

Exhibit No.:
Issues: Cost Adjustment Factor
and Costs and Revenues
Witness: John A. Rogers
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2009-0090
Date Testimony Prepared: April 9, 2009

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

JOHN A. ROGERS

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2009-0090

**Jefferson City, Missouri
April 2009**

**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 Charges for Electric)
Service.)

Case No. ER-2009-0090

AFFIDAVIT OF JOHN A. ROGERS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

John A. Rogers, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 3 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.




John A. Rogers

Subscribed and sworn to before me this 9th day of April, 2009.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086



Notary Public

1
2
3
4
5
6
7
8
9
10
11
12

SURREBUTTAL TESTIMONY

OF

JOHN A. ROGERS

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2009-0090

13 Q. Please state your name and business address.

14 A. My name is John A. Rogers, and my business address is Missouri Public
15 Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.

16 Q. What is your present position at the Missouri Public Service Commission?

17 A. I am a Utility Regulatory Manager in the Energy Department of the Utility
18 Operations Division.

19 Q. Are you the same John Rogers that contributed to Staff's Class Cost-of-Service
20 Report filed on February 26, 2009?

21 A. Yes, I am.

22 Q. What is the purpose of your surrebuttal testimony?

23 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony
24 of KCP&L Greater Missouri Operations Company ("GMO") witness Tim Rush in regards to
25 proposed changes to GMO's fuel adjustment clause ("FAC"). I provide two Schedules,
26 Schedule JR-1 and Schedule JR-2 attached to this testimony, which I rely on to present Staff
27 recommendations to the Commission for changes to GMO's FAC.

28 Q. Would you please describe Schedule JR-1 and Schedule JR-2?

29 A. Schedule JR-1 contains Staff's recommended FAC sample tariff with tracked
changes that show how it is different from the sample tariff in Mr. Rush's rebuttal testimony.

Surrebuttal Testimony of
John A. Rogers

1 | Schedule JR-2 gives a detailed list of the costs and revenues Staff recommends be included in
2 | (or explicitly excluded from) the calculation of the base rates and the future adjustments to
3 | base rates.

4 | Q. Has Staff been talking with other parties regarding the FAC tariff and the costs
5 | and revenues that should be included?

6 | A. Yes, Staff, GMO, the Office of the Public Counsel, AG Processing, Sedalia
7 | Industrial Energy Users' Association, Midwest Energy Users' Association, and Federal
8 | Executive Agencies (collective "parties") have exchanged documents and conducted a
9 | number of conference calls to discuss ways to revise the GMO FAC tariff. These conference
10 | calls have been very productive and have allowed the parties to move very close to agreement
11 | on a revised FAC tariff. However, the attached Schedule JR-1 and Schedule JR-2 represent
12 | only Staff's recommendations on how GMO's FAC tariff should be changed.

13 | Q. Would you please highlight the more significant differences between
14 | Schedules JR-1 and JR-2 attached to your surrebuttal testimony and the draft FAC tariff filed
15 | with the rebuttal testimony of Tim Rush?

16 | A. The four most significant differences are the following:

- 17 | 1. Net system input in kWh, and not accrued sales, will be used when
18 | calculating base energy costs for the accumulation periods;
- 19 | 2. Billed sales, not accrued sales, will be used to calculate the
20 | jurisdictional allocation factor;
- 21 | 3. The formulas and components of the formulas in the FAC tariff have
22 | been modified; and

Surrebuttal Testimony of
John A. Rogers

1 4. The list of costs and revenues to be included in (or explicitly excluded
2 from) the calculation of the base FAC cost and what will be used to
3 calculate the change in FAC costs has been expanded for clarification.

4 Q. What is Staff's recommendation to the Commission for changes to GMO's
5 FAC?

6 A. Staff recommends the Commission rely upon Schedules JR-1 and JR-2
7 attached to my surrebuttal testimony in determining the FAC for GMO.

8 Q. Does this conclude your surrebuttal testimony?

9 A. Yes, it does.

KCP&L Greater Missouri Operations Company

For Territory Formerly Served by

KANSAS CITY, MO 64106

Aquila Networks - L&P and Aquila Networks – MPS (L&P and MPS)

FUEL ADJUSTMENT CLAUSE
ELECTRICDEFINITIONS

ACCUMULATION PERIODS, FILING DATES AND RECOVERY PERIODS:

The two six-month accumulation periods each year through August 5, 2013, the two corresponding twelve-month recovery periods and the filing dates will be as shown below. Each filing shall include detailed work papers in electronic format to support the filing.

Accumulation PeriodsJune – November
December – May**Filing Dates**By January 1
By July 1**Recovery Periods**March – February
September – August**RECOVERY PERIOD:**

A recovery period consists of the billing months during which the Cost Adjustment Factor (CAF) for each of the respective accumulation periods are applied to retail customer billings on a per kilowatt-hour (kWh) basis.

COSTS AND REVENUES:

Costs eligible for the Fuel Adjustment Clause (FAC) will be the Company's allocated ~~Missouri~~ Jurisdictional costs for the fuel component of the Company's generating units, including costs associated with the Company's fuel hedging program; purchased power energy charges, including applicable transmission fees; applicable Southwest Power Pool (SPP) costs and emission allowance costs – all as incurred during the A accumulation Pperiod. These costs will be offset by off-system sales margin-revenues, applicable net SPP revenues, and any emission allowance revenues collected during the A accumulation Pperiod. Eligible costs do not include the purchased power demand costs associated with purchased power contracts in excess of one year.

APPLICABILITY

The price per kWh of electricity sold to retail customers will be adjusted (up or down) periodically subject to application of the FAC mechanism and approval by the Missouri Public Service Commission.

The CAF is the result of dividing the Fuel and Purchased Power Adjustment (FPA) ~~FAC~~ by forecasted net system input (NSI) during the recovery period, rounded to the nearest \$.0001, and aggregating over two accumulation periods. A CAF will appear on a separate line on retail customers' bills and represents the rate charged to customers to recover the FPA.

Issued: September 5, 2008
Issued by: Chris B. Giles, Vice-President

Effective: August 5, 2009

KCP&L Greater Missouri Operations Company For Territory Formerly Served by
KANSAS CITY, MO 64106 Aquila Networks - L&P and Aquila Networks – MPS (L&P and MPS)

FUEL ADJUSTMENT CLAUSE (CONTINUED)
ELECTRIC

FORMULAS AND DEFINITIONS OF COMPONENTS

$$FAC-FPA = 95\% * ((TEC - B) * J) - B + C + I$$

$$CAF = FAC-FPA/NSI$$

$$\text{Single Accumulation Period Secondary Voltage } CAF_{Sec} = CAF * XF_{Sec}$$

$$\text{Single Accumulation Period Primary Voltage } CAF_{Prim} = CAF * XF_{Prim}$$

Annual Secondary Voltage CAF =

Aggregation of the Single Accumulation Period Secondary Voltage CAFs still to be recovered

Annual Primary Voltage CAF =

Aggregation of the Single Accumulation Period Primary Voltage CAFs still to be recovered

Where:

FPA = Fuel and Purchased Power Adjustment

CAF = Cost Adjustment Factor

95% = Customer responsibility for fuel variance from base level.

TEC = Total Energy Cost = (FC + EC + PP - OSSR):

Total energy cost, which consists of the sum of fuel costs incurred to support sales to all retail customers and Off-System Sales allocated to Missouri Retail electric operations, including transportation, associated with the Company's generating plants less the revenues associated with Off-System Sales.

These costs and /revenues consist of the following:

FC = Fuel Costs Incurred to Support Sales:

- The following costs reflected in Federal Energy Regulatory Commission (FERC) Account Number 501: coal commodity, applicable taxes, gas, alternative fuel (i.e. tires and bio-fuel), fuel additives, Btu adjustments assessed by coal suppliers, railroad transportation, switching and demurrage charges, railcar repair and inspections costs, railcar depreciation, railcar lease costs, similar costs associated with other applicable modes of transportation, fuel hedging cost (hedging is defined as realized losses and cost minus realized gains associated with mitigating volatility in the Company's cost of fuel and purchased power, including but not limited to, the Company's use of futures, options and over-the-counter derivatives including, without limitation, futures contracts, puts, calls, caps, floors, collars, and swaps), and fuel oil adjustments included in commodity

DRAFT – FOR DISCUSSION ONLY

and transportation costs, broker commissions and fees associated with price hedges, oil costs, and revenues and expenses resulting from fuel and transportation portfolio optimization activities and non labor fuel handling expenses.

- The following costs reflected in FERC Account Number 547: natural gas generation costs related to commodity, oil, transportation, storage, capacity reservation charges, fuel losses, hedging costs, and revenues and expenses resulting from fuel and transportation portfolio optimization activities, fuel additives and non-labor fuel handling expenses.

EC = NET Emissions Costs:

- The following costs reflected in FERC Account Number 509 or any other account FERC may designate for emissions expenses in the future: Emission allowances costs and revenues from the sale of emission allowances including but not limited to Carbon, Sulfur, Mercury, and Nitrogen.

PP = Purchased Power Costs:

- The following Purchased power costs reflected in FERC Account Numbers 555, 565, and 575: purchased power costs excluding SPP and MISO administrative fees and excluding capacity charges for purchased power contracts with terms in excess of one (1) year.

OSSR = Revenues from Off-System Sales:

- Revenues from off-system sales allocated to Missouri electric operations that are reflected in FERC Account Number 447: Off-System Sales shall include all sales transactions allocated between MPS and L&P, (including SPP and MISO revenues in FERC Account Number 447), but excluding Missouri retail sales and long-term full and partial requirements sales.

B = Base energy costs are costs as defined in the description of TEC (Total Energy Cost). Base Energy costs will be calculated as shown below:

$$\frac{\text{L\&P } S_A \times \text{Applicable Base Energy Cost}}{\text{MPS } S_A \times \text{Applicable Base Energy Cost}}$$

J = Missouri energy retail ratio = $\frac{\text{Accrued Missouri retail kWh sales}}{\text{total accrued system kWh sales}}$

~~B = Base energy costs are costs as defined in the description of TEC (Total Energy Cost) less revenues as defined in OSSR(Off System Sales Revenue). Base Energy costs will be calculated as shown below:~~

~~$$\frac{\text{L\&P } S_A \times \text{Base Energy Cost}}{\text{MPS } S_A \times \text{Base Energy Cost}}$$~~

C = Under / Over recovery determined in the true-up of prior recovery period cost, including accumulated interest, and modifications due to prudence reviews

I = Interest on deferred electric energy costs calculated at a rate equal to the weighted average interest paid on short-term debt applied to the month-end balance of deferred electric energy costs

NSI = Forecasted Missouri net system input in kWh for the Recovery Period

XF = Expansion factor by voltage level

XF_{Sec} = Expansion factor for lower than primary voltage customers

XF_{Prim} = Expansion factor for primary and higher voltage customers

| $S_A = \text{Accrued salesNet system input}$ (kWh) for the accumulation period

Issued: September 5, 2008

Effective: August 5, 2009

Issued by: Chris B. Giles, Vice-President

KCP&L Greater Missouri Operations Company

For Territory Formerly Served by

KANSAS CITY, MO 64106

Aquila Networks - L&P and Aquila Networks – MPS (L&P and MPS)

FUEL ADJUSTMENT CLAUSE (CONTINUED)
ELECTRIC

The [FAC-FPA](#) will be calculated separately for L&P and MPS, and by voltage level, and the resultant CAF's will be applied to customers in the respective divisions and voltage levels.

APPLICABLE BASE ENERGY COST

Company base energy costs per kWh ~~sold~~:

\$X.XXX for L&P for October through May

\$X.XXX for L&P for June through September

\$X.XXX for MPS for October through May

\$X.XXX for MPS for June through September

TRUE-UPS AND PRUDENCE REVIEWS

There shall be prudence reviews of costs and the true-up of revenues collected with costs intended for collection. FAC costs collected in rates will be refundable based on true-up results and findings in regard to prudence. Adjustments, if any, necessary by Commission order pursuant to any prudence review shall also be placed in the FAC for collection unless a separate refund is ordered by the Commission. True-ups occur at the end of each recovery period. Prudence reviews shall occur no less frequently than at 18 month intervals.

**KCP&L Greater Missouri Operations Company
 for all territories formerly served by Aquila Networks, Inc. – L&P and Aquila Networks, Inc. MPS
 (L&P and MPS)
 KANSAS CITY, MO 64106**

FUEL ADJUSTMENT CLAUSE (CONTINUED)
 ELECTRIC

COST ADJUSTMENT FACTOR

		MPS	L&P
Accumulation Period Ending		11/30/08	11/30/08
1 Total Energy Cost (TEC)			
2 Jurisdictional Factor (J) <u>Base energy cost (B)</u>	* -		
3 First Interim Total			
4 Base energy cost (B) <u>Jurisdictional Factor (J)</u>	- * -		
5 Second Interim Total			
6 Customer Responsibility	*	95%	95%
7 Third Interim Total			
8 Adjustment for Under / Over recovery for prior periods and Modifications due to prudence reviews (C)	+		
9 Interest (I)	+		
10 Fuel Adjustment Clause <u>Fuel and Purchased Power Adjustment - (FAGFPA)</u>			
11 NSI	÷		
12 Fourth Interim Total			
13 Current period CAF _{Prim} (= Line 12 * XF _{Prim})			
14 Previous period CAF _{Prim}	+		
15 Current annual CAF _{Prim}			
16 Current period CAF _{Sec} (= Line 12 * XF _{Sec})			
17 Previous period CAF _{Sec}	+		
18 Current annual CAF _{Sec}			

Expansion Factors (XF):

<u>Network:</u>	<u>Primary</u>	<u>Secondary</u>
MPS	1.0444	1.0679
L&P	1.0444	1.0700

Issued: December 30, 2008
 Issued by: Tim Rush, Regulatory Affairs

Effective: March 1, 2009

Costs and Revenues Recommended by MoPSC Staff for Inclusion in (or Exclusion from) the KCP&L GMO FAC
Account 501:
Coal commodity
Applicable taxes
Gas
Alternative fuels
Fuel additives
Btu adjustments assessed by coal suppliers
Railroad transportation
Switching and demurrage charges
Railcar repair and inspection costs
Railcar depreciation
Railcar lease costs
Similar costs associated with other applicable modes of transportation
Fuel hedging costs
Fuel oil adjustments included in commodity and transportation costs
Broker commissions and fees associated with price hedges
Oil costs
Ash disposal revenues and expenses
Account 547:
Natural gas commodity
Oil costs
Transportation
Storage
Fuel losses
Hedging costs
Fuel additives
Account 509:
Emission expenses net of revenues
Accounts 555, 565 and 575:
Purchased power costs
"Excluding" MISO (SPP) admin fees
"Excluding" capacity charges contracts >1 year
Insurance premiums in Acct 924 for replacement power
Reduced by expected replacement power insurance recoveries or settlement recoveries
Off-System Sales Revenue:
Off-system sales revenues
MISO (SPP) revenues in Acct 447
"Excluding" MO retail sales and long-term full and partial requirements sales associated with GMO MO jurisdictional generating units, power purchases made to serve MO retail load and any related transmission
Financial or hedge transactions related to physical transactions to buy or sell energy
Settlement proceeds, insurance recoveries, subrogation recoveries for increased fuel and purchased power expenses in Accounts 201, 547 and 555