

Exhibit No.:
Issues: Transmission Tracker
Witness: Daniel I. Beck
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2012-0174
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MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

SURREBUTTAL TESTIMONY

OF

DANIEL I. BECK

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2012-0174

Jefferson City, Missouri
October 2012

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10 Q. Please state your name and business address.

11 A. Daniel I. Beck and my business address is Missouri Public Service
12 Commission, P.O. Box 360, Jefferson City, Missouri, 65102.

13 Q. Are you the same Daniel I. Beck that filed Direct Testimony on August 2,
14 2012 in this case?

15 A. Yes.

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

17 A. The purpose of this testimony is to respond to the rebuttal testimony of Kansas
18 City Power & Light Company (“KCPL” or “Company”) witness Darrin R. Ives regarding a
19 transmission tracker. KCPL witness John R. Carlson also addressed the transmission tracker
20 in his rebuttal testimony.

21 Q. Please summarize your testimony.

22 A. The Staff (“Staff”) of the Missouri Public Service Commission
23 (“Commission”) is opposed to the transmission tracker as proposed by the Company. The
24 Company proposes to only track the transmission costs and not the associated revenue. The
25 Company’s proposal also does not address the issue of affiliates owning transmission within
26 KCPL’s existing service territory.

27 Q. Where did KCPL address the transmission tracker in its rebuttal testimony?

1 A. KCPL witness John R. Carlson states that projected increases in Southwest
2 Power Pool Inc. (“SPP”) transmission costs are the reason why the Company asked for a
3 transmission tracker (page 2, lines 18-20). KCPL witness Darren R. Ives addressed the issue
4 of trackers on page 7, line 11 when he characterized Staff’s position as “No additional
5 Company proposed trackers“ and later described the fact that “Staff did not provide testimony
6 in its Report” regarding the “newly requested trackers” (page 20, lines 12-19). Witness Ives
7 specifically addressed the issue of a transmission tracker starting on line 12, page 23 through
8 page 25, line 2 where he referred to the direct testimony of Missouri Industrial Energy
9 Consumers (“MIEC”) and the Midwest Energy Consumer’s Groups (“MECG”) witness James
10 R. Dauphinais and to Staff’s lack of inclusion of the transmission tracker in its Report filed
11 with its direct case.

12 Q. Do you agree with the characterization that the transmission tracker is “newly
13 requested”?

14 A. Yes but I believe that the statement is not accurate. While this is “newly
15 requested” and that it would be an “additional” tracker that is currently not in place, it is not
16 the first time that KCPL has requested a transmission tracker. KCPL also requested a
17 transmission tracker in its previous rate case, Case No. ER-2010-0355. Based on my
18 understanding of its request, the design of the transmission tracker requested by KCPL in the
19 current case is identical to the design of the transmission tracker requested by KCPL in the
20 previous case with one exception: KCPL is now requesting carrying costs to be added to the
21 monthly balance of the tracker. Staff would also note that in the previous case KCPL witness
22 Tim M. Rush sponsored the transmission tracker testimony. The Company’s request for a

1 tracker was not implemented pursuant to the *Non-Unanimous Stipulation and Agreement as to*
2 *Miscellaneous Issues* approved by the Commission in Case No. ER-2010-0355.

3 Q. Did Staff take a position on the transmission tracker in Case No. ER-2010-
4 0355?

5 A. Yes. I was the Staff witness on the issue of the transmission tracker in Case
6 No. ER-2010-0355. I sponsored the portion of the Staff's Cost of Service Report regarding
7 the transmission tracker and I filed surrebuttal testimony on the issue. In that case, Staff
8 recommended that a transmission tracker include both transmission costs and transmission
9 revenues. Staff also recommended several reporting requirements in situations where the
10 Company has direct control over the transmission expenses.

11 Q. What was KCPL's response to Staff's recommended transmission tracker and
12 reporting requirements in Case No. ER-2010-0355?

13 A. KCPL opposed Staff's recommended transmission tracker and reporting
14 requirements. In witness Rush's rebuttal testimony in Case No. ER-2010-0355, KCPL stated
15 that it did not support Staff's proposed transmission tracker (Rush Rebuttal, Case No. ER-
16 2010-0355; page 11, lines 1-4). KCPL also rejected the Staff's proposed reporting
17 requirements and instead suggested that the issue of transmission reporting should be
18 addressed in a generic docket that is not specific to an individual company (Rush Rebuttal,
19 Case No. ER-2010-0355; page 15, lines 1-4).

20 Q. Have there been changes regarding transmission since you filed your
21 surrebuttal testimony in Case No. ER-2010-0355 on January 5, 2011?

22 A. Yes, there have been many changes since that time. Major changes include the
23 issuance by the Federal Energy Regulatory Commission (FERC) of Order 1000 and the

1 continued development of SPP's day-ahead market as part of its Integrated Marketplace will
2 begin operation on March 1, 2014. In addition, on April 4, 2012, approximately 5 weeks after
3 KCPL filed the current rate case, Great Plains Energy (GPE) announced that GPE and
4 American Electric Power had formed Transource Energy, L.L.C. (Transource) with GPE
5 owning 13.5% of Transource. On August 31, 2012 Transource Missouri, L.L.C., a wholly-
6 owned subsidiary of Transource, filed for a Certificate of Convenience and Necessity with the
7 Commission in Case No. EA-2012-0098. On that same day KCPL and KCP&L Greater
8 Missouri Operations Company (GMO) filed an Application that included a request to transfer
9 certain electric transmission property to Transource. KCPL's and GMO's Application is also
10 requesting that the Commission determine that no approval is required under Missouri law to
11 novate the Notifications to Construct (NTC) received from SPP regarding the two regional,
12 high-voltage transmission projects.

13 Q. In the transmission tracker section of the Staff's Cost of Service Report in Case
14 No. ER-2010-0355, you made the following statement "Staff does assert that the Company
15 has control over the transmission expenses it incurs related to transmission it, or its affiliates,
16 directly constructs." (Staff Cost of Service Report, Case No. ER-2010-0355; page 150, lines
17 19-20) Were you referring to Transource when you made that statement?

18 A. No. The Case No. ER-2010-0355 Staff Report was filed over a year before
19 Transource was announced. I was referring to affiliates like GMO that existed at that time
20 and that are owned by KCPL's parent company, GPE. I didn't anticipate the formation of (1)
21 a transmission company affiliate, (2) a transmission company affiliate that GPE only has
22 minority interest in, 13.5%, and (3) a request to transfer transmission assets from KCPL and
23 GMO to this new transmission company affiliate which is not even wholly owned by GPE.

1 Q. Should the Commission approve a transmission tracker prior to the pending
2 issues of transmission company affiliates being addressed by the Commission respecting this
3 issue?

4 A. No. This is a significant issue and there are now specific transmission projects,
5 the Iatan-Nashua 345 kV project and the Sibley-Nebraska City 345 kV project, that have been
6 approved by SPP. Transource Missouri has declared its intention to construct and operate
7 these transmission lines.

8 Q. Are there any other pending cases that are of potential significance to a
9 transmission tracker?

10 A. Yes. The cases in which KCPL and GMO are seeking Commission authority
11 to continue to participate in SPP, File Nos. EO-2012-0135 and EO-2012-0136, respectively,
12 are of potential significance. From the Staff's perspective, Transource and Transource
13 Missouri are issues in File Nos. EO-2012-0135 and EO-2012-0136.

14 Q. If the Commission approves a transmission tracker in this case, do you
15 recommend that both transmission costs and transmission revenues be included in the tracker
16 as you did in Case No. ER-2010-0355?

17 A. Yes. Although no one can predict with absolute certainty how the SPP day-
18 ahead market will affect KCPL's transmission costs and revenues, I expect that this market
19 will have an effect on the electric sales and purchases throughout the SPP marketplace and
20 therefore it will have an effect on the market participants of SPP. If only the transmission
21 costs are tracked, the full effect of this change in the marketplace will not be captured. Even
22 if both KCPL's transmission costs and revenues are tracked, some of the transmission costs
23 and revenues within KCPL's existing service territory are likely to be outside of the tracker if

1 the Commission approves Transource Missouri since transmission costs and revenues would
2 go to the owner of the transmission assets.

3 Q. In Case No. ER-2010-0355, Staff proposed reporting requirements. If the
4 Commission grants a transmission tracker in the current case, does Staff propose that
5 reporting requirements be a condition of that approval?

6 A. Yes. Staff witness Mark L. Oligschlaeger is sponsoring a list of conditions
7 that include reporting requirements and also include conditions to address the affiliate issues.

8 Q. You stated that KCPL's requested transmission tracker includes carrying costs.
9 Do you support the inclusion of carrying costs?

10 A. No.

11 Q. In the Staff Report in Case No. ER-2010-0355, you recommended a
12 transmission tracker based on the following criteria: (1) the historic growth in and the current
13 high level of KCPL's transmission expenses; (2) the future uncertainty in the level of the
14 future transmission expenses; and (3) because those utilities had less control over the level of
15 transmission expenses assigned to it from SPP than over most of their expenses. Do these
16 criteria still apply?

17 A. Yes. The data provided in KCPL witness Ives Direct testimony, Schedule
18 DRI-1, shows transmission expenses on a historic and a projected basis. This data does not
19 include the corresponding transmission revenues that Staff maintains should also be included
20 in a tracker. It is Staff's understanding that these transmission revenues do not offset the
21 transmission expenses on a historic or a project basis so the first two criteria would be met in
22 the current case.

1 Q. So based on your criteria, should the Commission authorize a transmission
2 tracker for KCPL as requested?

3 A. No. Although Staff is not recommending the Commission authorize any
4 transmission tracker for KCPL at this time, even under the criteria I presented in Case No.
5 ER-2010-0355, Staff would recommend that any transmission tracker the Commission may
6 authorize include transmission revenues, does not include carrying costs, and adequately
7 address the issue of potential transmission transactions involving affiliates. Any transmission
8 tracker that the Commission approves in this case should address these issues, as well as those
9 items discussed by Mark Oligschlaeger in his surrebuttal testimony in this matter.

10 Q. Does this conclude your surrebuttal testimony?

11 A. Yes, it does.

