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Issue: Lake Road Allocations
Witness: Charles T. Poston, PE
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case Nos.: ER-2018-0145 and
ER-2018-0146
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MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

ENGINEERING ANALYSIS DEPARTMENT

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REBUTTAL TESTIMONY

OF

CHARLES T. POSTON, PE

Staff Exhibit No. 213
Date 8-25-18 Reporter MT
File No. ER-2018-0145 +0146

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

AND

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

Jefferson City, Missouri
July 2018

1 REBUTTAL TESTIMONY

2 OF

3 CHARLES T. POSTON, PE

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

6 AND

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

9 Q. Please state your name and business address.

10 A. My name is Charles T. Poston and my business address is Missouri Public
11 Service Commission, 200 Madison Street P.O. Box 360, Jefferson City, MO 65102.

12 Q. By whom are you employed and in what capacity?

13 A. I am employed by the Missouri Public Service Commission as a Utility
14 Regulatory Engineer I.

15 Q. Are you the same Charles T. Poston who, on June 19, 2018, filed direct
16 testimony as a part of Staff's Cost of Service Report?

17 A. Yes, I am.

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

19 A. The purpose of my rebuttal testimony is to discuss GMO's proposed revisions
20 to the methods used to allocate expenses between electric and steam customers at the
21 Lake Road Plant.

22 **PROPOSED REVISIONS TO LAKE ROAD ALLOCATION PROCEDURES**

23 Q. What did Staff find during its review of GMO's proposed revisions to the
24 Lake Road allocation procedures?

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1 A. Staff found that GMO followed Staff's recommendation in Case No.
2 ER-2016-0156¹ and performed a review of all allocations attributable to the Lake Road
3 Plant's steam and electric operations.² The result of that review was a set of updated
4 allocation procedures that GMO provided on January 30, 2018, as a part of Mr. Tim Rush's
5 direct testimony filed in this case.³ However, the allocation procedures that GMO provided in
6 its direct testimony contained numerous consequential errors that would have made an
7 accurate allocation of costs between steam and electric customers impossible.

8 Q. Did GMO correct the errors identified by Staff in its January 30, 2018,
9 proposed Lake Road allocation procedures?

10 A. GMO provided Staff with a corrected version of the allocation procedures on
11 June 5, 2018.⁴ Those updated procedures along with updated workpapers provided by GMO
12 addressed most of the errors that Staff identified.

13 Q. Do the corrections present in the June 5, 2018, revision of the Lake Road
14 allocation procedures alleviate all of Staff's concerns?

15 A. No. The number of errors identified up to this point causes Staff to question
16 the sufficiency of GMO's internal review process. GMO's responses to Staff data requests
17 indicating that some inputs into the allocation procedures were only given " cursory" reviews,⁵
18 only serve to exacerbate Staff's concerns. The June 5, 2018, revisions to the Lake Road
19 allocation procedures still contain possible errors that require additional inquiry. Staff also is
20 concerned about the proposed revisions to the method for calculating the 900 lb. steam

¹ Case No. ER-2016-0156, Rebuttal Testimony of Mr. Charles T. Poston, page 10, lines 14-19.

² Case No. ER-2018-0146, Direct Testimony of Mr. Tim M. Rush, page 9, lines 14-19.

³ Case No. ER-2018-0146, Direct Testimony of Mr. Tim M. Rush, Schedule TMR-5.

⁴ Case No. ER-2018-0146, GMO Response to Staff Data Request No. 0386.

⁵ Case No. ER-2018-0146, GMO Response to Staff Data Request Nos. 0381 and 0244, Part D.

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1 demand allocation factor. Staff has sent additional data requests to GMO in order to clarify
2 these issues.

3 Q. Please describe the changes to the 900 lb. steam demand allocation factor
4 proposed by GMO in this case.

5 A. In Mr. Tim Rush's direct testimony he describes a new method for calculating
6 the 900 lb. steam demand allocation factor.⁶ The new method is designed to "consider the
7 maximum steam sales demand and the electric demand capability of the steam turbines."⁷
8 This is a significant departure from the method that is currently in place. The current method
9 for calculating the 900 lb. steam demand allocation factor is based on actual usage of the
10 900 lb. system by electric and steam customers during periods of peak demand.⁸ Mr. Rush
11 stated in his direct testimony that the new method, "will better reflect how the 900 lb. plant is
12 currently maintained and operated and better recognized [*sic*] the potential for full load
13 generation."⁹ Full load generation on the 900 lb. steam system is currently recognized when
14 full load generation actually occurs. The proposed change in method would make the
15 assumption that electric customers always receive the benefits of full load generation
16 regardless of actual generation. Elsewhere in the procedures GMO recognizes the need to
17 allocate costs at the Lake Road Plant based on actual usage. This is made clear with its
18 application of the Plant Coal Burn Allocation Factor¹⁰ and the Ash Allocation Factors for
19 Steam and Electric.¹¹ These factors are based on actual use of coal at the Lake Road Plant

⁶ Case No. ER-2018-0146, Direct Testimony of Mr. Tim M. Rush, page 12.

⁷ Case No. ER-2018-0146, Direct Testimony of Mr. Tim M. Rush, page 11, lines 15-16.

⁸ Case No. EO-94-36, St. Joseph Light & Power Company Allocation Procedures, Appendix II, "Definitions of Terms".

⁹ Case No. ER-2018-0146, Direct Testimony of Mr. Tim M. Rush, page 11, lines 19-21

¹⁰ Case No. ER-2018-0146, GMO Response to Staff Data Request No. 0386, Schedule TMR-5, Wkpr 3, page 27.

¹¹ Case No ER-2018-0146, GMO Response to Staff Data Request No. 0386, Schedule TMR-5, page 6.

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1 and the benefits derived by electric and steam customers from the use of coal on the 900 lb.
2 steam system.

3 Q. Do you agree with Mr. Rush's statements that in recent years outside factors
4 have changed how the units at the Lake Road Plant are dispatched for electricity?

5 A. Yes and no. Mr. Rush is correct in stating that the Lake Road Plant has been
6 subjected to conditions that have changed how it is dispatched for electricity. However, Staff
7 found that while the whole of the Lake Road Plant has seen some changes in dispatching
8 behavior, the use of the 900 lb. system has not been significantly altered. There have not been
9 significant changes in either generation capacity or in the yearly net generation seen on
10 the 900 lb. system. The most important change at the Lake Road Plant in recent years
11 was GMO's decision to stop burning coal at Unit 4 on the 1800 lb. steam system in the
12 summer of 2016. With natural gas as its primary fuel, the net generation at Unit 4 has been
13 dramatically reduced.

14 Q. If GMO's proposed allocation procedures were put into effect, what would the
15 impact be on total cost recovery at the Lake Road Plant?

16 A. GMO has indicated that the proposed changes to the allocation procedures
17 would result in an increase in costs recovered from electric customers in excess of
18 \$1 million.¹² This is problematic because GMO has chosen to not file a concurrent steam rate
19 case. Without a steam case, there is no immediate mechanism available for implementing a
20 corresponding decrease in costs recovered from steam customers. The mismatch of allocation
21 factors would create a condition in which more than 100% of expenses at the Lake Road Plant
22 would be recovered by GMO.

¹² Case No. ER-2018-0146, GMO response to Staff Data Request No. 0111s.

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1 Q. Has your review of GMO's updated Lake Road allocation procedures changed
2 the recommendation made in your direct testimony?

3 A. No. Staff remains concerned about possible errors still present in the
4 Lake Road allocation procedures and the overall lack of rigor demonstrated by GMO in the
5 drafting of those procedures along with the supporting testimony and workpapers.

6 Without any major changes to the capacity or net generation on the 900 lb. system,
7 Staff is unconvinced that the proposed change in the method for calculating the 900 lb. steam
8 demand allocation factor would result in a more accurate allocation of costs between steam
9 and electric customers. Instead, it would serve to allocate more costs to electric customers
10 while the operation of the 900 lb. system remains essentially unchanged from historic levels.

11 Since GMO has not yet been able produce a new allocation procedure that accurately
12 allocates costs between steam and electric customers served by the Lake Road Plant, Staff
13 continues to recommend that the allocation factors agreed to in the Stipulation and Agreement
14 in Case No. ER-2016-0156 be left in place.

15 Q. Does this conclude your rebuttal testimony?

16 A. Yes.

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
)
) and

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 CHARLES T. POSTON, PE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

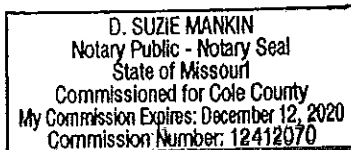
COMES NOW CHARLES T. POSTON, PE and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony* and that the same is true and correct according to his best knowledge and belief.

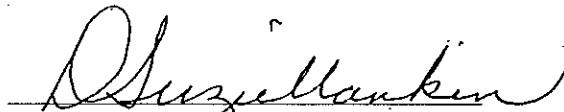
Further the Affiant sayeth not.


CHARLES T. POSTON, PE

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 26th day of July 2018.




Notary Public