

Exhibit No.:
Issues: Transmission Tracker
Witness: Daniel I. Beck
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
File No.: ER-2010-0356
Date Testimony Prepared: January 12, 2010

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

DANIEL I. BECK

KCP&L GREATER MISSOURI OPERATIONS COMPANY

FILE NO. ER-2010-0356

*Jefferson City, Missouri
January 2011*

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

In the Matter of the Application of)
KCP&L Greater Missouri Operations)
Company for Approval to Make Certain)
Changes in its Charges for Electric)
Service)

File No.: ER-2010-0356

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 4 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 12th day of January, 2011.

SUSAN L. SUNDERMEYER Notary Public - Notary Seal State of Missouri Commissioned for Callaway County My Commission Expires: October 03, 2014 Commission Number: 10942086



Notary Public

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KCP&L GREATER MISSOURI OPERATIONS COMPANY

FILE NO. ER-2010-0356

13 Q. Please state your name and business address.

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

16 Q. Are you the same Daniel I. Beck who contributed to the Missouri Public
17 Service Commission Staff's (Staff) Cost of Service Report (Staff Report) filed on
18 November 18, 2010?

19 A. Yes.

20 Q. What is the purpose of your surrebuttal testimony?

21 A. The purpose of this testimony is to respond to the rebuttal testimony of
22 KCP&L Greater Missouri Operations Company (GMO or Company) witness Tim M. Rush
23 filed on December 15, 2010 regarding a transmission tracker and to recommend that Staff's
24 methodology for computing the transmission tracker be used.

25 Q. What is the Company's position regarding recovery of transmission expenses?

26 A. The Company proposed that transmission expenses be recovered, either
27 through the current FAC mechanism, or in the alternative, to establish a separate tracker
28 mechanism. Staff supports the creation of a transmission tracker but proposes a
29 methodology that is different than the Company supports.

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

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

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

5 A. On lines 8-10, page 18 of GMO Mr. Rush's rebuttal testimony he states:

6 "Thus, there is a mismatch between the total transmission ownership
7 cost included in GMO's rates, which will be fixed, and the amount of
8 Staff's proposed revenues offset, which will vary over time."

9 In the first sentence in the very next answer he states:

10 "In FERC Docket No. ER10-230-000, GMO recently established a
11 wholesale transmission "formula rate" that allows GMO's wholesale
12 transmission rates to vary each year in accordance with its actual costs
13 of owning and operating transmission facilities." [Rush Rebuttal, Page
14 18, Lines 12-14]

15 Q. Does the fact that GMO's Missouri rates will be fixed and GMO's
16 transmission rates and revenues will vary cause Staff to change its recommendation about
17 including transmission revenues in the transmission tracker?

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

22 Q. On page 18, line 21 through page 19, line 5, of his rebuttal testimony Mr. Rush
23 contends that Staff's tracker proposal will decrease the amount of net transmission costs
24 recovered from retail customers. Do you agree with this contention?

25 A. No. Trackers do not "recover" net costs from retail customers. Instead,
26 trackers "track" the costs and revenues in specific accounts and record the balances, either
27 positive or negative. The balances are computed by calculating the difference between

1 annual net costs and the annual net costs that were used to set rates. Any balance in a
2 tracker is typically dealt with in the next rate case and the Commission will determine the
3 proper rate making treatment for the tracker balance in that case (or in a future case). I
4 agree that transmission revenues will offset some transmission costs but that is exactly how
5 transmission revenues are treated in GMO's current rates—other revenues like transmission
6 revenues are used to offset costs when determining the revenue requirement.

7 Q. On page 19, line 9 of Mr. Rush's rebuttal testimony he states, "There are two
8 basic approaches to address this problem." What is your understanding of these approaches
9 to which he is referring?

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

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

16 A. No. The "problem" of a mismatch between costs and revenues is a simple
17 reality of regulation for a whole host of issues, not just transmission costs and revenues.
18 While there is never a perfect match of costs to revenues, Staff maintains that the proposed
19 tracker results in a reasonable match between costs and revenues.

20 Q. On page 19, line 22 through page 20, line 11 of Mr. Rush's rebuttal testimony,
21 the Company claims that the inclusion of certain transmission expenses does not create a
22 similar issue. Do you 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 20,
5 lines 9-11 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 20-21 of Mr. Rush's rebuttal testimony, the Company rejects Staff's
11 recommendation for reporting requirements for transmission projects constructed by GMO.
12 Instead, GMO points to File No. EO-2011-0134. Do you agree that this case addresses
13 Staff's proposal?

14 A. No. GMO correctly points out that "general policy" matters can be addressed
15 in File No. EO-2011-0134 rather than in an individual company's case. However, GMO is
16 the individual company that is currently seeking special treatment of transmission expenses,
17 it is appropriate to establish transmission reporting requirements at the same time a
18 transmission tracker is implemented.

19 Q. Does this conclude your surrebuttal testimony?

20 A. Yes.