

Exhibit No.:  
Issue: Transmission Costs  
Witness: John R. Carlson  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: Kansas City Power & Light Company  
KCP&L Greater Missouri Operations Company  
Case No.: EU-2014-0077  
Date Testimony Prepared: December 23, 2013

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: EU-2014-0077**

**SURREBUTTAL TESTIMONY**

**OF**

**JOHN R. CARLSON**

**ON BEHALF OF**

**KANSAS CITY POWER & LIGHT COMPANY  
AND  
KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri  
December 2013**

**SURREBUTTAL TESTIMONY**

**OF**

**JOHN R. CARLSON**

**Case No. EU-2014-0077**

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 who pre-filed Direct Testimony in this matter?**

5 A: Yes, I am.

6 **Q: What is the purpose of your Surrebuttal Testimony?**

7 A: The purpose of my Surrebuttal Testimony is to discuss the extraordinary and unusual  
8 increase in, and material level of, transmission expansion costs allocated to Kansas City  
9 Power & Light Company (“KCP&L”) and KCP&L Greater Missouri Operations  
10 Company (“GMO”) (together the “Companies”). I will also address issues raised in the  
11 testimony of Office of the Public Counsel (“OPC”) witness William Addo.

12 **Q: Have transmission costs incurred by the Companies always been extraordinary in**  
13 **nature?**

14 A: Transmission costs have not always been extraordinary in nature. As stated by Missouri  
15 Public Service Commission Staff (“Staff”) witness Mark L. Oligschlaeger starting on  
16 page 12, line 22, and ending on page 13, line 2, of his Rebuttal Testimony, “transmission  
17 expenses in general, including the costs for which KCPL and GMO seek deferral  
18 treatment in this proceeding, are an ordinary and normal cost of providing electric service  
19 by utilities.” This statement is partly correct in that general transmission expenses are a

1 normal cost of providing electric service. There is also what I will refer to as a “normal”  
2 level of transmission expenses for general upkeep of the transmission system, for  
3 Southwest Power Pool (“SPP”) transmission upgrades associated with providing network  
4 and point-to-point transmission service to transmission customers, and for transmission  
5 service. Previously in his testimony, Mr. Oligschlaeger discusses that because the  
6 Companies have been incurring these “normal” transmission expenses since they began  
7 providing retail electric service that these expenses are known and not unusual or  
8 extraordinary. Mr. Oligschlaeger is confusing the historical “normal” expenses with the  
9 extraordinary and unusual expenses which are the reason why we are asking for this  
10 Accounting Authority Order.

11 As discussed by Company witness Ives in his Surrebuttal Testimony, starting on  
12 page 4, line 20 and continuing to page 9, line 20, transmission costs allocated to the  
13 Companies for the build-out of the SPP transmission system are extraordinary and  
14 nonrecurring. Further, while the first regional cost allocation methodology was adopted  
15 in 2005, it was only after the Balanced Portfolio and highway-byway methods in 2008  
16 and 2010, that SPP approved a number of very large transmission projects needed to  
17 facilitate economic power transactions across the region. As these projects are now being  
18 completed, the associated costs, at levels not seen historically, are being allocated  
19 regionally.

1 **Q: Is Mr. Oligschlaeger's assertion that transmission costs are an ordinary and known**  
2 **cost of providing electric service accurate?**

3 A: No. Mr. Oligschlaeger is incorrect with the implication that because we have *any*  
4 transmission expense that the exceptional increase in the level of expense is somehow  
5 known, not extraordinary and a normal cost of providing electric service.

6 Post 2004, utilities were no longer planning for their Zonal needs, but rather  
7 planning was occurring on a Regional basis, with costs allocated on a Zonal and Regional  
8 basis depending on the voltage level of the constructed facilities. Utilities no longer had  
9 direct control of their transmission expansion, but rather a say in the planning process  
10 along with other transmission customers and SPP members.

11 As a result of the transmission projects discussed previously, what we have seen  
12 from a transmission cost perspective is analogous to an emergency or storm that hits an  
13 electric utility. Prior to that storm, the utility has somewhat known and recurring  
14 expenses for maintenance of the transmission and distribution systems they manage.  
15 They may repair or replace poles, re-conductor spans of distribution or transmission lines,  
16 and maintain transformers and switchgear as-needed; all part of their ongoing operations  
17 and maintenance planning. Once the storm or emergency event hits the service territory,  
18 costs for these same line items can increase dramatically as multiple times more poles,  
19 wiring and other equipment may need to be repaired or replaced as would occur  
20 normally, under ordinary circumstances.

21 Similarly, the storm has hit regarding SPP transmission expansion and the  
22 Companies' costs are rising dramatically, well beyond levels seen historically. These  
23 costs are extraordinary in that they are substantially higher than what has been the

1 historical normal or ordinary. In addition to being substantially higher than historical  
2 levels, the SPP transmission expansion costs are unique. The costs are different than  
3 historical transmission costs because they are for Regional transmission projects outside  
4 of the Companies' service territory. The Companies never incurred these costs in the  
5 past when transmission planning was done on a utility by utility basis.

6 **Q: Are the realized and projected SPP transmission costs for the Companies material**  
7 **in nature?**

8 A: As can be seen in Schedules JRC-1 and JRC-2 of my Direct Testimony, the realized and  
9 projected SPP transmission costs are material. Since 2010, these transmission costs are  
10 projected to increase more than tenfold by the year 2022 for KCP&L and to increase  
11 almost twentyfold by the year 2022 for GMO. In some years projections show that  
12 KCP&L would see an approximately 78% increase in costs (\$15.5 million in 2013 to  
13 \$27.5 million in 2014) and GMO would see an approximately 80% increase for the same  
14 years (\$7.0 million in 2013 to \$12.6 million in 2014). Increases at this level are material.

15 **Q: Have others in these proceedings expressed the same sentiment regarding the**  
16 **materiality of projected transmission expenses?**

17 A: Yes, they have. OPC witness William Addo stated in his Rebuttal Testimony, on page  
18 20, lines 14-16, that the "Companies' response to MPSC Staff Data Request No. 0005  
19 provided the projected transmission costs for the period 2013 through 2018 and most of  
20 the costs do not increase materially, except for, USOA Account 565."

21 As detailed in the Companies' response to Staff Data Request No. 0011, Account  
22 565 includes the following schedules from SPP's Open Access Transmission Tariff  
23 ("OATT"): 2, 3, 5, 6, 7, 8, 9 and 11. Of these, it is the Schedule 11 charges, those

1 allocated costs pertaining to region-wide transmission projects in the SPP, that are  
2 driving the increase in Uniform System of Accounts Account (“USOA”) 565.

3 **Q: According to OPC witness William Addo, what is driving the Companies’**  
4 **increasing transmission costs?**

5 A: As stated on page 20, lines 10 and 11 of his Rebuttal Testimony, Mr. Addo states that  
6 “Public Counsel believes that the increasing costs are being driven by the Companies’  
7 usage of transmission facilities owned by others.”

8 **Q: Is there anything you would like to clarify about Mr. Addo’s statement?**

9 A: Yes, there is. “Transmission facilities owned by others” is the general description for  
10 USOA Account 565. As stated previously in this testimony, Account 565 includes  
11 multiple schedules under the SPP OATT, and while costs recognized by the Companies  
12 are increasing for multiple schedules in USOA Account 565, it is those costs in Schedule  
13 11 that are driving most of the increase.

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

15 A: Yes, it does.

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

In the Matter of the Application of )  
Kansas City Power & Light Company and KCP&L )  
Greater Missouri Operations Company for the )  
Issuance of an Accounting Authority Order relating ) File No. EU-2014-077  
to their Electrical Operations and for a Contingent )  
Waiver of the Notice Requirement of 4 CSR 240- )  
4.020(2). )

**AFFIDAVIT OF JOHN R. CARLSON**

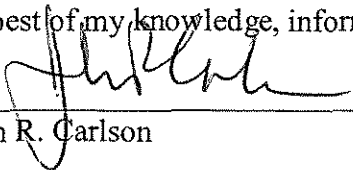
**STATE OF MISSOURI** )  
 ) ss  
**COUNTY OF JACKSON** )

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

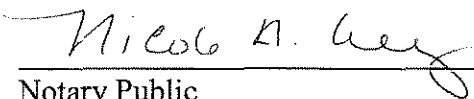
1. My name is John R. Carlson. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company ("KCP&L") as Originator, Generation Sales and Services.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of KCP&L and KCP&L Greater Missouri Operations Company consisting of five (5) 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 23<sup>rd</sup> day of December, 2013.

  
\_\_\_\_\_  
Notary Public

My commission expires: Feb. 4, 2015

