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REBUTTAL TESTIMONY

OF

LENA M. MANTLE

Submitted on Behalf of
the Office of the Public Counsel

KANSAS CITY POWER & LIGHT COMPANY

Case No. ER-2018-0145

** **

Denotes Confidential Information that has been redacted

July 27, 2018

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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	))))	File No. ER-2018-0145
In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service	))))	File No. ER-2018-0146

AFFIDAVIT OF LENA M. MANTLE

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Lena M. Mantle, of lawful age and being first duly sworn, deposes and states:

1. My name is Lena M. Mantle. I am a Senior Analyst for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Lena M. Mantle
Senior Analyst

Subscribed and sworn to me this 27th day of July 2018.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13754037

Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.

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REBUTTAL TESTIMONY

OF

LENA M. MANTLE

KANSAS CITY POWER & LIGHT COMPANY
CASE NO. ER-2018-0145

KCP&L GREATER MISSOURI OPERATIONS COMPANY
CASE NO. ER-2018-0146

Q. Would you please state your name and business address?

A. My name is Lena M. Mantle. My business address is P.O. Box 2230, Jefferson City, Missouri 65102. I am a Senior Analyst for the Office of the Public Counsel ("OPC").

Q. Are you the same Lena M. Mantle that filed direct testimony in this case?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. I respond to the direct testimony of Kansas City Power & Light Company ("KCPL") and KCP&L Greater Missouri Operations Company ("GMO") witness Forrest Archibald regarding customers' expectations and what that means with respect to their bills. I respond to GMO witness Tim M. Rush's testimony regarding GMO's inclusion of transmission costs associated with Crossroads in its cost of service. Finally, I respond to Mr. Rush's testimony regarding the increase in KCPL and GMO's fuel adjustment clauses ("FACs") base costs.

Q. Do you have any recommendations for the Commission?

A. Yes. In addition to the recommendation in my direct testimony that costs of $8,273,960 associated with a contract between KCPL and the Central Nebraska Public Power and Irrigation District ("CNPPID")[1] not be included in the revenue

[1] This contract was entered into on November 3, 2011, for delivery of energy beginning on January 1, 2014 through December 31, 2023 to meet the renewable energy standards of the state of Kansas.

requirement used to set rates for KCPL's Missouri customers, I make the following recommendations in this rebuttal testimony:

1) Regarding information on customers' bills, the Commission should order KCPL and GMO, collectively called KCP&L, to:
    a) Label the FAC charge as the Fuel Adjustment Charge;
    b) Label the DSIM charge as the Energy Efficiency Programs Charge;
    c) Label the RESRAM charge as the Renewable Energy Standards Charge;
    d) Include a bill insert at least once every twelve months that explains the Fuel Adjustment Charge, Energy Efficiency Programs Charge and the Renewable Energy Standards Charge; and
    e) Include on every bill for every customer class that includes a non-utility charge a statement that non-payment of the non-utility charge will not result in the termination of electrical service;
2) The Commission should order KCP&L to maintain accurate, understandable descriptions of the fuel adjustment, energy efficiency program, and renewable energy portfolio charges on its website;
3) The Commission exclude all transmission costs associated with Crossroads from GMO's revenue requirement, as the Commission previously did in both Case Nos. ER-2010-0356 and ER-2012-0175;
4) The Commission exclude fuel costs for Montrose units 2 and 3 in the estimation of KCPL's FAC base cost;
5) The Commission exclude fuel costs for Sibley 2 in the estimation of GMO's FAC base cost;
6) The Commission exclude from the FAC the costs of purchased power contracts entered into to meet the Missouri renewable energy standards, the revenue received from the Southwest Power Pool for the energy

provided through these contracts, and transmission costs associated with these contracts; and

7) The Commission require KCP&L to recover the costs of the purchased power contracts entered into to meet the Missouri renewable energy standards net of the revenue received from the Southwest Power Pool ("SPP") for the energy provided through these contracts through the Renewable Energy Standard Rate Adjustment Mechanism ("RESRAM").

CUSTOMER BILLS

Q. Mr. Archibald states in his direct testimony[2] that a "customer information system is a critical component of the meter-to-case value chain for any meter based delivery type utility." He then provides information regarding the implementation of the One CIS Solutions Project of KCP&L. What is your response to Mr. Archibald's testimony?

A. Part of implementing this customer information system is bill information. In response to OPC data request 2018 requesting studies that support Mr. Archibald's testimony, KCP&L provided the following quote from T&DWorld regarding the expectations of customers with respect to provision of service:

> The average utility customer places much importance on understanding how their bill is calculated and the services they receive, rather than on the price tag alone. Therefore, London said, providing personalized and easily accessible information to customers should be a priority for public power utilities.

KCP&L has spent over $113 million on providing personalized and easily accessible information to its customers. However, it has overlooked the first sentence in this quote that states that the average customer places "much importance on understanding how their bill is calculated and the services they

[2] Page 3:18-19.

receive." KCP&L's current bills lack important information that would provide their customers an understanding of the services they receive.

Q. What information is missing from the customers' bills?

A. Customer bills have, as required,[3] separate line items for the fuel adjustment clause charge, the charge for energy efficiency programs, and for GMO, costs of meeting the state of Missouri renewable energy requirements. However, the bill describes these charges with the acronyms FAC, DSIM, and RESRAM. There is no indication of what cost these charges are recovering. Attached as Schedule LMM-R-1 is a customer bill that shows these charges.

Q. Why is separately identifying these rate mechanisms on customer bills important?

A. By separately providing each of these charges, the customer receives information regarding the costs of fuel, energy efficiency programs, and meeting renewable energy standards requirements. As the FAC charge changes, customers get a feel for the variability of the fuel expense of the utility. The DSIM charge provides the customer information regarding how much of their bill is for energy efficiency programs that they may or may not be utilizing. Lastly, the RESRAM gives the customers an idea of the magnitude of the cost of meeting renewable energy standards. However, with the labels of FAC, DSIM, and RESRAM, there is little to no information given by identifying these costs separately on their bills.

Q. Does OPC have a recommendation regarding how these charges appear on the customer bills?

[3] Missouri statute requires the fuel adjustment clause and energy efficiency program charges to be shown as a line item on each customer's bill. Commission rule requires the renewable energy standard charge be shown as a line item on each customer's bill.

A. Yes. OPC recommends the Commission order KCP&L to label these three charges as 1) the Fuel Adjustment Charge, 2) the Energy Efficiency Programs Charge, and 3) Renewable Energy Standards Charge.

Q. Does this alone give the customers the information they need to better understand their bills?

A. While it is an improvement over the acronyms that appear on the current bills, changing the labeling of these charges alone does not give customers much information regarding these charges. For example, customers may believe that the fuel adjustment charge should be lower when their fuel price – the price of gas at the pump - drops. They may not realize that the word "fuel" means much more to an electric company.

Q. What do you recommend that would provide customers more information?

A. KCP&L routinely includes bill inserts regarding services it offers. OPC recommends the Commission order KCP&L to include a bill insert at least once every twelve months that explains these charges for their customers. In addition, KCP&L should maintain accurate, understandable descriptions of these charges on their website.

Q. Does OPC have any other concerns regarding customer bills?

A. Yes. A customer's bill may include a non-utility charge for non-regulated services provided by KCP&L or a KCP&L affiliated entity as a "non-utility charge." These charges are included in the large font, bold "**Due Upon Receipt**" line on the bill, along with the cost of energy and other utility charges on the bill. It is KCP&L's policy that non-payment of a non-utility charge will not result in a termination of electric service. However, KCP&L's termination of service policy is not stated on the bill. While the customer may be told this when requesting a non-regulated service, it may not be clear to the customer a year or two later.

Therefore, OPC recommends that the Commission order KCP&L to include on every bill, for every customer class that includes a non-utility charge, a statement that non-payment of the non-utility charge will not result in the termination of electrical service.

CROSSROADS COSTS

Q. What is GMO's request regarding costs associated with its Crossroads Energy Center located in the state of Mississippi?

A. In his direct testimony, Mr. Rush first states GMO is not asking the Commission to reverse any of its prior decisions in Case Nos. ER-2010-0356 and ER-2012-0175.[4] Mr. Rush, on behalf of GMO, then requests, in direct contradiction to the Commission's orders in Case Nos. ER-2010-0356 and ER-2012-0175, the Commission include in GMO's revenue requirement used for setting rates a portion of GMO's transmission costs for the Crossroads Energy Center ("Crossroads"). GMO witness Ronald A. Klote testifies that GMO estimates this cost to be $6,430,287.[5]

Q. What is OPC's recommendation regarding the inclusion of this transmission cost for Crossroads in GMO's revenue requirement?

A. OPC continues to recommend that the Commission exclude all transmission costs associated with Crossroads from GMO's revenue requirement, as the Commission previously did in both Case Nos. ER-2010-0356 and ER-2012-0175.

Q. What did the Commission say regarding the transmission costs of Crossroads in its Report and Order in Case No. ER-2010-0356?

[4] Page 26:5.
[5] Direct testimony of Ronald A. Klote, page 26:11.

A. In response to GMO's request for recovery of costs associated with Crossroads the Commission said the following in its **Ultimate Finding Regarding Prudence of Crossroads** section:

> 262. Considering the costs involved, the fact that this was an affiliate transaction rather than an arms-length transaction, the relative reliability of transmission, the excessive costs of that transmission, the reduced costs for natural gas and the alternative supply source, the distance of the power in location to the customers served, and the other facts set out above, the Commission finds that the decision not to build two more 105 MW combustion turbines at South Harper was not imprudent. In addition, the decision to include Crossroads in the generation fleet at an appropriate value was prudent with the exception of the additional transmission expense, when other low-cost options were available. Paying the additional transmission costs required to bring energy all the way from Crossroads and including Crossroads at net book value with no disallowances, is not just and reasonable and is discussed in detail below.[6]

In its **Conclusions of Law – Crossroads** section, the Commission said:

> 29. In addition to the valuation, the Commission concludes that but for the location of Crossroads customers would not have to pay the excessive cost of transmission. Therefore, transmission costs from the Crossroads facility, including any related to OSS shall be disallowed from expenses in rates and therefore also not recoverable through GMO's fuel adjustment clause ("FAC").[7]

Further in its **Decision – Crossroads** section, the Commission stated:

> The Commission further determines that it is not just and reasonable for GMO customers to pay the excessive cost of transmission from Mississippi and it shall be excluded.[8]

[6] Page 90-91.
[7] Page 99.
[8] Page 100.

Q. What did the Commission say regarding Crossroads transmission costs in its Report and Order in GMO's next general electric rate case, Case No. ER-2012-0175?

A. In response to GMO's request that the Commission increase the amounts in GMO's rate base attributable to Crossroads, the Commission updated the method of valuing the amount of Crossroads to include in rates to be $62,609,430 with transmission costs excluded[9] and in the Discussion, Conclusions of Law, and Ruling section of its *Report and Order*, the Commission said:

> Therefore, the Commission concludes that including the Crossroads transmission costs does not support safe and adequate service at just and reasonable rates, and the Commission will deny those costs.[10]

Q. Did you file testimony regarding Crossroads in Case No. ER-2010-0356 and Case No. ER-2012-0175?

A. Yes. I filed testimony regarding Crossroads in both of these cases.

Q. Have you filed testimony regarding Crossroads in other cases before this Commission?

A. Yes. In total, I have filed testimony before this Commission in eight different cases that are relevant to the prudency of Crossroads and the transmission of its energy.[11] I have attached as Schedule LMM-R-5 my testimony from GMO's last general electric rate case that provides, beginning on page 25, a history of the planning decisions of GMO from when it was named Aquila, Inc., before Great Plains Energy acquired it, that have led to the current situation.

[9] Page 57.
[10] Page 59.
[11] Case nos. ER-2016-0156, ER-2012-0175, EO-2011-0390, ER-2010-0356, ER-2009-0009, ER-2007-0004, ER-2005-0436, and EF-2003-0465.

Q. Has anything changed since that general electric rate case that leads you to conclude that the Commission should allow GMO to recover any of the transmission costs associated with Crossroads?

A. No.

Q. What rationale does Mr. Rush give to support GMO's request that a portion of Crossroads transmission cost be included in its revenue requirement?

A. Mr. Rush states that GMO's request is reasonable because Crossroads is "an incredibly good asset for GMO's customers."[12]

Q. Does Mr. Rush describe any changes that make Crossroads a better asset for GMO than it was in the past?

A. No. He discusses how the 300 mega-watt ("MW") Crossroads Energy Center is a source of low-cost capacity and that it provides operational benefits because it is located outside GMO's service territory.[13] However, Crossroads is only low-cost capacity to GMO's customers because of the Commission's orders in GMO's previous rate cases that limited the Crossroads plant value that GMO could recover from its retail customers through rates and excluded transmission costs. Mr. Rush did not describe any "operational benefits" from Crossroads that the Commission has not previously addressed in its orders regarding Crossroads.

Q. Does GMO need capacity?

A. Yes. Attached as Schedule LMM-R-2 is page 28 of the *SPP 2017 Resource Adequacy Report*[14] which shows that GMO's is expected to be deficient in capacity by 225 MW in 2019 and by 364 MW in 2020. In part, this is due to

[12] Page 26:12.
[13] Page 26.
[14] Published on June 19, 2017. This report can be found in its entirety as Schedule JAR-D-5 attached to the direct testimony of OPC witness John A. Robinett.

KCP&L's announcement that it plans to prematurely retire[15] 364 MW of GMO's capacity (Sibley 3) this December. This makes GMO's existing capacity, including the 300 MW of Crossroads capacity, even more valuable to GMO.

Q. Is Crossroads capacity more valuable to GMO than Sibley 3 capacity?

A. According to discussions with KCP&L,[16] KCP&L views Crossroads capacity to be more valuable because Crossroads operation and maintenance ("O&M") costs are lower that Sibley 3 O&M costs. However, comparing Crossroads and Sibley 3 based only on their O&M costs and capacities is not reasonable. Significant factors for a reasonable comparison of generating plants include how much energy they produce and the cost to produce that energy. One need look no further than Staff's fuel run to see that there are major differences between Crossroads and Sibley 3 in the quantities of energy they produce and the costs to produce energy. Schedule LMM-R-3 is the summary sheet of Staff's fuel run results for its direct case. This summary shows the normalized generation for the test year for Sibley 3 of ** ** MWh while it shows combined Crossroads units 1-4 generation of ** ** MWh. The Sibley 3 cost per MWh generated is ** ** while the Crossroads cost per MWh is ** **.

Crossroads O&M costs are lower because it consists of four combustion turbines that rarely run. In contrast, Sibley 3 O&M costs are higher because it is a coal plant that runs often. In fact, Sibley 3 provides the more energy than any other of GMO's generating plants and, in contrast to Crossroads, it also provides plant jobs in Missouri, jobs which are included in its O&M costs.

Q. Will Crossroads Energy Center run more if GMO prematurely retires Sibley 3?

[15] Retirement was set for 2040 for Sibley 3 in the depreciation schedules agreed to in the last GMO rate case ER-2016-0156.
[16] Tim Rush on behalf of GMO, ER-2018-0145 and ER-2018-0146 Technical Conference, July 17, 2018.

A. No. Schedule BLC-5 of GMO witness Burton L. Crawford shows that GMO ** **. GMO dispatches its units based on the SPP market prices not based on the needs of its customers. Crossroads will not generate more energy until the market price is above the cost for it to generate electricity.

In addition, Crossroads consists of four 75 MW combustion turbines that are not designed to run for extended periods of time, unlike the Sibley 3 coal unit which is designed to run almost continuously. In addition, the Crossroads combustion turbines have a total capacity of 300 MW whereas Sibley 3 has a capacity of 364 MW.

Q. If GMO will not own enough generating plants to serve its retail customers energy use if it retires Sibley 3, then how does GMO plan to meet its load requirements?

A. GMO intends to enter into a contract for capacity ** ** and replace the energy that it currently generates with Sibley 3 with energy from the SPP market. This will raise GMO's current dependence on the market from 32% of its load requirements to 52%. This will increase costs that flow through GMO's FAC, which in turn will increase GMO's customers' bills.

Q. Why will costs that flow through GMO's FAC increase if customers will no longer be paying for the cost of fuel to run Sibley 3 in their FAC charges?

A. Based on recent history, it will increase the FAC costs because the SPP market price is greater than Sibley 3 fuel cost to generate energy for many hours of the year. Since GMO's FAC includes the cost of purchases from the SPP market, this increase in cost from fuel cost to market cost will result in higher FAC costs and higher, more volatile, customer bills. To compound the problem, if the

Commission does not follow the recommendations in OPC witness John A. Robinett's direct testimony, customers will continue to pay in their rates depreciation expense and O&M costs for Sibley 3 at least until GMO's next general electric rate case.

Q. Is OPC recommending GMO retire Crossroads instead of Sibley 3?

A. No. GMO is short on capacity even with the capacity of Crossroads and Sibley 3. It is OPC's opinion that, based on present circumstances, it would be imprudent for GMO to retire either plant in the near future. OPC's opinion regarding Crossroads is based on the Commission continuing to value Crossroads for revenue requirement purposes consistent with its orders in previous cases. OPC sees no reason why Crossroads should be retired now.

However, for Crossroads to remain a prudent resource, there can be no Crossroads transmission costs included in any of GMO's rates. The Crossroads plant value and the cost of transmission were inextricably intertwined in the Commission's original valuation of Crossroads as a prudent resource. The Commission made it clear in its Report and Order in Case No. ER-2010-0356, and again in Case No. ER-2012-0175, that its valuation of Crossroads was based on the value of a plant in the same regional transmission organization, one that had no transmission cost to serve its native load. By challenging the Commission's orders excluding Crossroads transmission costs from its revenue requirement used to set its rates, GMO is challenging the Commission's decision regarding the prudency of GMO acquiring Crossroads.

Q. At the end of his direct testimony for GMO, Mr. Rush testifies that the Commission has allowed The Empire District Electric Company to recover through its customer rates transmission costs related to its out-of-state Plum Point Power Plant generating asset as an example of where the Commission

has allowed the recovery through rates of transmission costs for an out-of-state generating facility.[17] What is your response?

A. Mr. Rush is correct that the Commission has allowed transmission costs for The Empire District Electric Company to receive energy from the Plum Point Power Plant ("Plum Point") in Arkansas. However, the circumstances there are vastly different than the circumstances here.

Plum Point is a 720 MW supercritical, coal-fired, steam plant in Osceola, Arkansas, that became operational in 2010. It is located about 350 miles from Joplin. Empire owns 50 MW of Plum Point and has a long-term purchased-power agreement for another 50 MW. Empire's intention from the beginning when it joined in building Plum Point was to use the energy from the plant to serve its retail and wholesale customers. Empire expects to receive about ten percent of its customers' energy needs from Plum Point. Lastly, Empire does serve customers in the state of Arkansas.

Crossroads is a natural gas combustion turbine facility that is over 500 miles from GMO's service territory. Aquila Merchant built Crossroads in a constrained location as a merchant plant to take advantage of a restructuring wholesale market. Aquila Merchant attempted to sell Crossroads in the early- to mid-2000's, but was unable to – even at a price below its book value. Before and after GMO acquired it, Crossroads was rarely used, and the Commission has stated in two previous general rate case orders that customers should not pay for the transmission costs of this plant. Nothing has changed that now makes it prudent for GMO's customers to pay these transmission costs.

KCPL'S AND GMO'S FUEL ADJUSTMENT CLAUSE

Q. **Mr. Rush in his testimony shows that the FAC base factor of GMO has increased by 20% and KCPL by 6%.[18] Similarly, in its Class Cost of Service**

[17] Page 27:16-23

Report, Staff proposed FAC base factors for GMO 5.3% higher than the current base factor and for KCPL 7.1% higher than the current base factor.[19] Do Mr. Rush or Staff explain why they are proposing increased FAC bases?

A. No, but their testimony leaves it easy to assume that despite stable coal and natural gas prices, "fuel costs" have increased dramatically since GMO's and KCPL's last rate cases. However, the calculation of the FAC base factor is very complex. The FAC base cost includes other non-fuel costs and revenues. Changes in these other costs and revenues can also increase the FAC base cost. To get an understanding of what costs were increasing, I compared all the costs as provided in KCP&L and Staff workpapers that they used to calculate the FAC bases.

Q. What does your comparison show?

A. I have attached as Schedule LMM-R-4 the costs included in the current FAC bases, GMO's and KCPL's proposed base and Staff's proposed FAC bases for GMO and KCPL. In comparing the costs and revenues, I discovered that the combined fuel costs (coal, natural gas, oil) estimated by GMO have actually decreased by 18% from ** **. The fuel costs estimated by KCPL have increased 2.7% from ** **. Staff's FAC bases estimated coal, natural gas, and oil fuel costs have decreased by 13% to ** ** for GMO and decreased 12% to ** ** for KCPL from the costs included in the current FAC bases.

Q. Did Staff and KCP&L include in their revenue requirements for KCPL and GMO the cost of fuel for the generating plants that KCP&L has publically stated it is going to retire by the end of 2018?

[18] ER-2018-0145 Direct testimony of Tim M. Rush, Schedule TMR-1, page 2 of 7; ER-2018-0145 Direct testimony of Tim M. Rush, Schedule TMR-1, page 2 of 7.
[19] Staff proposed bases are given on Page 62 of its Class Cost of Service Report.

Public

A. Yes. Even though KCP&L has publically announced it is retiring four generating plants within two days of the effective date of rates in this case[20] both Staff and KCP&L included all four of these units when estimating costs the use to determine KCPL's and GMO's revenue requirements and the FAC bases to which future FAC costs will be compared.

Q. Is it appropriate to include fuel costs for KCPL's Montrose units 2 and 3 and GMO's Sibley units 2 and 3in KCPL's and GMO's revenue requirements and FAC bases?

A. No. It is not appropriate to include fuel costs for generating plants that will not be used so soon after the operation of law date in this case. Within a couple of days after the rates are effective, the fuel costs included in rates will not accurately reflect actual fuel costs on a going forward basis.

However, to retire Sibley 3 in 2018 is imprudent. Therefore, the fuel costs of Sibley 3 should remain in GMO's revenue requirement and FAC base.

Q. With the exception of Sibley unit 3, what will be the effect on the revenue requirements and FAC bases of KCPL and GMO from excluding the fuel costs of these plants?

A. It will decrease the cost of fuel. It will increase the net purchased power costs or decrease the off-system sales revenues because the models show these plants would continue to be cost-effective in the market to some extent. The net effect will be an increase in the FAC bases. The impact on the revenue requirements will depend on the amount of other plant costs that are removed from revenue requirements netted against the increase in purchased power costs or loss of off-system sales.

[20] KCPL Montrose units 2 and 3 and GMO's Sibley units 2 and 3.

Q. Do you have a recommendation regarding the which generating units should be included when in the fuel modelling that is use to set KCPL's and GMO's FAC bases?

A. Yes. The FAC base for KCPL should not include fuel costs for Montrose units 2 and 3. The FAC base for GMO should not include fuel costs for Sibley 2.

Q. Aside from OPC's issues with including Montrose units 2 and 3, and Sibley 3 as operating for purposes of determining KCPL's and GMO's revenue requirements and FAC bases, if GMO's estimated combined fuel costs have decreased and KCPL's have decreased or increased by less than 3%, why are KCPL, GMO and Staff showing that KCPL's and GMO's FAC bases should be increased by as much as 20%?

A. The increase must be due to increases in costs other than fuel and decreases in revenues that are included in the FAC. Staff shows its estimated purchased power costs have increased by 17% from ** ** for GMO and 19% from ** ** for KCPL. Staff estimates off-system sales revenues decreased by 51% from ** ** for GMO and decreased by 16% from ** ** for KCPL.

Q. Are KCP&L's estimates for purchased power costs for GMO and KCPL higher than the estimates reflected in their current FAC bases?

A. I cannot tell. The purchased power costs from the SPP market included in the calculation of GMO's and KCPL's FAC bases are gross costs, not netted as required by FERC order 668. [21] The SPP purchased power costs included in the

[21] FERC Order 668 requires the utility to net, for each market reporting period the energy the utility provided to the regional transmission organization with the load requirements of the utility. If the load requirement is larger than the energy provided to the market, purchased power transaction was made of the netted amount. If more energy was supplied to the market than the load requirement, an off-system sale of

FAC bases by KCP&L are the cost of meeting GMO's and KCPL's load requirements entirely from the SPP market. The FAC base was set in the last case with purchased power costs netted as required by FERC Order 668. A comparison of the purchased power cost used to calculate the FAC bases shows an increase of 157% for GMO and 378% for KCPL. These large increases in purchased power costs from what was used to calculate the current FAC bases shows that this type of comparison is meaningless.[22]

Q. Are KCP&L's estimates for off-system sales revenues for GMO and KCPL lower than the estimates reflected in their current FAC bases?

A. Again, it is impossible to tell because the current base shows off-system sales revenues netted as required by FERC Order 668 and KCP&L chose to include gross revenues, i.e. all the revenues received from SPP for energy. A comparison of the purchased power cost used to calculate the FAC bases shows an increase of 5,121% for GMO and 277% for KCPL. These large increases in off-system sales from what was used to calculate the current FAC bases shows that this type of comparison is meaningless. So for my review, I only looked at purchased power costs and off-system sales revenues of Staff.

Q. Do the bases proposed by Staff show purchased power and off-system sales netted as required by FERC Order 668?

A. Yes. Therefore, an appropriate comparison can be made with the purchased power costs and off-system sales revenues used to set the current FAC bases.

Q. Does Staff's proposal show an increase in purchased power costs and a decrease in off-system sales revenues?

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the netted amount was made. Docket No. RM04-12-000; Order No. 668 *Accounting and Financial Reporting for Public Utilities Including RTOs,* page 3, issued on December 16, 2005.

[22] However, GMO's smaller percentage increase in purchased power costs are indicative of the amount of purchased power GMO currently buys on the market to meet its load requirements.

A. Yes.

Q. Why are purchased power costs increasing?

A. Purchased power costs consists of two types of purchased power. First is power purchased from the SPP market. Staff's market price workpaper shows that the annual average market price has dropped over the last three years. If the market price is dropping, there will be more purchases from the market because energy is cheaper to purchase on the market than to generate it. In this circumstance, the cost of fuel burned should drop more than market price drops. Increased purchases due to lower market prices should not result in an increase in the FAC base.

The other type of purchased power costs are the costs of bilateral contracts. GMO has bilateral contracts for wind and landfill gas energy. KCPL has bilateral contracts for wind and hydro power.[23] It is the cost of energy purchased through these bilateral contracts that are driving up the purchased power costs. I believe it is also the reason for the decrease in off-system sales revenues.

Q. How do these renewable energy contracts affect the FAC base?

A. These contracts increase purchased power contracts. They are take-or-pay contracts meaning that KCPL and GMO are required to pay for energy generated regardless of the market price for energy. Staff's fuel run workpapers show that these contracts vary from ** ** for GMO and ** ** for KCPL. Staff's average annual market price used in its analysis was $20.29/MWh.[24] Staff's hourly market prices were higher than the lowest cost bilateral contract only 27% of the hours or 2,384 hours

[23] In my direct testimony, I explained that KCPL's hydro contract was entered into for the purpose of meeting the state of Kansas renewable energy standards and should not be charged to Missouri ratepayers.
[24] Staff used the same market prices for GMO and KCPL.

of the year. Staff's modelled market prices were higher than the highest contract price in only 12 hours of the year.

Q. Why is this important?

A. These contracts require KCPL and GMO to pay a set amount for energy when it is generated regardless of what the market price is. This means that for most of the hours of the year, this energy is purchased at a loss, i.e. the costs KCPL and GMO pay for the energy is greater than the revenue they are receiving from selling the energy into the SPP market. In some hours the market prices are negative. In those hours, if energy is generated, KCPL or GMO has to not only pay the set price for the energy in the contract, it receives a negative revenue from the SPP (i.e. it has to pay the SPP the negative price).

Q. Is this why KCPL is showing that it has negative off-system sales margins for some months as you noted in your direct testimony?

A. I think so, but I am not certain. Since Staff has conducted prudence audits of KCPL's FAC, I asked Staff for any documentation it had identifying factors causing KCPL to engage in wholesale non-firm sales loss transactions that would result in negative off-system sales margins.[25] Staff replied that it "believes it is not in possession of any documents" identifying these factors.

I also asked KCPL to identify factors that cause KCPL to engage in wholesale non-firm sales loss transactions that would result in negative off-system sales margins.[26] In its response, KCPL did not provide a clear explanation, but explained that all the calculation of off-system sales margin included the cost of these renewable contracts. If KCP&L is prudently bidding its generation resources in the SPP market at or above cost, KCP&L would either break even or have a positive margin for all of its resources other than its renewable contracts.

[25] OPC Data Request 414.

Assuming KCP&L is acting prudently, negative margins would be the result of KCPL purchasing energy at prices above the market.

Q. So are KCPL and GMO making uneconomic sales of energy, i.e., selling energy at prices less than their costs to produce that energy?

A. Yes.

Q. Is it prudent for electric utilities to make uneconomic sales of energy?

A. Not for extended periods of time. It may be cost effective to make uneconomic sales for short periods of time to enable economic sales that result in economic net sales over a longer period of time. For example, it would be prudent to make sales from a generator that is kept running overnight if the margin from selling energy from the generation the next day was greater than the loss incurred the previous night. Another example would be paying a set price for energy at a price that is sometimes higher than market price but is lower enough hours that overall it is an economic contract.

Q. Is OPC recommending KCP&L not recover from their customers the costs of the contracts KCP&L entered into to meet Missouri RES requirements because the energy price of these contracts are uneconomic?

A. No. If KCP&L entered into these contracts to meet the Missouri renewable energy standards ("RES"), KCP&L should be allowed to recover the costs of the contracts. However, because KCP&L entered into these contracts to meet the RES, not because they are economic, OPC recommends that the costs of the contracts, along with the revenues received from SPP for the energy from these sources and the transmission associated with these contracts, be removed from the FACs.

[26] OPC Data Request 8013.

Q. How could KCP&L recover these costs?

A. Missouri statute allows KCPL and GMO to use a rate adjustment mechanism, the RESRAM, for recovery of costs incurred to meet the RES. The appropriate way to recover these costs net of the revenue from the SPP would be through this rate adjustment mechanism instead of a FAC. The RESRAM is a mechanism that would allow KCPL and GMO to recover their costs of meeting the renewable energy standards, through rates that can be changed between general rate cases, and trued-up, to make sure that KCPL and GMO would recover all of the costs.

Q. Aside from accounting for these costs appropriately, from a customer's perspective, why does it matter whether the costs are recovered through a FAC or through a RESRAM?

A. Both FAC and RESRAM charges are separate line items on the customers' bills. By separating these costs into the correct line item on the bill, the customers will get the correct price signals regarding fuel and purchased power costs, and the cost of the RES. By including the non-economic RES costs in the FAC, KCPL and GMO are making it appear that their fuel and purchased power costs are increasing when in fact, their RES costs are increasing because the contracts that KCPL and GMO entered into to meet the renewable energy standards are not economic.

Q. If KCPL and GMO entered into non-economic contracts for more energy than the RES requires, should KCPL and GMO be allowed to recover these costs?

A. No. Once they satisfy the legal requirements for how much of their generation is renewable, it would be imprudent for them to enter into uneconomic contracts.

Q. How does removing these costs from GMO's and KCPL's fuel costs and off-system sales revenues impact their off-system sales margins?

A. Removing of these non-economic contract costs should result in positive off-system sales margins, if their other resources are offered only when they are cost-effective. If off-system sales margins are still negative after removing these non-economic contracts, then it follows that KCPL, or GMO, is offering energy into the SPP market from resources where it costs more to produce that energy than the market price for that energy, an indication of possible imprudence.

Q. Does this conclude your direct testimony?

A. Yes, it does.

KCP&L
energizing life

For billing and service information : **816-471-5275** (816-471-KCPL)
or toll-free : **1-888-471-5275** (1-888-471-KCPL)
For emergencies or lights out : **1-888-544-4852** (1-888-LIGHT-KC)

Customer Name :
Account Number :

Billing Date: 05/29/2018

MESSAGE BOARD

Would you like a consistent monthly bill? KCP&L's Budget Billing option allows you to make consistent monthly bill payments. For more information, visit **www.kcpl.com/budgetbilling.**

Summer rates begin June 1. The price for electricity is slightly higher during the four months ahead. It's more expensive to produce energy during the summer months, when demand is at its highest. Even out seasonal billing highs and lows with KCP&L's Budget Billing plan. Learn more at **www.kcpl.com/budgetbilling.**

Let's be social! Want to learn more about our programs, services, and ways to save money? Like us on Facebook at **www.facebook.com/KCPLConnect** or follow us on Twitter at **twitter.com/kcplconnect** to stay up to date on everything we have to offer.

Never touch or attempt to pick up a fallen power line. Always assume any downed power line is energized, and stay at least 10 feet away from it. If you see a downed power line, call KCP&L immediately at 1-888-LIGHT-KC (1-888-544-4852).

Account Summary

Previously Billed	$186.07
Utility	$185.64
Miscellaneous	$0.43
Current Charges (details on back)	$91.86
Utility	$61.86
Miscellaneous	$30.00
Due Upon Receipt	**$277.93**
Please pay by June 19, 2018	$277.93

Pay $278.14 after June 19, 2018

Please return this portion with your payment. Thank you.

Customer Name :
Account Number :
Billing Date : **05/29/2018**

☐ *CHECK HERE to indicate address or phone changes on back of stub*

Please pay by 06/19/2018 : **$277.93**
Amount due after 06/19/2018 : **$278.14**

Amount Enclosed : $ _____

KCP&L
PO BOX 219703
KANSAS CITY MO 64121-9703

Deposit

Billing Details - service from 05/09/2018 to 05/29/2018

Current Charges	**$50.00**

Deposits

This is the 1st Deposit Installment of 4	$50.00
Total	**$50.00**

GMO Residential Heating - MORH

Billing Details - service from 05/09/2018 to 05/25/2018

Customer Chg	$5.56
Energy Chg 49.0000 kWh at $0.10625 per kWh (for 16 of 30 days)	$5.21
DSIM Chg 05-10-2018-05-25-2018 for 49.0000 kWh at $0.00394 per kWh	$0.19
FAC Chg 05-10-2018-05-25-2018 for 49.0000 kWh at $0.00126 per kWh	$0.06
RESRAM Chg 05-10-2018-05-25-2018 for 49.0000 kWh at $0.00085 per kWh	$0.04
Subtotal	$11.06
Clinton Franchise Fee	$0.58
Henry County Sales Tax @ 0.95%	$0.11
Clinton City Sales Tax @ 1%	$0.11
Current Charges	**$11.86**

Meter	Start Read Date	End Read Date	Days	End Read	(-)	Start Read	(=)	Read Difference	(x)	Meter Multiplier	(=)	kWh Used
	05/09	05/25	16	72,772.0000		72,723.0000		49.0000		1.0000		49.0000

Adjustments

Date	Description	Cancel Reason	Amount
05/29/2018	Reconnect charge @ Mtr		$30.00
Total			**$30.00**

Contact Information Change Form

Account Number :

Your current telephone listing on file simplifies outage and emergency reporting.

Change to : ( ) _____ - _____

Mailing Address changes only. *For service address changes call 816-471-5275 or toll-free 1-888-471-5275.*

Mailing Address Line 1: _____

Mailing Address Line 2: _____

City: _____ State: _____ ZIP: _____

E-mail Address (optional): _____

Please print changes in blue or black ink and don't forget to mark the box on the front.

SPP Southwest Power Pool

SPP 2017 RESOURCE ADEQUACY REPORT

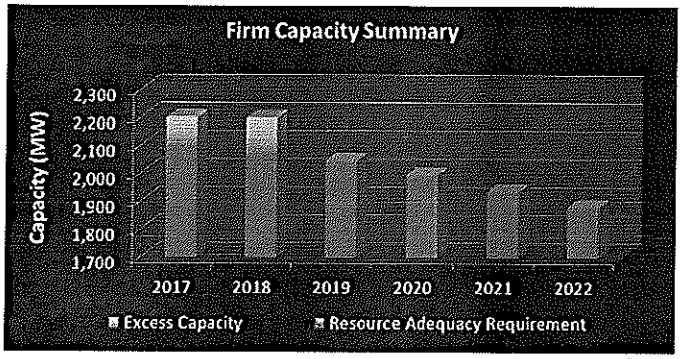
Published on June 19th, 2017

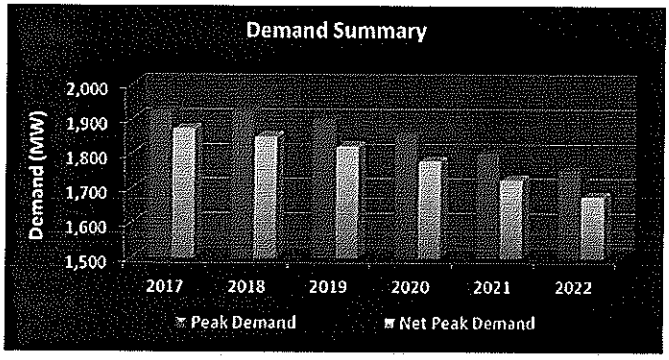
By Resource Adequacy Coordination

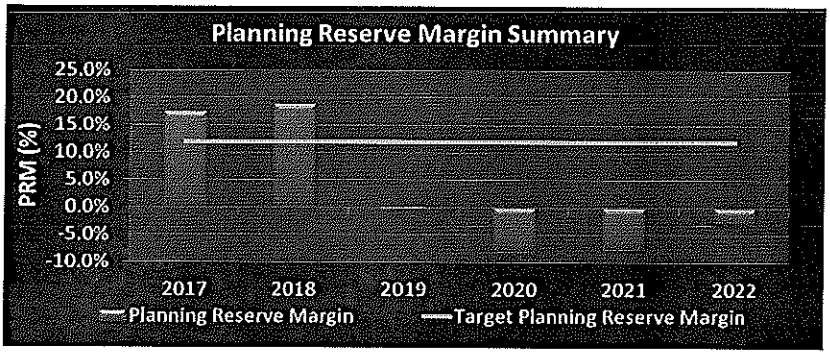
Schedule LMM-R-2
1/2

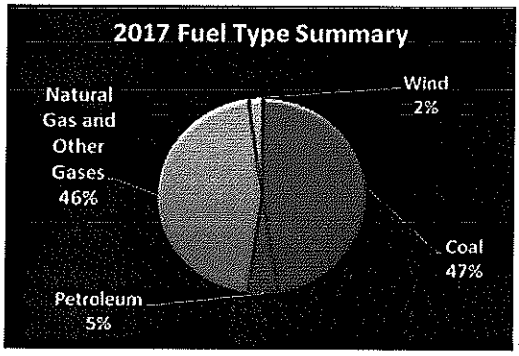
Southwest Power Pool, Inc.

GREATER MISSOURI OPERATIONS COMPANY (KCP&L)









Firm Capacity Summary	Unit	2017	2018	2019	2020	2021	2022
Firm Capacity Resources	MW	2,076	2,076	1,628	1,531	1,531	1,565
Firm Capacity Resources (Other)	MW	0	0	0	0	0	0
Firm Capacity Purchases	MW	131	130	195	105	70	70
Firm Capacity Sales	MW	0	0	0	0	0	0
Confirmed Retirements	MW	0	0	448	546	546	546
Scheduled Outages	MW	0	0	0	0	0	0
Transmission Limitations	MW	0	0	0	0	0	0
Other Capacity Adjustments - Additions	MW	0	0	0	0	0	0
Other Capacity Adjustments - Reductions	MW	5	5	5	5	5	5
Firm Capacity	**MW**	**2,202**	**2,201**	**1,818**	**1,631**	**1,596**	**1,630**
Demand Summary							
Peak Demand (Forecasted)	MW	1,926	1,925	1,902	1,858	1,805	1,756
Firm Power Purchases	MW	0	0	0	0	0	0
Firm Power Sales	MW	0	0	0	0	0	0
Controllable and Dispatchable DR - Available	MW	51	73	78	78	78	78
Other Controllable and Dispatchable DEG - Available	MW	0	0	0	0	0	0
Net Peak Demand (Forecasted)	**MW**	**1,875**	**1,851**	**1,824**	**1,781**	**1,727**	**1,679**
Energy Efficiency and Conservation (Included in Peak Demand)	MW	16	27	56	106	162	220
Standby Load Under Contract (Included in Peak Demand)	MW	0	0	0	0	0	0
Requirements Summary							
Resource Adequacy Requirement	MW	2,099	2,074	2,043	1,994	1,935	1,880
Excess Capacity	MW	103	128	0	0	0	0
Deficient Capacity	MW	0	0	225	364	339	250
Planning Reserve Margin	%	**17.5%**	**18.9%**	**-0.3%**	**-8.4%**	**-7.6%**	**-2.9%**
SPP Target Planning Reserve Margin	%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%

ER-2018-0145
and
ER-2018-146

KANSAS CITY POWER & LIGHT COMPANY
and
KANSAS CITY POWER LIGHT
GREATER OPERATIONSCOMPANY

SCHEDULE LMM-R-3

HAS BEEN DEEMED

"CONFIDENTIAL"

IN ITS ENTIRETY

GMO FAC Base Factors

	Current	Proposed GMO	Proposed Staff	Difference from Current GMO	Difference from Current Staff	% Diff from Current GMO	% Diff from Current Staff
Fuel Cost	$ 87,643,038	$ 72,032,921	$ 76,481,941	$ (15,610,117)	$ (11,161,098)	-17.81%	-12.73%
Purchased Power Cost	$ 87,084,156	$ 239,433,798	$ 101,925,124	$ 152,349,642	$ 14,840,968	174.95%	17.04%
Transmission Cost	$ 7,351,589	$ 18,933,425	$ 12,946,739	$ 11,581,836	$ 5,595,150	157.54%	76.11%
Off System Sales Revenue	$ 2,290,522	$ 119,595,983	$ 1,133,006	$ 117,305,461	$ (1,157,516)	5121.34%	-50.54%
Total FAC Cost	**$ 179,788,262**	**$ 210,804,161**	**$ 190,220,798**	**$ 31,015,899**	**$ 10,432,536**	**17.25%**	**5.80%**
NSI	8,749,635,000	8,550,833,202	8,702,560,410	$ (198,801,798)	$ (47,074,590)	-2.27%	-0.54%
FAC Base Factor ($/kWh)	**0.02055**	**0.02465**	**0.02186**	**0.00410**	**0.00131**	**19.98%**	**6.37%**

KCPL FAC Base Factor

	Current	Proposed KCPL	Proposed Staff	Difference from Current KCPL	Difference from Current Staff	% Diff from Current KCPL	% Diff from Current Staff
Fuel Cost	$ 272,690,629	$ 280,107,678	$ 239,421,111	$ 7,417,049	$ (33,269,518)	2.72%	-12.20%
Purchased Power Cost	$ 103,145,303	$ 493,284,139	$ 122,958,172	$ 390,138,836	$ 19,812,869	378.24%	19.21%
Transmission Cost	$ 13,201,513	$ 4,732,323	$ 18,465,703	$ (8,469,190)	$ 5,264,190	-64.15%	39.88%
Off System Sales Revenue	$ 138,345,883	$ 520,950,011	$ 116,599,678	$ 382,604,128	$ (21,746,205)	276.56%	-15.72%
Total FAC Cost	**$ 250,691,562**	**$ 257,174,129**	**$ 264,245,308**	**$ 6,482,567**	**$ 13,553,746**	**2.59%**	**5.41%**
NSI	16,261,970,925	15,727,567,501	15,936,517,869	$ (534,403,424)	$ (325,453,056)	-3.29%	-2.00%
FAC Base Factor ($/kWh)	**0.01542**	**0.01635**	**0.01658**	**0.00094**	**0.00117**	**6.07%**	**7.56%**

ER-2018-0145
and
ER-2018-146

KANSAS CITY POWER & LIGHT COMPANY
and
KANSAS CITY POWER LIGHT
GREATER OPERATIONSCOMPANY

SCHEDULE LMM-R-5

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