Exhibit No.:

Issues:Revenue RequirementWitness:James R. DauphinaisType of Exhibit:Surrebuttal Testimony

Sponsoring Party: Missouri Industrial Energy Consumers and

Midwest Energy Consumers Group

Case No.: ER-2012-0174
Date Testimony Prepared: October 8, 2012

DEFORE 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-2012-0174 Tracking No. YE-2012-0404

Surrebuttal Testimony of

James R. Dauphinais

Revenue Requirement

On behalf of

Missouri Industrial Energy Consumers and Midwest Energy Consumers Group

October 8, 2012



Project 9593

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-2012-0174 Tracking No. YE-2012-0404

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 Missouri Industrial Energy Consumers and Midwest Energy Consumers Group in this proceeding on its behalf.
- 2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2012-0174.
- 3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things that they purport to show.

James R. Dauphinais

Subscribed and sworn to before me this 5th day of October, 2012.

MARIA E. DECKER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis City
My Commission Expires: May 5, 2013
Commission # 09706793

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-2012-0174 Tracking No. YE-2012-0404

		Surrebuttal Testimony of James R. Dauphinais
1	Q	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
2	Α	James R. Dauphinais. My business address is 16690 Swingley Ridge Road,
3		Suite 140, Chesterfield, MO 63017.
4	Q	ARE YOU THE SAME JAMES R. DAUPHINAIS WHO HAS PREVIOUSLY FILED
5		DIRECT "REVENUE REQUIREMENT" TESTIMONY ON BEHALF OF THE
6		MISSOURI INDUSTRIAL ENERGY CONSUMERS ("MIEC") AND MIDWEST
7		ENERGY CONSUMERS GROUP ("MECG") IN THIS PROCEEDING?
8	Α	Yes.
9	Q	WHAT IS THE SUBJECT MATTER OF YOUR SURREBUTTAL TESTIMONY?
10	Α	My surrebuttal testimony addresses Kansas City Power & Light Company's ("KCPL"
11		or "Company") response to my direct testimony recommendations that:
12 13 14 15		 The Missouri Public Service Commission ("Commission") require the Company to annualize its transmission revenues based on actual values and rates at the end of the true-up period in the same manner that the Company is proposing to do for its transmission expanses; and
16 17 18		 The Commission deny the Company's request for a transmission tracking mechanism ("Transmission Tracker").

The fact that I do not address a particular issue in this testimony should not be
interpreted as approval of any position taken by the Company or any other party in
this proceeding.

Q

Α

Q

Α

HAS THE COMPANY RESPONDED TO YOUR TESTIMONY RECOMMENDING THAT ITS TRANSMISSION REVENUES BE SUBJECT TO TRUE-UP IN THIS PROCEEDING IN THE SAME MANNER THAT ITS TRANSMISSION EXPENSES ARE SUBJECT TO TRUE-UP IN THIS PROCEEDING?

Yes. Company witness John P. Weisensee indicates in his rebuttal testimony that the Company: (i) agrees with my recommendation with regard to this issue and (ii) intends to annualize its transmission revenues based on actual values and rates at the end of the true-up period in the same manner that the Company is proposing to do for its transmission expanses (Weisensee Rebuttal at 17). As I stated in my direct testimony, this will help to ensure the relationship between revenues, expenses and rate base remain in synchronism so the Company does not over-recover its costs.

HAS THE COMPANY RESPONDED TO YOUR TESTIMONY RECOMMENDING THAT ITS REQUEST FOR A TRANSMISSION TRACKER BE DENIED?

Yes. Company witness Darrin R. Ives briefly acknowledges my direct testimony opposing the Company's request for a Transmission Tracker, reiterates the Company's position with regard to seeking a Transmission Tracker and states the conditions that led to the Company requesting a Transmission Tracker have not changed (Ives Rebuttal at 23 through 24). In doing so, Mr. Ives continues to state the Company's position that transmission expenses are one category of expenses that tends to be volatile and for the most part imposed on the Company and are largely

outside of the Company's management discretion (*Id.*). However, Mr. Ives has made absolutely no attempt in his rebuttal to respond to my direct testimony that a tracker isn't justified because these expenses: (1) are not sufficiently large, (2) are not sufficiently volatile, and/or (3) are not unmanageable. As I discussed in detail in my direct testimony (Dauphinais Direct at 6 through 9), the nature of these expenses does not justify granting the Company a Transmission Tracker for them. It is not enough for the Company to claim, for example, that an expense is volatile. The Company must actually show that the expense is in fact volatile. Demonstrating that an expense is projected to significantly increase over the next few years is not a demonstration that the expense is volatile. For the expense to be found to be volatile, a reasonable demonstration must be made that the expense can rapidly go up and down in an unpredictable manner. The Company has not done so.

Α

Q

Α

HOW HAS THE COMMISSION DEFINED VOLATILITY WITH REGARD TO CHANGES IN THE COST OF SERVICE?

In its Order in Case No. ER-2007-0002, at page 23, the Commission defined volatility regarding fuel and purchased power costs and the need for a fuel adjustment clause.

"Markets in which prices are volatile tend to go up and down in an unpredictable manner. When a utility's fuel and purchased power costs are swinging in that way, the time consuming ratemaking process cannot possibly keep up with the swings. As a result, in those circumstances, a fuel adjustment clause may be needed to protect both the utility and its ratepayers from inappropriately low or high rates."

24 Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

I continue to recommend that the Commission require the Company to annualize its transmission revenues based on actual values and rates at the end of the true-up

- 1 period in the same manner that the Company is proposing to do for its transmission
- 2 expenses. In addition, I continue to recommend that the Commission deny the
- 3 Company's request for a Transmission Tracker.
- 4 Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?
- 5 A Yes.

\\Doc\Shares\ProlawDocs\MED\9593\Testimony-BAI\226920.doc