

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

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In the Matter of Kansas City)	
Power & Light Company's Request)	Case No. ER-2014-0370
for Authority to Implement A General)	
Rate Increase for Electric Service)	
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Power & Light Company's Request
for Authority to Implement A General
Rate Increase for Electric Service**

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Case No. ER-2014-0370

Rebuttal Testimony of James R. Dauphinais

I. INTRODUCTION

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Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A James R. Dauphinais. My business address is 16690 Swingley Ridge Road,
Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a consultant in the field of public utility regulation and a Managing Principal of
Brubaker & Associates, Inc., energy, economic and regulatory consultants.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to my testimony.

**Q HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC SERVICE
COMMISSION ("COMMISSION" OR "MOPSC")?**

A Yes. I have previously testified before the Commission on several occasions. The
subject matter of that testimony included, but was not limited to, avoided and
incremental cost, electric utility fuel and purchased power costs, off-system sales

1 revenues and margins, transmission expenses, transmission revenues, fuel
2 adjustment clauses and Regional Transmission Organization (“RTO”) participation.
3 Of particular relevance in this proceeding, I testified before the Commission in KCPL’s
4 last base rate proceeding (Case No. ER-2012-0174) and in Ameren Missouri’s very
5 recent base rate proceeding (Case No. ER-2014-0258) with respect to the treatment
6 of wholesale transmission expenses and revenues in retail rates in Missouri.

7 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

8 A This testimony is presented on behalf of the Missouri Industrial Energy Consumers
9 (“MIEC”) and Office of the Public Counsel (“OPC”).

10 **Q WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

11 A My rebuttal testimony responds to the direct testimony and schedules of Kansas City
12 Power & Light Company (“KCPL” or “Company”) witnesses Darrin Ives, Tim Rush,
13 Burton Crawford and Ronald Klote with respect to the following issues:

- 14 • KCPL’s proposal to include wholesale transmission expenses and revenues not
15 associated with the transportation of fuel and purchased power should the
16 Commission grant KCPL a Fuel Adjustment Clause (“FAC”) in this proceeding;
- 17 • KCPL’s proposal to include NERC, FERC and Southwest Power Pool (“SPP”)
18 administration charges should the Commission grant KCPL a Fuel Adjustment
19 Clause (“FAC”) in this proceeding;
- 20 • KCPL’s proposal to make extremely large pro forma adjustments to its test year
21 off-system sales revenues and purchased power expenses in order to reflect the
22 gross clearing of its generation and load in the day-ahead and real-time energy
23 markets of the SPP Integrated Marketplace (KCPL Adjustments R-35 Normalize
24 Bulk Power Sales and CS-24 Normalize fuel and purchase power energy (on
25 system));
- 26 • KCPL’s proposal to reduce its transmission revenues down by the difference
27 between its Federal Energy Regulatory Commission (“FERC”) authorized Return
28 on Equity (“ROE”) of 11.1% for transmission service rates and the ROE of 10.3%

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1 that KCPL has proposed for its retail rates in Missouri in this proceeding (KCPL
2 Adjustment R-80 Transmission Revenues - ROE).

- 3 • KCPL's proposal to eliminate 100% of net plant, transmission revenues and
4 transmission O&M expenses associated with its SPP Regional Transmission
5 Projects from its retail rates in Missouri (KCPL Adjustments RB-81 Transmission
6 Plant – Region wide projects, R-81 Transmission Revenues – Region wide
7 projects and CS-81 Transmission O&M – Region wide projects).

8 The fact that I do not address any other particular issues in my testimony or
9 am silent with respect to any portion of the direct testimony of Messrs. Ives, Rush,
10 Crawford and Klote should not be interpreted as an approval of any position taken by
11 KCPL or any other party in direct testimony.

12 Finally, I would note that my recommendations with respect to KCPL's
13 proposed FAC in this testimony are separate and apart from those made in the direct
14 testimony of OPC witness Lena Mantle and apply whether or not any of her
15 recommendations with respect to KCPL's FAC proposal are adopted by the
16 Commission in this proceeding.

17 **Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.**

18 **A** My conclusions and recommendations are as follows:

- 19 • If the Commission grants KCPL a FAC, consistent with its recent May 29, 2015
20 Order in Ameren Missouri Case No. ER-2014-0258, all of KCPL's wholesale
21 transmission expenses and revenues not associated with the transportation of
22 fuel or purchased power should be removed from that FAC since Section
23 386.266.1, RSMo (Supp. 2011) only permits the inclusion of the cost of
24 transportation for fuel and purchased power in an FAC – not the cost of
25 transportation of power that is not purchased power. This will remove
26 approximately 92.7% of KCPL's wholesale transmission expenses and all of its
27 wholesale transmission revenues from its proposed FAC. This adjustment will not
28 affect KCPL's base rate revenue requirement. However, it will decrease the
29 portion of KCPL's total Company base rate revenue requirement that is included
30 in the proposed Base Factor for KCPL's proposed FAC by approximately
31 \$36.5 million based on the adjusted test year wholesale transmission expense

1 and revenue data included in KCPL's direct case.¹ This lowers the proposed
2 Base Factor by \$0.00228 per kWh. This Base Factor adjustment will need to be
3 recalculated during the true-up phase of this proceeding.

- 4 • If the Commission grants KCPL a FAC, all of KCPL's SPP Administration Charges
5 as well as NERC and FERC fees (Accounts 561, 565, 575 and 928) should be
6 removed from that FAC as these are neither fuel and purchased power expenses
7 nor transportation expenses incurred to deliver fuel or purchased power. This
8 adjustment will not affect KCPL's base rate revenue requirement. However, it will
9 decrease the portion of KCPL's total Company base rate revenue requirement
10 that is included in the proposed Base Factor for KCPL's proposed FAC by
11 approximately \$13.9 million based on the adjusted test year SPP Administration
12 Charge data included in KCPL's direct case.² This lowers the proposed Base
13 Factor by \$0.00087 per kWh. This Base Factor adjustment will need to be
14 recalculated during the true-up phase of this proceeding.

- 15 • The Commission should deny KCPL's proposal to incorporate extremely large pro
16 forma adjustments to its test year off-system sales revenues and purchased
17 power expenses to reflect the gross clearing of its generation and load in the
18 day-ahead and real-time energy markets of the SPP Integrated Marketplace
19 (KCPL Adjustments R-35 and CS-24). These proposed adjustments
20 misrepresent how KCPL utilizes the SPP Integrated Marketplace to help serve its
21 native load customers and are counter to FERC's accounting requirements for
22 off-system sales (Account 447) and purchased power (Account 555) under Order
23 No. 668. The proposed pro forma adjustment should be modified to be consistent
24 with the MWh of off-system energy sales and purchased energy reported on
25 KCPL witness Crawford's Schedule BLC-4. This recommendation does not affect
26 either KCPL's proposed base rate revenue requirement or its proposed Base
27 Factor for its proposed FAC. It simply avoids misrepresenting how KCPL utilizes
28 the SPP market to help serve its native load customers and assures conformance
29 to FERC Order No. 668 with respect to the accounting of sales to and purchases
30 from RTO markets.

- 31 • The Commission should deny KCPL's proposed pro forma adjustment to lower its
32 wholesale transmission revenues by the difference between its FERC-authorized
33 ROE for transmission service and the lower authorized ROE KCPL has proposed
34 in this proceeding for its retail rates in Missouri (KCPL Adjustment R-80). KCPL
35 receives these revenues as a result of the transmission facilities it has
36 constructed for its native load customers that are ultimately paid for by those
37 customers. As a result, native load customers should be entitled to 100% of
38 these revenues. KCPL should not be permitted to "skim off" and retain the
39 difference between its FERC-authorized ROE and Missouri-authorized ROE. This
40 will lower KCPL's proposed Missouri-jurisdictional base rate revenue requirement

¹92.7% of \$47.7 million in total Company Account 565 wholesale transmission expenses less 100.0% of \$7.7 million in total Company Account 456.1 wholesale transmission revenues (KCPL Workpaper "KCPL MO FAC Base Rate Calc.xlsx" at Base Calc).

²Total Company sum of Account 561.4 and 561.8 costs of approximately \$7.8 million, Account 575 costs of approximately \$5.2 million and Account 928 Dept 415 FERC Assessment costs of approximately \$1.0 million (KCPL Workpaper "KCPL MO FAC Base Rate Calc.xlsx" at Base Calc).

1 by approximately \$0.1 million. While this is a small dollar issue at this time, it is
2 an issue of important precedent with respect to the Commission potentially
3 allowing jurisdictional electric utilities to “skim off” and retain the difference
4 between the return earned from non-requirements wholesale sales of power and
5 wholesale transmission service and the return authorized under retail electric
6 rates in Missouri.

- 7
- 8 • The Commission should deny KCPL’s proposed pro forma adjustment to remove
9 100% of its net plant, transmission revenues and transmission O&M expenses
10 associated with its SPP Regional Transmission Projects from its retail rates in
11 Missouri (KCPL Adjustments RB-81, R-81 and CS-81). KCPL’s proposal would
12 allow KCPL to conduct an “end run” around the Commission’s ratemaking by
13 allowing KCPL to charge its Missouri retail customers for their share of these
14 projects constructed and owned by KCPL based on FERC’s authorized revenue
15 requirement for the projects rather than a revenue requirement set by this
16 Commission. The Commission should only allow KCPL to make pro forma rate
17 base, revenue and O&M expense adjustments to remove the 92.4% of these
18 projects that is not allocated to KCPL under the SPP Open Access Transmission
19 Tariff (“OATT”). Because this currently only affects one very small transmission
20 project (the Swissvale Tap Project), this recommendation will reduce KCPL’s
21 proposed Missouri-jurisdictional base rate revenue requirement by only a
22 negligible amount (approximately \$2,000). However, this is an issue of important
23 precedent with respect to the Commission potentially allowing jurisdictional
24 electric utilities to earn a FERC-authorized return from their Missouri retail
25 customers for transmission facilities owned and operated by those jurisdictional
electric utilities.

26 **II. PROPOSED INCLUSION OF TRANSMISSION EXPENSES**
27 **AND TRANSMISSION REVENUES IN THE FAC**

28 **Q PLEASE DESCRIBE KCPL’S WHOLESale TRANSMISSION EXPENSES AND**
29 **REVENUES.**

30 **A** KCPL’s wholesale transmission expenses are the transmission service charges
31 reflected in FERC Account 565 that KCPL incurs under the SPP OATT and the
32 OATTs of other transmission providers. KCPL incurs these expenses for three
33 reasons:

- 34
- 35 • To transmit electric power from its own generation facilities to its own load;
 - 36 • To transmit electric power it has purchased from SPP or other third-parties
 (“Purchased Power”) to its own load; and

- 1 • To transmit electric power it is selling to third-parties (“Off-System Sales”) to
2 locations outside of SPP.³
3

4 KCPL’s wholesale transmission revenues are the transmission service
5 revenues reflected in FERC Account 456.1 that KCPL earns via the SPP OATT and
6 other FERC-jurisdictional transmission rates. These revenues are paid to KCPL for
7 use of its transmission system by third-parties.

8 **Q WHY IS THE QUESTION OF WHETHER SOME OR ALL OF THESE EXPENSES**
9 **AND REVENUES SHOULD BE INCLUDABLE IN A FAC IF ONE IS GRANTED TO**
10 **KCPL A SIGNIFICANT ISSUE IN THIS PROCEEDING?**

11 A KCPL’s wholesale transmission expenses have risen and are expected to continue to
12 rise by a large amount over the next few years (KCPL witness Ives at 24 and KCPL
13 witness Rush Direct at 18-20). This is primarily due to a forecasted increase in SPP
14 Region-wide Transmission Project charges (Rush Direct at 20). KCPL’s share of the
15 annual revenue requirement of SPP Region-wide Transmission Projects and zonally
16 allocated transmission projects for the adjusted test year amounts to just under
17 \$48 million (total Company). SPP projects the KCPL share of the annual revenue
18 requirement will grow to approximately \$55 million in 2017 and peak out at \$65 million
19 in 2022 (Rush Direct at 20 and Rush Schedule TMR-5). Allowing KCPL to flow
20 increases of these wholesale transmission expenses through an FAC would allow
21 KCPL to recover the Missouri jurisdictional portion of these increases between base
22 rate proceedings without considering whether KCPL has any offsetting changes in its
23 non-transmission and non-fuel revenues and expenses. This could allow KCPL to
24 over-recover its total costs. Therefore, these wholesale transmission expenses should

³Under the terms and conditions of the SPP transmission tariff, KCPL is generally not subject to any wholesale transmission charges for its off-system sales to SPP or to third-parties located inside the footprint of SPP.

1 not be allowed to be recovered through any FAC granted to KCPL except to the
2 extent: (i) it is permitted by Section 386.266 and (ii) the expenses meet the standard
3 the Commission has applied when determining the eligibility for costs to be recovered
4 in an FAC.

5 **Q WHICH WHOLESALE TRANSMISSION EXPENSES AND REVENUES MAY THE**
6 **COMMISSION ALLOW TO BE INCLUDED IN AN FAC?**

7 A The Missouri statute that authorizes the establishment of FACs, Section 386.266.1,
8 RSMo (Supp. 2011), allows an electric utility to make periodic rate adjustments only
9 to “reflect increases and decreases in its prudently incurred fuel and purchased
10 power costs, including transportation.” This means that the only transportation costs
11 that can be included in an FAC are: (i) transportation costs for fuel and
12 (ii) transportation costs for purchased power. For each wholesale transmission
13 expense or revenue that KCPL proposes to include in its FAC, the Commission must
14 find that it is either a transportation cost for fuel or a transportation cost for purchased
15 power in order to be included in KCPL's FAC. However, since fuel cannot be
16 physically transported using the electric transmission system, the only wholesale
17 transmission expenses and revenues that can be included in the FAC are wholesale
18 transmission expenses incurred to transport purchased power.

19 **Q IS KCPL PROPOSING TO ONLY INCLUDE IN ITS FAC WHOLESALE**
20 **TRANSMISSION EXPENSES AND REVENUES THAT ARE FOR THE**
21 **TRANSPORTATION OF PURCHASED POWER?**

22 A No. KCPL is proposing to place all of its wholesale transmission expenses and
23 revenues into its FAC, not just those that are for the transportation of purchased

1 power. Only KCPL's wholesale transmission expenses that are incurred to transmit
2 electric power it has purchased from SPP or other third-parties (i.e., Purchased
3 Power) should be includable in a FAC as they are the only transportation costs for
4 purchased power that KCPL incurs. KCPL's wholesale transmission expenses
5 incurred to transmit power from its own generation resources to its own load should
6 be excluded from a FAC because these expenses are not incurred for transportation
7 of fuel or purchased power. For the same reason, KCPL's wholesale transmission
8 expenses incurred to transmit the electric power it is selling to third-parties
9 (i.e., Off-System Sales) to locations outside of SPP should be excluded from a FAC
10 along with all of its wholesale transmission revenues.⁴

11 **Q HAVE YOU BEEN ABLE TO CLASSIFY KCPL'S WHOLESALE TRANSMISSION**
12 **EXPENSES INTO THOSE TO: (I) TRANSMIT POWER FROM ITS OWN**
13 **GENERATION TO ITS OWN LOAD, (II) TRANSMIT PURCHASED POWER TO ITS**
14 **LOAD AND (III) TRANSMIT OFF-SYSTEM SALES?**

15 **A** Yes. Table JRD-1 breaks all of KCPL's wholesale transmission expenses into each
16 of the aforementioned categories.

⁴This said, this assumes that it is KCPL that is proposing to recover wholesale transmission expenses for the delivery of off-system sales and wholesale transmission revenues through an FAC. The matter changes when the Commission chooses to condition the granting of an FAC on the inclusion of: (i) off-system sales margins in the FAC and/or (ii) transmission revenues in the FAC. For example, the current Ameren Missouri and KCPL-GMO FACs effectively include off-system sales margins as a condition of those FACs being granted. Off-system sales margins are calculated as off-system sales revenues less the incremental costs to incur those sales. Incremental wholesale transmission expenses incurred to deliver such off-system sales are one of the incremental costs incurred to make those sales and, as a result, the Commission has allowed incremental wholesale transmission expenses incurred to make off-system sales to be included in the Ameren Missouri and KCPL-GMO FACs.

TABLE JRD-1

KCPL
Wholesale Transmission Expenses Classified by Function

<u>Function</u>	<u>Wholesale Transmission Expenses</u>
Transmission of Power from KCPL's Generation to KCPL's Load	Nearly all of the SPP Schedule 11 charges incurred by KCPL for the Network Integration Transmission Service ("NITS") it takes from SPP for its load, as well as nearly all of the point-to-point transmission service related charges it incurs for its load.
Transmission of Purchased Power	All non-SPP wholesale transmission charges incurred by KCPL to transmit purchased power to the boundary of the SPP transmission system for ultimate delivery to KCPL's load. A very small portion of the SPP Schedule 11 charges incurred by KCPL for the Network Integration Transmission Service ("NITS") it takes from SPP for its load as well as a very small portion of the point-to-point transmission service related charges it incurs for its load.
Transmission of Off-System Sales	All SPP Schedule 7, 8 and 11 charges incurred by KCPL for point-to-point transmission service to transmit off-system sales out of SPP to third-party buyers located outside of SPP. All non-SPP wholesale transmission charges incurred by KCPL to transmit Off-System Sales from the boundary of the SPP transmission system to third-party buyers located outside of SPP.

1 In Table JRD-1, it is important to note that KCPL generally does not incur wholesale
2 transmission expenses to make off-system sales to SPP or to any third-party located
3 within SPP. Pursuant to the SPP tariff, KCPL generally only incurs wholesale
4 transmission expenses for Off-System Sales when those sales are to third-parties
5 located outside of SPP.

6 **Q IN TABLE JRD-1, YOU INDICATE THAT NEARLY ALL OF KCPL'S SPP**
7 **SCHEDULE 11 WHOLESALE TRANSMISSION EXPENSES ASSOCIATED WITH**
8 **THE NETWORK INTEGRATION TRANSMISSION SERVICE ("NITS") IT TAKES**
9 **FROM SPP TO SERVE ITS LOAD ARE FOR THE TRANSMISSION OF POWER**
10 **FROM ITS OWN GENERATORS TO ITS OWN LOAD, RATHER THAN TO**
11 **TRANSMIT PURCHASED POWER TO ITS OWN LOAD. PLEASE EXPLAIN HOW**
12 **THE NITS KCPL TAKES FROM SPP PROVIDES BOTH FUNCTIONS AND WHY**
13 **NEARLY ALL OF IT IS FOR TRANSMITTING POWER FROM KCPL'S OWN**
14 **GENERATION TO ITS OWN LOAD.**

15 **A** The NITS obtained by KCPL from SPP allows delivery of power to KCPL's load from
16 either KCPL's own generation facilities or from third-party sources. In each operating
17 hour, KCPL offers energy production from all of its generation facilities into the SPP
18 market and clears all of its load in the SPP market. In an hour in which KCPL's
19 cleared generation MWh equals its cleared load MWh, KCPL has neither any power
20 purchases from SPP nor any off-system sales to SPP. As a result, in such hours the
21 wholesale transmission expense for its NITS is entirely associated with the
22 transmission of power from KCPL's own generation to its own load.

23 In an hour when KCPL clears more generation MWh than load MWh in the
24 SPP market, it has an Off-System Sale to SPP for the MWh difference. However,

1 that power sale is not transmitted pursuant to KCPL's NITS. As a result, in these
2 hours, the wholesale transmission expense for its NITS is also entirely for the
3 transmission of power from its own generation facilities to its own load.

4 Only in an hour when KCPL clears less generation MWh than load MWh does
5 KCPL purchase any power from SPP such that a portion of its NITS expenses is
6 incurred for the transmission of purchased power to its load. However, the SPP
7 power purchase in these hours is limited to the difference between KCPL's cleared
8 load MWh and its cleared generation MWh. In addition, because KCPL is generally
9 self-sufficient for generation, during these hours, the total SPP purchased power
10 MWh that are being transmitted to KCPL's load is much smaller than the total KCPL
11 generation MWh that are being transmitted to KCPL's load.

12 Because far more often than not KCPL has an Off-System Sale to SPP rather
13 than a power purchase from SPP, and its transmitted Power Purchase MWh is
14 typically much smaller than its transmitted Generation MWh when KCPL does have a
15 power purchase, only a very small portion of KCPL's SPP NITS transmission
16 expenses can reasonably be considered to be incurred for the transmission (i.e.,
17 transportation) of Purchased Power. Nearly all of them are for the transportation of
18 power from KCPL's own generation facilities to its own load and, thus, should not be
19 recoverable in a FAC.

20 **Q HAVE YOU BEEN ABLE TO QUANTIFY THE VERY SMALL PORTION OF KCPL'S**
21 **SPP WHOLESALE TRANSMISSION EXPENSES FOR NITS THAT REASONABLY**
22 **CAN BE CONSIDERED TRANSPORTATION OF PURCHASED POWER?**

23 **A** Yes. KCPL witness Crawford identifies KCPL's normalized level of purchased power
24 MWh and load MWh in his Schedule BLC-4. KCPL's total load for which NITS

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1 service is being taken is equal to approximately **_____** MWh. However,
2 only approximately **_____** MWh (or approximately 7.3%) of that
3 **_____** MWh of load was supplied from purchased power obtained under
4 KCPL's purchased power agreements and from SPP (Schedule BLC-4). The
5 remaining **_____** MWh (or 92.7%) of load are being served by KCPL's own
6 generation facilities. Thus, only a very small portion, approximately 7.3% of KCPL's
7 total SPP wholesale transmission expenses incurred for NITS can be reasonably
8 classified as being for transportation of fuel or purchased power. The other 92.7% of
9 KCPL's total SPP wholesale transmission expenses incurred for NITS should be
10 classified as being for the transportation of power from KCPL's own generation to its
11 own load and excluded from the FAC and the NBEC portion of KCPL's base rate
12 revenue requirement.

13 **Q ARE ANY OTHER PORTIONS OF KCPL'S SPP WHOLESALE TRANSMISSION**
14 **EXPENSES RELATED TO THE TRANSPORTATION OF PURCHASED POWER TO**
15 **ITS LOAD?**

16 A To the extent KCPL is receiving point-to-point transmission service from SPP to serve
17 a portion of its total load rather than NITS service, only 7.3% of that service, like with
18 NITS service, is related to the delivery of purchased power. All of KCPL's remaining
19 non-NITS related SPP wholesale transmission expenses are incurred to transmit
20 (i.e., transport) power from its generation to third-parties (i.e., to transmit off-system
21 sales). These latter costs should be excluded in their entirety from KCPL's FAC and
22 the FAC Base Factor portion of its base rate revenue requirement unless the
23 Commission chooses to condition any granting of a FAC to KCPL on including its
24 off-system sales margins within that FAC. As I noted earlier, off-system sales

1 margins are equal to off-system sales revenues less the incremental costs incurred to
2 make those off-system sales. One of those incremental costs is the cost of
3 transmission service charges that would not be incurred but for the off-system sales.

4 Based on my review of KCPL's workpapers, it does not appear it is readily
5 possible to split SPP wholesale transmission expenses between KCPL's SPP
6 point-to-point transmission service for off-system sales and KCPL's SPP NITS (and
7 point-to-point) service for its load. Furthermore, KCPL's 2014 FERC Form 1 filing
8 shows that only a very small portion of its off-system sales are to entities located
9 outside of the SPP and, thus, subject to transmission service charges (KCPL 2014
10 FERC Form 1 Filing at pages 310 through 311.2). Therefore, MIEC and OPC are
11 willing to agree, for purposes of this proceeding only, to forgo trying to split them and
12 instead propose to estimate KCPL's total wholesale transmission expenses for the
13 transmission of purchased power as 7.3% of all of KCPL's SPP wholesale
14 transmission expenses rather than just 7.3% of KCPL's SPP NITS wholesale
15 transmission expenses. However, MIEC and OPC reserve the right in future base
16 rate proceedings to seek to split KCPL's total SPP wholesale transmission expenses
17 between point-to-point and NITS service.

18 **Q HAVE YOU BEEN ABLE TO IDENTIFY WHICH OF KCPL'S NON-SPP**
19 **WHOLESALE TRANSMISSION EXPENSES ARE FOR TRANSMISSION OF**
20 **PURCHASED POWER TO THE SPP BORDER FOR ULTIMATE DELIVERY TO**
21 **KCPL'S LOAD, VERSUS TRANSMISSION OF OFF-SYSTEM SALES FROM THE**
22 **SPP BORDER TO THIRD-PARTIES LOCATED OUTSIDE OF SPP?**

23 **A** No, I have not been able to do so. However, based on KCPL's FERC Form 1 filing
24 for calendar year 2014, in total, non-SPP wholesale transmission expenses amount

1 to only \$0.4 million (approximately 0.1%) of KCPL's total calendar year 2014
2 wholesale transmission expenses of \$47.2 million (KCPL 2014 FERC Form 1 at page
3 332). As a result, MIEC and OPC are willing to agree, for purposes of this proceeding
4 only, to forgo trying to split them and instead propose to simply classify 7.3% of all of
5 KCPL's wholesale transmission expenses as wholesale transmission expenses
6 incurred to deliver purchased power to KCPL's customers. If KCPL is granted a FAC
7 by the Commission, this small portion of KCPL's wholesale transmission expenses
8 would be recoverable in the FAC. The remaining 92.7% of KCPL's wholesale
9 transmission expenses and none of KCPL's wholesale transmission revenues would
10 be recoverable in the FAC. However, they would still be recoverable in KCPL's base
11 rates.

12 **Q WHAT IS THE IMPACT OF YOUR RECOMMENDATION ON KCPL'S PROPOSED**
13 **MISSOURI JURISDICTIONAL BASE RATE REVENUE REQUIREMENT AND THE**
14 **PORTION OF THAT REVENUE REQUIREMENT INCLUDED IN THE BASE**
15 **FACTOR OF ITS PROPOSED FAC?**

16 A KCPL's Missouri-jurisdictional base rate revenue requirement will not be affected.
17 However, the portion of that revenue requirement that would be included in the Base
18 Factor for the FAC would be reduced by approximately \$36.5 million based on the
19 adjusted test year wholesale transmission expense and revenue data included in
20 KCPL's direct case.⁵ This will lower the proposed Base Factor by \$0.00228 per kWh.
21 This Base Factor adjustment will need to be recalculated during the true-up phase of
22 this proceeding.

⁵92.7% of \$47.7 million in total Company Account 565 wholesale transmission expenses less 100.0% of \$7.7 million in total Company Account 456.1 wholesale transmission revenues (KCPL Workpaper "KCPL MO FAC Base Rate Calc.xlsx" at Base Calc).

1 Q IS YOUR RECOMMENDATION CONSISTENT WITH PAST COMMISSION
2 PRECEDENT?

3 A Yes. In Case No. ER-2010-0356, KCPL's sister company, Kansas City Power and
4 Light Company – Greater Missouri Operation (“KCPL-GMO”) proposed to include all
5 of its wholesale transmission expenses in its proposed FAC. The Commission ruled:

6 “76. The Commission concludes that all transmission costs should not
7 be included in GMO's adjustment clause because they are not
8 included in section 386.266, RSMo. Supp. 2010, as a type of cost to
9 be recovered through a fuel adjustment clause, they are inconsistent
10 with the definitions of fuel and purchased power cost in 4 CSR
11 240-20.090(1)(B), and elsewhere, and they do not vary in a direct
12 relationship with fuel or purchased power. With regard to the
13 transmission costs specifically related to [off-system sales], however,
14 those costs shall be allowed[.]”

15 (Report and Order in Case No. ER-2010-0356 at pages 218 – 219).

16 More recently, in Case No. ER-2014-0258, Ameren Missouri also attempted to
17 include all of its wholesale transmission expenses in its FAC and went as far as to
18 argue that since it has to clear all of its generation and all of its load in the
19 Midcontinent Independent System Operators, Inc. (“MISO”) day-ahead and real-time
20 energy markets, energy markets very similar to the day-ahead and real-time energy
21 markets of the SPP, Integrated Marketplace, all of the power for its customers is
22 purchased power. In its April 29, 2015 Report and Order, the Commission rejected
23 Ameren Missouri's proposal. In its decision, it noted:

24 “The evidence demonstrated that for purposes of operation of the
25 MISO tariff, Ameren Missouri sells all the power it generates into the
26 MISO market and buys back whatever power it needs to serve its
27 native load. From that fact, Ameren Missouri leaps to its conclusion
28 that since it sells all its power to MISO and buys all that power back, all
29 such transactions are off-system sales and purchased power within the
30 meaning of the FAC statute. The Commission does not accept this
31 point of view.

32 The drafters of the FAC statute likely did not envision a situation where
33 a utility would consider all its generation purchased power or
34 off-system sales. In fact, the policy underlying the FAC statute is clear

1 on its face. The statute is meant to insulate the utility from unexpected
2 and uncontrollable fluctuations in transportation costs of purchased
3 power. At the time the statute was drafted, and even in our more
4 complex present-day system, the costs of transporting energy in
5 addition to the energy generated by the utility or energy in excess of
6 what the utility needs to serve its load are the costs that are unexpected
7 and out of the utility's control to such an extent that a deviation from
8 traditional rate making is justified.

9 Therefore, of the three reasons Ameren Missouri incurs transmission
10 costs cited earlier, the costs that should be included in the FAC are 1)
11 costs to transmit electric power it did not generate to its own load (true
12 purchased power) and 2) costs to transmit excess electric power it is
13 selling to third parties to locations outside of MISO (off-system sales).
14 Any other interpretation would expand the reach of the FAC beyond
15 its intent."

16 (Case No. ER-2014-0258, Report and Order at pages 115 - 116)

17 KCPL in this proceeding is attempting to repeat what its sister company tried several
18 years ago outside of the context of Regional Transmission Organization ("RTO")
19 day-ahead and real-time energy markets and, more specifically, Ameren Missouri just
20 attempted in the context of Regional Transmission Organization day-ahead and real-
21 time energy markets in Case No. ER-2014-0258. In both prior cases the Commission
22 said no. It should say no again.

23 **III. PROPOSED INCLUSION OF**
24 **NERC, FERC AND SPP ADMINISTRATION CHARGES IN THE FAC**

25 **Q PLEASE DESCRIBE THE NERC, FERC AND SPP ADMINISTRATION CHARGES**
26 **THAT KCPL PROPOSED TO INCLUDE ITS PROPOSED FAC IF IT IS GRANTED**
27 **BY THE COMMISSION.**

28 **A** KCPL is proposing to include certain SPP, FERC and NERC fees included in the
29 following accounts:

- 30 • Account 561.4 - Scheduling, System Control and Dispatch Service
- 31 • Account 561.8 - Reliability Planning and Standards Development Services

- 1 • Account 575.5 - Market Administration, Monitoring and Compliance Services
2 • Account 928 - Regulatory commission expenses (FERC Assessments)

3 **Q HAS KCPL REASONABLY JUSTIFIED THE INCLUSION OF THESE CHARGES IN**
4 **IT PROPOSED FAC?**

5 A No. KCPL has not reasonably demonstrated that these are fuel and purchased
6 power costs or costs incurred for the transportation of fuel or purchased power.⁶
7 Failing to do so, KCPL is not permitted under Section 386.266.1, RSMo (Supp. 2011)
8 to recover them in a FAC. Assuming some of these charges are incurred under the
9 SPP OATT, in order for them to be recoverable through an FAC, KCPL would have to
10 demonstrate that the portion of these charges it wishes to include in an FAC would
11 not be incurred but for the transmission service it takes for the delivery of purchased
12 power. KCPL has not done so. Therefore, while these costs are still recoverable in
13 base rates, if the Commission grants KCPL a FAC, these costs should not be
14 recoverable through that FAC. I estimate this will decrease the portion of KCPL's
15 total Company base rate revenue requirement that is included in the proposed Base
16 Factor for KCPL's proposed FAC by approximately \$13.9 million based on the
17 adjusted test year SPP Administration Charge data included in KCPL's direct case.⁷
18 This lowers the proposed Base Factor by \$0.00087 per kWh. This Base Factor
19 adjustment will need to be recalculated during the true-up phase of this proceeding.

⁶As an aside, I would note that Ameren Missouri's FAC has excluded, and in Case No. ER-2015-0258 Ameren Missouri proposed to continue to exclude, FERC assessment charges and MISO Administration charges, which are similar to the FERC assessment charges and SPP Administration charges that KCPL is proposing to include in its proposed FAC in this proceeding.

⁷The total Company sum of Account 561.4 and 561.8 costs of approximately \$7.8 million, Account 575 costs of approximately \$5.2 million and Account 928 Dept 415 FERC Assessment costs of approximately \$1.0 million (KCPL Workpaper "KCPL MO FAC Base Rate Calc.xlsx" at Base Calc).

1 **IV. PROPOSED ADJUSTMENT TO REFLECT THE GROSS CLEARING**
2 **OF KCPL GENERATION AND LOAD IN THE SPP ENERGY MARKET**

3 **Q PLEASE EXPLAIN KCPL'S PROPOSAL TO APPLY EXTREMELY LARGE**
4 **ADJUSTMENTS TO ITS ACCOUNT 447 OFF-SYSTEM SALES REVENUES AND**
5 **555 PURCHASED POWER EXPENSES (KCPL ADJUSTMENTS CS-34 AND R-35)**
6 **TO REFLECT THE CLEARING OF ALL OF ITS GENERATION AND LOAD IN THE**
7 **SPP DAY-AHEAD AND REAL-TIME ENERGY MARKETS.**

8 A KCPL proposes to adjust up both its test year Purchase Power-Energy expenses in
9 Account 555 and Off-System Energy and Ancillary sales revenues in Account 447 by
10 over \$450 million to reflect that it clears all of its generation and all of its load in the
11 SPP day-ahead and real-time energy markets of the SPP Integrated Marketplace.
12 These extremely large simultaneous adjustments have absolutely no effect on
13 KCPL's proposed revenue requirement as the equal and opposite part of these
14 adjustments cancel each other out. The only purpose the large equal and opposite
15 part of these adjustments could serve is to attempt to bolster KCPL's proposal to
16 recover all of its wholesale transmission expenses through its proposed FAC by trying
17 to convince the Commission, just like Ameren Missouri just attempted in Case No.
18 ER-2014-0258, that KCPL purchases all of the power for its retail customers from
19 SPP energy markets. The proposed adjustments misrepresent KCPL's use of the
20 SPP energy markets, are inconsistent with the requirements of FERC Order No. 668
21 and inconsistent with KCPL's own 2014 FERC Form 1 filing that was made with
22 FERC after KCPL filed its application and direct testimony in this proceeding.

23 I recommend the Commission require KCPL to remove the equal and opposite
24 portions of these proposed adjustments such that they are consistent with the MWh
25 of Non-Firm Wholesale Market Purchased Power and Non-Firm Sales (i.e., non-firm

1 off-system energy sales) reported on Mr. Crawford's Schedule BLC-4. This change
2 will not change KCPL's proposed revenue requirement or the Base Factor for its
3 proposed FAC. It will simply avoid misrepresenting KCPL's true purchased power
4 energy expense and true off-system energy sales revenue.

5 **Q PLEASE EXPLAIN WHY KCPL'S PROPOSED ADJUSTMENT MISREPRESENTS**
6 **ITS USE OF THE SPP ENERGY MARKETS.**

7 A While it is true that on an hourly basis KCPL clears all of its generation and all of its
8 load in the SPP energy market, this does not mean KCPL purchases all of its power
9 for its customers. If it did, it would mean:

- 10 • The fuel and purchased power cost for power paid by customers would be equal
11 to the wholesale market price for power -- not KCPL's cost to produce power in its
12 own generating units supplemented by occasional wholesale market purchases;
13 and
- 14 • The entire output of KCPL's generation facilities would be dedicated to the
15 production of off-system sales -- not to serving KCPL's customers.

16 Under this absurd scenario, no fuel costs would be assigned to KCPL's
17 customers -- only purchased power costs would be assigned to customers. In
18 addition, there would be grounds for the Commission to remove from KCPL's rate
19 base the entire net plant of KCPL's generation facilities since those facilities would no
20 longer be serving the Company's customers.⁸

⁸Obviously, if this was done, the fuel expenses, O&M expenses and off-system sales revenues associated with KCPL's generation facilities would also be removed from rates.

1 Q DOES FERC SPECIFY HOW GENERATION AND LOAD THAT IS CLEARED ON
2 AN HOURLY BASIS IN RTO MARKETS SUCH AS THAT OF SPP SHOULD BE
3 CLASSIFIED?

4 A Yes. In Order No. 668, FERC specified how the hourly clearing in RTO markets of
5 load and generation should be addressed under the uniform system of accounts by
6 public utilities such as the Company. Under Order No. 668, public utilities must net
7 their SPP-cleared load and generation in each hour and report that net amount as
8 either: (i) a sale for resale (i.e., off-system sale) under Account 447 when the utility's
9 cleared generation exceeds the cleared load or (ii) a power purchase under Account
10 555 when the utility's cleared load exceeds its cleared generation. Thus, under
11 FERC's accounting rules, in each hour, a public utility has either an off-system sale to
12 SPP or a power purchase from SPP -- not both. As FERC indicated in Order
13 No. 668:

14 "Recording RTO energy market transactions on a net basis is
15 appropriate as purchase and sale transactions taking place in the
16 same reporting period to serve native load are done in contemplation
17 of each other and should be combined. Netting accurately reflects
18 what participants would be recording on their books and records in the
19 absence of the use of an RTO market to serve their native load.
20 Recording these transactions on a gross basis, in contrast, would give
21 an inaccurate picture of a participant's size and revenue producing
22 potential." (FERC Order No. 668 at paragraph 80)

23 The reality is that that KCPL offers all of its generation and bids all of its load into
24 the SPP energy market in contemplation of each other on behalf of native load
25 customers in order to supplement the energy available from its own generation
26 facilities with power purchases and to engage in economy sales of excess energy
27 from its own generation facilities. FERC accounting requirements under Order
28 No. 668 reflect this fact.

1 Q DOES KCPL'S OWN SCHEDULES IN THIS PROCEEDING SUPPORT ITS
2 PROPOSED ADJUSTMENTS?

3 A No. On an annualized basis, Mr. Crawford's Schedule BLC-4 provides MWh and
4 dollar information on KCPL's fuel and purchased power costs. The MWh values on
5 the schedule properly indicate that KCPL only purchases a very small portion of
6 non-firm energy from the wholesale market (** _____ **) to meet its total firm
7 native load energy need of ** _____ ** and only sells a portion
8 (** _____ **) of its total energy production from its generators of
9 ** _____ ** as non-firm wholesale market sales. This does not show that
10 KCPL purchases all of its energy for its native load customers from the SPP energy
11 market or that it sells the entire output from its generators into the SPP energy
12 market. Yet, on the dollar portion of this same schedule, KCPL attempts to claim it
13 has total non-firm purchased energy costs of ** _____ ** and total non-firm
14 off-system energy sales revenues of ** _____ **. Taking the entire single
15 page schedule together suggests that KCPL is indicating non-firm energy purchase
16 costs of \$8,737 per MWh and non-firm off-system energy sales revenues of
17 approximately \$95 per MWh. Both implied prices are grossly incorrect because
18 Schedule BLC-4 misrepresents KCPL's true non-firm purchased energy costs and
19 true non-firm off-system energy sales revenues by presenting them based on the
20 gross hourly clearing of KCPL generation and load in the SPP energy market.

21 Q WHAT DOES KCPL'S OWN 2014 FERC FORM 1 FILING OF APRIL 20, 2015
22 SHOW?

23 A It shows total energy purchases from the SPP energy market in 2014 of 1,243,020
24 MWh at a price of \$57.2 million or approximately \$46 per MWh (KCPL 2014 FERC

1 Form 1 Filing at pages 326.2 and 327.2). It also shows total off-system energy sales
2 to the SPP energy market of 6,175,961 MWh at a price of \$167.7 million or
3 approximately \$27 per MWh (KCPL 2014 FERC Form 1 Filing at pages 310.2 and
4 311.2). These values properly reflect either just a purchase or just a sale by KCPL in
5 each hour of the SPP day-ahead and real-time energy markets. This filing was made
6 well after KCPL filed its direct testimony and exhibits in this proceeding and reflects
7 ten full months of operation within the energy markets of the SPP Integrated
8 Marketplace.⁹

9 **Q WHILE FERC UNDER ITS ORDER NO. 668 REQUIRES THAT UTILITIES EITHER**
10 **JUST BOOK A SALE OR A PURCHASE IN EACH HOUR FROM THE SPP**
11 **ENERGY MARKET, DOES FERC ALSO REQUIRE THAT INFORMATION ON THE**
12 **GROSS CLEARING OF GENERATION AND LOAD BY EACH UTILITY BE**
13 **MAINTAINED?**

14 **A** Yes, it does so for the limited purposes of auditing and monitoring the market for
15 improper conduct. Specifically, in Order No. 668, FERC indicated:

16 "The Commission does expect public utilities, however, to maintain
17 detailed records for auditing purposes of the gross sale and purchase
18 transactions that support the net energy market amounts recorded on
19 their books."

20 (FERC Order No. 668 at paragraph 80)

21 "Finally, one purpose of this rule is to establish uniform accounting
22 requirements for the purchase and sale of energy in RTO markets.
23 The purpose of reporting of gross information in EQRs, in contrast, is
24 to provide the Commission and the public with a more complete picture
25 of wholesale market activities which affect jurisdictional services and
26 rates, thereby helping to monitor for any market power and to ensure
27 that customers are protected from improper conduct. These are not
28 necessarily the same criteria and principles that should be used in
29 establishing uniform accounting requirements."

⁹The SPP Integrated Marketplace began operation March 1, 2014.

2 **V. PROPOSED ADJUSTMENT TO LOWER TRANSMISSION**
3 **REVENUES FROM THE FERC ROE TO THE MISSOURI ROE**

4 **Q PLEASE EXPLAIN KCPL'S R-80 TRANSMISSION REVENUE ADJUSTMENT.**

5 A According to the testimony of KCPL witness Klote, the R-80 transmission revenue
6 adjustment is necessary to ensure the ROE included in retail rates in Missouri is not
7 less than authorized by this Commission (Klote Direct at 33). Essentially, KCPL
8 proposes to "skim off" from its wholesale transmission revenues the difference
9 between its FERC-authorized ROE of 11.1% for transmission service and its
10 proposed Missouri-authorized ROE of 10.3%

11 **Q HOW DO YOU RESPOND TO KCPL'S PROPOSAL?**

12 A KCPL's proposal should be denied because its retail customers are ultimately
13 responsible for supporting the revenue requirement of the Company's transmission
14 facilities and, as such, should be entitled to all FERC-jurisdictional transmission
15 revenues the Company is able to earn as an offset against the Company's
16 transmission revenue requirement. The Company's proposal would be akin to
17 allowing the Company to retain the difference between its non-firm off-system energy
18 revenues received at market prices and the Company's fuel cost to produce that
19 energy. This denial will only lower KCPL's proposed Missouri-jurisdictional revenue
20 requirement in this proceeding by a small amount (approximately \$0.1 million), but it
21 is an issue of important precedent with respect to the Commission potentially allowing
22 jurisdictional electric utilities to "skim off" and retain the difference between the return

1 earned from non-requirements wholesale sales of power and wholesale transmission
2 service and the return authorized under retail electric rates in Missouri.

3 **VI. PROPOSED ADJUSTMENT TO REMOVE ALL SPP REGION-WIDE**
4 **TRANSMISSION PROJECT NET PLANT, TRANSMISSION REVENUES**
5 **AND TRANSMISSION O&M EXPENSES FROM MISSOURI RETAIL RATES**

6 **Q PLEASE EXPLAIN KCPL'S PROPOSAL TO REMOVE ALL SPP REGION-WIDE**
7 **TRANSMISSION PROJECT NET PLANT, TRANSMISSION REVENUES AND**
8 **TRANSMISSION O&M EXPENSES FROM MISSOURI RETAIL RATES (KCPL**
9 **ADJUSTMENT RB-81, R-81 AND CS-81).**

10 **A** KCPL proposes to remove all of the net plant, transmission revenues and
11 transmission O&M expenses associated with its only SPP Region-wide transmission
12 project, the Swissvale Tap Project, from its retail rates in Missouri. KCPL proposes to
13 do this because the project was constructed to literally serve all customers in all
14 states in the SPP region (Klote Direct at 23 through 26).

15 **Q HOW DO YOU RESPOND TO KCPL'S PROPOSAL?**

16 **A** I recommend the Commission reject it. While it is true that SPP only assigns 7.6% of
17 the cost of this project to KCPL's native load customers, under KCPL's proposal its
18 Missouri retail customers will have to pay for that 7.6% share based on FERC
19 ratemaking and not ratemaking set by this Commission (Klote Direct at 25, lines
20 11-13).

21 KCPL's proposal acts as an end-run around the Commission's ratemaking by
22 allowing KCPL to charge its Missouri retail customers for their share of these projects
23 constructed and owned by KCPL based on FERC's authorized revenue requirement
24 for the projects rather than a revenue requirement set by this Commission. The

1 Commission should only allow KCPL to make pro forma rate base, revenue and O&M
2 expense adjustments to remove the 92.4% of these projects that is not allocated to
3 KCPL under the SPP Open Access Transmission Tariff (“OATT”).

4 Because this currently only affects one very small transmission project (the
5 Swissvale Tap Project), this recommendation will reduce KCPL’s proposed
6 Missouri-jurisdictional base rate revenue requirement by only a negligible amount
7 (approximately \$2,000). However, this is an issue of important precedent with
8 respect to the Commission potentially allowing jurisdictional electric utilities to earn a
9 FERC-authorized return from their Missouri retail customers for transmission facilities
10 owned and operated by those jurisdictional electric utilities.

11 **VII. CONCLUSIONS AND RECOMMENDATIONS**

12 **Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS WITH RESPECT TO THE**
13 **ISSUE OF WHICH WHOLESALE TRANSMISSION EXPENSES AND REVENUES**
14 **SHOULD BE INCLUDABLE FOR RECOVERY IN ANY FAC GRANTED TO KCPL.**

15 **A** My conclusions and recommendations are as follows:

- 16 • If the Commission grants KCPL a FAC, consistent with its recent May 29, 2015
17 Order in Ameren Missouri Case No. ER-2014-0258, all of KCPL’s wholesale
18 transmission expenses and revenues not associated with the transportation of
19 fuel or purchased power should be removed from that FAC since Section
20 386.266.1, RSMo (Supp. 2011) only permits the inclusion of the cost of
21 transportation for fuel and purchased power in an FAC – not the cost of
22 transportation of power that is not purchased power. This will remove
23 approximately 92.7% of KCPL’s wholesale transmission expenses and all of its
24 wholesale transmission revenues from its proposed FAC. This adjustment will not
25 affect KCPL’s base rate revenue requirement. However, it will decrease the
26 portion of KCPL’s total Company base rate revenue requirement that is included
27 in the proposed Base Factor for KCPL’s proposed FAC by approximately
28 \$36.5 million based on the adjusted test year wholesale transmission expense
29 and revenue data included in KCPL’s direct case. This lowers the proposed Base
30 Factor by \$0.00228 per kWh. This Base Factor adjustment will need to be
31 recalculated during the true-up phase of this proceeding.

- 1 • If the Commission grants KCPL a FAC, all of KCPL's SPP Administration Charges
2 as well as NERC and FERC fees (Accounts 561, 565, 575 and 928) should be
3 removed from that FAC as these are neither fuel and purchased power expenses
4 nor transportation expenses incurred to deliver fuel or purchased power. This
5 adjustment will not affect KCPL's base rate revenue requirement. However, it will
6 decrease the portion of KCPL's total Company base rate revenue requirement
7 that is included in the proposed Base Factor for KCPL's proposed FAC by
8 approximately \$13.9 million based on the adjusted test year SPP Administration
9 Charge data included in KCPL's direct case. This lowers the proposed Base
10 Factor by \$0.00087 per kWh. This Base Factor adjustment will need to be
11 recalculated during the true-up phase of this proceeding.
- 12 • The Commission should deny KCPL's proposal to incorporate extremely large pro
13 forma adjustments to its test year off-system sales revenues and purchased
14 power expenses to reflect the gross clearing of its generation and load in the
15 day-ahead and real-time energy markets of the SPP Integrated Marketplace
16 (KCPL Adjustments R-35 and CS-24). These proposed adjustments
17 misrepresent how KCPL utilizes the SPP Integrated Marketplace to help serve its
18 native load customers and are counter to FERC's accounting requirements for
19 off-system sales (Account 447) and purchased power (Account 555) under Order
20 No. 668. The proposed pro forma adjustment should be modified to be consistent
21 with the MWh of off-system energy sales and purchased energy reported on
22 KCPL witness Crawford's Schedule BLC-4. This recommendation does not affect
23 either KCPL's proposed base rate revenue requirement or its proposed Base
24 Factor for its proposed FAC. It simply avoids misrepresenting how KCPL utilizes
25 the SPP market to help serve its native load customers and assures conformance
26 to FERC Order No. 668 with respect to the accounting of sales to and purchases
27 from RTO markets.
- 28 • The Commission should deny KCPL's proposed pro forma adjustment to lower its
29 wholesale transmission revenues by the difference between its FERC-authorized
30 ROE for transmission service and the lower authorized ROE KCPL has proposed
31 in this proceeding for its retail rates in Missouri (KCPL Adjustment R-80). KCPL
32 receives these revenues as a result of the transmission facilities it has
33 constructed for its native load customers that are ultimately paid for by those
34 customers. As a result, native load customers should be entitled to 100% of
35 these revenues. KCPL should not be permitted to "skim off" and retain the
36 difference between its FERC-authorized ROE and Missouri-authorized ROE. This
37 will lower KCPL's proposed Missouri-jurisdictional base rate revenue requirement
38 by approximately \$0.1 million. While this is a small dollar issue at this time, it is
39 an issue of important precedent with respect to the Commission potentially
40 allowing jurisdictional electric utilities to "skim off" and retain the difference
41 between the return earned from non-requirements wholesale sales of power and
42 wholesale transmission service and the return authorized under retail electric
43 rates in Missouri.
- 44 • The Commission should deny KCPL's proposed pro forma adjustment to remove
45 100% of its net plant, transmission revenues and transmission O&M expenses
46 associated with its SPP Regional Transmission Projects from its retail rates in

1 Missouri (KCPL Adjustments RB-81, R-81 and CS-81). KCPL's proposal would
2 allow KCPL to conduct an "end run" around the Commission's ratemaking by
3 allowing KCPL to charge its Missouri retail customers for their share of these
4 projects constructed and owned by KCPL based on FERC's authorized revenue
5 requirement for the projects rather than a revenue requirement set by this
6 Commission. The Commission should only allow KCPL to make pro forma rate
7 base, revenue and O&M expense adjustments to remove the 92.4% of these
8 projects that is not allocated to KCPL under the SPP Open Access Transmission
9 Tariff ("OATT"). Because this currently only affects one very small transmission
10 project (the Swissvale Tap Project), this recommendation will reduce KCPL's
11 proposed Missouri-jurisdictional base rate revenue requirement by only a
12 negligible amount (approximately \$2,000). However, this is an issue of important
13 precedent with respect to the Commission potentially allowing jurisdictional
14 electric utilities to earn a FERC-authorized return from their Missouri retail
15 customers for transmission facilities owned and operated by those jurisdictional
16 electric utilities.

17 **Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

18 **A** Yes, it does.

Qualifications of James R. Dauphinais

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A James R. Dauphinais. My business address is 16690 Swingley Ridge Road,
3 Suite 140, Chesterfield, MO 63017, USA.

4 **Q PLEASE STATE YOUR OCCUPATION.**

5 A I am a consultant in the field of public utility regulation and a Managing Principal with
6 the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory
7 consultants.

8 **Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND
9 EXPERIENCE.**

10 A I graduated from Hartford State Technical College in 1983 with an Associate's Degree
11 in Electrical Engineering Technology. Subsequent to graduation I was employed by
12 the Transmission Planning Department of the Northeast Utilities Service Company¹⁰
13 as an Engineering Technician.

14 While employed as an Engineering Technician, I completed undergraduate
15 studies at the University of Hartford. I graduated in 1990 with a Bachelor's Degree in
16 Electrical Engineering. Subsequent to graduation, I was promoted to the position of
17 Associate Engineer. Between 1993 and 1994, I completed graduate level courses in
18 the study of power system transients and power system protection through the
19 Engineering Outreach Program of the University of Idaho. By 1996 I had been
20 promoted to the position of Senior Engineer.

21 In the employment of the Northeast Utilities Service Company, I was

¹⁰In 2015, Northeast Utilities changed its name to Eversource Energy.

1 responsible for conducting thermal, voltage and stability analyses of the Northeast
2 Utilities' transmission system to support planning and operating decisions. This
3 involved the use of load flow, power system stability and production cost computer
4 simulations. It also involved examination of potential solutions to operational and
5 planning problems including, but not limited to, transmission line solutions and the
6 routes that might be utilized by such transmission line solutions. Among the most
7 notable achievements I had in this area include the solution of a transient stability
8 problem near Millstone Nuclear Power Station, and the solution of a small signal (or
9 dynamic) stability problem near Seabrook Nuclear Power Station. In 1993 I was
10 awarded the Chairman's Award, Northeast Utilities' highest employee award, for my
11 work involving stability analysis in the vicinity of Millstone Nuclear Power Station.

12 From 1990 to 1996, I represented Northeast Utilities on the New England
13 Power Pool Stability Task Force. I also represented Northeast Utilities on several
14 other technical working groups within the New England Power Pool ("NEPOOL") and
15 the Northeast Power Coordinating Council ("NPCC"), including the 1992-1996 New
16 York-New England Transmission Working Group, the Southeastern
17 Massachusetts/Rhode Island Transmission Working Group, the NPCC CPSS-2
18 Working Group on Extreme Disturbances and the NPCC SS-38 Working Group on
19 Interarea Dynamic Analysis. This latter working group also included participation
20 from a number of ECAR, PJM and VACAR utilities.

21 From 1990 to 1995, I also acted as an internal consultant to the Nuclear
22 Electrical Engineering Department of Northeast Utilities. This included interactions
23 with the electrical engineering personnel of the Connecticut Yankee, Millstone and
24 Seabrook nuclear generation stations and inspectors from the Nuclear Regulatory
25 Commission ("NRC").

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1 In addition to my technical responsibilities, from 1995 to 1997, I was also
2 responsible for oversight of the day-to-day administration of Northeast Utilities' Open
3 Access Transmission Tariff. This included the creation of Northeast Utilities' pre-
4 FERC Order No. 889 transmission electronic bulletin board and the coordination of
5 Northeast Utilities' transmission tariff filings prior to and after the issuance of Federal
6 Energy Regulatory Commission ("FERC" or "Commission") FERC Order No. 888. I
7 was also responsible for spearheading the implementation of Northeast Utilities' Open
8 Access Same-Time Information System and Northeast Utilities' Standard of Conduct
9 under FERC Order No. 889. During this time I represented Northeast Utilities on the
10 Federal Energy Regulatory Commission's "What" Working Group on Real-Time
11 Information Networks. Later I served as Vice Chairman of the NEPOOL OASIS
12 Working Group and Co-Chair of the Joint Transmission Services Information Network
13 Functional Process Committee. I also served for a brief time on the Electric Power
14 Research Institute facilitated "How" Working Group on OASIS and the North
15 American Electric Reliability Council facilitated Commercial Practices Working Group.

16 In 1997 I joined the firm of Brubaker & Associates, Inc. The firm includes
17 consultants with backgrounds in accounting, engineering, economics, mathematics,
18 computer science and business. Since my employment with the firm, I have filed or
19 presented testimony before the Federal Energy Regulatory Commission in
20 Consumers Energy Company, Docket No. OA96-77-000, Midwest Independent
21 Transmission System Operator, Inc., Docket No. ER98-1438-000, Montana Power
22 Company, Docket No. ER98-2382-000, Inquiry Concerning the Commission's Policy
23 on Independent System Operators, Docket No. PL98-5-003, SkyGen Energy LLC v.
24 Southern Company Services, Inc., Docket No. EL00-77-000, Alliance Companies, et
25 al., Docket No. EL02-65-000, et al., Entergy Services, Inc., Docket No.

1 ER01-2201-000, and Remediating Undue Discrimination through Open Access
2 Transmission Service, Standard Electricity Market Design, Docket No. RM01-12-000,
3 Midwest Independent Transmission System Operator, Inc., Docket No. ER10-1791-
4 000 and NorthWestern Corporation, Docket No. ER10-1138-001, et al. I have also
5 filed or presented testimony before the Alberta Utilities Commission, Colorado Public
6 Utilities Commission, Connecticut Department of Public Utility Control, Illinois
7 Commerce Commission, the Indiana Utility Regulatory Commission, the Iowa Utilities
8 Board, the Kentucky Public Service Commission, the Louisiana Public Service
9 Commission, the Michigan Public Service Commission, the Missouri Public Service
10 Commission, the Montana Public Service Commission, the New Mexico Public
11 Regulation Commission, the Council of the City of New Orleans, the Public Utility
12 Commission of Texas, the Wisconsin Public Service Commission and various
13 committees of the Missouri State Legislature. This testimony has been given
14 regarding a wide variety of issues including, but not limited to, ancillary service rates,
15 avoided cost calculations, certification of public convenience and necessity, cost
16 allocation, fuel adjustment clauses, fuel costs, generation interconnection,
17 interruptible rates, market power, market structure, off-system sales, prudence,
18 purchased power costs, resource planning, rate design, retail open access, standby
19 rates, transmission losses, transmission planning and transmission line routing.

20 I have also participated on behalf of clients in the Southwest Power Pool
21 Congestion Management System Working Group, the Alliance Market Development
22 Advisory Group and several working groups of the Midcontinent Independent System
23 Operator, Inc. ("SPP"), including the Congestion Management Working Group and
24 Supply Adequacy Working Group. I am currently a member of the SPP Advisory
25 Committee in the end-use customer sector on behalf of a group of industrial end-use

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1 customers in Illinois and a group of industrial end-use customers in Texas. I am also
2 the past Chairman of the Issues/Solutions Subgroup of the SPP Revenue Sufficiency
3 Guarantee (“RSG”) Task Force.

4 In 2009, I completed the University of Wisconsin-Madison High Voltage Direct
5 Current (“HVDC”) Transmission course for Planners that was sponsored by SPP. I
6 am a member of the Power and Energy Society (“PES”) of the Institute of Electrical
7 and Electronics Engineers (“IEEE”).

8 In addition to our main office in St. Louis, the firm also has branch offices in
9 Phoenix, Arizona and Corpus Christi, Texas.

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