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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-2016-0285

Direct Testimony of
James R. Dauphinais

On behalf of
Missouri Industrial Energy Consumers

NON-PROPRIETARY

December 14, 2016



Project 10277

MIEC Exhibit No. 850NP

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Date 2-22-17 Reporter mm
File No. ER-2016-0285

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OF THE STATE OF MISSOURI

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)
)

STATE OF MISSOURI)
)
) SS
COUNTY OF ST. LOUIS)

Affidavit of James R. Dauphinais

James R. Dauphinais, being first duly sworn, on his oath states:

1. My name is James R. Dauphinais. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes is my direct testimony which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2016-0285.
3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things that it purports to show.

James R. Dauphinais
James R. Dauphinais

Subscribed and sworn to before me this 13th day of December, 2016.

MARIA E. DECKER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis City
My Commission Expires: May 5, 2017
Commission # 13706793

Maria E. Decker
Notary Public

**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-2016-0285

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Direct Testimony of James R. Dauphinais**

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**James R. Dauphinais
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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-2016-0285

Direct Testimony of James R. Dauphinais

I. INTRODUCTION

1

2 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

5 Q WHAT IS YOUR OCCUPATION?

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

8 Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

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

10 Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

11 A This testimony is presented on behalf of the Missouri Industrial Energy Consumers
12 ("MIEC"), a non-profit company that represents the interests of industrial customers in
13 Missouri utility matters. The industrial customers purchase substantial quantities of
14 electricity from Kansas City Power and Light Company ("KCPL" or "Company").

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1 Q HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC SERVICE
2 COMMISSION (“COMMISSION” OR “MOPSC”)?

3 A Yes. I have previously testified before the Commission on several occasions. The
4 subject matter of that testimony included, but was not limited to, avoided and
5 incremental cost, electric utility fuel and purchased power costs, off-system sales
6 revenues and margins, transmission expenses, transmission revenues, fuel
7 adjustment clauses and Regional Transmission Organization (“RTO”) participation.
8 Of particular relevance in this proceeding, I testified before the Commission in KCPL’s
9 last two base rate proceedings (Case Nos. ER-2012-0174 and ER-2014-0370) and in
10 Ameren Missouri’s 2014 base rate proceeding (Case No. ER-2014-0258) with respect
11 to the treatment of wholesale transmission expenses and revenues in retail rates in
12 Missouri.

13 Q WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

14 A My testimony addresses the Company’s proposal to include wholesale transmission
15 expenses and revenues not associated with the transportation of fuel and purchased
16 power, and NERC, FERC and Southwest Power Pool (“SPP”) administration charges,
17 within its Fuel Adjustment Clause (“FAC”). I also address the Company’s alternative
18 proposal to track and defer recovery of all of these expenses and revenues until its
19 next base rate proceeding.

20 The fact that I do not address any other particular issues in my testimony or
21 am silent with respect to any of the Company’s other proposals in this proceedings
22 should not be interpreted as an approval of any position taken by the Company in this
23 proceeding.

James R. Dauphinais
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1 Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

2 A My conclusions and recommendations are as follows:

- 3
- 4 • Consistent with its May 29, 2015 Order in Ameren Missouri Case No. ER-2014-0258 and its September 2, 2015 Order in KCPL Case No. ER-2014-0370, all of
- 5 KCPL's wholesale transmission expenses and revenues not associated with the
- 6 transportation of fuel or purchased power should be excluded from KCPL's FAC
- 7 since Section 386.266.1, RSMo (Supp. 2011) only permits the inclusion of the
- 8 cost of transportation for fuel and purchased power in an FAC – not the cost of
- 9 transportation of power that is not purchased power. This will remove
- 10 approximately 79.9% of KCPL's wholesale transmission expenses and all of its
- 11 wholesale transmission revenues from its proposed FAC. This adjustment will not
- 12 affect KCPL's base rate revenue requirement. However, it will decrease the
- 13 portion of KCPL's total Company base rate revenue requirement that is included
- 14 in the proposed Base Factor for KCPL's proposed FAC. The Base Factor
- 15 adjustment will need to be recalculated during the true-up phase of this
- 16 proceeding.
- 17
- 18 • All of KCPL's SPP Administration Charges as well as NERC and FERC fees
- 19 (Accounts 561, 565, 575 and 928) should be excluded from KCPL's FAC as these
- 20 are neither fuel and purchased power expenses nor transportation expenses
- 21 incurred to deliver fuel or purchased power. This adjustment will not affect
- 22 KCPL's base rate revenue requirement. However, it will decrease the portion of
- 23 KCPL's total Company base rate revenue requirement that is included in the
- 24 proposed Base Factor for KCPL's proposed FAC. The Base Factor adjustment
- 25 will need to be recalculated during the true-up phase of this proceeding.
- 26
- 27 • Consistent with the Commission's September 2, 2015 Order in KCPL Case No.
- 28 ER-2014-0370, KCPL's alternative proposal in this proceeding for a rate tracker
- 29 for its wholesale transmission expenses and revenues should also be rejected as
- these are not extraordinary expenses and revenues that justify the use of such a
- rate tracker.

30 **II. PROPOSED INCLUSION OF TRANSMISSION EXPENSES**

31 **AND TRANSMISSION REVENUES IN THE FAC**

32 Q PLEASE DESCRIBE KCPL'S WHOLESALE TRANSMISSION EXPENSES AND

33 REVENUES.

34 A KCPL's wholesale transmission expenses are the transmission service charges

35 reflected in FERC Account 565 that KCPL incurs under the SPP OATT and the

1 OATTs of other transmission providers. KCPL incurs these expenses for three
2 reasons:

- 3 • To transmit electric power from its own generation facilities to its own load;
- 4 • To transmit electric power it has purchased from SPP or other third-parties
5 ("Purchased Power") to its own load; and
- 6 • To transmit electric power it is selling to third-parties ("Off-System Sales") to
7 locations outside of SPP.¹

8 KCPL's wholesale transmission revenues are the transmission service
9 revenues reflected in FERC Account 456.1 that KCPL earns via the SPP OATT and
10 other FERC-jurisdictional transmission rates. These revenues are paid to KCPL for
11 use of its transmission system by third-parties.

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

15 **A** KCPL's wholesale transmission expenses have risen by a large amount over the last
16 six years and are expected to rise a bit more in 2017 and 2018 before largely leveling
17 off (KCPL witness Carlson Schedule JRC-4). This large increase was the result of an
18 increase in SPP Region-wide Transmission Project charges that was largely
19 forecasted by SPP well in advance of their incurrence by KCPL. KCPL's share of the
20 annual revenue requirement of SPP Region-wide Transmission Projects and zonally
21 allocated transmission projects for calendar year 2016 amounts to just under
22 \$50 million (total Company) (Id.). SPP projects the KCPL share of the annual
23 revenue requirement will grow to approximately \$52 million in 2017 and peak out at

¹Under 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 \$55 million in 2018 (*Id.*). Allowing KCPL to flow increases of these wholesale
2 transmission expenses through an FAC would allow KCPL to recover the Missouri
3 jurisdictional portion of these increases between base rate proceedings without
4 considering whether KCPL has any offsetting changes in its non-transmission and
5 non-fuel revenues and expenses. This could allow KCPL to over-recover its total
6 costs. Therefore, these wholesale transmission expenses should not be allowed to be
7 recovered through any FAC granted to KCPL except to the extent: (i) it is permitted by
8 Section 386.266 and (ii) the expenses meet the standard the Commission has
9 applied when determining the eligibility for costs to be recovered in an FAC .

10 **Q WHICH WHOLESale TRANSMISSION EXPENSES AND REVENUES MAY THE**
11 **COMMISSION ALLOW TO BE INCLUDED IN AN FAC?**

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

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1 Q IS KCPL PROPOSING TO ONLY INCLUDE IN ITS FAC WHOLESAL
2 TRANSMISSION EXPENSES AND REVENUES THAT ARE FOR THE
3 TRANSPORTATION OF PURCHASED POWER?

4 A No. KCPL is proposing to place all of its wholesale transmission expenses and
5 revenues into its FAC, not just those that are for the transportation of purchased
6 power. Only KCPL's wholesale transmission expenses that are incurred to transmit
7 electric power it has purchased from SPP or other third-parties (i.e., Purchased
8 Power) should be includable in a FAC as they are the only transportation costs for
9 purchased power that KCPL incurs. KCPL's wholesale transmission expenses
10 incurred to transmit power from its own generation resources to its own load should
11 be excluded from a FAC because these expenses are not incurred for transportation
12 of fuel or purchased power. For the same reason, KCPL's wholesale transmission
13 expenses incurred to transmit the electric power it is selling to third-parties
14 (i.e., Off-System Sales) to locations outside of SPP should be excluded from an FAC
15 along with all of its wholesale transmission revenues.²

²This 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.

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

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

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	<p>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.</p>
Transmission of Purchased Power	<p>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.</p> <p>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.</p>
Transmission of Off-System Sales	<p>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.</p> <p>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.</p>

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

1 service is being taken is equal to approximately **_____** MWh. However,
2 only approximately **_____** MWh (or approximately 20.1%) 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 79.9%) of load are being served by KCPL's own
6 generation facilities. Thus, only a small portion, approximately 20.1% of KCPL's total
7 SPP wholesale transmission expenses incurred for NITS can be reasonably classified
8 as being for transportation of fuel or purchased power. The other 79.9% of KCPL's
9 total SPP wholesale transmission expenses incurred for NITS should be classified as
10 being for the transportation of power from KCPL's own generation to its own load and
11 excluded from the FAC and the NBEC portion of KCPL's base rate revenue
12 requirement.

13 **Q ARE ANY OTHER PORTIONS OF KCPL'S SPP WHOLESAL 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 20.1% 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 an 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 that 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 2015 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 2015
10 FERC Form 1 Filing at pages 310 through 311.2). Therefore, MIEC is willing to
11 agree, for purposes of this proceeding only, to forgo trying to split them and instead
12 proposes to estimate KCPL's total wholesale transmission expenses for the
13 transmission of purchased power as 20.1% of all of KCPL's SPP wholesale
14 transmission expenses rather than just 20.1% of KCPL's SPP NITS wholesale
15 transmission expenses. However, MIEC reserves the right in future base rate
16 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 2015, in total, non-SPP wholesale transmission expenses amount

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1 to only \$0.2 million (approximately 0.3%) of KCPL's total calendar year 2015
2 wholesale transmission expenses of \$58.4 million (KCPL 2015 FERC Form 1 at page
3 332). As a result, MIEC is willing to agree, for purposes of this proceeding only, to
4 forgo trying to split them and instead propose to simply classify 20.1% of all of
5 KCPL's wholesale transmission expenses as wholesale transmission expenses
6 incurred to deliver purchased power to KCPL's customers. This small portion of
7 KCPL's wholesale transmission expenses would be recoverable in the FAC. The
8 remaining 79.9% of KCPL's wholesale transmission expenses and none of KCPL's
9 wholesale transmission revenues would be recoverable in the FAC. However, they
10 would still be recoverable in KCPL's base rates.

11 **Q IS YOUR RECOMMENDATION CONSISTENT WITH PAST COMMISSION**
12 **PRECEDENT?**

13 **A** Yes. In KCPL's last base rate case, the Commission rejected this same KCPL
14 proposal. Specifically, in the Commission's September 2, 2016 Order Report and
15 Order, the Commission indicated:

16 The Commission has addressed this issue in recent rate cases. In the
17 Report and Order issued in File No. ER-2014-0258 for Ameren
18 Missouri, the Commission stated:

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

28 *The drafters of the FAC statute likely did not envision a*
29 *situation where a utility would consider all its generation*
30 *purchased power or off-system sales. In fact, the policy*
31 *underlying the FAC statute is clear on its face. The statute is*

1 *meant to insulate the utility from unexpected and uncontrollable*
2 *fluctuations in transportation costs of purchased power. At the*
3 *time the statute was drafted, and even in our more complex*
4 *present-day system, the costs of transporting energy in addition*
5 *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*
7 *unexpected and out of the utility's control to such an extent that*
8 *a deviation from traditional rate making is justified.*

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

17 Similarly, in a subsequent rate case for The Empire District Electric Company,
18 which is also a member of SPP, the Commission concluded:

19 *Furthermore, as has been the case since the FAC statute was*
20 *created, the costs of transporting energy in addition to the*
21 *energy generated by the utility or energy in excess of what the*
22 *utility needs to serve its load are the costs that are unexpected*
23 *and out of the utility's control to such an extent that a deviation*
24 *from traditional rate making is justified. Therefore, the costs*
25 *Empire incurs related to transmission that are appropriate for*
26 *the FAC, from a policy perspective and by statute, are: 1) Costs*
27 *to transmit electric power it did not generate to its own load*
28 *("true purchased power"); or 2) Costs to transmit excess*
29 *electric power it is selling to third parties to locations outside of*
30 *its RTO ("Off-system sales").*

31 The evidence shows in this case that on a daily basis, KCPL sells all of
32 the power it generates into the SPP market and purchases from SPP
33 100% of the electricity it sells to its retail customers. However, based
34 on the Commission's analysis in the two cases cited above, it would
35 not be lawful for KCPL to recover all of its SPP transmission fees
36 through the FAC. In addition, while KCPL's transmission costs are
37 increasing, those costs are known, measurable, and not unpredictable,
38 so the costs are not volatile. The Commission concludes that the
39 appropriate transmission costs to be included in the FAC are 1) costs
40 to transmit electric power it did not generate to its own load (true
41 purchased power); and 2) costs to transmit excess electric power it is
42 selling to third parties to locations outside of SPP (off-system sales).

43 (Case No. ER-2014-0370, Report and Order at pages 34 - 35)

1 to recover them in a FAC. Assuming some of these charges are incurred under the
2 SPP OATT, in order for them to be recoverable through an FAC, KCPL would have to
3 demonstrate that the portion of these charges it wishes to include in an FAC would
4 not be incurred but for the transmission service, it takes for the delivery of purchased
5 power. KCPL has not done so. Therefore, while these costs are still recoverable in
6 base rates, if the Commission grants KCPL an FAC, these costs should not be
7 recoverable through that FAC. This will decrease the portion of KCPL's total
8 Company base rate revenue requirement that is included in the proposed Base
9 Factor for KCPL's proposed FAC. The Base Factor adjustment will need to be
10 calculated during the true-up phase of this proceeding.

11 **Q IS YOUR RECOMMENDATION CONSISTENT WITH PAST COMMISSION**
12 **PRECEDENT?**

13 **A** Yes. In KCPL's last base rate case, the Commission also rejected this KCPL
14 proposal. Specifically, in the Commission's September 2, 2015 Report and Order, the
15 Commission indicated:

16 KCPL has requested that SPP Schedule 1-A and 12 fees be included
17 in its FAC. The Commission finds that these fees are administrative in
18 nature and not directly linked to fuel and purchased power costs.
19 These fees support the operation of SPP and are not needed for KCPL
20 to buy and sell energy to meet the needs of its customers. These fees
21 are neither fuel and purchased power expenses nor transportation
22 expenses incurred to deliver fuel or purchased power. The
23 Commission concludes that including such fees would be unlawful
24 under Section 386.266.1, RSMo, and, therefore, Schedule 1-A and 12
25 fees should not be included in the FAC. These fees are appropriate for
26 recovery in base rates.

27 (Case No. ER-2014-0370, Report and Order at page 36)

1 **IV. ALTERNATIVE PROPOSAL FOR A TRANSMISSION TRACKER**

2 **Q HAS THE COMPANY AN ALTERNATIVE TRACKING MECHANISM FOR**
3 **WHOLESALE TRANSMISSION COSTS AND REVENUES IF ITS REQUEST TO**
4 **INCLUDE 100% OF THEM IN ITS FAC IS DENIED BY THE COMMISSION IN THIS**
5 **PROCEEDING?**

6 **A** Yes. The Company is proposing to include them in Base Rates at the average of
7 their projected levels for 2017 and 2018. To the extent that the Company's actual
8 wholesale transmission costs less transmission revenues is less than the base rate
9 amount, the Company would track the amount for crediting to customers in the
10 Company's next base rate proceeding. If the actual wholesale transmission costs
11 less transmission revenues are more than the base rate amount, the Company would
12 absorb the excess costs.

13 **Q IS THIS A REASONABLE PROPOSAL?**

14 **A** No. This is a proposal for a transmission tracker very similar to the one KCPL
15 proposed in its last base rate case as an alternative to including these expenses in its
16 FAC. As the Commission found in the Company's last base rate proceeding in Case
17 No. ER-2014-0370, these are not extraordinary costs and revenues that justify the
18 use of a tracker such as KCPL has proposed in this proceeding. Specifically, the
19 Commission found:

20 The evidence presented in this case showed that KCPL's transmission
21 costs, while having increased in recent years, are normal, ordinary and
22 recurring operation costs. These recurring costs are not abnormal or
23 significantly different from the ordinary and typical activities of the
24 company, so they are not extraordinary and, therefore, not subject to
25 deferral under the USoA. The Commission concludes that KCPL has
26 not met its burden of proof to demonstrate that projected transmission
27 cost increases are extraordinary, so its request for a transmission
28 tracker will be denied.

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2 **V. CONCLUSIONS AND RECOMMENDATIONS**

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

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

- 5 • Consistent with its May 29, 2015 Order in Ameren Missouri Case No. ER-2014-
6 0258 and its September 2, 2015 Order in KCPL Case No. ER-2014-0370, all of
7 KCPL's wholesale transmission expenses and revenues not associated with the
8 transportation of fuel or purchased power should be excluded from KCPL's FAC
9 since Section 386.266.1, RSMo (Supp. 2011) only permits the inclusion of the
10 cost of transportation for fuel and purchased power in an FAC – not the cost of
11 transportation of power that is not purchased power. This will remove
12 approximately 79.9% of KCPL's wholesale transmission expenses and all of its
13 wholesale transmission revenues from its proposed FAC. This adjustment will not
14 affect KCPL's base rate revenue requirement. However, it will decrease the
15 portion of KCPL's total Company base rate revenue requirement that is included
16 in the proposed Base Factor for KCPL's proposed FAC. The Base Factor
17 adjustment will need to be recalculated during the true-up phase of this
18 proceeding.
- 19 • All of KCPL's SPP Administration Charges as well as NERC and FERC fees
20 (Accounts 561, 565, 575 and 928) should be excluded from KCPL's FAC as these
21 are neither fuel and purchased power expenses nor transportation expenses
22 incurred to deliver fuel or purchased power. This adjustment will not affect
23 KCPL's base rate revenue requirement. However, it will decrease the portion of
24 KCPL's total Company base rate revenue requirement that is included in the
25 proposed Base Factor for KCPL's proposed FAC. The Base Factor adjustment
26 will need to be recalculated during the true-up phase of this proceeding.
- 27 • Consistent with the Commission's September 2, 2015 Order in KCPL Case No.
28 ER-2014-0370, KCPL's alternative proposal in this proceeding for a rate tracker
29 for its wholesale transmission expenses and revenues should also be rejected as
30 these are not extraordinary expenses and revenues that justify the use of such a
31 rate tracker.

32 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

33 **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 Company¹
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.

¹In 2015, Northeast Utilities changed its name to Eversource Energy.

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

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

22 From 1990 to 1995, I also acted as an internal consultant to the Nuclear
23 Electrical Engineering Department of Northeast Utilities. This included interactions
24 with the electrical engineering personnel of the Connecticut Yankee, Millstone and

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1 Seabrook nuclear generation stations and inspectors from the Nuclear Regulatory
2 Commission ("NRC").

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

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

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1 Southern Company Services, Inc., Docket No. EL00-77-000, Alliance Companies, et
2 al., Docket No. EL02-65-000, et al., Entergy Services, Inc., Docket No.
3 ER01-2201-000, and Remediating Undue Discrimination through Open Access
4 Transmission Service, Standard Electricity Market Design, Docket No. RM01-12-000,
5 Midwest Independent Transmission System Operator, Inc., Docket No. ER10-1791-
6 000, NorthWestern Corporation, Docket No. ER10-1138-001, et al. and Docket No.
7 EL15-82-000, Illinois Industrial Energy Consumers v. Midcontinent Independent
8 System Operator, Inc. I have also filed or presented testimony before the Alberta
9 Utilities Commission, Colorado Public Utilities Commission, Connecticut Department
10 of Public Utility Control, Illinois Commerce Commission, the Indiana Utility Regulatory
11 Commission, the Iowa Utilities Board, the Kentucky Public Service Commission, the
12 Louisiana Public Service Commission, the Michigan Public Service Commission, the
13 Missouri Public Service Commission, the Montana Public Service Commission, the
14 New Mexico Public Regulation Commission, the Council of the City of New Orleans,
15 the Oklahoma Corporation Commission, the Public Utility Commission of Texas, the
16 Wisconsin Public Service Commission and various committees of the Missouri State
17 Legislature. This testimony has been given regarding a wide variety of issues
18 including, but not limited to, ancillary service rates, avoided cost calculations,
19 certification of public convenience and necessity, cost allocation, fuel adjustment
20 clauses, fuel costs, generation interconnection, interruptible rates, market power,
21 market structure, off-system sales, prudence, purchased power costs, resource
22 planning, rate design, retail open access, standby rates, transmission losses,
23 transmission planning and transmission line routing.

24 I have also participated on behalf of clients in the Southwest Power Pool
25 Congestion Management System Working Group, the Alliance Market Development

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1 Advisory Group and several working groups of the Midcontinent Independent System
2 Operator, Inc. ("MISO"), including the Congestion Management Working Group,
3 Economic Planning Users Group, Loss of Load Expectation Working Group, Regional
4 Expansion, Criteria and Benefits ("RECB") Working Group and Resource Adequacy
5 Subcommittee (formerly the Supply Adequacy Working Group). I am also currently a
6 member of the MISO Advisory Committee in the end-use customer sector on behalf
7 of a group of industrial end-use customers in Illinois and a group of industrial end-use
8 customers in Texas. I am also the past Chairman of the Issues/Solutions Subgroup
9 of the MISO Revenue Sufficiency Guarantee ("RSG") Task Force.

10 In 2009, I completed the University of Wisconsin-Madison High Voltage Direct
11 Current ("HVDC") Transmission course for Planners that was sponsored by MISO. I
12 am a member of the Power and Energy Society ("PES") of the Institute of Electrical
13 and Electronics Engineers ("IEEE").

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

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