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Issues: Rate Design
Witness: Anne Ross
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: HR-2009-0092
Date Testimony Prepared: April 9, 2009

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

ANNE ROSS

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. HR-2009-0092

**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 Steam Heating)
Service)

Case No. HR-2009-0092

AFFIDAVIT OF ANNE ROSS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Anne Ross, of lawful age, on her oath states: that she has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 4 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.

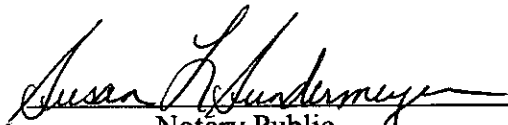


Anne Ross

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

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SURREBUTTAL TESTIMONY

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ANNE ROSS

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. HR-2009-0092

13 Q. Please state your name and business address.

14 A. My name is Anne Ross and my business address is Governor Office Building,
15 200 Madison Street, Suite 500, P. O. Box 360, Jefferson City, Missouri 65102.

16 Q. Are you the same Anne Ross that previously prefled direct testimony in this
17 case on February 27, 2009?

18 A. Yes.

19 Q. What is the purpose of your testimony?

20 A. The purpose of this testimony is to respond to Mr. Tim Rush's rebuttal
21 testimony, filed on behalf of KCP&L Greater Missouri Operations Company (GMO or
22 Company). First, I will address GMO's rate design position regarding the way in which rates
23 should be adjusted to collect the revenue increase ultimately ordered in this case. I will also
24 indicate Staff's concurrence with Mr. Rush's proposal to eliminate the "Standby or
25 Supplementary Service" tariff.

26 Q. What is GMO's position regarding the way in which rates should be adjusted
27 to collect the Company's revenue requirement?

28 A. GMO's proposal is that the rates be separated into "non-fuel related" and
29 "fuel-related" components. The increase in "non fuel-related" costs would be collected as an
equal percentage increase in both the capacity charge and the blocked energy charge. The

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Anne Ross

1 level of the increase in the “fuel-related” component would be the increase in the normalized
2 costs for fuel determined in this case. GMO proposes that this component of any revenue
3 increase would be collected as an equal cents-per-mmBtu adder to each block of the energy
4 charge.

5 Q. What is Staff’s position regarding the way in which rates should be adjusted to
6 collect the Company’s revenue requirement resulting from these proceedings?

7 A. Staff proposes to apply an equal percentage to all components of the current
8 rates.

9 Q. What is Mr. Rush’s comment regarding Staff’s recommendation?

10 A. On p. 6, lines 15-16 of Mr. Rush’s rebuttal testimony, Mr. Rush states that
11 “Using Staff’s approach will not reflect the impact of fuel costs and the QCA [Quarterly Cost
12 Adjustment] in rate design.”

13 Q. Does Staff agree that its rate design will not reflect the impact of fuel costs?

14 A. No. The Staff’s revenue requirement is based on the changes in all of the
15 Company’s costs including fuel cost, so fuel cost changes would be reflected in the factor
16 used to adjust rates.

17 Q. Does Staff believe that it is possible to isolate fuel-related costs from other
18 fixed and variable costs of providing steam service?

19 A. Yes. A cost-classification study would identify the costs as fixed or variable.

20 Q. Does Staff believe that it is possible to differentiate variable costs as fuel and
21 non fuel-related?

22 A. Yes, this could also be done by performing a study of these costs.

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1 Q. Did the Company perform a study in this case to identify fixed and variable
2 costs, and to further identify the variable costs as fuel and non-fuel related?

3 A. Not to my knowledge.

4 Q. In the absence of this type of study, does Staff believe that it is advisable to
5 change the rate structure as Mr. Rush proposes?

6 A. No. Changing the rate components by different percentages, which would be
7 the result if the fuel and non fuel-related components were treated differently, would impact
8 individual customers differently. Without a cost study to justify this, Staff cannot support this
9 rate design change. An equal percentage increase to all rate components would collect the
10 Company's normalized revenue requirement without changing the share of the Company's
11 revenues collected from each individual customer.

12 Q. What about Mr. Rush's claim that Staff's proposal would not, "reflect the
13 impact of...the QCA in rate design?" (Rush, Rebuttal, p. 6, lines 15-16)

14 A. It would depend on the design of the QCA. The QCA currently in effect is a
15 separate mechanism – an adjustment that can change quarterly to collect the change in fuel
16 cost in the base rates. Staff's rate design proposal for an equal percentage increase in all *rate*
17 components is not intended to address the rate design of a QCA, nor does it need to. The
18 Staff proposal is intended to allow the Company the opportunity to collect the revenue
19 requirement resulting from this case whether or not there is a QCA, and adjusting each rate
20 component by an equal percentage will accomplish this.

21 Q. What is GMO's proposal regarding the elimination of the "Standby or
22 Supplementary Service" tariff?

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1 A. GMO is proposing to eliminate this tariff. If future customers request this type
2 of service, GMO will develop a tariff or contract, “based on the customers’ specific needs and
3 requirements as well as the needs of the Company.” (Rush, Direct, p. 6, line 22 – p. 7, line 3,
4 and Rush, Rebuttal, p. 6, lines 18-20.)

5 Q. Does Staff concur with this proposal?

6 A. Yes. There are no customers on this tariff, and Staff believes that Mr. Rush’s
7 proposal is appropriate.

8 Q. Does this conclude your surrebuttal testimony?

9 A. Yes.