

**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-2014-0370  
A General Rate Increase for Electric Service            )

**KCP&L POSITION STATEMENT**

- I. Cost of Capital** (KCP&L witness: Robert Hevert)
- A. Return on Common Equity – what return on common equity should be used for determining rate of return?  
KCP&L position: 10.3%
  - B. Capital structure – what capital structure should be used for determining rate of return?  
KCP&L position: The actual capital structure of GPE at the end of the true-up period ending May 31, 2015.
  - C. Cost of debt – what cost of debt should be used for determining rate of return?  
KCP&L position: The actual cost of long-term consolidated debt should be used for determining rate of return and will be true-up for the period ending May 31, 2015.
- II. Fuel Adjustment Clause** (KCP&L witnesses: Scott Heidtbrink, Darrin Ives, H.E. Overcast, and Tim Rush on policy; and Ed Blunk, Ryan Bresette, John Carlson, Burton Crawford)
- A. Does KCPL's fuel adjustment clause request violate the Stipulation and Agreement from Case No. EO-2005-0329? If so, should it be rejected?  
KCP&L position: No.
  - B. Has KCPL met the criteria for the Commission to authorize it to have a fuel adjustment clause?  
KCP&L position: Yes.
  - C. Should the Commission authorize KCPL to have a fuel adjustment clause?  
KCP&L position: Yes.
  - D. If the Commission authorizes KCPL to have a fuel adjustment clause, how should it be structured?
    - i. What percentage (customers/company) of changes in costs and revenues should the Commission find appropriate to flow through the fuel adjustment clause?  
KCP&L position: The FAC should be structured as a 100% mechanism. If the 95/5 convention is adopted, any amounts not recovered thereunder shall be deferred and included in rates if no disallowance of costs is adopted by final Commission order in a subsequent prudence review
    - ii. Should the costs and revenues that are to be included in the FAC be approved by the Commission and explicitly identified along with the FERC account, subaccount and the resource code in which KCPL will record the actual

cost/revenue? If so, what costs and revenues should be included and what are their corresponding FERC accounts, subaccounts and resource codes?

KCP&L position: The FAC tariff sheets filed by KCP&L set forth the costs and revenues to be included in the FAC with sufficient specificity.

- iii. Should the FAC tariff sheets reflect the accounts, subaccounts, resource codes, and the cost/revenue description?

KCP&L position: No. This would impose a level of burden on KCP&L that is not required by the Code of State Regulations. Certain types of costs are included in certain FERC accounts based upon the FERC Uniform System of Accounts.

- iv. Should Southwest Power Pool (“SPP”) and other regional transmission organization/independent system operator transmission fees be included in the FAC, and at what level?

KCP&L position: Yes, fees assessed pursuant to the following SPP schedules should be included in the FAC: Schedule 1-A (Tariff Administration Service), Schedule 11 (Base Plan Zonal Charge & Region-Wide Charge) and Schedule 12 (FERC Assessment Charge).

- v. Should SPP and FERC Administrative fees (SPP Schedule 1-A and 12) be included in the FAC?

KCP&L position: Yes.

- vi. Should all realized gains and losses from KCPL’s hedging and/or cross hedging practices be included in the FAC?

KCP&L position: Yes. If not, KCP&L will cease hedging activities.

- vii. Should SO<sub>2</sub> amortizations, bio fuels, propane, accessorial charges, broker commissions, fees and margins, be included in the FAC?

KCP&L position: Yes.

- viii. Should the FAC include costs and revenues that KCPL is not currently incurring or receiving other than insurance recoveries, subrogation recoveries and settlement proceeds related to costs and revenues included in the FAC?

KCP&L position: Yes, all net fuel and purchased power costs should be included in the FAC.

- ix. Does the FAC need to have exclusionary language added to insure that NERC and FERC penalties are not included?

KCP&L position: No.

- x. Should the phrase “miscellaneous SPP IM charges, including but not limited to,” be included in KCPL’s FAC tariff?

KCP&L position: Yes.

- xi. How should OSSR be defined?

KCP&L position: The following revenues or costs reflected in FERC Account Number 447: all revenues from off-system sales. This includes charges and credits related to the SPP Integrated Marketplace including, energy, make whole and out of merit payments and distributions, Over collected losses payments and distributions, TCR and ARR settlements, virtual energy costs, revenues and related fees where the virtual energy transaction is a hedge in support of physical operations related to a generating resource or load, generation/export charges, ancillary services

including non- performance and distribution payments and charges and other miscellaneous SPP Integrated Market charges including, but not limited to, uplift charges or credits. It does not include sales for resale – private utilities or sales for resale – municipalities.

- xii. How should the "J" component be defined, i.e., how should “Net System Input” be defined for KCPL’s operations?

KCP&L position: The “J” component should be defined as follows: “J = Missouri Retail Energy Ration = Missouri Retail kWh Sales/Total Retail kWh Sales (KS and MO) + Sales for Resale (Account 447.100 – Municipals).”

- xiii. Should the rate schedules implementing the FAC have an amount for the Base Factor when the Commission initially approves them, or not until after the end of the first FAC accumulation period?

KCP&L position: No. The base factor should be set in the rate case and presented in the body as part of the tariff language.

- xiv. How many different voltage levels of service should be recognized for purposes of applying loss factors?

KCP&L position: The Company believes that the two voltage levels identified in its proposed FAC are sufficient to appropriately distinguish the cost recovery.

- xv. Should the FAC recovery periods be October through September and April through March with the corresponding accumulation periods changed to January through June and July through December respectively. What are the appropriate recovery periods and corresponding accumulation periods for the FAC?

KCP&L position: Recovery periods of October through September and April through March with the corresponding accumulation periods changed to January through June and July through December would be acceptable to KCP&L.

- xvi. Should FAC costs and revenues be allocated in the accumulation period's actual net energy cost in a manner consistent with the allocation methodology utilized to set permanent rates in this case

KCP&L position: Yes.

- E. If the Commission authorizes KCPL to have a fuel adjustment clause, what FAC-related reporting requirements should it order KCPL to comply with?

KCP&L position: The Company is willing to provide the information requested by Staff witness Eaves in his testimony.

- F. If the Commission authorizes KCPL to have an FAC, should KCPL be allowed to add cost and revenue types to its FAC between rate cases?

KCP&L position: Yes.

- G. If the Commission authorizes KCPL to have a FAC, should KCPL be required to clearly differentiate itself from GMO on customer bills?

KCP&L position: No, the current customer bill clearly differentiates the rates for customers to understand.

**III. Transmission Fees Expense** (KCP&L witnesses: Darrin Ives, H.E. Overcast and Tim Rush on policy; and Ed Blunk, Ryan Bresette, John Carlson and Burton Crawford)

A. What level of transmission fees expense should the Commission recognize in KCPL's revenue requirement?

KCP&L position: The annualized SPP transmission fees at the end of the true-up period ending May 31, 2015, should be recognized in rates and included in the FAC or afforded tracking treatment.

If SPP transmission fees are not included in the FAC or afforded tracker treatment, \$5 million of annual forecast Missouri jurisdiction SPP transmission fees expense should be added to the revenue requirement above the base amount of Missouri jurisdictional SPP transmission fees. If the forecast amount recognized in revenue requirement exceeds actual SPP transmission fee expense during the period rates are in effect, such amounts shall be credited to customers in a subsequent rate case.

B. Should a tracker be implemented for KCPL's future transmission fees expense that varies from the level of transmission fees expense the Commission recognizes in KCPL's revenue requirement and that KCPL will not recover through a fuel adjustment clause?

KCP&L position: Yes.

i. Should KCPL get a return on as well as a return of the tracked amounts?

KCP&L position: Yes.

ii. Should KCPL get carrying costs on the tracked amounts?

KCP&L position: Yes.

**IV. Property Tax Expense** (KCP&L witnesses: Darrin Ives and Tim Rush on policy; and Melissa Hardesty)

A. What level of property tax expense should the Commission recognize in KCPL's revenue requirement?

KCP&L position: \$49,763,604 of property tax expense should be recognized in rates if property taxes are afforded tracking treatment.

If property taxes are not afforded tracker treatment, \$5.6 million of annual Missouri jurisdictional forecast property tax expense should also be recognized in revenue requirement. If the forecast amount recognized in revenue requirement exceeds actual property tax expense during the period rates are in effect, such amounts shall be credited to customers in a subsequent rate case.

B. Should a tracker be implemented for KCPL's property tax expense that varies from the level of property tax expense the Commission recognizes in KCPL's revenue requirement?

KCP&L position: Yes.

i. Should KCPL get a return on as well as a return of the tracked amounts?

KCP&L position: Yes.

ii. Should KCPL get carrying costs on the tracked amounts?

KCP&L position: Yes.

**V. CIP/cyber-security Expense** (KCP&L witnesses: Darrin Ives and, Tim Rush on policy; and Josh Roper)

A. What level of CIP/cyber-security expense should the Commission recognize in KCPL's revenue requirement?

KCP&L position: The actual annualized CIP/cyber-security expenses at the end of the true-up period ending May 31, 2015, should be recognized in rates.

If CIP/cyber security expenses are not afforded tracker treatment, \$3.5 million of annual forecast Missouri jurisdictional CIP/cyber security expense should also be recognized in revenue requirement. If the forecast amount recognized in revenue requirement exceeds actual CIP/cyber security fee expense during the period rates are in effect, such amounts shall be credited to customers in a subsequent rate case.

B. Should a tracker be implemented for KCPL's CIP/cyber-security expense that varies from the level of CIP/cyber-security expense the Commission recognizes in KCPL's revenue requirement?

KCP&L position: Yes.

i. Should KCPL get a return on as well as a return of the tracked amounts?

KCP&L position: Yes.

ii. Should KCPL get carrying costs on the tracked amounts?

KCP&L position: Yes.

**VI. Vegetation Management Expense** (KCP&L witnesses: Darrin Ives and Tim Rush on policy; and Jamie Kiely)

A. What level of vegetation management expense should the Commission recognize in KCPL's revenue requirement?

KCP&L position: \$8,457,675 of vegetation management expense should also be recognized in KCP&L's revenue requirement, which includes \$103,610 for implementation of emerald ash borer mitigation efforts and twelve months actual experience as of December 31, 2014.

B. Should a tracker be implemented for KCPL's vegetation management expense that varies from the level of vegetation management expense the Commission recognizes in KCPL's revenue requirement?

KCP&L position: Yes.

i. Should KCPL get a return on as well as a return of the tracked amounts?

KCP&L position: Yes.

ii. Should KCPL get carrying costs on the tracked amounts?

KCP&L position: Yes.

**VII. La Cygne Environmental Retrofit project** – what level of KCPL's investment in the La Cygne Environmental Retrofit project should be included in KCPL's Missouri rate base? (KCP&L witnesses: Forrest Archibald, Bob Bell, Ed Blunk, Burton Crawford and Paul Ling)

KCP&L position: 100% of the costs of the La Cygne Environmental project on KCP&L's books as of May 31, 2015 should be included in rate base.

**VIII. La Cygne Environmental Retrofit project construction accounting deferrals** (KCP&L witness: Ron Klote)

A. Should the depreciation expense and carrying costs of the La Cygne Environmental project that KCPL has deferred by construction accounting be amortized over a period of years and the resulting annual amount included in KCPL's rate base?

KCP&L position: Yes.

B. If so, over what period of years should they be amortized?

KCP&L position: The remaining life of the La Cygne generating station.

**IX. Wolf Creek overtime** – what level of overtime for Wolf Creek should the Commission recognize in KCPL's revenue requirement? (KCP&L witness: Ron Klote)

KCP&L position: KCP&L recommends use of a three-year average of Wolf Creek overtime expense. This amount should be indexed to current labor dollars.

**X. Wolf Creek OPEBs** – what level of OPEBs for Wolf Creek should the Commission recognize in KCPL's revenue requirement?

KCP&L position: OPEB expense for each of KCP&L's plans, including its portion of the Wolf Creek plan, should be based on FAS 106 amounts as calculated by the Company's actuaries.

**XI. Amortization periods ending before the end of the true-up period.** (KCP&L witness: Darrin Ives and Ron Klote)

A. Should the Commission recognize in KCPL's revenue requirement the amounts associated with the periods between when each of the amortization periods for (which rate cases) rate case expense, Wolf Creek refueling, R&D tax credit amortizations ended until new rates in this case?

KCP&L position: No.

B. If so, how?

KCP&L position: n/a

**XII. DOE Spent Nuclear Fuel Fees** (KCP&L witnesses: Darrin Ives and Ron Klote)

A. Should the Commission recognize in KCPL's revenue requirement the aggregate amount of the DOE spent nuclear fuel fees from May 16, 2014, until new rates in this case that KCPL ceased incurring on May 16, 2014?

KCP&L position: No.

B. If so, how?

KCP&L position: n/a.

**XIII. Bad debt gross-up** – should bad debt expense be grossed-up for the revenue requirement change the Commission finds for KCPL in this case? (KCP&L witness: Ron Klote)

KCP&L position: Yes.

**XIV. Rate case expense** (KCP&L witness: Darrin Ives)

A. Were any rate case expenses claimed by KCPL imprudently incurred?

KCP&L position: No.

B. Should the Commission require KCPL shareholders to cover a portion of KCPL's rate case expense?

KCP&L position: No, all prudently incurred rate case expenses should be included in rates.

C. What level of rate case expense for this rate case should the Commission recognize in KCPL's revenue requirement?

KCP&L position: \$454,087 should be included in the cost of service. Alternatively, if the Commission determines that actual expenses will be included, KCP&L should file a final update of rate case expense two weeks before the expected Commission order date in this case and this amount should be normalized over three years.

**XV. Transition cost amortization** – what is the appropriate level of transition cost amortization to be included in KCPL's revenue requirement? (KCP&L witness: Darrin Ives)

KCP&L position: The Commission should continue to include the amortization of transition costs as previously authorized by the Commission in Case No. ER-2010-0355.

**XVI. Affiliate transactions and corporate cost allocations** – what adjustments, if any, are necessary to ensure that affiliate company subsidiaries and inappropriate cost allocations are not being passed on to KCPL's regulated customers in electric utility rates? (KCP&L witness: Ron Klote)

KCP&L position: No further adjustments are warranted, beyond the adjustments KCP&L has already made (including adoption of the corporate general allocator that was updated in January) to allocate costs away from KC&L and to unregulated operations.

**XVII. Management audit** – should the Commission order a management audit of KCPL? (KCP&L witnesses: Darrin Ives and Ryan Bresette)

KCP&L position: No.

**XVIII. Clean Charge Network** (KCP&L witness: Darrin Ives)

A. Should all issues associated with KCPL's Clean Charge Network be considered in a separate case that includes input from all interested stakeholders, and not considered in this case?

KCP&L position: No.

B. Is the Clean Charge Network a public utility service?

KCP&L position: Yes.

C. If so, who pays for it?

KCP&L position: Plant-in-service as of May 31, 2015 for the Clean Charge Network should be included in rates as well as O&M costs of \$213,000 (Missouri jurisdictional).

- XIX. Income tax-related issues** (including accumulated deferred income taxes or “ADIT”) – what adjustments, if any, are necessary to ensure that KCPL’s income tax allowance, including ADIT matters, is calculated appropriately? (KCP&L witness: Melissa Hardesty)  
KCP&L position: Beyond the adjustments KCP&L has already made in calculating income tax expense and ADIT, no further adjustments are warranted.
- XX. Missouri corporate franchise tax** – should KCPL’s year 2015 Missouri corporate franchise tax liability be used to develop rates? (KCP&L witness: Melissa Hardesty)  
KCP&L position: Yes.
- XXI. Jurisdictional allocations** – Production and Transmission Demand component (KCP&L witness: Ron Klote)
- A. In developing the demand allocation factor, should the Commission rely on calculations based on data contained in the test year, ending March 2014, or the update period ending December 2014, which include the four summer months of June, July, August and September 2014?  
KCP&L position: The demand allocation factor should be based on the test year which reflects weather normalized sales and annualized customer for the test period trued up through May 31, 2015, which is consistent with the energy allocator.
- B. Should the corresponding data the Commission relies on for developing the demand factor be annualized and normalized?  
KCP&L position: The data should be weather normalized.
- XXII. Transmission ROE** – should transmission revenues received from SPP OATT be reduced for the difference between FERC authorized ROE and the ROE granted in this case? (KCP&L witness: Ron Klote)  
KCP&L position: Yes. This adjustment is necessary in order to allow the Company to earn the FERC authorized return on charges to other transmission customers.
- XXIII. Swissvale/Stillwell and West Gardner** – region-wide transmission projects – should rate base, expense and revenue associated with these projects be excluded from Missouri jurisdictional cost of service? (KCP&L witness: Ron Klote)  
KCP&L position: Yes, because this project was constructed at the direction of SPP to provide region-wide benefits and was not constructed to solve a local reliability concern.
- XXIV. Revenues** – what is the appropriate level of revenues for the large general service and large power classes to account for customers switching from one rate class to another? (KCP&L witness: Tim Rush)  
KCP&L position: The revenues should be based on weather normalized sales for each class annualized to reflect the customer count at the true-up date.



## **XXV. Class cost of service, rate design, tariff rules and regulations**

### **A. Class cost of service (KCP&L witness: Tim Rush)**

#### **a) Production Plant**

- 1) What methodology should the Commission use to allocate fixed production plant costs among customer classes?

KCP&L position: The Average and Peak allocation factor should be used to allocate production plant.

### **B. Rate design (KCP&L witness: Tim Rush)**

- a) What methodology is most reasonable for allocating net cost of service among the customer classes in this case?

KCP&L position: The Average & Peak method as proposed by Mr. Tim Rush.

- b) How should any revenue increase be allocated among rate schedules?

KCP&L position: The revenue increase should be applied equally among the rate classes.

- c) What, if any, interclass shift in revenue responsibilities should the Commission make?

KCP&L position: None. Class revenue responsibility should be increased by the overall increase authorized in this case on an equal percentage basis.

#### **d) Residential**

- 1) Customer charge – at what level should the Commission set KCPL’s residential customer charge?

KCP&L position: \$25 per month for residential general use, space heating rates and \$5 per month for separate meter rates.

- 2) Energy charge – at what level should the Commission set KCPL’s residential energy charges?

KCP&L position: Summer and winter energy charges should be set consistent with the design proposed by Mr. Tim Rush.

- 3) Time of day – should the time of day rate be frozen from the addition of future customers (KCPL proposal) or should KCPL be required to file modified time of day tariff provisions in its next rate case (DE proposal)?

KCP&L position: The rate should be frozen and no requirement to file a future modified time of use tariff should be ordered.

- 4) Should the ResB energy block rate structure be changed to make it consistent with ResA and ResC energy block rate structures?

KCP&L position: Yes.

#### **e) Commercial and industrial**

- 1) SG, MG, LP and LGS energy charges – at what level should the Commission set KCPL’s SG, MG, LP and LGS energy charges?

KCP&L position: Summer and winter energy charges should be set consistent with the design proposed by Mr. Tim Rush.

- 2) SG, MG, LP and LGS separate meter space heating winter energy charges – at what level should these energy charges be set?

KCP&L position: The separate meter space heating winter energy charges should be set consistent with the design proposed by Mr. Tim Rush.

- 3) Should the Commission adopt MIEC/MECG's rate design proposal for the LGS and LP rate classes, or some a variant of it?

KCP&L position: No.

f) Special rates

- 1) Two-part time of use – should the two-part time of use rate be eliminated from the addition of future customers (KCPL proposal) or should KCPL file a modified two-part time of use tariff provisions in its next rate case?

KCP&L position: The two-part rate should be frozen from the addition of future customers, and KCP&L should not be required to file modified tariff provisions in its next rate case.

- 2) Special interruptible – should the special interruptible rate be frozen from the addition of future customers?

KCP&L position: Yes.

- 3) Real time pricing tariffs – should the real time pricing rate be frozen from the addition of future customers or should KCPL file modified real time pricing tariff provisions in its next rate case?

KCP&L position: The real time pricing rate should be frozen from the addition of future customers, and KCP&L should not be required to file modified real time pricing tariff provisions in its next rate case.

C. Tariff rules and regulations

- 1) Economic development rider/urban core development rider – should DE's proposal to link MEEIA participation to receipt of EDR and UCD incentives be approved?

KCP&L position: No.

- 2) Standby service – should KCPL be required to establish a working group to review its Standby Service Tariff to ensure that rates are cost-based and reflect best practices?

KCP&L position: No.

- 3) Return Check Charge – should the charge be applied to other forms of payment beyond paper checks?

KCP&L position: Yes.

- 4) Collection Charge – should the collection charge be increased to \$25?

KCP&L position: Yes.

**XXVI. Low-income Weatherization**

- A. Should the unexpended low-income weatherization program funds collected through KPCL's base rates be used to offset any expenditures relating to the low-income weatherization program the costs of which KCPL is otherwise to recover through its MEEIA recovery mechanism?

KCP&L position: Yes.

B. Should the low-income weatherization program costs be collected in base rates on a going forward basis, or should those program costs be collected as part of KCPL's MEEIA recovery mechanism?

KCP&L position: The low-income weatherization program should continue to be part of KCP&L's MEEIA recovery mechanism.

**XXVII. Economic relief pilot program – should the program be expanded to serve additional customers as proposed by KCPL?**

KCP&L position: Yes, if KCP&L's customer charge proposal is adopted.

**XXVIII. Decoupling** (Sierra Club proposal) – should the Commission consider, in File No. AW-2015-0282 or a similar proceeding, decoupling of KCPL's revenues from customer usage?

KCP&L position: KCP&L would like to explore decoupling in an appropriate forum.

Respectfully submitted,

*/s/ Robert J. Hack*

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### **CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid, this 9<sup>th</sup> day of June, 2015, to all parties of record.

*/s/ Robert J. Hack*

Robert J. Hack