

Exhibit No.:
Issues: Revenue Requirement
Witness: James R. Dauphinais
Type 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

**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**

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)
) **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

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

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

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

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

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

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

13 **Q HOW HAS THE COMMISSION DEFINED VOLATILITY WITH REGARD TO**
14 **CHANGES IN THE COST OF SERVICE?**

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

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

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

25 A I continue to recommend that the Commission require the Company to annualize its
26 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.**

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