

Exhibit No.:
Issue: Fuel Adjustment Clause
Witness: Ryan A. Bresette
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2014-0370
Date Testimony Prepared: June 5, 2015

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2014-0370

SURREBUTTAL TESTIMONY

OF

RYAN A. BRESETTE

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
June 2015**

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Case No. ER-2014-0370

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

2 A: My name is Ryan A. Bresette. My business address is 1200 Main Street, Kansas City,
3 Missouri 64105.

4 **Q: Are you the same Ryan A. Bresette who pre-filed Rebuttal Testimony in this**
5 **matter?**

6 A: Yes, I am.

7 **Q: What is the purpose of your Surrebuttal Testimony?**

8 A: My testimony is to refute the Rebuttal Testimony of Mr. Dana Eaves from the Missouri
9 Public Service Commission (“MPSC”) Staff (“Staff”) relating to transmission expenses
10 recordable in Account 565 and other transmission fees (“fees”) includible in the fuel
11 adjustment clause (“FAC”). I will also refute Missouri Industrial Energy Consumers and
12 the Office of Public Counsel witness, Mr. James R. Dauphinais, relating to the same
13 transmission expenses and fees mentioned above, as well as his definition of purchased
14 power and wholesale sales.

15 **Q: Does Mr. Dauphinais believe Kansas City Power & Light Company (“KCP&L” or**
16 **the “Company”) could double recover transmission costs if these costs are included**
17 **in the FAC as the Company has proposed?**

18 A: Yes. On page 6 of Mr. Dauphinais’ testimony he states these costs may have offsetting
19 amounts in non-transmission or non-fuel accounts.

1 **Q: Is this possible?**

2 A: No. KCP&L follows the Uniform System of Accounts (“USofA”)¹ as prescribed by the
3 Federal Energy Regulatory Commission (“FERC”) and only records transmission
4 expense in Account 565 with associated fees in Accounts 561.4, 561.8, 575.7 and 928.
5 There are no offsetting transmission charges from the Southwest Power Pool, Inc.
6 (“SPP”) that are recorded anywhere else in KCP&L’s general ledger. Any offsetting
7 costs would already be included in the Company’s cost of service filing. It appears Mr.
8 Dauphinais believes there are hidden means by which the Company could offset
9 transmission costs, which is simply not true.

10 **Q: Please explain your definition of purchased power and how it differs from that of**
11 **Mr. Dauphinais.**

12 A: KCP&L defines purchased power using the USofA as prescribed by FERC. The
13 definition for Account 555 purchased power reads: “This account shall include the cost
14 at point of receipt by the utility of electricity purchased for resale.” Mr. Dauphinais tries
15 to link the power the Company has generated and sold to SPP as being the same power
16 the Company bought from SPP to serve load, and argues that this particular power is not
17 being “purchased” by the Company. In fact, the SPP Integrated Marketplace (“IM”)
18 protocols² specify that all power is sold to SPP at the generator for a price calculated at
19 the generator settlement location. At the same time all load is purchased from SPP at a
20 load settlement location at a different price than the price(s) at the generator locations.
21 Thus, there is not a net zero dollar transaction.

¹ Code of Federal Regulations Title 18 Parts 101-141.

² The SPP IM Protocols 30 section 4.5 Post Operating Day and Settlement Activities can be found in its entirety at www.spp.org.

1 **Q: Does KCP&L purchase all of its load requirements from the SPP?**

2 A: Yes. Under the SPP IM protocols all generation is sold into the SPP market and all
3 power is purchased from SPP for the Company's load. I believe Mr. Dauphinais agrees
4 this is true.

5 **Q: Is it possible to establish a link between power sold by KCP&L to the SPP market
6 being the same power that was purchased by KCP&L from the SPP market?**

7 A: No. Electricity follows the path of least resistance, and is homogeneous and fungible in
8 nature. Even if KCP&L could identify the power it sells as the same power that it
9 purchases, it does not change the fact that the power was purchased from SPP and thus is
10 subject to SPP transmission expenses recorded in Account 565 and SPP's fees that are
11 charged under its FERC-approved Open Access Transmission Tariff ("OATT").³

12 **Q: Does Mr. Dauphinais agree that the Company incurs transmission expenses to move
13 power from its generating unit to its own load?**

14 A: Yes. On page 5 of Mr. Dauphinais' testimony, he lists this as one of the reasons KCP&L
15 incurs transmission expenses in Account 565 and transmission fees.

16 **Q: How are these power transactions recorded in the Company's general ledger?**

17 A: Originally all energy transactions are recorded gross which means all generator
18 settlements are recorded to Account 447 and all load settlements are recorded to Account
19 555. At the end of the accounting period, a calculation is done to compute the required
20 FERC Order 668 netting which is also recorded in Accounts 447 and 555.

³ The SPP OATT can be found in its entirety at www.spp.org.

1 **Q: Why is the effect of FERC Order 668 netting only recorded at the end of the month**
2 **and NOT when the actual purchase and sale occur?**

3 A: As part of the Company's business practices, all SPP transactions are tied to the invoice
4 received from SPP. SPP does not provide any invoice data that includes FERC Order
5 668 netting. Each transaction for a billing period (seven days) is added to tie to the total
6 of the SPP invoice. Thus, the FERC Order 668 netting is only calculated at the end of the
7 month for the purpose of closing the accounting period.

8 **Q: Does KCP&L pay SPP for all of its purchases and in return receive money from**
9 **SPP for all sales?**

10 A: Effectively, yes. The payables and receivables for market transactions over a seven day
11 period are netted for settlement purposes only, with the resulting overall impact being the
12 same as if separate checks had been cut for each transaction. The fact that separate
13 checks are not cut by each entity does not mean there has not been a sale or a purchase.

14 **Q: Is the netting of offsetting payables and receivables a standard business practice?**

15 A: Yes, it is. Not only is this a standard term for any RTO, but it is included in Section 6.4
16 of the EEI Master Contract and Section 28 of the WSPP Agreement which are standard
17 contract formats used for energy trading.

18 **Q: Please explain the purpose of FERC Order 668 netting.**

19 A: FERC Order 668 is used for financial purposes to net purchases and sales based on the
20 Regional Transmission Organization ("RTO") market reporting period. In the case of the
21 SPP IM, this would be for each hour in the day ahead market and every five minutes in

1 the real time market.⁴ As explained in Mr. Dauphinais' testimony, FERC adopted this
2 accounting mechanism so that the recording of RTO transactions would not create an
3 inaccurate financial picture of size and the revenue-producing potential for market
4 participants. The fact that these transactions are done in contemplation of each other in
5 no way changes the fact that all power used by KCP&L's load is purchased from SPP
6 and as such is subject to SPP transmission charges and fees. Further, Mr. Dauphinais has
7 misinterpreted the portion of Order 668 where FERC went on to clarify that the
8 "Commission does expect public utilities, however, to maintain detailed records for
9 auditing purposes of the gross sale and purchase transactions that support the net energy
10 market amounts recorded on the books" as a market monitoring tool. He also
11 misinterprets the purpose of the Electric Quarterly Report ("EQR") filing as being used
12 for market monitoring. In fact, in FERC Order 2001 FERC used its authority under
13 Federal Power Act Section 205(c)⁵ to establish the EQR reporting as a tool to ensure rates
14 are just and reasonable, noting that any other use of the EQR for market monitoring as
15 secondary. The EQRs permit the Commission to ensure that the energy markets are
16 competitive

⁴ Per Section 4.5.8 and 4.5.9, respectively, of the SPP Protocols 30, the SPP IM settles at an hourly increment for the day ahead market and for every five minutes in the real time market. FERC Order 668 clearly states that, "transactions are to be netted based on the RTO market reporting period in which the transaction takes place." Because SPP's real time market settles in five minute increments, real time transactions are netted each five minutes whereas day ahead transactions are netted each hour. Please note Mr. Dauphinais' testimony consistently refers to netting on the hourly basis which is not correct in the SPP real time market. However, Mr. Dauphinais may be confusing the SPP IM with Midcontinent Independent System Operator, Inc. ("MISO") transactions which settle each hour in the day ahead and real time market, thus the MISO markets are netted on the hour as Mr. Dauphinais' testimony incorrectly states is true for the SPP IM.

⁵ The Federal Power Act Section 205(c) states "When a public utility applies for authority to make wholesale sales at market based rates, it presents evidence that it either lacks market power or has taken adequate steps to mitigate its market power. However, the Commission's market based rate findings do not absolve the Commission from its continuing responsibility to assure that rates are just and reasonable... The Electric Quarterly Reports will enable the Commission and others to ensure that market-based rates remain justified over time."

1 **Q: Does KCP&L file an EQR?**

2 A: Yes it does. All transactions required to be reported are filed as gross transactions per
3 FERC Order 2001.

4 **Q: Please explain which transmission expenses and fees Mr. Eaves incorrectly excludes**
5 **from the FAC and why they should be included.**

6 A: The following fees and transmission expenses are included in the FERC approved SPP
7 OATT. However, Mr. Eaves believes these transmission expenses recorded in Account
8 565 and the SPP fees are not needed to buy and sell energy to meet customer needs and
9 therefore not appropriately included in the FAC.

- 10 • Scheduling, System Control and Dispatch Service (Schedule 1) charges: Per the
11 SPP OATT, this service is required to move power through, out of or within the
12 SPP Balancing Authority Area. It is assessed on firm and non-firm point-to-point
13 services and network integration transmission service.
- 14 • Tariff Administration Service (Schedule 1A) fees: The SPP OATT says: “The
15 Transmission Customer must purchase this service from the Transmission
16 Provider.” It is assessed on all Point-to-Point and Network Integration
17 Transmission Service.
- 18 • Base Plan Zonal and Regional Charges (Schedule 11): The SPP OATT assesses
19 these charges to Network Customers and Point-to-Point Transmission Service
20 based upon reserved capacity.
- 21 • FERC Assessment Charge (Schedule 12): Per the SPP OATT, these charges are
22 based on the actual megawatt-hours of energy transmitted in interstate commerce
23 during a calendar year as reported on FERC Form 582 by SPP.

1 **Q: Does Mr. Dauphinais have a different position?**

2 A: Mr. Dauphinais' viewpoint, expressed in Section III of his Rebuttal Testimony, seems to
3 be very similar to Mr. Eaves, however, he does not consider Schedule 11 to be
4 inappropriate to the extent he considers it to be related to his incorrect definition of
5 purchased power (discussed above).

6 **Q: Please explain why these charges are included in the Company's case.**

7 A: These charges have been included in the FAC by KCP&L because they are prudently
8 incurred costs that are included in the FERC approved SPP OATT and are assessed on
9 point-to-point and network integration transmission service.

10 **Q: Is KCP&L required to pay these transmission fees when buying and selling power
11 to serve its customers?**

12 A: Yes. Mr. Eaves' argument that the transmission expenses recordable in Account 565 and
13 the SPP fees are not needed to purchase power is not true as these costs are derived from
14 the fact that KCP&L has purchased power from the SPP IM. Per the SPP OATT,
15 KCP&L is charged regardless of a point-to-point transaction or a network service
16 transaction. For example, KCP&L is assessed the same amount of transmission fees and
17 expenses on its load purchases when Wolf Creek is offline in a refueling outage as when
18 Wolf Creek is on line generating mega-watt hours and selling power to the SPP IM.

19 **Q: Mr. Dauphinais expresses an opinion in Section II of his Rebuttal Testimony that
20 transmission used to move power from KCP&L generation resources to KCP&L
21 load should be excluded from the FAC. Do you believe this is correct?**

22 A: No, I do not. Mr. Dauphinais' believes that power is not transmitted pursuant to
23 KCP&L's Network Integration Transmission Service Agreement with SPP unless

1 KCP&L's generated mega-watt hours are lower than load purchases. This overlooks the
2 simple fact that KCP&L's participation in the SPP market means KCP&L is charged
3 transmission expenses and fees for the Company load's use of the transmission system
4 and these purchased power transactions are subject to transmission expenses and fees per
5 the SPP OATT. As a participant in the SPP market, which benefits KCP&L's customers,
6 these costs are prudent, unavoidable and are assessed by SPP regardless of the origination
7 of the mega-watt hour. Since the SPP transmission fees and expenses are reasonable,
8 necessary and unavoidable, the MPSC has previously allowed recovery of SPP
9 transmission fees and expenses paid by KCP&L.

10 **Q: Are the transmission charges associated with KCP&L's power sales included in the**
11 **weekly SPP IM invoices?**

12 A: No. Transmission invoices are received at the end of each month. They are not netted
13 with energy purchases as they are assessed on the entire amount of energy purchased.
14 Additionally, transmission fees and transmission expenses are not netted against similar
15 fees, expenses and revenues.

16 **Q: Does that conclude your Surrebuttal Testimony?**

17 A: Yes, it does.

