

Exhibit No.:
Issues: Revenue Requirement
Witness: James R. Dauphinais
Type of Exhibit: Surrebuttal Testimony
Sponsoring Parties: Ag Processing Inc; Federal Executive Agencies; Midwest Energy Consumers Group; Midwest Energy Users' Association; and Missouri Industrial Energy Consumers
Case No.: ER-2012-0175
Date Testimony Prepared: October 10, 2012

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

**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-2012-0175**
) Tracking No. YE-2012-0405
)
)

Surrebuttal Testimony of

James R. Dauphinais

On behalf of

**Ag Processing Inc
Federal Executive Agencies
Midwest Energy Consumers Group
Midwest Energy Users' Association
Missouri Industrial Energy Consumers**

October 10, 2012



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STATE OF MISSOURI)	
)	SS
COUNTY OF ST. LOUIS)	

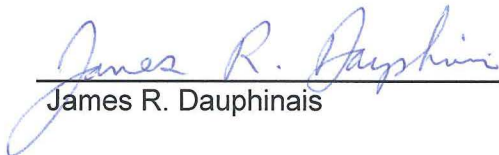
Affidavit of James R. Dauphinais

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 Ag Processing Inc; Federal Executive Agencies; Midwest Energy Consumers Group; Midwest Energy Users' Association; and Missouri Industrial Energy Consumers in this proceeding on their 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-2012-0175.

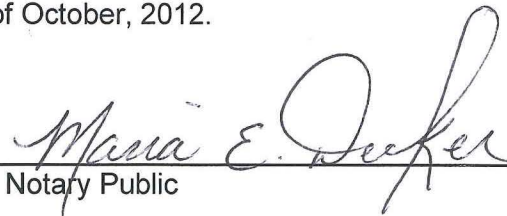
3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things that it purports to show.



James R. Dauphinais

Subscribed and sworn to before me this 9th 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

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In the Matter of KCP&L Greater Missouri)	
Operations Company's Request for)	
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Increase for Electric Service)	Tracking No. YE-2012-0405
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Surrebuttal Testimony of James R. Dauphinais

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A 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 AG**
6 **PROCESSING INC; FEDERAL EXECUTIVE AGENCIES; MIDWEST ENERGY**
7 **CONSUMERS GROUP; MIDWEST ENERGY USERS' ASSOCIATION; AND**
8 **MISSOURI INDUSTRIAL ENERGY CONSUMERS (COLLECTIVELY REFERRED**
9 **TO AS "INDUSTRIALS") IN THIS PROCEEDING?**

10 A Yes.

11 **Q WHAT IS THE SUBJECT MATTER OF YOUR SURREBUTTAL TESTIMONY?**

12 A My surrebuttal testimony addresses KCP&L Greater Missouri Operations Company
13 ("GMO" or "Company") response to my direct testimony recommendations that:

- 14 ▪ The Missouri Public Service Commission ("Commission") require the
15 Company to annualize its transmission revenues based on actual values
16 and rates at the end of the true-up period in the same manner that the
17 Company is proposing to do for its transmission expenses; and

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- 1 ▪ The Commission deny the Company's request for a transmission tracking
2 mechanism ("Transmission Tracker").

3 It should be noted that the Company did not respond whatsoever to my direct
4 testimony recommendation that the Commission deny the Company's proposed R-80
5 transmission revenue reductions of \$53,041 for SJLP and \$84,602 for MPS. While
6 these are very small downward revenue adjustments by the Company, they should
7 be denied for the reasons I discussed in my direct testimony (Dauphinais Direct at
8 5 through 6) in order to avoid setting a bad precedent.

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

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

16 **A**Yes. Company witness John P. Weisensee indicates in his rebuttal testimony that the
17 Company: (i) agrees with my recommendation with regard to this issue and
18 (ii) intends to annualize its transmission revenues based on actual values and rates at
19 the end of the true-up period in the same manner that the Company is proposing to
20 do for its transmission expenses (Weisensee Rebuttal at 24). As I stated in my direct
21 testimony, this will help to ensure the relationship between revenues, expenses and
22 rate base remain in synchronism so the Company does not over-recover its costs.

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

3 A Yes. Company witness Darrin R. Ives briefly acknowledges my direct testimony
4 opposing the Company's request for a Transmission Tracker, reiterates the
5 Company's position with regard to seeking a Transmission Tracker and states the
6 conditions that led to the Company requesting a Transmission Tracker have not
7 changed (Ives Rebuttal at 24 through 25). In doing so, Mr. Ives continues to state the
8 Company's position that transmission expenses are one category of expenses that
9 tends to be volatile and for the most part imposed on the Company and are largely
10 outside of the Company's management discretion (*Id.*). However, Mr. Ives has made
11 absolutely no attempt in his rebuttal to respond to my direct testimony that a tracker
12 isn't justified because these expenses: (1) are not sufficiently large, (2) are not
13 sufficiently volatile, and/or (3) are not unmanageable. As I discussed in detail in my
14 direct testimony (Dauphinais Direct at 7 through 10), the nature of these expenses
15 does not justify granting the Company a Transmission Tracker for them. It is not
16 enough for the Company to claim, for example, that an expense is volatile. The
17 Company must actually show that the expense is in fact volatile. Demonstrating that
18 an expense is projected to significantly increase over the next few years is not a
19 demonstration that the expense is volatile. For the expense to be found to be volatile,
20 a reasonable demonstration must be made that the expense can rapidly go up and
21 down in an unpredictable manner. The Company has not done so.

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

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

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

12 Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

13 A I continue to recommend that the Commission require the Company to annualize its
14 transmission revenues based on actual values and rates at the end of the true-up
15 period in the same manner that the Company is proposing to do for its transmission
16 expenses. In addition, I continue to recommend that the Commission deny the
17 Company’s request for a Transmission Tracker.

18 Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

19 A Yes.