

Exhibit No.:
Issue: 2011 Missouri River Flooding
Witness: Ryan A. Bresette
Type of Exhibit: Supplemental Direct Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2012-0174
Date Testimony Prepared: May 4, 2012

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2012-0174

SUPPLEMENTAL DIRECT TESTIMONY

OF

RYAN A. BRESETTE

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
May 2012**

***** [REDACTED] *** Designates "Highly Confidential" Information
Has Been Removed.
Certain Schedules Attached To This Testimony Designated ("HC")
Have Been Removed
Pursuant To 4 CSR 240-2.135.**

SUPPLEMENTAL DIRECT TESTIMONY

OF

RYAN A. BRESETTE

Case No. ER-2012-0174

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

2 A: My name is Ryan A. Bresette. 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 the “Company”)
6 as Assistant Controller.

7 **Q: What are your responsibilities?**

8 A: As Assistant Controller, I oversee margin accounting (revenue, fuel and purchased
9 power), derivative accounting (hedging), the monthly accounting close process, accounts
10 payable and accounting systems. In addition, I have responsibility for leading the
11 Company’s monthly forecasting and annual budgeting process.

12 **Q: Please describe your education, experience and employment history.**

13 A: I graduated from Rockhurst University in Kansas City, Missouri in December 1994 with
14 a Bachelor of Science in Business Administration with a major in Accounting. In 1997, I
15 passed the Certified Public Accountant’s exam. In May 2010, I graduated from the
16 University of Missouri-Kansas City with a Masters in Business Administration. I have
17 previously worked with Sprint, Applebee’s International and Interstate Bakeries
18 Corporation in a variety of accounting and finance roles prior to joining KCP&L in
19 December 2004. I joined the Company as an Accounting Policy Specialist and have also

1 held the positions of Manager Corporate Accounting, Director Revenue and Energy
2 Accounting, and Director, Accounting before assuming my current position in May 2011.

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

6 A: I have prefiled written testimony on behalf of KCP&L Greater Missouri Operations
7 Company (“GMO”) in Case No. EO-2011-0390, currently pending before the MPSC.
8 Also, I have provided written testimony to the Kansas Corporation Commission in
9 support of KCP&L’s 2008, 2009, 2010 and 2011 Actual Cost Adjustment factor filings
10 related to our Energy Cost Adjustment.

11 **Q: What is the purpose of your testimony in this proceeding?**

12 A: The purpose of my testimony is to provide supplemental direct testimony for the deferral
13 of incremental Missouri River flooding costs and reduced off system sales margins.

14 **Q: How is your testimony organized?**

15 A: My testimony is organized as follows:

16 I. KCP&L Expenditures and Losses

17 II. Request for Deferral of KCP&L Expenditures and Losses

18 **I. KCP&L EXPENDITURES AND LOSSES**

19 **Q: Please give a description of the types of expenditures and losses KCP&L incurred**
20 **due to the Missouri River.**

21 A: First, as a result of the 2011 Missouri River flood (“Missouri River flooding”), described
22 in the Supplemental Direct Testimony of Company witness Wm. Edward Blunk, KCP&L
23 incurred a number of non-fuel costs such as sandbagging, raising equipment, staging

1 back-up equipment, adding pumps to keep water out of plants, and ensuring system
2 stability, with most of the costs incurred at Iatan. These incremental non-fuel flood costs
3 totaled \$1,412,290 (Missouri jurisdictional), as shown on Schedule RAB-1.

4 **Q: Please discuss the second type of expenditure or loss the Company incurred.**

5 A: Also as discussed by Mr. Blunk, Missouri River flooding and disruptions in coal
6 deliveries also caused KCP&L to scale back power production, resulting in 132,978
7 MWh of lost generation for the Company's Missouri retail load. As a result, KCP&L
8 incurred increased fuel and purchased power costs for its retail customers.

9 While there was a reduction in fuel and variable operation and maintenance ("O&M")
10 costs at the Burlington Northern Santa Fe Railway ("BNSF")--served facilities (Iatan 1
11 and 2, LaCygne 1 and 2, and Hawthorn 5), there was also a countervailing increase in
12 purchased power, fuel, and O&M costs for KCP&L's other generating units.

13 These increased generation costs would not have been incurred if retail load could have
14 been met with the BNSF-served facilities. However, during the Missouri River flooding
15 and resulting disruptions in coal deliveries, KCP&L relied on a larger proportion of non-
16 coal generation to meet retail load. Consequently, KCP&L incurred unusual and
17 extraordinary increased generation costs.

18 As an additional direct result of the limited ability of these BNSF-served facilities to
19 generate electricity during the Missouri River flooding, KCP&L was forced to purchase
20 more expensive power in the wholesale market, which resulted in unusual and
21 extraordinary expenses being incurred. KCP&L's unexpected purchased power expenses
22 from July 2 through October 12, 2011 represent purchases for both capacity and energy.

1 KCP&L's Missouri native load fuel and purchased power costs were ** [REDACTED] **
2 higher than would have occurred had it not experienced the flood conditions which
3 limited the availability of the coal generation, as shown on Schedule RAB-2 (HC).

4 **Q: Please discuss the third type of expenditure or loss the Company incurred.**

5 A: The reduction in coal-fired base load generation further resulted in 721,047 Mwh being
6 unavailable for the Missouri-jurisdictional portion of the Company's off-system sales
7 ("OSS"). Consequently, OSS revenue less OSS energy costs ("OSS margin") during the
8 third quarter of 2011 and for the period of October 1-12, 2011 were significantly lower
9 (** [REDACTED] ** Missouri jurisdictional) than would have been the case absent coal
10 conservation, as shown on Schedule RAB-2 (HC).

11 **Q: How did KCP&L calculate the impact for retail fuel expense and the OSS margin
12 losses?**

13 A: The computation of the OSS amount and the amount attributable to retail load were
14 determined based on modeling methodology, which compares costs and OSS revenues
15 that occurred to costs and OSS revenues that would have occurred absent the flood
16 impacts. The impact was calculated by comparing the hourly system costs that occurred
17 during the Missouri River flooding to the system costs that would have occurred for the
18 units that would have run absent the flood impact. Mr. Blunk discusses the modeling in
19 his Supplemental Direct Testimony.

20 **Q: Is this modeling methodology consistent with the calculation of OSS margins for
21 KCP&L?**

22 A: Yes. KCP&L utilizes the same modeling methodology to track its OSS margins as
23 established in KCP&L's last rate case. In addition, KCP&L performed a similar analysis

1 for the calculation of displacement power associated with the test energy from the
2 construction of Iatan 2.

3 **Q: What time period were the impacts of the Missouri River flooding calculated?**

4 A: The Missouri River flooding impacted KCP&L operations from July 2 through October
5 12.

6 **Q: Why is the Company requesting recovery of reduced OSS margins?**

7 A: The Commission's April 12, 2011 Report and Order in KCP&L's last rate case required
8 that KCP&L track its OSS margins and return to ratepayers any excess margins over a set
9 threshold, with the Company retaining margins up to that threshold amount.¹ The OSS
10 margins included in the last rate case, as a revenue requirement reduction, did not reflect
11 the magnitude of a risk as extraordinary as the Missouri River flooding with its resultant
12 coal conservation measures.

13 As a result of the flood's impact on KCP&L's 2011 OSS margins, it is likely that
14 KCP&L will not reach the Missouri threshold level for the period May 2011 through
15 April 2012, as set by the Commission, thereby resulting in a significant financial
16 detriment to the Company.

17 **Q: Please summarize the total expenditures and losses.**

18 A: The OSS margin and retail load fuel and purchased power impacts are reflected in
19 schedule RAB-2 (HC), with Columns A-D representing:

20 (1) The decrease in coal units' fuel and variable O&M expenses attributable
21 to the reduced use of the coal units because of coal conservation efforts (Column A),
22 plus;

¹ Report and Order at p. 141, Case No. ER-2010-0355 (Apr. 12, 2011).

1 (2) The decrease in OSS revenue caused by the reduced availability of coal
2 generation because of coal conservation efforts (Column B), plus;

3 (3) The increase in purchased power expense (energy and capacity) for retail
4 load (Column C), plus;

5 (4) The increase in Other Generation costs (units not impacted by coal
6 conservation) for retail load (Column D), equals;

7 (5) Total KCP&L impact on fuel and purchased power costs for retail load
8 and OSS margins.

9 In total, KCP&L suffered system losses in Missouri of \$19,279,583, consisting of:

10 (1) Incremental non-fuel costs of \$1,412,290;

11 (2) Incremental retail load fuel and purchased power costs of ** [REDACTED] **;

12 and,

13 (3) Reduced OSS margins of ** [REDACTED] **.

14 II. REQUEST FOR DEFERAL

15 **Q: What is KCP&L requesting the MPSC to authorize?**

16 **A:** KCP&L is requesting the Commission to authorize KCP&L to defer such amounts in two
17 regulatory assets related to: (1) the incremental non-fuel costs of \$1,412,290 and the
18 incremental retail load fuel and purchased power costs of ** [REDACTED] ** and (2) the
19 lesser of the ** [REDACTED] ** impact of the flood on OSS margins (such amount revised
20 once the final margin impact is determined) or the actual shortfall for the accumulation
21 period (to be determined at the April 2012 end of the OSS margin tracker accumulation
22 period).

1 **Q: When will the Company know the final margin for the twelve month period ending**
2 **April 30, 2012?**

3 A: As of the date of this filing, KCP&L is in the process of closing the books for April 2012.
4 However, for the eleven months ended March 31, 2012, the Company has earned ** [REDACTED]
5 [REDACTED]** (Missouri jurisdictional) in OSS margins compared to the OSS threshold
6 established in KCP&L's last rate case of \$45.9 million (Missouri jurisdictional).

7 **Q: Based on the eleven months margin of ** [REDACTED]** (Missouri jurisdictional)**
8 **and the OSS margin included as a revenue requirement reduction of \$45.9 million**
9 **(Missouri jurisdictional), do you believe the Company will achieve the OSS margin**
10 **threshold?**

11 A: No, I do not. With a shortfall of ** [REDACTED]** (Missouri jurisdictional), KCP&L
12 will not achieve the OSS margin threshold.

13 **Q: Does KCP&L intend to adjust the OSS margin request of ** [REDACTED]** at a later**
14 **date?**

15 A: No. Given the significant shortfall in OSS margins, KCP&L will not be decreasing the
16 request for the OSS margin impact of the Missouri River flooding.

17 **Q: Does the Uniform System of Accounts ("USOA") prescribed by the Federal Energy**
18 **Regulatory Commission address extraordinary items?**

19 A: Yes, the USOA indicates that an extraordinary item for which special accounting
20 treatment would be appropriate is "of unusual nature and infrequent occurrence."
21 Furthermore, "they will be events and transactions of significant effect which are
22 abnormal and significantly different from the ordinary and typical activities of the

1 company, and which would not reasonably be expected to recur in the foreseeable
2 future.” See 18 CFR part 101 (1992), General Instruction 7.

3 **Q: Do you believe the expenses associated with the Missouri River flooding are**
4 **extraordinary, unusual and significant?**

5 A: Yes, I do. Company witness Blunk states in his testimony that the Army Corps of
6 Engineers were forecasting in May 2011 that the Missouri River flooding had the
7 potential to be the 2nd highest runoff season in its 113 years of record keeping.

8 **Q: Has the MPSC previously granted investor-owned utilities authority to defer**
9 **“extraordinary items” as defined by the USOA?**

10 A: Yes, permitting KCP&L to defer all incremental expenses and losses related to the
11 Missouri River flooding is consistent with the Commission’s prior granting of AAOs.
12 Indeed, the Commission has a history of approving deferral and subsequent amortization
13 and recovery through rates of incremental expenses associated with extraordinary
14 casualty losses such as fires, floods, ice and wind storm and tornado damage.

15 **Q: Why is it important for the Commission to authorize KCP&L written authority to**
16 **defer these expenses and losses as a regulatory asset?**

17 A: In accordance with Accounting Standards Codification (“ASC”) Topic 980, “Regulated
18 Operations,” KCP&L must obtain Commission approval to defer costs as a regulatory
19 asset. ASC Topic 980 states:

20 Rate actions of a regulator can provide reasonable assurance of the
21 existence of an asset. An enterprise shall capitalize all or part of an
22 incurred cost that would otherwise be charged to expense if both of the
23 following criteria are met:

- 24 a. It is probable that future revenue in an amount at least equal to
25 the capitalized cost will result from inclusion of that cost in
26 allowable costs for rate-making purposes.

1 b. Based on available evidence, the future revenue will be
2 provided to permit recovery of the previously incurred cost
3 rather than to provide for expected levels of similar future
4 costs. If the revenue will be provided through an automatic
5 rate-adjustment clause, this criterion requires that the
6 regulator's intent clearly be to permit recovery of the
7 previously incurred cost.

8 **Q: What regulatory treatment is the Company requesting for the expenses and losses**
9 **associated with the Missouri River flooding?**

10 A: Company witness Tim M. Rush discusses the regulatory impacts in his Supplemental
11 Direct Testimony.

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

13 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-2012-0174
A General Rate Increase for Electric Service)

AFFIDAVIT OF RYAN A. BRESETTE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Ryan A. Bresette, being first duly sworn on his oath, states:

1. My name is Ryan A. Bresette. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Assistant Controller.

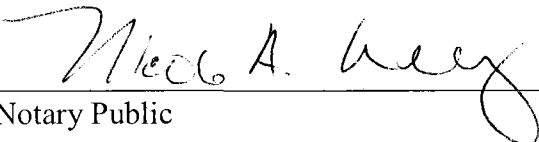
2. Attached hereto and made a part hereof for all purposes is my Supplemental Direct Testimony on behalf of Kansas City Power & Light Company consisting of nine (9) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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.



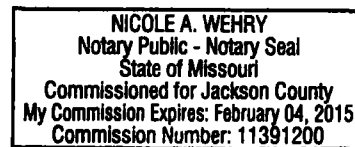
Ryan A. Bresette

Subscribed and sworn before me this 4th day of May, 2012.



Notary Public

My commission expires: Feb. 4, 2015



**KANSAS CITY POWER & LIGHT COMPANY
2011 MISSOURI RIVER FLOODING
NON-FUEL O&M COSTS**

FERC Account	KCP&L Cost	MO juris allocator per ER-2010-0355	MO juris
500000	2,176,124	53.5000%	1,164,226
502014	12,290	53.5000%	6,575
510000	12,498	53.5000%	6,686
512010	5,859	53.5000%	3,135
563001	10,423	53.5000%	5,576
566000	155	53.5000%	83
571003	6,087	53.5000%	3,257
571005	6,232	53.5000%	3,334
571006	16,930	53.5000%	9,058
588000	4,565	100.0000%	4,565
592004	12,662	100.0000%	12,662
593003	169,957	100.0000%	169,957
595003	438	100.0000%	438
903000	172	53.1465%	91
920000	491	53.2177%	261
921000	13	57.0872%	7
926511	42,049	53.2177%	22,378
TOTAL	<u>2,476,945</u>		<u>1,412,290</u>

Notes:

1) Distribution expenses are included in cost of service on a situs basis. Consequently, the Missouri distribution flood costs above were allocated 100% to the Missouri jurisdiction.

SCHEDULE RAB-2

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