

Exhibit No.:
Issue: Fuel Adjustment Clause
Witness: Linda J. Nunn
Type of Exhibit: Direct Testimony
Sponsoring Party: KCP&L Greater Missouri
Operations Company
Case No.: ER-2016-____
Date Testimony Prepared: December 30, 2015

MISSOURI PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

LINDA J. NUNN

DIRECT TESTIMONY

OF

LINDA J. NUNN

Case No. ER-2016-___

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

2 A: My name is Linda J. Nunn. My business address is 1200 Main, Kansas City,
3 Missouri 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”) as
6 Supervisor - Regulatory Affairs.

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

8 A: My general responsibilities include the preparation of rate cases and rate case
9 support for both KCP&L and KCP&L Greater Missouri Operations Company
10 (“GMO” or “Company”). I am responsible for most aspects of the GMO Fuel
11 Adjustment Clause (“FAC”) as well as the GMO Steam Quarterly Cost
12 Adjustment (“QCA”). I am also responsible for various regulatory reporting and
13 general activities as they relate to the Missouri Public Service Commission
14 (“MPSC” or “Commission”).

15 **Q: Please describe your education.**

16 A: I received a Bachelors of Science Degree in Business Administration with a
17 concentration in Accounting from Northwest Missouri State University in
18 Maryville, Missouri.

1 **Q: Please provide your work experience.**

2 A: I became a Senior Regulatory Analyst with KCP&L in 2008, as a part of the
3 acquisition of Aquila, Inc., by Great Plains Energy. In 2013, I was promoted to
4 Supervisor - Regulatory Affairs. Prior to my employment with KCP&L, I was
5 employed by Aquila, Inc. for a total of eleven years. In addition to Regulatory, I
6 have had experience in Accounting, Audit, and Business Services, where I had
7 responsibility for guiding restructuring within the delivery division. In addition to
8 my utility experience I was the business manager and controller for two area
9 churches. Prior to that, I was an external auditor with Ernst & Whinney.

10 **Q: Have you previously testified in a proceeding before the MPSC or before any**
11 **other utility regulatory agency?**

12 A: I have provided written testimony in various filings made before the MPSC
13 relating to GMO's FAC. I have also worked closely with many MPSC Staff on
14 numerous filings as well as on rate case issues.

15 **Q: What is the purpose of your testimony?**

16 A: GMO consists of two rate jurisdictions identified as All Territories Served as L&P
17 and MPS ("L&P" and "MPS," respectively). This FAC tariff filing consists of a
18 Fuel Adjustment Rate ("FAR") for each of the rate jurisdictions. My testimony
19 supports the rate schedule filed by GMO to adjust rates for the FAC includable
20 costs experienced during the six-month period June 2015 through November
21 2015. This six-month period is the seventeenth accumulation period under
22 GMO's FAC, which was originally approved by the Commission in Case No. ER-
23 2007-0004 ("2007 Case") and modified in Case Nos. ER-2009-0090, ER-2010-

1 0356 (“2010 Case”), and ER-2012-0175 (“2012 Case”). The proposed change
2 will result in a decrease to a typical MPS residential customer’s bill of
3 approximately \$2.42 per month and a decrease of approximately \$1.76 per month
4 to a typical L&P residential customer’s bill.

5 **Q: Please explain why GMO filed the FAC adjustment rate schedules at this**
6 **time.**

7 A: The Commission’s rule governing fuel and purchased power cost recovery
8 mechanisms for electric utilities – specifically 4 CSR 240-20.090(4) – requires
9 GMO to make periodic filings to allow the Commission to review the actual net
10 FAC includable costs the Company has incurred and to allow rates to be adjusted,
11 either up or down, to reflect those actual costs. The Commission’s rule requires at
12 least one such review and adjustment each year. GMO’s approved FAC calls for
13 two annual filings – one filing covering the six-month accumulation period
14 running from June through November and another filing covering the
15 accumulation period running from December through May. Any increases or
16 decreases in rates in these filings are then included in the customers’ bills over a
17 subsequent 12-month recovery period. Since the conclusion of the 2007 Case,
18 overall, the cost of fuel and purchased power necessary to meet the demand for
19 electricity by the Company’s customers has been higher than the amount included
20 in the base energy costs. Fuel and purchased power costs net of off system sales
21 revenues were rebased in the 2010 Case and 2012 Case. The newest base rates
22 became effective on January 26, 2013. The net cost to provide energy to its

1 customers has decreased over the most recent accumulation period. Therefore,
2 those reductions in costs are flowed through to the customer.

3 For the accumulation period June 2015 through November 2015, GMO's
4 actual FAC includable costs did not reach the base costs included in base rates by
5 approximately \$1.3 million for L&P and \$1.5 million for MPS. In accordance
6 with the Commission's rule and GMO's approved FAC, GMO is filing the FAC
7 tariff that provides for a change in rates to return to customers 95% of those cost
8 changes.

9 **Q: How did you develop the various values used to derive the proposed FARs**
10 **that are shown on Schedule LJN-1?**

11 A: The proposed tariff rates are shown in Schedule LJN-1. The filing made in
12 conjunction with this testimony contains all of the information as set in 4 CSR
13 240-3.161(7)(A) which supports these proposed rates. In addition, I am
14 submitting a copy of the workpapers that support the determination of the current
15 FAR.

16 **Q: Please describe the impact of the change in costs and how it will affect a**
17 **typical customer.**

18 A: As stated above, GMO consists of two rate jurisdictions. This FAC tariff filing
19 consists of a FAR for each of the rate jurisdictions. The FAR for the current
20 period is (\$0.00007) per kWh for primary voltage customers and (\$0.00007) per
21 kWh for secondary voltage customers for MPS and (\$0.00051) per kWh for
22 primary voltage customers and (\$0.00052) per kWh for secondary voltage
23 customers for L&P. This is the difference between base FAC includable costs

1 and the actual costs incurred by the Company including interest and adjustments
2 during the June - November accumulation period over a recovery period running
3 from March 2016 through February 2017.

4 The proposed FAR was calculated in the manner specified in the
5 Company's FAC. Attached to my testimony, as Schedule LJM-1, is a copy of the
6 tariff sheet with the current FAR, the prior period FAR and the total FAR that will
7 be billed to customers over the recovery period. The FAR calculated for the
8 fifteenth period has been removed as its recovery period will cease on February
9 29, 2016. The FAR for the sixteenth accumulation period is added to the FAR for
10 the current accumulation period to provide the annual FAR. Thus, given the
11 proposed current FAR calculations, the annual FAR for MPS will be (\$0.00024)
12 per kWh for primary voltage customers and (\$0.00024) per kWh for secondary
13 voltage customers and (\$0.00064) per kWh for primary voltage customers and
14 (\$0.00065) per kWh for secondary voltage customers for L&P. As stated earlier,
15 this will result in a decrease to a typical MPS residential customer's bill of
16 approximately \$2.42 per month and a decrease of approximately \$1.76 per month
17 to a typical L&P residential customer's bill.

18 **Q: If the rate schedules filed by GMO are approved or allowed to go into effect,**
19 **what safeguards exist to ensure that the revenues the Company bills to its**
20 **customers do not exceed the fuel and purchased power costs that GMO**
21 **actually incurred during the Accumulation Period?**

22 A: GMO's FAC and the Commission's rules provide two mechanisms to ensure that
23 amounts billed to customers do not exceed GMO's actual, prudently-incurred fuel

1 and purchased power costs. First, at the end of each recovery period the
2 Company is required to true up the amounts billed to customers through the FAR
3 with the excess fuel and purchased power costs that actually were incurred during
4 the accumulation period to which the FAR applies. Second, GMO's fuel and
5 purchased power costs are subject to periodic prudence reviews to ensure that
6 only prudently-incurred fuel and purchased power costs are billed to customers
7 through GMO's FAC. These two mechanisms serve as checks to ensure that the
8 Company's customers pay only the prudently-incurred, actual costs of fuel and
9 purchased power used to provide electric service.

10 **Q: Have each of these mechanisms been in effect throughout the FAC process**
11 **since its inception in the 2007 Case?**

12 A: Yes, GMO has been through five prudence reviews as well as thirteen true-up
13 filings. A prudence review of the first two accumulation periods were completed,
14 and the MPSC Staff indicated in each of their reports that there were no areas of
15 imprudence identified within the audits. The recommendation made by Staff in
16 the third prudence review covering the next three accumulation periods was taken
17 before the Commission. The Commission issued its order stating no indication of
18 imprudence by the Company. Staff's review of the next six accumulation periods
19 in its fourth and fifth prudence reviews again lead to reports stating no
20 imprudence. In addition, the Company has made thirteen true-up filings
21 following the completion of the recovery periods for the first through thirteenth
22 accumulation periods. These true-up filings were approved by the MPSC.
23 Additionally, a fourteenth true-up filing is being made concurrent with this filing

1 covering the fourteenth accumulation period of December 2013 through May
2 2014 and its corresponding recovery period of September 2014 through August
3 2015. The Company's calculation of the over recoveries for L&P and MPS has
4 been included in the calculation of the current proposed tariff change.

5 **Q: What action is GMO requesting from the Commission with respect to the**
6 **rate schedules that the Company has filed?**

7 A: The Company requests the Commission approve the rate schedules to be effective
8 as of March 1, 2016.

9 **Q: Does this conclude your testimony?**

10 A: Yes, it does.

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 11th
 Canceling P.S.C. MO. No. 1 10th

Revised Sheet No. 127

Revised Sheet No. 127

KCP&L Greater Missouri Operations Company
KANSAS CITY, MO

For Territories Served as L&P and MPS

FUEL ADJUSTMENT CLAUSE – Rider FAC
 FUEL AND PURCHASE POWER ADJUSTMENT ELECTRIC
 (Applicable to Service Provided January 26, 2013 and Thereafter)

Accumulation Period Ending:		November 30, 2015	
		MPS	L&P
1	Actual Net Energy Cost (ANEC) = (FC+E+PP+TC-OSSR-R)	\$74,373,933	\$21,758,532
2	Net Base Energy Cost (B)	-	\$75,837,376
	2.1 Base Factor (BF)	0.02278	0.02076
	2.2 Accumulation Period NSI (S _{AP})	3,329,120,995	1,110,859,000
3	(ANEC-B)	(\$1,463,443)	(\$1,302,901)
4	Jurisdictional Factor (J)	*	99.530%
5	(ANEC-B)*J	(\$1,456,565)	(\$1,302,901)
6	Customer Responsibility	*	95%
7	95% *((ANEC-B)*J)	(\$1,383,737)	(\$1,237,756)
8	True-Up Amount (T)	+	\$867,009
9	Interest (I)	+	\$80,628
10	Prudence Adjustment Amount (P)	+	\$0
11	Fuel and Purchased Power Adjustment (FPA)	=	(\$436,100)
12	Estimated Recovery Period Retail NSI (S _{RP})	÷	6,501,797,097
13	Current Period Fuel Adjustment Rate (FAR)	=	(\$0.00007)
14	Current Period FAR _{Prim} = FAR x VAF _{Prim}		(\$0.00007)
15	Prior Period FAR _{Prim}	+	(\$0.00017)
16	Current Annual FAR _{Prim}		(\$0.00024)
17	Current Period FAR _{Sec} = FAR x VAF _{Sec}		(\$0.00007)
18	Prior Period FAR _{Sec}	+	(\$0.00017)
19	Current Annual FAR _{Sec}		(\$0.00024)
	MPS VAF _{Prim} = 1.0419		
	MPS VAF _{Sec} = 1.0712		
	L&P VAF _{Prim} = 1.0421		
	L&P VAF _{Sec} = 1.0701		

Issued: December 30, 2015
 Issued by: Darrin R. Ives, Vice President

Effective: March 1, 2016