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Witness: Curt Wells
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Case No.: ER-2009-0089
Date Testimony Prepared: February 11, 2009

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

CURT WELLS

KANSAS CITY POWER AND LIGHT COMPANY (KCPL)

CASE NO. ER-2009-0089

**Jefferson City, Missouri
February 2009**

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DIRECT TESTIMONY

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CURT WELLS

KANSAS CITY POWER AND LIGHT COMPANY (KCPL)

CASE NO. ER-2009-0089

Q. Please state your name and business address.

A. My name is Curt Wells and my business address is Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri, 65102.

Q. What is your present position with the Missouri Public Service Commission (Commission)?

A. I am a Regulatory Economist in the Energy Department of the Utility Operations Division.

Q. Please review your educational background and work experience.

A. I have a Bachelor's degree in Economics from Duke University, a Master's degree in Economics from The Pennsylvania State University, and a Master's degree in Applied Economics from Southern Methodist University. I have been employed by the Missouri Public Service Commission since February 2006. Prior to joining the Commission, I completed a career in the U.S. Air Force, which included assignments as an aircraft navigator, and later in the Purchasing/Contracting area as Contract Negotiator and Administrator, Installation Purchasing Department Chief, Contracting Policy Manager, Director of the Air Force warranty center, and Program Manager responsible for developing and awarding technical support contracts.

Direct Testimony of
Curt Wells

1 Q. Have you filed testimony in prior cases before the Commission?

2 A. Yes. My previous testimony is listed in Schedule CW-1.

3 Q. With reference to Case No. ER-2009-0089, have you participated in the
4 Commission Staff's (Staff) review of Kansas City Power and Light Company (KCPL, or
5 Company) concerning its request for a rate increase in this proceeding?

6 A. Yes, I have, with the assistance of, and reliance on, other members of the
7 Staff in the areas listed below.

8 **EXECUTIVE SUMMARY**

9 Q. What is the purpose of your direct testimony?

10 A. The purpose of my direct testimony is to sponsor the Staff
11 recommendations originating from the Utility Operations Division of the Staff and to
12 provide an overview of the Staff's positions in the areas of jurisdictional allocations,
13 normalizations and annualizations of rate revenue, fuel and purchased power, and certain
14 other expenses. The sections of Staff's Report relating to these issues were prepared by
15 Staff members in the Utility Operations Division and are based on their work and
16 analysis.

17 **JURISDICTIONAL ALLOCATIONS**

18 Q. What are jurisdictional allocations?

19 A. Jurisdictional allocations are the result of processes by which demand-
20 related and energy-related costs are allocated to the applicable jurisdictions. For KCPL
21 those jurisdictions are Kansas and Missouri (geographic), FERC and state (regulatory
22 authorities), and wholesale and retail (customer type). To rationally allocate certain costs
23 that KCPL incurs across these jurisdictions, it is necessary to allocate those costs

1 appropriately to those jurisdictions. Development and application of these factors are
2 more fully explained in the Jurisdictional Allocations Section of the Cost of Service
3 Report

4 **NORMALIZATIONS AND ANNUALIZATIONS**

5 Q. Why is test year rate revenue adjusted?

6 A. The goal of a general rate case is to set rates based on the utility's ongoing
7 cost of service. Since an historical test year is used as the starting point for estimating
8 that ongoing cost of service, the Missouri test year rate revenues of the utility are adjusted
9 to annualize and weather normalize them to better estimate the revenue that the Company
10 would have collected during the test year on an annual, normal-weather basis, based on
11 information "known and measurable" at the end of the update period. Missouri retail rate
12 revenues and kilowatt-hour (kWh) sales are used to determine the amount of any revenue
13 increase (or decrease) that results from this case, as well as the new rates. The two major
14 categories of adjustments are normalizations and annualizations.

15 Because new rates will be in effect until changed at some future dates and a test
16 year may have events during it that affect test year revenues differently from the events
17 of a "normal" year, Normalization adjustments are made to test year revenues to make
18 the test year revenues better represent revenues of a "normal" year. For example, each
19 year has different weather, but when the weather of multiple years is averaged over time
20 there is a "normal" or "average" weather year. Weather normalization adjustments to test
21 year revenues are made to adjust the weather impacts during the test year to better match
22 the weather impacts on revenues during a "normal weather year". Annualizations are
23 adjustments that re-state test year results as if conditions known at the end of the update

1 period had existed throughout the entire test year. An example of a revenue
2 annualization is adjusting revenue for a rate change during the test year. These
3 adjustments are covered in the Rate Revenue section of the Cost of Service Report's
4 Income Statement.

5 **FUEL AND PURCHASED POWER**

6 Q. How did the Staff determine KCPL's fuel and purchased power costs for
7 cost of service purposes?

8 A. The Staff used the RealTime ® production cost model to perform an hour-
9 by-hour chronological simulation of KCPL's generation and power purchases. The
10 inputs to this model included spot market prices, capacity contract prices, net system
11 input (NSI) and losses, and planned and forced outages. The Staff used the model to
12 determine KCPL's annual variable cost of fuel and net purchased power energy costs and
13 fuel consumption necessary to economically match KCPL's load within the operating
14 constraints of KCPL's resources available to match that load. These amounts are
15 supplied to Auditing Staff who use this input in the annualization of fuel expense

16 These adjustments are covered in the Fuel and Purchased Power section of the
17 Cost of Service Report's Income Statement.

18 **OTHER EXPENSES**

19 Q. What other expenses did Operations Staff examine?

20 A. Staff examined demand-side management costs, and a vegetation
21 management/infrastructure inspection program to improve reliability. Their findings are
22 detailed in the Other Non-labor Expenses section of the Cost of Service Report's Income
23 Statement.

24 **AREAS OF RESPONSIBILITY**

25 Q. Would you identify the work performed and Operations Division member
26 who contributed to the Staff's Cost of Service Report?

Direct Testimony of
Curt Wells

1 A. The issue and member of Staff who contributed to the Staff's Cost of
2 Service Report follows:

3	<u>Issue</u>	<u>Staff Witness</u>
4	Jurisdictional Allocations	Alan J. Bax
5	Normal Weather	Manisha Lakhanpal
6	Weather Normalization	
7	Sales	Walter Cecil
8	Revenue	Manisha Lakhanpal
9	Annualization for Rate Change	Manisha Lakhanpal
10	Days Adjustment	
11	Sales	Walter Cecil
12	Revenue	Manisha Lakhanpal
13	Large Customer Annualization/ Rate Switching	Manisha Lakhanpal
14	Fuel and Purchased Power Expense	Leon C. Bender
15	Spot market Prices	Daniel I. Beck
16	Capacity Contract Prices	Leon C. Bender
17	NSI	Shawn E. Lange
18	Losses	Alan J. Bax
19	Planned and Forced Outages	Leon C. Bender
20	Demand Side Management	Adam C. McKinnie
21	Vegetation Management & Infrastructure	Daniel I. Beck

22 Q. Does this conclude your direct testimony?

23 A. Yes it does.

CURT WELLS
TESTIMONY/REPORTS FILED
BEFORE
THE MISSOURI PUBLIC SERVICE COMMISSION

<u>Case Number</u>	<u>Company</u>	<u>Issue</u>
ER-2006-0314 Direct/ True-up Direct	Kansas City Power & Light Company	Calculation of Normal Weather, Revenue
ER-2006-0315 Direct/Rebuttal	Empire District Electric	Revenue
GR-2006-0387 Direct	ATMOS Energy Corporation	Calculation of Normal Weather
GR-2006-0422 Direct/Rebuttal/ Surrebuttal	Missouri Gas Energy	Calculation of Normal Weather
ER-2007-0002 Direct/Rebuttal	Union Electric d/b/a AmerenUE	Calculation of Normal Weather, Large Customer Annualization
GR-2007-0003 Direct	Union Electric d/b/a AmerenUE	Calculation of Normal Weather
ER-2007-0004 Direct/ Supplemental Direct	Aquila, Inc	Calculation of Normal Weather, Revenue
GR-2007-0208 Direct	Laclede Gas Company	Calculation of Normal Weather
ER-2007-0291 Direct/Rebuttal	Kansas City Power & Light Co.	Calculation of Normal Weather, Large Power Revenue
ER-2008-0093 Direct(Report)/ Surrebuttal True-up Direct	Empire District Electric	Revenue, Rate Design

HR-2008-0300
Direct(Report)

Trigen-Kansas City Energy Corp. Rate Design

ER-2008-0318
Direct(Report)

Union Electric d/b/a AmerenUE Revenue