STATE OF MISSOURI

BEFORE THE

MISSOURI PUBLIC SERVICE COMMISSION

IN THE MATTER OF KANSAS CITY	)	
POWER & LIGHT COMPANY'S	)	
REQUEST FOR AUTHORITY TO	)	CASE NO. ER-2012-0174
IMPLEMENT A GENERAL RATE	)	
INCREASE FOR ELECTRIC SERVICE	)	

DIRECT TESTIMONY

OF

DWIGHT D. ETHERIDGE

ON BEHALF OF THE

UNITED STATES DEPARTMENT OF ENERGY

AUGUST 2, 2012

EXETER

ASSOCIATES, INC.
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IN THE MATTER OF KANSAS CITY POWER & LIGHT COMPANY'S REQUEST FOR AUTHORITY TO IMPLEMENT A GENERAL RATE INCREASE FOR ELECTRIC SERVICE	)))))	CASE NO. ER-2012-0174

DIRECT TESTIMONY

OF

DWIGHT D. ETHERIDGE

1 **INTRODUCTION AND QUALIFICATIONS**

2 Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

3 A. My name is Dwight D. Etheridge. I am a Principal and Vice President with Exeter
4 Associates, Inc. ("Exeter"), an economics consulting firm specializing in the economics
5 of regulated industry. My business address is 10480 Little Patuxent Parkway, Suite 300,
6 Columbia, Maryland 21044.

7 Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
8 BACKGROUND?

9 A. I hold a Bachelor of Science degree in Business Administration from the University of
10 California, Berkeley. I have twenty-six years of experience in the public utility industry.
11 My work has been focused on business plan development, industry restructuring, rate
12 design, class cost-of-service studies, load forecasting, resource planning, transmission

1 system evaluations, power procurement, distributed generation, telecommunications, and
2 contract negotiations. From 1986 until 1999 I worked in progressively more responsible
3 positions at Nevada Power Company, eventually reporting to the chief executive officer
4 while leading a team of experts assigned to industry restructuring issues. After the
5 merger of Sierra Pacific Resources and Nevada Power Company in 1999, I worked on a
6 variety of strategic and diverse projects related to industry restructuring, mergers,
7 telecommunications, and resource planning.
8 In 2004 I became an independent consultant and worked with clients on rate
9 design, strategic planning, competitive market analyses, and industry restructuring
10 projects. In 2006 I joined Exeter as a Senior Analyst and in 2008 I became a Principal
11 and Vice President in the firm. My recent consulting work with Exeter has focused on a
12 variety of projects related to wholesale commodity energy markets, options studies for
13 federal facilities served at transmission voltage, review of retail service arrangements,
14 and regulated ratemaking.
15 I have provided expert testimony on over thirty occasions before the Illinois
16 Commerce Commission, Indiana Regulatory Utility Commission, Maryland Public
17 Service Commission, Public Utility Commission of Texas, Public Service Commission of
18 Wyoming, Public Utilities Commission of Nevada, and the Nevada Legislature on a
19 variety of topics including: load forecasting, class cost-of-service studies and rate design,
20 industry restructuring, hedging, and transmission system evaluations.
21 A summary of my qualifications is included as an appendix to this testimony.
22 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS
23 PROCEEDING?
24 A. The U.S. Department of Energy ("DOE") on behalf of the Federal Executive Agencies
25 ("FEA") has asked me to review Kansas City Power and Light Company's ("KCP&L" or

"the Company") various proposals in this case. KCP&L is one of two major electric utility subsidiaries of Great Plains Energy, Inc. ("GPE"). The other is KCP&L Greater Missouri Operations Company ("GMO"). My testimony addresses KCP&L's off-system sales ("OSS") and interim energy charge ("IEC") proposals.

Q. WHAT MAJOR FEA FACILITIES TAKE SERVICE FROM KCP&L?

A. The Bannister Federal Complex is the largest FEA facility that receives electric service from KCP&L. Annual electric costs for the site exceed $7 million. Ownership of the complex is divided between DOE's National Nuclear Security Administration ("NNSA") and the General Services Administration ("GSA"). Located within the complex are NNSA's Kansas City Site Office and Kansas City Plant ("KCP"), a high-tech research production facility that specializes in science-based manufacturing. NNSA is in the process of moving the KCP to a new 1.5 million square-foot campus style facility at the northwest corner of Missouri Highway 150 and Botts Road in Kansas City, Missouri, seven miles south of the current facility and in GMO's service territory. The new campus will be fully occupied by 2014.

SUMMARY AND RECOMMENDATIONS

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. In 2005 the Missouri Public Service Commission ("Commission") approved a Regulatory Plan that allowed KCP&L to undertake a capital expansion program in excess of one billion dollars that included construction of the Iatan 2 coal-fired plant.[1] Expectations in 2005 were that Iatan 2 would provide KCP&L's customers with a low-cost, long-term source of power, and would allow KCP&L to increase the level of off-system sales ("OSS") margins used to offset retail rates. That latter consideration made the concept of

[1] ER-2005-0329. See also Great Plains Energy, Inc., 2005 Form 10-K, p. 84.

1 large rate increases to pay for Iatan 2 more palatable because customers would be entitled
2 to receive OSS margins as an offset to the costs they would be paying once Iatan 2 was
3 included in retail rates. Iatan 2 is now in service and customers will bear the full cost of
4 that plant. However, forces shaping the electric utility industry today have caused the
5 outlook for KCP&L's OSS margins to deteriorate, and KCP&L is proposing a
6 substantially reduced OSS margin offset to retail rates in this case.

7 Given this backdrop, KCP&L is asking the Commission to alter the status quo
8 with regard to OSS margins in favor of shareholders in two respects. It is asking to retain
9 a percentage of OSS margins if they exceed expectations and to shift to customers a
10 percentage of the risk if OSS margins fall short of expectations. Both proposals should
11 be rejected. In addition to paying the full cost of Iatan 2, customers are being asked in
12 this case to bear the full brunt of the recent drop-off in OSS margins. KCP&L packages
13 its proposal to share OSS margins in any market upturn as being symmetric with its
14 proposal that customers share in any further OSS market downturn. I don't hold to that
15 position. For customers the only bright side is the prospect that future OSS margins will
16 grow, and significantly so. It is then understandable why KCP&L would want to share in
17 that upside—it is as great as its been in recent memory.

18 KCP&L presents its proposed OSS margin sharing mechanism in the context of
19 establishing a proposed interim energy charge ("IEC"). I recommend that KCP&L's
20 OSS margins be addressed separate and independent of KCP&L's IEC proposal. OSS
21 margins are an issue that is so directly tied to past decisions regarding the Regulatory
22 Plan, and questions of what truly is equitable given the current state of affairs, that any
23 changes to the status quo regarding OSS margins should reflect a stand-alone decision.
24 Further, OSS margins are by no means an interim issue. Achieving the maximum level

1 of OSS margins for the benefit of customers should be a long-term Commission priority
2 because it is the quid pro quo for bearing the costs of Iatan 2.
3 In addition, KCP&L seeks to have customers pay for the loss of OSS margins
4 associated with the 2011 Missouri River flood (the "Flood"). I question the
5 reasonableness of KCP&L's request to be compensated for OSS margins that did not
6 materialize because of the Flood. For four straight rate cases over four plus years the
7 Company presented testimony explaining its probabilistic outlook for future OSS margins
8 and the position it sought approval from the Commission to implement. Never once did
9 the Company explain that it needed protection for the loss of OSS margins in the case of
10 unexpected events. Yet now it seeks compensation from customers for OSS margins that
11 did not materialize during the Flood. Given the balance struck in the Regulatory Plan
12 between customers and shareholders regarding OSS margins, and given the ongoing risks
13 both remained subject to, lost OSS margins are not analogous to other force majeure
14 events, like wind and ice storms. For this reason, the Commission should reject
15 KCP&L's request to be compensated for lost OSS margins during the flood.
16 Q. WHAT ARE YOUR RECOMMENDATIONS TO THE COMMISSION?
17 A. I recommend that the Commission maintain the status quo with respect to OSS margins.
18 Specifically, KCP&L should be directed to calculate OSS margins at the 40th percentile
19 of its probabilistic analysis and to use those margins to reduce its revenue requirement in
20 this case. While rates from this case are in effect, any realized OSS margins above that
21 level should be flowed through to ratepayers in the next or subsequent rate cases. Any
22 OSS margin shortfall should be the responsibility of shareholders. I also recommend that
23 the Company's proposal to be compensated for lost OSS margins during the Flood should
24 be denied.
25

OFF-SYSTEM SALES MARGIN

Q. WHAT WERE EXPECTATIONS FOR OFF-SYSTEM SALES WHEN THE REGULATORY PLAN WAS AGREED TO BY THE COMMISSION?

A. General expectations were that OSS margins were an important consideration in approving KCP&L's Regulatory Plan. Russell Trippensee of the Office of the Public Counsel ("OPC") explained the concept of OSS margins in the context of the Regulatory Plan at the time it was before the Commission:

> The investments used to provide off system sales of electricity and transmission services are included in rate base on which the customer pays a return on and of in their rates. Therefore, the revenue requirement attributable to the customer should reflect prudent actions by Company management to fully utilize these assets. These actions would include taking advantage of opportunities to profitably sell power when excess capacity exists above that level of capacity necessary to serve jurisdictional retail sales and contractual requirements. Similarly, excess transmission system capacity should be utilized to its fullest potential. Upon completion, the Iatan 2 plant will provide a significant increase to the Company's base load generation capacity. To the extent opportunities for off-system sales are created, the net margin on these sales should be used to reduce the revenue requirement as customers will not only be paying a return on and of the investment in Iatan 2 (and the rest of the generation fleet for that matter), but also will have paid the additional amortization necessary to obtain the financing during the construction of the Iatan 2 unit and other investments.[2]

The Commission's Staff explained that OSS margins were a significant consideration from its perspective with regard to the Regulatory Plan. Referring to testimony of its witness Robert Schallenberg, Staff explains that:

> Mr. Schallenberg testified that the revenues from off-system sales are a significant factor in the economics of the infrastructure improvements that are contained in the Stipulation And Agreement. He stated that it is important not only that the off-system sales revenues exist, but that they be used to reduce the cost of Iatan 2 to ratepayers by being treated above the line.[3]

Q. WHAT IS THE CURRENT LEVEL OF OFF-SYSTEM SALES MARGINS?

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[2] Case No. EO-2005-0329, Direct Testimony of Russell W. Trippensee, p. 14.

[3] Case No. EO-2005-0329, *Staff's Post-Hearing Brief*, p. 41.

1 A. Without getting into specific and highly confidential figures, suffice it to say that off-
2 system sales margins are well below historical levels. Company witness Darrin Ives
3 testifies that:

4 As a result of historically low natural gas prices and soft regional market
5 demand for wholesale power, both of which are expected to continue over
6 the coming years, the size of the credit for OSS margins available to offset
7 retail rates is much smaller than in previous cases.[4]

8 Q. WHAT LED TO THE DROP OFF IN OFF-SYSTEM SALES?

9 A. The country fell into a deep recession and is still in the process of recovering. The
10 economic downturn and subsequent sluggish economic growth have led to excess
11 capacity and higher reserve margins in multiple regions. In turn, wholesale electricity
12 prices have fallen and merchant generators and utilities that are long on generation (i.e.,
13 have capacity in excess of their native load requirements) have experienced reduced sales
14 margins.

15 The collapse in natural gas prices brought on by fundamental changes in the
16 supply outlook and this last winter's mild weather have squeezed margins for coal-fired
17 plants even further. Given the current poor state of the market for generator profitability,
18 expectations in the industry are that conditions can only improve as older less efficient
19 plants are retired, economic growth re-immerges, and wholesale electricity prices
20 increase.

21 Consistent with the overall state of the market for generators, KCP&L is
22 projecting OSS margins for calendar year 2013 at levels well below what it was
23 projecting less than two years ago in its last rate case (the "2010 Case"). That in part is
24 contributing to the large rate increase KCP&L has requested in this case. Effectively,
25 OSS margins are not what they were expected to be seven years ago or even two years

[4] Direct Testimony of Darrin R. Ives, p. 4.

1 ago, and customers, not KCP&L, are being asked to bear the cost of lower margins
2 through higher rates.

3 Q. ARE THERE ANALOGOUS SITUATIONS WITHIN THE ELECTRIC
4 INDUSTRY TO THE SITUATION KCP&L FINDS ITSELF IN?

5 A. There are. The economic downturn and sluggish recovery have left many regions of the
6 country with excess generating capacity, which in turn has driven down wholesale energy
7 prices. Attachment A to my testimony shows regional anticipated reserve margins for
8 2012, including reserves well above targeted levels in the Southwest Power Pool ("SPP"),
9 the region most relevant to KCP&L.[5] As a result, merchant generators and utilities with
10 unregulated generation have been faced with reduced sales margins and reduced
11 profitability. Attachment B to my testimony provides a publicly-available discussion by a
12 merchant generator of the current depressed market conditions.[6]

13 Q. HOW DO VARIATIONS IN OFF-SYSTEM SALES MARGINS AFFECT
14 KCP&L'S PROFITABILITY?

15 A. KCP&L can file a general rate case anytime it feels that reduced levels of OSS margins
16 have negatively affected its profitability. Unlike a merchant generator where
17 shareholders absorb periods of reduced profitability owing to unfavorable market
18 conditions, KCP&L can request that customers bear the full cost of lower OSS margins.
19 In fact, Company witness Darrin Ives testifies that, "the most significant driver in this
20 case is the impact of OSS margins and the uncertainty of this market."[7] Again, without
21 getting into specific and highly confidential figures, suffice it to say that a significant
22 portion of KCP&L's request is to have customers pay for the shortfall in OSS margins
23 that has occurred since the 2010 Case.

[5] North American Electricity Reliability Corporation, *2012 Summer Reliability Assessment*, May 2012, p. 1.
[6] NRG Energy, Inc., 2011 Form 10-K, February 28, 2012, p. 60.
[7] Direct Testimony of Darrin R. Ives, p. 4.

1 Between general rate cases KCP&L is at risk if it is unable to generate the level of
2 OSS margins established in the most recent general rate case. The following quote from
3 a recent GPE Securities and Exchange Commission filing explains KCP&L's position on
4 this matter:

5 KCP&L's retail rates in Missouri reflect a set level of non-firm wholesale
6 electric sales margin. KCP&L will not recover any shortfall in non-firm
7 wholesale electric sales margin from the level included in Missouri retail
8 rates and any amount of margin above the level reflected in Missouri retail
9 rates will be returned to KCP&L Missouri retail customers in a future rate
10 case.[8]

11 Q. HOW HAVE OFF-SYSTEM SALES MARGINS BEEN TREATED IN
12 RECENT KCP&L RATE CASES?

13 A. Since 2005 the Commission has set the level of OSS margins in four general rate cases at
14 a reasonably achievable level based upon a forward-looking probabilistic analysis
15 sponsored by the Company. In all cases the Commission ordered that realized OSS
16 margins that exceed the levels included in KCP&L's revenue requirement been returned
17 to customers in subsequent rate cases, and any shortfall would be shareholders
18 responsibility, thereby providing KCP&L an incentive to pursue OSS. In the first rate
19 case after approval of the Regulatory Plan, the Commission set the level of OSS margins
20 at the 25th percentile of the Company's probabilistic analysis.[9] The same level of OSS
21 margins was used in the next case.[10] In the third case, the level of OSS margins was
22 stipulated to at a level equivalent to the 44.5th percentile.[11] Most recently, in the 2010
23 Case, the Commission set the level of OSS margins at the 40th percentile of KCP&L's
24 probabilistic analysis.[12] That provides KCP&L a better than 50-50 chance of achieving

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[8] Great Plains Energy, Inc., 2011 Form 10-K, February 28, 2012, p. 36.
[9] Case No. ER-2006-0314.
[10] Case No. ER-2007-0291.
[11] Case No. ER-2009-0089.
[12] Case No. ER-2010-0355, *Report and Order*, p. 141.

1 the level of OSS margins included as an offset in setting retail rates. By increasing the
2 level of OSS margins used to set retail rates from the 25th to the 40th percentile in the
3 2010 case, the Commission provided KCP&L with a greater incentive to pursue these
4 sales, and an incentive effectively equal to that agreed to by stipulation in the prior case.

5 Q. WHAT IS THE COMPANY'S PROPOSAL REGARDING OFF-SYSTEM
6 SALE MARGINS IN THIS CASE?

7 A. The Company has two proposals regarding OSS margins. First, it proposes to set OSS
8 margins at the 40th percentile of a forward-looking probabilistic analysis for calendar year
9 2013.[13] Second, KCP&L proposes a sharing mechanism for OSS margins above or
10 below pre-determined thresholds, allowing it to retain a portion of margins above a
11 specific threshold and having customers become responsible for a portion of margin
12 shortfalls below a specific threshold.[14] Specifically, KCP&L proposes to retain 25
13 percent of OSS margins above a pre-determined figure established at the 60th percentile
14 of its probabilistic analysis. Likewise, KCP&L proposes that ratepayers be responsible
15 for 25 percent of OSS margin shortfalls below the 40th percentile. KCP&L makes this
16 sharing mechanism proposal in the context of its proposal to establish an IEC.

17 Q. WHAT ARE YOUR THOUGHTS SIMPLY ON THE MERITS OF THE
18 COMPANY'S PROPOSED OFF-SYSTEM SALES MARGIN SHARING
19 PROPOSAL?

20 A. KCP&L's OSS margin sharing proposal represents a change from the status quo that
21 favors the Company at the expense of customers. That said, from a ratemaking
22 perspective measured movement toward a more equitable position for either customers or
23 shareholders is a laudable course to pursue if good cause exists for change. I don't

[13] Direct Testimony of Tim M. Rush, pp. 5-7.
[14] Id., pp. 12-13.

1 believe that is the situation in this case. The basis of Commission's decision in the 2010
2 Case is twofold: (1) ratepayers are entitled to OSS margins; and (2) KCP&L must be
3 incentivized to produce OSS margins. It is apparent to me that KCP&L's primary
4 complaint is that it believes that the Commission's approved ratemaking treatment is a
5 "heads the shareholders lose and tails the shareholders break-even" situation.[15] I think
6 the entire Regulatory Plan was intended to be a "win-win" for customers and
7 shareholders, but for both it did not provide for complete relief from ongoing uncertainty.
8 In particular, it is apparent to me that there was an anticipation that customers would
9 benefit far more from OSS margins than they have. It also is apparent to me that the
10 Company wishes it had less exposure to the risk of OSS margin shortfalls, both in the
11 past and at present. However, from my perspective there is a balance in this situation
12 because both parties appear to have received less than they bargained for. At present,
13 with rising utility costs for infrastructure and other investments in this case, and
14 compounded by falling OSS margins, customers are placed in a more difficult situation
15 than shareholders. The continued sluggish pace of the local economic recovery
16 reinforces that position. Therefore, in my opinion, changing the status quo regarding
17 OSS margins in favor of shareholders makes no sense at this time.

18 Q. CAN YOU PROVIDE SOME INDICATION OF THE STATUS OF THE
19 LOCAL ECONOMIC RECOVERY?

20 A. Unemployment has been falling in the Kansas City metropolitan area, but remains high
21 relative to pre-recession levels. For example, unemployment was 5.0 and 5.7 percent in
22 2007 and 2008, respectively, before averaging 8.9 percent in both 2009 and 2010.[16]
23 Conditions improved somewhat in 2011 with unemployment falling to 8.1 percent. The

[15] ER-2010-0355 and ER-2010-0356, *Post Hearing Reply Brief of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company*, p. 98.
[16] U.S. Bureau of Labor Statistics. See: http://www.bls.gov/lau/.

1 Kansas City area has fared slightly better than the U.S. as a whole during and since the
2 recession. Unemployment more than doubled nationwide from 4.6 percent in 2007 to 9.3
3 percent in 2009. Unemployment increased further in 2010 to 9.6 percent before falling
4 slightly in 2011. Given current unemployment levels, both nationally and in the Kansas
5 City area, there remains a long way to go before economic recovery will have occurred.

6 Q. DO YOU THINK THE CURRENT METHOD FOR DETERMINING THE
7 LEVEL OF OFF-SYSTEM SALES MARGINS AT THE 40TH PERCENTILE IS
8 REASONABLE?

9 A. Yes I do, for several reasons. As the Commission recognized in the 2010 Case, the 40th
10 percentile provides the Company with a greater incentive to make OSS.[17] In addition,
11 KCP&L is requesting that customers, not shareholders, be on the hook for the current
12 shortfall in OSS margins owing to unfavorable market conditions for OSS. Finally, the
13 local economy is still in the recovery process. Now is not the time to be changing the
14 status quo, and certainly not in a direction that would place a greater burden for the
15 economic downturn, and it's affect on KCP&L's costs, squarely on customers.

16 Q. WHEN DO YOU THINK IT MIGHT MAKE SENSE TO REVISIT
17 MECHANISMS FOR INCENTING KCP&L TO INCREASE THE LEVEL OF
18 OFF-SYSTEM SALE MARGINS?

19 A. I think the Commission should hold off on changing the status quo with regard to OSS
20 margin incentives, if it is inclined to change, until after natural gas prices return to more
21 normal levels and wholesale electricity prices follow suit. At that point in time, OSS
22 margins will become more stable, and there is less chance that an incentive mechanism
23 will allow the Company to earn windfall profits just because commodity energy prices
24 are expected to increase in the near future. I would target that date in 2015 or shortly

[17] Case No. ER-2010-0355, *Report and Order*, p. 130.

1 thereafter because that is the likely timeframe in which annual price escalation rates for
2 natural gas settle in below five percent. Prior to that time, natural gas prices are expected
3 to rise quickly, or by 30 percent in 2014 and by an additional 11 percent in 2014.[18]
4 Wholesale electricity prices are highly correlated with natural gas prices, so steeply
5 upwardly sloping natural gas prices correlate with steeply upwardly sloping electricity
6 prices, creating too unstable an environment to implement a sharing mechanism.

7 Q. WHAT IS YOUR RECOMMENDATION REGARDING THE COMPANY'S
8 PROPOSED OFF-SYSTEM SALES MARGIN SHARING MECHANISM?

9 A. That request should be denied, and the status quo regarding OSS margins should be
10 maintained.

11

12 **OFF-SYSTEM SALES MARGINS DURING THE 2011 MISSOURI RIVER FLOOD**

13 Q. WHAT IS THE COMPANY'S POSITION REGARDING OFF-SYSTEM
14 SALES MARGINS RELATED TO THE 2011 MISSOURI RIVER FLOOD?

15 A. The Company is asking to be compensated for OSS margins that it did not realize during
16 the Flood.[19]

17 Q. WHEN DID THE COMMISSION FIRST APPROVE THE CURRENT
18 SITUATION WHERE THE COMPANY IS RESPONSIBLE FOR OFF-
19 SYSTEM SALES MARGIN SHORTFALLS BELOW A SPECIFIC LEVEL
20 THAT WAS INCLUDED IN DETERMINING KCP&L'S REVENUE
21 REQUIREMENT?

22 A. The Commission made that determination in the first rate case after the Regulatory Plan
23 was approved (the "2006 Case").[20] In that case, the Commission directed KCP&L to

[18] NYMEX Henry Hub natural gas futures prices from July 25, 2012.
[19] Supplemental Direct Testimony of Tim M. Rush.
[20] ER-2006-0314, *Order Regarding Motions for Rehearing*, p. 3.

1 establish its revenue requirement using an estimate of OSS margins determined as the
2 25th percentile of its probabilistic analysis, and that OSS margins realized above that level
3 be returned to customers in subsequent cases. The Company bore the risk of OSS margin
4 shortfalls.

5 Q. HAS THE COMPANY EXPLICITLY RECOGNIZED THAT IT BEARS THE
6 RISK OF OFF-SYSTEM SALES MARGIN SHORTFALLS?

7 A. It has. For example, in the case following the 2006 Case (the "2007 Case) Company
8 witness Chris Giles states that, "[t]he Company now bears the earnings related risk and
9 cash flow risk should margins fall below the 25th percentile."[21] The Commission did not
10 change its approved OSS margins ratemaking treatment in the 2007 Case. In the next
11 rate case (the "2008 Case"), Mr. Giles states that, "[b]y its prior decisions the
12 Commission clearly understands and recognizes the risks associated with these Off-
13 system Sales Markets."[22] In the 2010 Case, Company witness Curtis Blanc states that,

14 If the Company's off-system sales margins turned out to be less than the
15 presumed amount, then the Company had no mechanism to make up those
16 lost revenues. If the Company's off-system sales margins exceeded the
17 presumed amount, then the Company would book any additional margins
18 as a regulatory liability to be returned to customers, with interest.[23]

19 Finally, again I cite to the Company's recent Securities and Exchange
20 Commission filing wherein the Company states that, "KCP&L will not recover any
21 shortfall in non-firm wholesale electric sales margins from the level included in Missouri
22 retail rates…"[24] It is clear to me that the Company was fully aware of the risks that it
23 bore regarding OSS margin shortfalls.

[21] Direct Testimony of Chris B. Giles, ER-2007-0291, p. 11.
[22] Direct Testimony of Chris B. Giles, ER-2009-0089, p. 9.
[23] Direct Testimony of Curtis D. Blanc, ER-2010-0355, p. 11.
[24] Great Plains Energy, 2011 Form 10-K, February 28, 2012, p. 36.

1 Q. IS A DISRUPTION IN FUEL SUPPLY A RECOGNIZED RISK THAT
2 GENERATORS TAKE ON?
3 A. It is. Attachment C to my testimony provides a publicly-available discussion by a
4 leading merchant generator of the fuel supply risks it faces, including force majeure
5 events, such as the disruption in fuel supply the Company encountered during the flood.[25]
6 Q. TO THE BEST OF YOUR KNOWLEDGE HAS THE COMPANY EVER
7 INDICATED THAT THERE COULD BE SITUATIONS WHERE IT WOULD
8 NOT BE FULLY REPSPONSIBLE FOR OSS MARGIN SHORTFALLS?
9 A. No. I have not found anything in the Company's testimony in the last four rate cases that
10 suggests it was anything other than 100 percent responsible for OSS margin shortfalls.
11 Q. WHAT IS YOUR RECOMMENDATION REGARDING THE COMPANY'S
12 REQUEST TO BE COMPENSATED FOR LOST OFF-SYSTEM SALES
13 MARGINS DURING THE 2011 MISSOURI RIVER FLOOD?
14 A. That request should be denied because the Commission had previously approved on
15 multiple occasions an explicit determination of how OSS margins would be treated, and
16 that determination did not provide for cost recovery in the event OSS margins did not
17 materialize, regardless of the situation. Further, at no time did the Company request from
18 the Commission that its OSS margin determination leave open the possibility for
19 addressing unforeseen situations. In my opinion, the balance of risk had been struck with
20 respect to OSS margins and the Company is on the hook for OSS margin shortfalls
21 between rate cases.
22
23 **CONCLUSION AND RECOMMENDATIONS**
24 Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS?

[25] NRG Energy, Inc., 2011 Form 10-K, February 28, 2012, p. 34.

1 A. The Company's proposed OSS margin sharing mechanism should be rejected. I
2 recommend that the Commission maintain the status quo with respect to OSS margins by:
3 (1) directing KCP&L to include OSS margins determined at the 40th percentile of its
4 probabilistic analysis in determining the revenue requirement in this case; and (2)
5 ordering that as long as rates from this case are in effect, (a) any OSS margins realized
6 above the level included in the revenue requirement will be returned to customers in
7 subsequent cases, and (b) all OSS margin shortfalls below the level included in the
8 revenue requirement are the responsibility of shareholders. The Company's proposal to
9 be compensated for lost OSS margins during the Flood should be denied.
10 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?
11 A. Yes.
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APPENDIX

QUALIFICATIONS OF

DWIGHT D. ETHERIDGE

DWIGHT D. ETHERIDGE

Mr. Etheridge is a principal at Exeter Associates, Inc. with twenty-six years of wide ranging experience in the electric utility industry. His areas of expertise include business plan development, industry restructuring, rate design, class cost-of-service studies, load forecasting, resource planning, transmission system evaluations, power procurement, distributed generation, telecommunications, and contract negotiations.

His management experience includes reporting to the CEO of a western utility during electric deregulation and a merger of two utilities, advising the CEO on many topics including regulatory issues, legislative negotiations, strategic focus, decision analysis, and merger integration. He also has substantial project management experience gained as a consultant and in various progressively more responsible leadership roles in utility management.

Mr. Etheridge has extensive experience developing analytical and strategic solutions on a variety of utility issues and communicating on those issues to regulatory commissions, legislatures, senior management, board of directors and the public. He has presented expert testimony on over thirty occasions and has acted as a spokesperson numerous times on television, radio and in print.

Education:

B.S. (Business Administration) – University of California, Berkeley, 1985.

Previous Employment:

2004-2005 - Independent Strategy and Business Consultant

1999-2004 - Strategic Director, Sierra Pacific Resources and its Subsidiaries

1986-1999 - Nevada Power Company
- Leader of the Industry Restructuring Team
- Director, Pricing and Economic Analysis
- Economist
- Load Forecast Analyst

Professional Work:

Mr. Etheridge's work at Exeter Associates, Inc. has been focused in the following areas:

Contract negotiations for electricity and natural gas supply for U.S. Department of Energy (DOE) facilities.

Fuel switching studies for DOE facilities.

Development of electricity and renewable energy procurement plans and risk management strategies for the DOE's Northern California national laboratories.

Natural gas options analyses and development of models to project implied volatilities.

Review of utility procurement strategies for multiple U.S. Air Force bases in an effort to identify areas for potential utility cost savings.

Evaluating the need for new transmission lines in the PJM market on behalf of an agency of the State of Maryland.

Provided analytical support to a southwestern municipal water and power utility in the areas of rate design, load forecasting, wholesale market modeling, and volatility analysis.

Review of the Regional Greenhouse Gas Initiative on behalf of a regulatory agency of the State of Maryland, and the development of technical memoranda on various carbon dioxide emissions related topics.

Development of multiple options studies for DOE facilities that address the power supply and transmission system capabilities of potential alternative suppliers for meeting DOE's long-term electrical requirements.

Review of utility procurement strategies and development of electric and natural gas long-term avoided cost projections for several of DOE's national laboratories

As an independent consultant, Mr. Etheridge:

Led an engagement for a western consulting firm to review the load forecasting methodologies and forward price curve models employed by a southwestern municipal water and power utility and to recommend improvements.

Led an engagement for a western consulting firm to develop rate design options for a southwestern municipal water and power utility. The rate design recommendation was designed to facilitate the implementation of operational strategies and the achievement of operational savings identified in a previous consulting engagement. It was also designed to accommodate additional electrical loads if other water municipalities decided to jointly participate in wholesale markets.

Worked with a team from an international consulting firm to support a Midwest utility's effort to ensure that its accounting and rates departments were prepared for the Midwest ISO's "Day 2" market opening scheduled for March 1, 2005. The project involved developing process flows of information required by the accounting and rates departments, and significant interaction with the corporate information technology department. The project also involved reviewing rates and regulatory strategies for potential changes under the Day 2 market rules.

Prepared a competitive analysis for a Midwest utility's unregulated subsidiary on behalf of an international consulting firm. The analysis focused on comparing the subsidiary's product and service offerings, and value propositions, against those of its competitors as well as evaluating the dynamics occurring within the various market segments.

Led an engagement for a western consulting firm to identify strategies for maximizing the savings potential of switching electricity suppliers for a southwestern municipal water and power utility. The economic analyses developed as part of the engagement identified multi-million dollar savings potential that could be achieved over ten years through changes in both suppliers and operational strategies. In addition, the client realized thousands in immediate savings from billing errors that were identified during the engagement, as well as the potential for hundreds of thousands in annual savings that could be realized through enforcement of the provisions of existing contracts.

Worked with a team from an international consulting firm to facilitate the development of a strategic plan for a western municipal power and water utility. The project included leading the utility's management team through an all-day planning session to develop divisional strategies consistent with the utility's mission statement.

As a strategic director for Sierra Pacific Resources, Mr. Etheridge:

Developed a forecasting model for power and gas prices that was capable of blending fundamentals-based power and gas price forecasts from multiple vendors while maintaining rational market implied heat rates as well as consistent relationships across various gas market centers and power trading hubs in the western U.S. The models enable forecasters to produce timely forecast updates as gas futures prices change or when vendors update their forecasts, while maintaining an easily audited trail of assumptions across forecast updates.

Developed sophisticated financial models to evaluate the ROI potential of distributed generation projects that might be deployed by large commercial and industrial customers. The models investigated gas-fired reciprocating engines and turbines, as well as multi-unit installations, varying performance characteristics and partial standby requirements. This project was undertaken in conjunction with the redesign of retail standby rates and the introduction of new interconnection rules.

Investigated the potential of using private equity partners to pursue power plant development and/or acquisition in southern Nevada, including the possibility of a public/private partnership to leverage the credit ratings of a local governmental entity.

Gained valuable indirect experience in the development and implementation of risk management and risk control procedures while working on energy supply projects during the period of time when new corporate risk policies were developed, implemented and defended in litigated proceedings.

Supported a telecommunications subsidiary by acting as the lead in the development of business plans for two metro area networks and a long-haul opportunity. Co-presented the business plans with the lead director for the subsidiary to the Board of Directors and obtained the required initial funding of $44 million.

Supported a telecommunications subsidiary by acting as the lead in the development of a fiber-to-the-home business plan with an external team of consultants. The plan addressed the feasibility of multiple bundled service offerings and a targeted deployment in several western markets. Participated in negotiations with subsidiary management and multiple potential partners, including service providers with a national footprint, technology partners and content providers. The plan was tabled when key partnership agreements could not be put in place to pursue a "beta" test of the technology and business model.

Participated on the team that developed a successful bid for a northwest electric utility, including due diligence, management presentations by the company being acquired, and strategy discussions with the CEO and financial advisors.

As leader of the industry restructuring team at Nevada Power Company, Mr. Etheridge:

Reported to the CEO and led an internal team of directors assigned full-time to electric industry restructuring. Directed and managed the team's development and presentation of company positions on restructuring to the Public Utilities Commission of Nevada ("PUCN") and to the Nevada Legislature.

Presented expert testimony before the PUCN and the Nevada Legislature. Was responsible for hiring multiple consultants and expert witnesses to facilitate the development of corporate strategy and to support the presentation of positions before the PUCN. In this assignment, represented the company on multiple occasions on television, taped and live radio, in press conferences and interviews, in consumer focus groups, and in presentations to large commercial and industrial customers.

As a member of the CEO's staff, participated in senior management discussions on corporate strategy prior to the merger announcement and throughout the merger integration process, including development of corporate strategy and business line focus for the combined company.

One of only several advisors to the CEO that directly participated with the CEOs from both Nevada Power Company and Sierra Pacific Resources in the final legislative negotiations on the merger and associated restructuring legislation.

In his other assignments at Nevada Power Company, Mr. Etheridge:

Directed a department responsible for rate design studies, marginal cost of service studies, the annualization of sales and revenues for general rate case applications, demand-side pricing, economic and load forecasting, tariff administration, wholesale pricing, and development of supporting testimony in these areas. Built a cohesive, progressive thinking team of experts that was well recognized throughout the company.

Made multiple presentations to executives and groups of large commercial and industrial customers on a variety of industry issues.

Represented the company in negotiations with customers considering alternative sources of supply. Negotiated an 8-year retail power purchase contract with Mirage Resorts, Incorporated to keep them from building a distributed generation project. Regularly briefed the Board of Directors during negotiations and gained Board approval for the final contract. Acted as a spokesperson on television and in the press on this highly publicized contract.

Acted as the lead in the development of economic forecasts, econometric load forecasts, weather normalization of sales and peak demand, short-term sales forecasts and testimony in these areas.

Expert Testimony:

Before the Public Utility Commission of Texas, Docket No. 39896 (March and April 2012), on behalf of the United States Department of Energy (DOE). Testimony addressed rate design issues relevant to DOE's Strategic Petroleum Reserve.

Before the Illinois Commerce Commission (ICC), Docket No. 11-0721 (February 2012), on behalf DOE. Testimony addressed proposed distribution loss factors.

Before the Public Utilities Commission of Nevada (PUCN), Docket No. 11-06006 (October 2011), on behalf of the DOE. Direct and rebuttal testimony addressed Nevada Power Company's (NPC) proposed class revenue requirement allocation with respect to DOE's Nevada National Security Site (Security Site, formerly the Nevada Test Site) and the U.S. Air Force's Nellis Air Force Base (Nellis AFB).

Before the Wyoming Public Service Commission, Docket No. 20000-384-ER-10 (May 2011), on behalf of DOE. Testimony addressed class cost of service proposals.

Before the Indiana Utility Regulatory Commission (IRUC), Cause No. 38707 FAC87 (March 2011), on behalf of the Indiana Office of Utility Consumer Counselor (OUCC). Testimony provided comments on Duke Energy Indiana's electric hedging policy.

Before the IRUC, Cause No. 43849 (November 2010), on behalf of the OUCC. Testimony provided comments on an electric hedging policy proposed by the Northern Indiana Public Service Company.

Before the ICC, Docket No. 10-0467 (November and December 2010), on behalf of DOE. Testimony addressed proposed distribution loss factors.

Before the Maryland Public Service Commission (MPSC), Case No. 9179 (December 2009), on behalf of the Maryland Department of Natural Resources. Testimony addressed a proposed transmission line in eastern Maryland.

Before the PUCN, Docket No. 08-12002 (April and May 2009), on behalf of DOE. Direct and supplemental testimony addressed NPC's proposed class revenue requirement allocation with respect to DOE's Nevada Test Site (Test Site) and Nellis AFB.

Before the MPSC, Case No. 9165 (March 2009), on behalf of the Maryland Department of Natural Resources. Testimony addressed a proposed and alternative transmission lines in southern Maryland.

Before the PUCN, Docket No. 06-11022 (March 2007), on behalf of DOE. Testimony addressed NPC's proposed class revenue requirement allocation with respect to the Test Site and Nellis AFB.

Before the PUCN in NPC's last deferred energy case before a rate freeze, Docket No. 99-7035, February 2000. Rebuttal testimony addressed the issue of splitting purchased power capacity payments out of deferred energy cases and into general rate cases for cost recovery purposes.

Before the Nevada Legislature, Senate Commerce and Labor Committee, March 1999. Testimony responded to questions on deregulation.

Before the PUCN in NPC's application to provide potentially competitive services as part of industry restructuring, Docket No. 98-12009, June 1999 and December 1998. Testimony addressed steps being taking to establish an arms length affiliate to provide potentially competitive services.

Before the PUCN in its Investigation of Issues to be Considered as a Result of Restructuring of the Electric Industry (pursuant to Assembly Bill 366), Docket No. 97-8001, September 1997. Testimony addressed NPC's efforts to address restructuring issues and cost unbundling issues.

Before the PUCN in NPC's deferred energy case, Docket No. 97-7030, July 1997. Testimony addressed matching deferred energy rates with rapidly changing deferred energy balances given upward swings in market prices for fuel and purchased energy.

Before the Nevada Legislature, Senate Commerce and Labor Committee, February 1997. Testimony addressed rates during hearings on deregulation.

Before the Public Service Commission of Nevada (PSCN) in a gas utility's filing for approval of a residential gas air conditioning rate schedule, Docket No. 96-10005, February 1997. Testimony on behalf of NPC addressed the potential benefits of pricing strategies that support technological innovation.

Before the PSCN in NPC's deferred energy case and request to move capacity costs into general rates, Docket No. 96-7020, July 1996. Testimony addressed competition, marginal costs, confidentiality issues, and rate design in support of the largest ever-proposed rate reductions for large customers.

Before the PSCN in support of NPC's proposed line extension policies, Docket No. 95-6076, February 1996. Testimony addressed line extension policies in light of competition and marginal costs.

Before the PSCN in a proposed rate schedule in response to DOE's competitive solicitation for the Test Site, Docket No. 95-8038, November 1995 and January 1996. Direct and supplemental testimony addressed a proposal to serve the Test Site under a new partial requirements rate schedule. The case was withdrawn when DOE did not award contracts.

Before the PSCN in NPC's deferred energy case, Docket No. 95-7021, July 1995 and November 1995. Direct testimony and supplemental testimony addressed a request to implement improved cost allocation procedures for calculating base tariff energy rates across rate classes.

Before the PSCN in NPC's application for approval of a negotiated service agreement with Mirage Resorts, Incorporated, Docket No. 95-4061, July 1995. Testimony addressed competition, and the negotiations and cost studies that supported the service agreement.

Before the PSCN in NPC's application for approval of a resource plan, Docket No. 94-7001, February 1995. Testimony addressed load forecasting, competition, long-term avoided costs and econometric modeling.

Before the PSCN in NPC's proposed line extension rules, Docket No. 94-4085, October 1994. Testimony addressed marginal costs relative to line extensions and in total.

Before the PSCN in NPC's application for approval of a resource plan, Docket No. 94-7001, July 1994 and August 1994. Direct and supplemental testimony addressed economic and load forecasting issues.

Before the PSCN in an over-earnings investigation involving NPC, Docket No. 93-11045, June 1994. Direct and supplemental testimony addressed rate design and cost of service.

Before the PSCN in a complaint case brought by a rural cooperative over service to the Test Site, Docket No. 92-9055, January 1994. Testimony addressed the impact of lost sales to the Test Site on remaining retail customers.

Before the PSCN in NPC's general rate case, Docket No. 92-1067, January 1992. Direct and rebuttal testimony addressed rate design and cost of service.

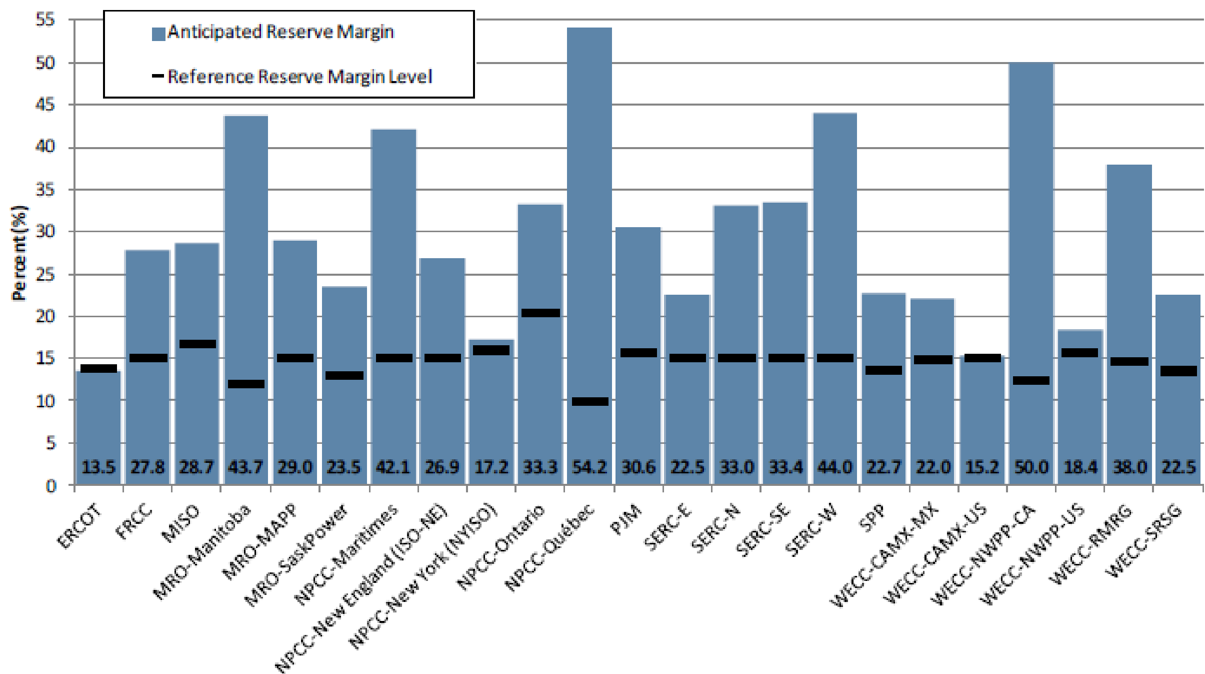
Before the PSCN in NPC's general rate case, Docket No. 91-5055, May 1991. Testimony addressed rate design and cost of service.

Before the PSCN in NPC's application for approval of a resource plan, Docket No. 88-701, July 1988. Testimony addressed economic and load forecasting.

Extreme weather could lead to stressed conditions in Southern California and Texas; planned interruptions of firm load in Texas and Southern California may be necessary

For the 2012 summer operating period (June 1, 2012 through September 30, 2012), a majority of the assessment areas are projecting sufficient resources to meet summer peak demands. However, Planning Reserve Margins for ERCOT are below the Reference Margin Level. Figure 1 shows the reserve margins for the peak demand month (which varies for each assessment area) for the 2012 summer operating period. Insufficient reserves during peak hours could lead to an increased risk of entering emergency operating conditions, including the possibility of curtailment of interruptible loads and even rotating outages of firm loads.

Figure 1: Anticipated Reserve Margins for the 2012 Summer



Natural Gas Market — The price of natural gas plays an important role in setting the price of electricity in many of the regions where NRG operates power plants. Natural gas prices are driven by variables including demand from the industrial, residential, and electric sectors, productivity across natural gas supply basins, costs of natural gas production, changes in pipeline infrastructure, and the financial and hedging profile of natural gas consumers and producers. In 2011, average natural gas prices were 8% lower than 2010 and comparable to prices seen in 2009. Supply continues to reflect increased production from low extraction cost resources such as the shale basins. In 2012, a mild winter and increased production have led to spot prices dipping into the $2.50/MMBtu range. At these current depressed levels, significant coal-to-gas switching is expected, making wholesale changes to Merit Order in many electric markets. While some gas producers have publicly spoken of scaling back production, it is too early to assess whether there is action behind their words. At current rates of production, storage levels may challenge storage limits later in the year. While the near-term gas price outlook is depressed, a return to normal weather, coal-fired plant retirements due to proposed environmental regulations and Liquid Natural Gas export possibilities may drive higher gas prices in the medium term.

If long-term gas prices remain depressed, the Company is likely to encounter further reductions in realized energy prices, leading to lower energy revenues as higher priced hedge contracts mature and are replaced by contracts with lower gas and power prices. The Retail Businesses' gross margins have historically improved as natural gas prices decline and are likely to partially offset the impact of declining gas prices on conventional wholesale power generation. To further mitigate this impact, NRG may increase its percentage of baseload capacity sold forward using a variety of hedging instruments, as described under the heading Energy Related Commodities in Item 15 — Note 6, *Accounting for Derivative Instruments and Hedging Activities,* to the Consolidated Financial Statements. The Company's increased investment in renewable power generation supported by PPAs also mitigates declines in long term gas prices.

Electricity Price — The price of electricity is a key determinant of the profitability of the Company's generation portfolio. Many variables such as the price of different fuels, weather, load growth and unit availability all coalesce to impact the final price for electricity. In 2011, electricity prices in Texas were higher than 2010 due primarily to the extreme weather and record-setting load experienced in August 2011. In NRG's other regions, prices were lower than in 2010, mainly due to lower gas prices and negligible demand growth. The following table summarizes average on-peak power prices for each of the major markets in which NRG operates for the years ended December 31, 2011, 2010, and 2009:

	Average on Peak Power Price ($/MWh)		
Region	**2011**	**2010**	**2009**
Texas	$ 57.42	$ 40.40	$ 35.43
Northeast	53.09	56.69	46.14
South Central	36.30	40.25	33.58
West	36.39	40.05	39.70

NRG's costs, results of operations, financial condition and cash flows could be adversely impacted by disruption of its fuel supplies.

NRG relies on coal, oil and natural gas to fuel a majority of its power generation facilities. Delivery of these fuels to the facilities is dependent upon the continuing financial viability of contractual counterparties as well as upon the infrastructure (including rail lines, rail cars, barge facilities, roadways, and natural gas pipelines) available to serve each generation facility. As a result, the Company is subject to the risks of disruptions or curtailments in the production of power at its generation facilities if a counterparty fails to perform or if there is a disruption in the fuel delivery infrastructure.

NRG has sold forward a substantial portion of its baseload power in order to lock in long-term prices that it deemed to be favorable at the time it entered into the forward sale contracts. In order to hedge its obligations under these forward power sales contracts, the Company has entered into long-term and short-term contracts for the purchase and delivery of fuel. Many of the forward power sales contracts do not allow the Company to pass through changes in fuel costs or discharge the power sale obligations in the case of a disruption in fuel supply due to force majeure events or the default of a fuel supplier or transporter. Disruptions in the Company's fuel supplies may therefore require it to find alternative fuel sources at higher costs, to find other sources of power to deliver to counterparties at a higher cost, or to pay damages to counterparties for failure to deliver power as contracted. Any such event could have a material adverse effect on the Company's financial performance.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

IN THE MATTER OF KANSAS CITY POWER & LIGHT COMPANY'S REQUEST FOR AUTHORITY TO IMPLEMENT A GENERAL RATE INCREASE FOR ELECTRIC SERVICE	)))))	CASE NO. ER-2012-0174

AFFIDAVIT OF DWIGHT D. ETHERIDGE

STATE OF MARYLAND)
) SS
COUNTY OF HOWARD)

Dwight D. Etheridge, being first duly sworn, on his oath states:

1. My name is Dwight D. Etheridge. I am a consultant with Exeter Associates, Inc., having its principal place of business at 10480 Little Patuxent Parkway, Suite 300, Columbia, Maryland 21044.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of the United States Department of Energy which was prepared in written form for introduction into evidence in the above-captioned docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Dwight D. Etheridge
Dwight D. Etheridge

Subscribed and sworn before me this 2nd day of August, 2012.

Notary Public

My commission expires: Susan K. Hon
NOTARY PUBLIC
Howard County, Maryland
My Commission Expires 12/04/2015

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 2nd day of August, 2012, the foregoing testimony was:

(1) formally placed on the Commission's website via the Commission's Electronic Filing and Information System ("EFIS") in accordance with applicable procedure;

(2) served via electronic mail on all of the entities and individuals, and all of the legal representatives of all of the entities and individuals, including Commission Staff, whom the EFIS at this date identifies as parties or petitioners for intervention herein. These are:

clumley@lawfirmemail.com; david.woodsmall@woodsmalllaw.com; dmvuylsteke@bryancave.com; DNRenergycases@dnr.mo.gov; dwoodsmall@fcplaw.com; heather.humphrey@kcpl.com; Jessica.blome@ago.mo.gov; jfischerpc@aol.com; karl.zobrist@snrdenton.com; gencounsel@psc.mo.gov; lisa.gilbreath@snrdenton.com; lowery@smithlewis.com; lwdority@sprintmail.com; Nathan.Williams@psc.mo.gov; OPCservice@ded.mo.gov; roger.steiner@kcpl.com; sarah.kliethermes@psc.mo.gov; steve.dottheim@psc.mo.gov; stucon@fcplaw.com; tbyrne@ameren.com; tim.rush@kcpl.com;

Arthur Perry Bruder
Attorney for the United States Department of Energy
Arthur.Bruder@hq.doe.gov
202-586-3409

Dated: August 2, 2012

The Public Service Commission of Missouri
Case No. ER-2012-0174

August 2, 2012

TO THE ADMINISTRATIVE LAW JUDGES AND THE PARTIES:

The Direct Testimony of Dwight D. Etheridge on behalf of the United States Department of Energy in the above-captioned proceeding has been formally placed on the Commission's website via the Commission's Electronic Filing and Information System ("EFIS") in accordance with applicable procedure, and is transmitted as an attachment hereto.

Thank you for your cooperation.

AP Dwight D. Etheridge
for

Arthur Perry Bruder
Attorney for United States Department of Energy
(202) 586-3409
Arthur.Bruder@hq.doe.gov