

Exhibit No.:
Issue: SPP Administrative Fees and Transmission
Expenses
Witness: John R. Carlson
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2016-0285
Date Testimony Prepared: January 27, 2017

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2016-0285

SURREBUTTAL TESTIMONY

OF

JOHN R. CARLSON

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
January 2017**

SURREBUTTAL TESTIMONY

OF

JOHN R. CARLSON

Case No. ER-2016-0285

1 **Q: Please state your name and business address.**

2 A: My name is John R. Carlson. My business address is 1200 Main Street, Kansas City,
3 Missouri 64105.

4 **Q: Are you the same John R. Carlson that provided Direct and Rebuttal Testimony on**
5 **behalf of Kansas City Power & Light Company (“KCP&L” or “Company”) in this**
6 **case?**

7 A: Yes, I am.

8 **Q: What is the purpose of your testimony?**

9 A: The purpose of my testimony is to respond to the Office of the Public Counsel (“OPC”)
10 witness Charles R. Hyneman’s rebuttal testimony regarding transmission expenses and
11 the Southwest Power Pool Inc.’s (“SPP”) administrative fees paid by the Company.

12 **Q: What does Mr. Hyneman say about the Company’s SPP administrative fees?**

13 A: On pg. 11 of his rebuttal testimony, at lines 13-15, Mr. Hyneman states that I testified
14 that “the other segments of KCPL’s transmission expense, SPP Schedule 1A
15 Administrative Fees (Admin fees) are decreasing...”.

16 **Q: Do you agree with this assertion regarding your direct testimony in this case?**

17 A: No, I do not. What I stated in my direct testimony was that there was a decrease in the
18 administrative charge for 2016 from the rate seen in 2014 and 2015. This decrease in the
19 administrative charge, or rate, was due to a projection of increased load from the

1 Integrated System joining the SPP, with this increased load offsetting any increased
2 expenses such that recovery of SPP administrative expenses could occur at a lower
3 administrative fee rate.

4 Mr. Hyneman's testimony implies that the Company's expenses paid for SPP's
5 administrative function, Schedule 1-A fees, are trending down because they are
6 "decreasing". There may have been one year when the SPP administrative fee rate was
7 lower than the last couple of years, but that's not indicative of decreasing fees. In fact,
8 the SPP Schedule 1-A rate for 2017 is \$0.419/MWh, higher than the 2016 rate of
9 \$0.37/MWh, a result of lower than projected loads in 2016, lower projected loads for
10 2017 and incremental expenses. KCP&L began paying this higher rate on January 1,
11 2017.

12 **Q: On pg. 16 of his rebuttal testimony Mr. Hyneman discusses the Company's ability to**
13 **control SPP Administrative Fees. Do you agree with his comments?**

14 A: I agree that over the past several years SPP members have attempted to persuade SPP to
15 control costs. It is in the best interest of all parties to ensure SPP is operating in an
16 efficient manner. However, Mr. Hyneman's assertion that SPP members pressuring SPP
17 to control costs resulted in SPP's administrative fee rate decrease, and that there is a
18 causal relationship, is incorrect. As stated previously, SPP's administrative fees paid by
19 the Company are not decreasing. They may have dropped for one year, but that was a
20 result of incorrect assumptions around load and expenses, not a result of pressure from
21 SPP members or a result of regulatory lag.

1 **Q: As discussed by Mr. Hyneman at pg. 14, lines 18-23, of his rebuttal testimony, is it**
2 **true that the Company's year-to-year increase in regionally allocated transmission**
3 **costs from SPP will soon end?**

4 A: No. SPP's projection of the network portion of Schedule 11 fees currently shows a peak
5 in 2018, as discussed in my direct testimony. However, this is only a projection of all
6 regionally-allocated transmission projects that have a Notification to Construct ("NTC")
7 issued and are in SPP's project tracking database. There is no projection of future
8 projects yet to be identified or projects currently in the works that have not been issued an
9 NTC. As new transmission service is granted, load pockets change, system congestion
10 changes, new generation is added and long-term planning occurs, there will be new
11 projects added to the queue that will impact future projections.

12 Mr. Hyneman's assertion that the increases seen in regionally-allocated
13 transmission costs from SPP will soon end is incorrect. We can not definitively say the
14 increases in these expenses will stop given how the expenses are modeled. If the
15 expenses associated with future transmission projects granted NTCs are higher than the
16 depreciation on current projects in the projection then we should see an increase in year-
17 to-year Schedule 11 network expenses projected by the SPP.

18 **Q: Does that conclude your testimony?**

19 A: Yes, it does.

**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) Case No. ER-2016-0285
A General Rate Increase for Electric Service)

AFFIDAVIT OF JOHN R. CARLSON

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

John R. Carlson, being first duly sworn on his oath, states:

1. My name is John R. Carlson. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Manager, Origination & Generation Services.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Kansas City Power & Light Company consisting of three (3) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.



John R. Carlson

Subscribed and sworn before me this 2th day of January 2017.



Notary Public

My commission expires: Feb. 4, 2019

NICOLE A. WEHRY Notary Public - Notary Seal State of Missouri Commissioned for Jackson County My Commission Expires: February 04, 2019 Commission Number: 14391200
