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Witness: David C. Roos
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2016-0285
Date Testimony Prepared: December 30, 2016

MISSOURI PUBLIC SERVICE COMMISSION
COMMISSION STAFF DIVISION
ENERGY RESOURCES DEPARTMENT

REBUTTAL TESTIMONY
OF
DAVID C. ROOS

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2016-0285

Jefferson City, Missouri
December 2016

Staff Exhibit No. 226
Date 2/22/17 Reporter MM
File No. ER-2016-0285

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4 **DAVID C. ROOS**

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1 **REBUTTAL TESTIMONY**

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6 Q. Please state your name and business address?

7 A. My name is David C. Roos and my business address is Missouri Public Service
8 Commission, P.O. Box 360, Jefferson City, MO 65102.

9 Q. What is your position at the Commission?

10 A. I am a Regulatory Economist III in the Commission Staff Division,
11 Energy Resources Department.

12 Q. Are you the same David C. Roos that contributed to Staff's Cost of Service
13 Report ("COS Report") filed on November 30, 2016 and to Staff's Class-Cost-of-Service Rate
14 Design Report ("CCOS") filed December 14, 2016?

15 A. Yes, I am.

16 Q. What is the purpose of your rebuttal testimony?

17 A. The purpose of my rebuttal testimony is to address KCPL witness Mr. Tim M.
18 Rush's Fuel Adjustment Clause (FAC) direct testimony, in which he requests the continuation
19 of the Company's FAC with modification. Specifically, I will address the following costs that
20 Mr. Rush proposes to include in the FAC: 1) Southwest Power Pool (SPP) transmission costs
21 and fees and SPP transmission revenues for SPP's transmission of electricity for utilities other
22 than KCPL in FERC account 456.1 and 2) fuel handling expenses.

1 **KCPL'S TRANSMISSION COSTS AND REVENUES IN ITS FUEL ADJUSTMENT**
2 **CLAUSE**

3 Q. On page 6, lines 10 through 12, Mr. Rush proposes to include all SPP
4 transmission costs and revenues in KCPL's FAC. Does Staff agree with Mr. Rush's
5 proposal?

6 A. No, it does not. As it did on pages 166 to 168 of its COS Report, Staff
7 recommends that the only transmission costs that should be included in KCPL's FAC are
8 those costs that KCPL incurs to 1) transmit electric power it did not generate to serve its own
9 native load and 2) transmit excess electric power it is selling to third parties located outside of
10 the Southwest Power Pool (SPP).

11 Staff further recommends that no transmission revenues accounted for in FERC
12 Account 456.1 be included in the FAC. These revenues do not meet the definition of
13 transmission costs that KCPL incurs to 1) transmit electric power it did not generate to serve
14 its own native load and 2) transmit excess electric power it is selling to third parties located
15 outside of SPP, and therefore these revenues should not be in the FAC.

16 Staff's recommendation regarding transmission costs and revenues represents no
17 change to KCPL's current FAC.

18 Q. Is Staff's recommendation consistent with recent Commission Report
19 and Orders regarding transmission costs in FACs?

20 A. Yes. As explained in its CCOS Report, Staff's recommendation is consistent
21 with the Commission's *Report and Order* in KCPL last general rate case in Case No.
22 ER-2014-0370 and the Commission's *Report and Order* in the Empire District Electric
23 Company general rate case in Case No. ER-2016-0023.

1 Likewise, Staff's recommendation concerning SPP transmission costs and revenues in
2 the FAC of KCPL is generally consistent¹ with the treatment of SPP transmission costs and
3 revenues in the *Non-Unanimous Stipulation and Agreement*² in GMO general rate case in
4 Case No. ER-2016-0156.

5 **PROPOSED FUEL HANDLING EXPENSES**

6 Q. Starting on page 7, lines 13 through page 8 line 9 Mr. Rush proposes to include
7 "fuel handling expenses" in the FAC. Does Staff agree with Mr. Rush's proposal?

8 A. No. In Staff's review of the fuel handling costs proposed to be included in
9 KCPL's FAC, Staff identified costs that were not related to fuel and purchased power or fuel
10 and purchased power costs that did not meet the Commission's criteria for inclusion in an
11 FAC.

12 Q. What costs in the fuel handling subaccounts are not fuel or purchased
13 power costs?

14 A. In the subaccounts for "fuel handling expenses" Staff found numerous costs
15 assigned to fuel handling that are not fuel and purchased power costs appropriate for inclusion
16 in the FAC, as shown in the following examples:

17
18
19
20
21 *continued on next page*

¹ No Crossroads transmission costs are included in the FAC of GMO.

² See paragraph 15 of the *Non-Unanimous Stipulation and Agreement* filed on September 20, 2016 and approved by the Commission on September 28, 2016.

1

Conferences and Seminars	Travel Other
Office Equip and Supp LT 100 Per Item	Data Processing Software and Support
Printing Expenses	Meal Allowance Bargaining Unit
Subscriptions and Publications	Cell Phones
Safety and Medical Supplies	Fleet Loads (vehicle depreciation and maintenance)
Prof Dues and Membership Fees	T and E Only Airfare and Airline Fees
Employee Amenities	T and E Only Dues-Member Fee-License
Office Expenses Other	T and E Only Meals and Entertainment
Consulting Fees	T and E Only Mileage
Airfare and Baggage Fees	T and E Only Other Miscellaneous
Business Meals	T and E Only Telephone Charges
Lodging	T and E Only Car Rental
Meals Billable To Others	T and E Only Safety Shoes
Mileage Reimbursement	T and E Only Subscription-Publication
Parking Fees	T and E Only Supplies
Rental Car Expense	T and E Only Taxi-Bus-Shuttle-Park

2

3 Q. Are there fuel or purchased power related expenses in the fuel handling
4 subaccounts, and if so should these costs be included in the FAC?

5 A. There are fuel related costs included in the fuel handling subaccounts;
6 however, these costs do not meet the Commission's criteria for inclusion in the FAC.

7 In the Commission's *Report and Order* from the Union Electric Company d/b/a
8 AmerenUE general rate case in Case No. ER-2008-0318, the Commission established three
9 criteria for determining whether a fuel and purchased power cost or revenue should be
10 included in a utility's FAC. Specifically, on page 61:

11 The Commission concluded a cost or revenue change should be tracked
12 and recovered through a fuel adjustment clause if that cost or revenue
13 change is:

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David C. Roos

- 1 1. Substantial enough to have a material impact upon the revenue
- 2 requirements and the financial performance of the business between
- 3 rate cases;
- 4 2. Beyond the control of management, where utility management has
- 5 little influence over experienced revenue or cost levels; and
- 6 3. Volatile in amount, causing significant swings in income and cash
- 7 flows if not tracked. [Footnote not included]

8 The fuel related costs in the fuel handling subaccounts are primarily costs of contractor labor,
9 materials, and equipment for handling fuel. With respect to the Commission's criteria, these
10 costs are not appropriate for the FAC because they: 1) are not substantial enough to have a
11 material impact upon the revenue requirement (the cost is 2% of Staff's Base Costs for this
12 case); 2) can be controlled by planning and contractor oversight; 3) are not volatile in unit
13 pricing and do not cause significant swings in income.

14 Q. How can KCPL recover the costs of "fuel handling" if these costs are not
15 included in the FAC?

16 A. KCPL will recover these costs the same way it has recovered these costs in the
17 past. Fuel handling costs will be recovered through base rates established in this general rate
18 case. Given that there is a relationship between the amount of fuel purchased and the cost of
19 fuel handling, the fuel being handled is used to generate energy that is sold to customers. If
20 more fuel is purchased in order to generate more energy, then KCPL will bill more units of
21 energy (kilowatt-hours). The base rate energy charge (\$/kWh) established in this rate case
22 includes fuel handling costs.

23 Q. Does this conclude your rebuttal testimony?

24 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light)
Company's Request for Authority to) Case No. ER-2016-0285
Implement A General Rate Increase for)
Electric Service)

AFFIDAVIT OF DAVID C. ROOS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

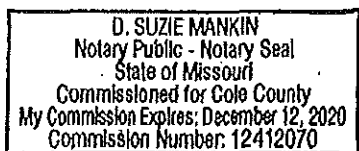
COMES NOW DAVID C. ROOS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Rebuttal; and that the same is true and correct according to his best knowledge and belief.

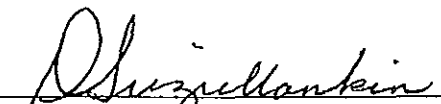
Further the Affiant sayeth not.


DAVID C. ROOS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 30th day of December, 2016.




Notary Public