q. What is the purpose of Staff's sixth and final condition, "that deferrals
4 resulting from the transmission tracker mechanism cease under certain circumstances
5 depending upon GMO's reported return on equity (ROE) level?"

6 A. The Commission has authorized tracker mechanisms primarily as earnings
7 protection measures for both the utilities and their customers. From that perspective, there is
8 no reason for GMO to defer the impact of under collections in rates of one cost of service
9 element when it is earning in excess of its authorized ROE on an overall basis. Conversely, if
10 a tracker is authorized, there is no reason for GMO to defer over collections in rates of one
11 cost of service element when it is earning below its authorized ROE on an overall basis. For
12 that reason, Staff recommends that if the Company reports it is earning at or in excess of its
13 authorized ROE on a twelve-month rolling forward average basis in quarterly FAC earnings
14 "surveillance" reporting, any tracker deferrals of under collections in net transmission costs
15 should cease from that point forward, and only resume on a prospective basis if this
16 surveillance reporting shows it is now earning below its authorized ROE. Likewise, tracker
17 deferrals of over collection of net transmission costs should cease from the point that FAC
18 surveillance shows it is earning below its authorized ROE.

19 Q. Does this conclude your surrebuttal testimony?

20 A. Yes, it does.

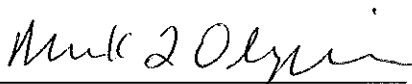
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri)
Operations Company's Request for Authority) Case No. ER-2012-0175
to Implement General Rate Increase for)
Electric Service)

AFFIDAVIT OF MARK L. OLIGSCHLAEGER

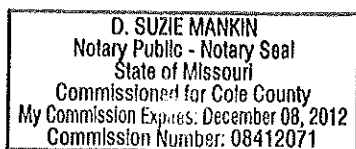
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

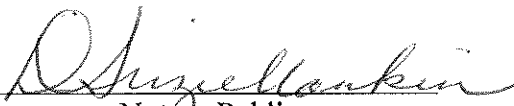
Mark L. Oligschlaeger, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 8 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by him; 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.



Mark L. Oligschlaeger

Subscribed and sworn to before me this 10th day of October, 2012.





Notary Public

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Company Name	Case Number	Issues
Western Resources	GR-90-40 and GR-91-149	Take-Or-Pay Costs
Missouri-American Water Company	WR-91-211	True-up; Known and Measurable
Missouri Public Service	EO-91-358 and EO-91-360	Accounting Authority Order
Generic Telephone	TO-92-306	Revenue Neutrality; Accounting Classification
Generic Electric	EO-93-218	Preapproval
Western Resources & Southern Union Company	GM-94-40	Regulatory Asset Transfer
St. Louis County Water	WR-95-145	Policy
Union Electric Company	EM-96-149	Merger Savings; Transmission Policy
St. Louis County Water	WR-96-263	Future Plant
Missouri Gas Energy	GR-96-285	Riders; Savings Sharing
The Empire District Electric Company	ER-97-82	Policy
Missouri Public Service	ER-97-394	Stranded/Transition Costs; Regulatory Asset Amortization; Performance Based Regulation
Western Resources & Kansas City Power & Light	EM-97-515	Regulatory Plan; Ratemaking Recommendations; Stranded Costs
United Water Missouri	WA-98-187	FAS 106 Deferrals
Laclede Gas Company	GR-99-315 (remand)	Depreciation and Cost of Removal
Missouri-American Water	WM-2000-222	Conditions
UtiliCorp United & St. Joseph Light & Power	EM-2000-292	Staff Overall Recommendations
UtiliCorp United & The Empire District Electric Company	EM-2000-369	Overall Recommendations
Green Hills Telephone	TT-2001-115	Policy
IAMO Telephone Company	TT-2001-116	Policy
Ozark Telephone Company	TT-2001-117	Policy

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Company Name	Case Number	Issues
Peace Valley Telephone	TT-2001-118	Policy
Holway Telephone Company	TT-2001-119	Policy
KLM Telephone Company	TT-2001-120	Policy
Missouri Gas Energy	GR-2001-292	SLRP Deferrals; Y2K Deferrals; Deferred Taxes; SLRP and Y2K CSE/GSIP
The Empire District Electric Company	ER-2001-299	Prudence/State Line Construction/Capital Costs
Ozark Telephone Company	TC-2001-402	Interim Rate Refund
Gateway Pipeline Company	GM-2001-585	Financial Statements
Missouri Public Service	ER-2001-672	Purchased Power Agreement; Merger Savings/Acquisition Adjustment
Union Electric Company	EC-2002-1	Merger Savings; Criticisms of Staff's Case; Injuries and Damages; Uncollectibles
Laclede Gas Company	GA-2002-429	Accounting Authority Order Request
Aquila, Inc., d/b/a Aquila Networks-MPS-Electric and Aquila Networks-L&P-Electric and Steam	ER-2004-0034 and HR-2004-0024 (Consolidated)	Aries Purchased Power Agreement; Merger Savings
Missouri Gas Energy	GR-2004-0209	Revenue Requirement Differences; Corporate Cost Allocation Study; Policy; Load Attrition; Capital Structure
Empire District Electric	ER-2006-0315	Fuel/Purchased Power; Regulatory Plan Amortizations; Return on Equity; True-Up
Missouri Gas Energy	GR-2006-0422	Unrecovered Cost of Service Adjustment; Policy
Laclede Gas Company	GR-2007-0208	Case Overview; Depreciation Expense/Depreciation Reserve; Affiliated Transactions; Regulatory Compact
Missouri Gas Utility	GR-2008-0060	Report on Cost of Service; Overview of Staff's Filing

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Company Name	Case Number	Issues
The Empire District Electric Company	ER-2008-0093	Case Overview; Regulatory Plan Amortizations; Asbury SCR; Commission Rules Tracker; Fuel Adjustment Clause; ROE and Risk; Depreciation; True-up; Gas Contract Unwinding
KCP&L Greater Missouri Operations Company	EO-2008-0216	Rebuttal: Accounting Authority Order Request
Missouri Gas Energy, a Division of Southern Union	GR-2009-0355	Staff Report Cost of Service: Direct Report on Cost of Service; Overview of the Staff's Filing; Rebuttal: Kansas Property Taxes/AAO; Bad Debts/Tracker; FAS 106/OPEBs; Policy; Surrebuttal: Environmental Expense, FAS 106/OPEBs
The Empire District Electric Company, The-Investor (Electric)	ER-2010-0130	Staff Report Cost of Service: Direct Report on Cost of Service; Overview of the Staff's Filing; Regulatory Plan Amortizations; Surrebuttal: Regulatory Plan Amortizations
The Empire District Electric Company	ER-2011-0004	Staff Report on Cost of Service: Direct: Report on Cost of Service; Overview of the Staff's Filing, Surrebuttal: SWPA Payment, Ice Storm Amortization Rebasing, S02 Allowances, Fuel/Purchased Power and True-up
Missouri-American Water Company	WR-2011-0337	Surrebuttal: Pension Tracker
Missouri Gas Energy, A Division of Southern Union	GU-2011-0392	Rebuttal: Lost Revenues Cross-Surrebuttal: Lost Revenues
KCP&L Greater Missouri Operations Company	EO-2012-0009	Rebuttal: DSIM
Union Electric Company d/b/a Ameren Missouri	EU-2012-0027	Rebuttal: Accounting Authority Order Cross-Surrebuttal: Accounting Authority Order
Union Electric Company d/b/a Ameren Missouri	EO-2012-0142	Rebuttal: DSIM

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Company Name	Case Number	Issues
Union Electric Company d/b/a Ameren Missouri	ER-2012-0166	Responsive: Transmission Tracker
Kansas City Power & Light Company	ER-2012-0174	Rebuttal: Flood Deferral of off- system sales Surrebuttal: Flood Deferral of off- system sales, Transmission Tracker conditions
The Empire District Electric Company	ER-2012-0345	Direct (Interim): Interim Rate Request

Cases prior to 1990 include:

COMPANY NAME	CASE NUMBER
Kansas City Power and Light Company	ER-82-66
Kansas City Power and Light Company	HR-82-67
Southwestern Bell Telephone Company	TR-82-199
Missouri Public Service Company	ER-83-40
Kansas City Power and Light Company	ER-83-49
Southwestern Bell Telephone Company	TR-83-253
Kansas City Power and Light Company	EO-84-4
Kansas City Power and Light Company	ER-85-128 & EO-85-185
KPL Gas Service Company	GR-86-76
Kansas City Power and Light Company	HO-86-139
Southwestern Bell Telephone Company	TC-89-14