

Exhibit No.:
Issues: Transmission Tracker
Witness: Daniel I. Beck
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
File No.: ER-2010-0355
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

DANIEL I. BECK

KANSAS CITY POWER & LIGHT COMPANY

FILE NO. ER-2010-0355

*Jefferson City, Missouri
January 2011*

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas)
City Power & Light Company for)
Approval to Make Certain Changes in its)
Charges for Electric Service to Continue)
the Implementation of Its Regulatory Plan)

File No.: ER-2010-0355

AFFIDAVIT OF DANIEL I. BECK

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Daniel I. Beck, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 5 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



Daniel I. Beck

Subscribed and sworn to before me this 5th day of January, 2011.

NIKKI SENN Notary Public - Notary Seal State of Missouri Commissioned for Osage County My Commission Expires: October 01, 2011 Commission Number: 07287016



Notary Public

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DANIEL I. BECK

KANSAS CITY POWER & LIGHT COMPANY

FILE NO. ER-2010-0355

Q. Please state your name and business address.

A. My name is Daniel I. Beck. My business address is, P.O. Box 360, Jefferson City, Missouri, 65102.

Q. Are you the same Daniel I. Beck who contributed to the Missouri Public Service Commission Staff's (Staff) Cost of Service Report (Staff Report) filed on November 10, 2010?

A. Yes.

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of this testimony is to respond to the rebuttal testimony of Kansas City Power & Light Company (KCPL or Company) witness Tim M. Rush filed on December 8, 2010 regarding a transmission tracker and to recommend that Staff's methodology for computing the transmission tracker be used.

Q. How does Staff's methodology differ from the Company's methodology?

A. The main difference is that Staff proposes to include transmission revenues in the transmission tracker, while the Company does not.

Q. Why is the Company opposed to Staff's proposal to include transmission revenues?

1 A. On page 11, lines 15-18 of Mr. Rush's direct testimony he states;

2 "Thus, there is a mismatch between the total transmission
3 ownership cost included in KCP&L's Missouri rates, which will be
4 fixed, and the amount of Staff's proposed revenues offset, which
5 will vary over time."

6 In the first sentence in the very next answer he states,

7 "In FERC Docket No. ER10-230-000, KCP&L recently
8 established a wholesale transmission "formula rate" that allows
9 KCP&L's wholesale transmission rates to vary each year in
10 accordance with its actual costs of owning and operating
11 transmission facilities." [Rush Direct, Page 11, Lines 20-23]

12 Q. Does the fact that KCPL's Missouri rates will be fixed and KCPL's
13 transmission rates and revenues will vary cause Staff to change its recommendation about
14 including transmission revenues in the transmission tracker?

15 A. No. The fact that transmission rates and revenues will vary is one of the
16 primary reasons that Staff recommends these revenues be included in the tracker. Staff
17 contends that one of the factors that will cause the variation in transmission revenues is the
18 transmission projects directed by Southwest Power Pool (SPP).

19 Q. On page 12, lines 6-10, of his rebuttal testimony Mr. Rush contends that
20 Staff's tracker proposal will decrease the amount of net transmission costs recovered from
21 retail customers. Do you agree with this contention?

22 A. No. Trackers do not "recover" net costs from retail customers. Instead,
23 trackers "track" the costs and revenues in specific accounts and record the balances, either
24 positive or negative. The balances are computed by calculating the difference between annual
25 net costs and the annual net costs that were used to set rates. Any balance in a tracker is
26 typically dealt with in the next rate case and the Commission will determine the proper rate
27 making treatment for the tracker balance in that case (or in a future case). I agree that

1 transmission revenues will offset some transmission costs but that is exactly how transmission
2 revenues are treated in KCPL's current Missouri rates—other revenues like transmission
3 revenues are used to offset costs when determining the revenue requirement.

4 Q. On page 12, line 17 of Mr. Rush's rebuttal testimony he states, "There are two
5 basic approaches to address this problem." What is your understanding of these approaches to
6 which he is referring?

7 A. The first is Staff's proposed tracker, but also with a mechanism to adjust retail
8 rates to reflect changes in the cost of owning and operating transmission facilities. KCPL is
9 not proposing such a mechanism, Staff opposes such a mechanism, so that approach is
10 rejected by both parties. The second approach appears to be to adopt KCPL's original
11 proposal.

12 Q. Do you believe that these are the only two approaches to this "problem"?

13 A. No. First, I want to state that the "problem" of a mismatch between costs and
14 revenues is a simple reality of regulation for a whole host of issues, not just transmission costs
15 and revenues. Instead, I direct the Commission's attention to Mr. Rush's statement on page
16 10, lines 19-21 of his rebuttal testimony where he points out three reasons to include
17 transmission expenses in a tracker: "1) they are material, 2) they are expected to change
18 significantly in the near future, and 3) they are primarily outside the control of the utility."
19 Staff contends that the three reasons KCPL believes are appropriate for tracking transmission
20 costs, also apply to transmission revenues.

21 Q. On page 13, lines 4-19 of Mr. Rush's rebuttal testimony, the Company claims
22 that the inclusion of certain transmission expenses does not create a similar issue. Do you
23 agree with this assertion?

1 A. No. First, I disagree with the contention that to include a cost or expense in a
2 tracker, that cost should not be correlated with a primary segment of the utility's cost. If a
3 cost had truly no correlation to a primary segment of the utility's costs, it is hard to imagine
4 why that cost should be included in the utility's revenue requirement. Second, on page 13,
5 lines 17-19 of his rebuttal testimony Mr. Rush states that "including these expenses in the
6 tracker results in retail rates that move in tandem with and more accurately reflect the costs
7 incurred on behalf of retail customers." Since a tracker does not "recover" costs or "move"
8 rates but instead "tracks" costs for future ratemaking treatment, Mr. Rush's statement is
9 incorrect.

10 Q. On pages 13-14 of Mr. Rush's rebuttal testimony, he discusses Account 456.1.
11 Did the Staff intend to use the word "new" in regards to account 456.1?

12 A. Staff mistakenly used the word "new" instead of the word "net" on page 152,
13 line 16; page 153, line 5 and line 16, of Staff Report. In these three cases, the word "new"
14 should have been the word "net". Staff did use the word "net" on page 153, line 9 and in
15 Appendix 5, Schedule DIB-3.

16 Q. What is your response to KCPL's suggestion that only revenues from point-to-
17 point transactions be included in a KCPL transmission tracker?

18 A. Staff is unclear which revenues KCPL considers to be point-to-point but Staff
19 continues to maintain that the net of all Account 456.1 revenues should be included in the
20 transmission tracker.

21 Q. On pages 14-15 of Mr. Rush's rebuttal testimony, the Company rejects Staff's
22 recommendation for reporting requirements for transmission projects constructed by KCPL.

1 | Instead, KCPL points to File No. EO-2011-0134. Do you agree that this case addresses
2 | Staff's proposal?

3 | A. No. KCPL correctly points out that "general policy" matters can be addressed
4 | in File No. EO-2011-0134 rather than in an individual company's case. However, KCPL is
5 | the individual company that is currently seeking a transmission tracker, it is appropriate to
6 | establish transmission reporting requirements at the same time a transmission tracker is
7 | implemented.

8 | Q. Does this conclude your surrebuttal testimony?

9 | A. Yes.