Exhibit No.:
Issue: FAC Support
Witness: Elizabeth Herrington
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company
Case Nos.: ER-2018-0145 and ER-2018-0146
Date Testimony Prepared: July 27, 2018

MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: ER-2018-0145 and ER-2018-0146

REBUTTAL TESTIMONY

OF

ELIZABETH HERRINGTON

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY and KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
July 2018

REBUTTAL TESTIMONY

OF

ELIZABETH HERRINGTON

Case Nos. ER-2018-0145 and ER-2018-0146

Q: Please state your name and business address.

A: My name is Elizabeth Herrington. My business address is 1200 Main, Kansas City, Missouri 64105.

Q: By whom and in what capacity are you employed?

A: I am employed by Kansas City Power & Light Company ("KCP&L") as Director of Power, Energy and Revenue Accounting.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of KCP&L and KCP&L Greater Missouri Operations Company ("GMO") (collectively, the "Company").

Q: What are your responsibilities?

A: As Director of Power, Energy and Revenue Accounting, I have responsibility for leading the margin accounting team in support of the monthly accounting close and external reporting processes. The margin accounting team is responsible for the recording and analysis of all revenue, fuel, purchased power, and transmission transactions, including the calculations related to all fuel adjustment clauses and the Energy Cost Adjustment.

Q. Please state your educational background and describe your professional training and experience.

A. I graduated from the University of Missouri-Columbia in May 1992 with a Bachelor of Science in Accountancy. In October 1997, I joined the Company as a staff accountant and have held several roles such as Supervisor - Accounts Receivable, Supervisor - Regulatory Accounting, Manager - Revenue and Fuel Accounting, Manager - Energy Accounting and Senior Manager - Accounting before assuming my current role in 2016.

Q. Have you previously testified in a proceeding at the Missouri Public Service Commission ("Commission" or "MPSC") or before any other utility regulatory agency?

A. Yes, I have previously testified before the Kansas Corporation Commission ("KCC") in Docket No. 16-KCPE-388-ACA, 17-KCPE-400-ACA and the MPSC in Docket No. ER-2016-0285.

Q: What is the purpose of your testimony?

A: My rebuttal testimony serves two purposes. First, I respond to Office of the Public Counsel ("OPC") witness Mr. John S. Riley's testimony relating to the definition of fuel costs in the FAC. Second, I dispute OPC witness Ms. Lena M. Mantel's claims that the Company has not been in compliance with FERC Order 668.

I. FUEL COST DEFINITION

Q: Do you believe that Mr. Riley's proposal to use the definition of fuel costs as defined by FERC in the FERC fuel clause would result in a simplification of the current FAC?

A: No. The Company has always proposed to include all costs included in FERC's definition of fuel as found in the Uniform System of Accounts under accounts 501, 518 and 547 EXCEPT where the inclusion of such amounts would result in a "double dip". For example, labor used in fuel handling would be included in the Company's labor normalization calculations and not in the FAC. By including all costs in account 501, 518 and 547 calculation and administration of the FAC is simplified. Mr. Riley's approach adds complexity by eliminating costs that are appropriately recorded in accounts 501, 518 and 547.

Q: Do you agree that fuel additives should be included in the Company's FAC?

A: Yes. The Company agrees that fuel additives should be included in the FAC as they are included as part of the FERC definition of fuel in accounts 501 and 547. Additionally, the Company agrees that fuel additives are recorded in account 501300. However, only fuel additives related to steam plants are recorded in 501300. The Company also records fuel additives in account 547300 related to non-steam plants.

Q: Do you believe that fuel costs that are incurred after fuel is consumed should be included in the cost of fuel?

A: Yes. The Company believes that fuel residuals, less any proceeds from the sale of these residuals should be included in the FAC as they are included as a part of the FERC definition of fuel in accounts 501 and 547.

II. FERC Order 668

Q: When did KCP&L and GMO join the Southwest Power Pool ("SPP") energy market?

A: On February 1st, 2007, the SPP launched the Energy Imbalance Market ("EIS"). KCP&L joined the EIS market at that time and GMO joined the EIS in September of 2009. On March 1st, 2014, the SPP launched the current Integrated Marketplace ("IM"). Both KCP&L and GMO joined the IM at that time. OPC witness Ms. Mantle states the SPP began its energy market in 2005, which is not correct.

Q: Please explain the difference between these two markets.

A: In the EIS market, a market participant would schedule the amount of energy to be used and produced. When the scheduled and the actual usage were not the same, the market participant would be either charged or credited for the difference. In the IM, a market participant will bid in their load and generation in the day ahead market and operate according to SPP dispatch in the real-time market. Instead of simply settling any differences between these amounts, the market participant is compensated for all generator sales and all load purchases in both the day ahead and real-time markets.

Q: Ms. Mantle believes there are new definitions of off system sales revenues and purchased power costs due to the IM. Do you agree?

A: No. While the sales and purchases to the SPP are larger it does not make the FAC calculation different. For example, in the EIS market, the customer paid the cost of fuel for a generating resource and in return did not pay for any of the power used from that resource and received a credit for any additional sales made by that resource. This same theory holds true in the IM where the customer pays the cost of the fuel and the price of the energy used, but receives a credit for the entire output of the resource.

To further clarify I will use a simplistic accounting example that only considers the cost of energy and fuel.

Assumptions for 1 hour	
Resource A = 100 MWh Produced	FC = Fuel Costs
Load B = 75 MWh consumed	PP = Purchased Power
Counterparty C = 25 MWh sell	OSSR = Off System Sales Revenue
Fuel Expense = $10 per MWh	ANEC = Actual Net Energy Cost
Base Fuel in Rates = $8 per MWh	B = Base Energy Cost
Energy Price = $25 per MWh	FPA = Fuel and Power Adjustment

Previously in the EIS market, the Load B did not pay for the energy consumed from Resource A, and received credit for the sale to Counterparty C. The FAC calculation would have been as follows:

EIS FAC Calculation

FC	1,000	$10 x 100MWh
PP	0	Scheduled power = consumed
OSSR	625	$25 x 25MWh
ANEC	375	
ANEC	375	$1,000 + $0 - $625
B	(800)	$8 x 100MWh
FPA	(425)	Over Collection

In today's IM the Load B would sell all the generation from Resource A to the SPP and only purchase back what it used. The FAC calculation would be as follows:

IM FAC Calculation

FC	1,000	$10 x 100MWh
PP	1,875	$25 x 75MWh
OSSR	(2,500)	$25 x 100MWh
ANEC	375	
ANEC	375	$1,000 + $1,875 - $2,500
B	(800)	$8 x 100MWh
FPA	(425)	Over Collection

As you can see, the customer has an over collection in each case. If we apply FERC Order 668 netting to the examples, the result remains the same. PP would become $0 and OSSR would be reduced to $625, similar to the EIS example.

Q: When did KCP&L and GMO begin using the FERC Order 668, accounting requirement for financial reporting?

A: KCP&L and GMO have always applied FERC Order 668 for financial reporting. The Order applies to all markets such as MISO, PJM and the SPP EIS market, not just the SPP IM.

Q: Ms. Mantle asserts that KCP&L and GMO have caused a disconnect between revenues and expenses by including these amounts in the FAC as gross amounts. Is this true?

A: No. As shown in the above example, the customer is receiving the benefit of all sales to the SPP, so the customer must pay for the fuel used to produce that power. Further, as shown above, netting has no effect on the energy in the FAC calculation.

Q: Does that conclude your testimony?

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 Implement A General Rate Increase for Electric Service	)))	Case 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	))))	Case No. ER-2018-0146

AFFIDAVIT OF ELIZABETH HERRINGTON

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

Elizabeth Herrington, being first duly sworn on his oath, states:

1. My name is Elizabeth Herrington. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Director of Energy and Revenue Accounting.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company consisting of ______ (_____) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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

Elizabeth Herrington

Subscribed and sworn before me this _____ day of July 2018.

Notary Public

My commission expires: 4/26/2021

ANTHONY R WESTENKIRCHNER
Notary Public, Notary Seal
State of Missouri
Platte County
Commission # 17279952
My Commission Expires April 26, 2021