

Exhibit No.: _____
Issue(s): Off-System Sales/
Supplemental Weatherization
and Minor Home Repair Program
Witness/Type of Exhibit: Kind/Rebuttal
Sponsoring Party: Public Counsel
Case No.: ER-2009-0090

REBUTTAL TESTIMONY

OF

RYAN KIND

Submitted on Behalf of the Office of the Public Counsel

AQUILA, INC.
D/B/A KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2009-0090

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Denotes Highly Confidential information that has been redacted

March 13, 2009

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REBUTTAL TESTIMONY
OF
RYAN KIND
AQUILA INC. D/B/A
KCP&L GREATER MISSOURI OPERATIONS COMPANY
CASE NO. ER-2009-0090

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. Ryan Kind, Chief Energy Economist, Office of the Public Counsel, P.O. Box 2230,
3 Jefferson City, Missouri 65102.

4 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.**

5 A. I have a B.S.B.A. in Economics and a M.A. in Economics from the University of
6 Missouri-Columbia (UMC). While I was a graduate student at UMC, I was employed as
7 a Teaching Assistant with the Department of Economics, and taught classes in
8 Introductory Economics, and Money and Banking, in which I served as a Lab Instructor
9 for Discussion Sections.

10 My previous work experience includes several years of employment with the Missouri
11 Division of Transportation as a Financial Analyst. My responsibilities at the Division of
12 Transportation included preparing transportation rate proposals and testimony for rate
13 cases involving various segments of the trucking industry. I have been employed as an
14 economist at the Office of the Public Counsel (Public Counsel or OPC) since 1991.

15 **Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THIS COMMISSION?**

Rebuttal Testimony of
Ryan Kind

1 A. Yes, prior to this case I submitted written testimony in numerous gas rate cases, several
2 electric rate design cases and rate cases, as well as other miscellaneous gas, water,
3 electric, and telephone cases.

4 **Q. HAVE YOU PROVIDED COMMENTS OR TESTIMONY TO OTHER REGULATORY OR**
5 **LEGISLATIVE BODIES ON THE SUBJECT OF ELECTRIC UTILITY REGULATION AND**
6 **RESTRUCTURING?**

7 A. Yes, I have provided comments and testimony to the Federal Energy Regulatory
8 Commission (FERC), the Missouri House of Representatives Utility Regulation
9 Committee, the Missouri Senate's Commerce & Environment Committee and the
10 Missouri Legislature's Joint Interim Committee on Telecommunications and Energy.

11 **Q. HAVE YOU BEEN A MEMBER OF, OR PARTICIPANT IN, ANY WORK GROUPS,**
12 **COMMITTEES, OR OTHER GROUPS THAT HAVE ADDRESSED ELECTRIC UTILITY**
13 **REGULATION AND RESTRUCTURING ISSUES?**

14 A. Yes. I was a member of the Missouri Public Service Commission's (the Commission's)
15 Stranded Cost Working Group and participated extensively in the Commission's Market
16 Structure Work Group. I am currently a member of the Missouri Department of Natural
17 Resources Weatherization Policy Advisory Committee, the National Association of State
18 Consumer Advocates (NASUCA) Electric Committee, and the Standards Authorization
19 Committee of the North American Electric Reliability Council (NERC). I have served as
20 the small customer representative on the NERC Operating Committee and as the public
21 consumer group representative to the Midwest ISO's (MISO's) Advisory Committee.
22 During the early 1990s, I served as a Staff Liaison to the Energy and Transportation Task
23 Force of the President's Council on Sustainable Development.

24

1 **I. INTRODUCTION**

2 **Q. PLEASE IDENTIFY THE ISSUES THAT YOU WILL BE ADDRESSING IN YOUR TESTIMONY.**

3 A. The issues that are addressed in this testimony include:

- 4 • The Supplemental Weatherization and Minor Home Repair Program proposed by
5 Aquila Inc. d/b/a KCP&L Greater Missouri Operations Company (GMO or
6 Company); and
7 • GMO's proposed below the line treatment of certain off-system sales margins.

8 **II. SUPPLEMENTAL WEATHIZATION PROGRAM**

9 **Q. WHICH GMO WITNESS HAS FILED DIRECT TESTIMONY TO SUPPORT GMO'S**
10 **PROPOSAL FOR A SUPPLEMENTAL WEATHERIZATION AND MINOR HOME REPAIR**
11 **PROGRAM?**

12 A. The proposed Supplemental Weatherization and Minor Home Repair Program
13 (Weatherization/Repair Program) is discussed on pages 9 and 10 of GMO witness Allen
14 Dennis' direct testimony.

15 **Q. HAVE THE DETAILS OF THE PROPOSED WEATHERIZATION/REPAIR PROGRAM BEEN**
16 **DISCUSSED AT MEETINGS OF THE GMO ADVISORY GROUP?**

17 A. I do not recall the details of this program being discussed at GMO Advisory Group
18 (formerly Aquila Advisory Group) meetings and I have attended almost all of these
19 meetings.

20 **Q. HAVE THE DETAILS OF THE WEATHERIZATION/REPAIR PROGRAM BEEN DESCRIBED IN**
21 **THE TESTIMONY OF MR. DENNIS OR IN A PROPOSED TARIFF?**

Rebuttal Testimony of
Ryan Kind

1 A. No. The testimony of Mr. Dennis has only a couple of paragraphs describing the broad
2 outline of the proposed program and the Company has not provided a proposed tariff for
3 this program.

4 **Q. DOES MR. DENNIS DESCRIBE A PROCESS FOR DETERMINING THE DETAILS OF HOW**
5 **THIS PROGRAM WOULD BE STRUCTURED AND IMPLEMENTED?**

6 A. At line 6 on page 10 of his testimony, he states “GMO has not proposed cost recovery in
7 this rate case, but rather will collaborate with the Staff and the Office of Public Council
8 [sic] on cost recovery and other aspects of the program.”

9 **Q. WHAT IS PUBLIC COUNSEL’S OVERALL RESPONSE TO THIS PROGRAM?**

10 A. OPC has been generally supportive of proposals to initiate or expand low income
11 weatherization programs and has in the past made such proposals. However, we are
12 opposed to this proposal: (1) because it is lacking in sufficient detail and (2) because we
13 believe additional **utility** funding of low income weatherization programs is not needed at
14 the same time that we have experienced an enormous increase in **federal** weatherization
15 funding due to passage of the federal economic stimulus program. GMO could not have
16 anticipated this enormous increase in federal funding for low income weatherization
17 funding at the time that Mr. Dennis finalized his testimony in early September of 2008.

18 **Q. DOES PUBLIC COUNSEL HAVE ADDITIONAL CONCERNS ABOUT THE PROPOSED**
19 **WEATHERIZATION/REPAIR PROGRAM?**

20 A. Yes, Public Counsel has concerns about the sketchy details that have been provided about
21 using substantial amounts of ratepayer funds to repair and replace “basic systems”
22 including “heating electrical, plumbing, and roofing.” While it may make sense to do

1 minor repairs to roofs and/or walls in order to make sure that installed weatherization
2 measures will not be degraded by exposure to weather, limitations on the amount spent
3 per home were not addressed in Mr. Dennis' testimony.

4 **Q. DO YOU HAVE ANY ADDITIONAL REMARKS ON THIS ISSUE?**

5 A. Public Counsel is always willing to discuss new initiatives with utilities and would be
6 glad to have further discussions with GMO about the appropriateness of, and program
7 design details for any new customer programs, including a Supplemental Weatherization
8 and Minor Home Repair Program.

9 **III. OFF-SYSTEM SALES MARGINS**

10 **Q. WHAT IS PUBLIC COUNSEL'S RECOMMENDATION FOR THE RATEMAKING TREATMENT**
11 **OF OFF-SYSTEM SALES MARGINS IN THIS CASE?**

12 A. Public Counsel's overall recommendation for the level of off-system sales (OSS) margins
13 to reflect in GMO's Missouri jurisdictional revenue requirement is that the level of OSS
14 margins should reflect the ongoing level of margins that GMO's former owner, Aquila,
15 was able to achieve over the last few years. The adjustments proposed in the direct
16 testimony of GMO witness Tim Rush, which would drastically reduce the OSS margins
17 reflected in the base rates of GMO that result from this case, should not be approved by
18 the Commission.

19 **Q. PLEASE DESCRIBE THE DIRECT TESTIMONY OF MR. RUSH WHERE HE DISCUSSES**
20 **GMO'S OSS MARGIN ADJUSTMENT.**

21 A. Mr. Rush's testimony contains only a single paragraph beginning at line 7 on page 6 of
22 his direct testimony that attempts to support GMO's efforts to unfairly raise customers'

1 rates by removing millions of dollars of off-system sales from the company's revenue
2 requirement. In that paragraph, he argues that ratepayers should not expect to benefit
3 from the OSS margins related to these sales because he feels these sales are "speculative"
4 and "risk based."

5 **Q. PLEASE IDENTIFY THE SPECIFIC ADJUSTMENTS TO OSS REVENUES AND COSTS THAT**
6 **ARE SUPPORTED BY MR. RUSH.**

7 A. These adjustments are identified as adjustments R-35 and FPP-35 in Schedule RAK-4
8 which is attached to the direct testimony of GMO witness Ronald Klote.

9 **Q. ARE THE SPECIFIC AMOUNTS SHOWN IN SCHEDULE RAK-4 ATTACHED TO THE DIRECT**
10 **TESTIMONY OF GMO WITNESS RONALD KLOTE THE ACTUAL AMOUNTS OF**
11 **"SPECULATIVE" AND "RISK BASED" SALES THAT WERE MADE BY GMO?**

12 A. No. GMO's response to Staff DR No. 184 indicates that "sales from risk based trading
13 are not separated in the financial records/internal reports from other off-system sales
14 transactions." Apparently, Mr. Rush has just decided that the vast majority (75%) of the
15 OSS sales that were made by GMO's predecessor, Aquila, were "risk-based" sales so the
16 vast majority of GMO's OSS margins should be eliminated through the adjustments he
17 has proposed in this area.

18 **Q. DO YOU HAVE ANY ADDITIONAL COMMENTS ON GMO'S ADJUSTMENT TO ELIMINATE**
19 **"RISK BASED" OFF-SYSTEM SALES?**

20 A. Yes. In part 5 of GMO's response to Staff DR No. 184, the Company indicates that it
21 believes it is appropriate to assume that the level of risk-based sales in the future will be

1 \$0 because it will “no longer participate in Risk Based Trading within the regulated
2 business.”

3 **Q. BASED ON GMO’S RESPONSE TO STAFF DR NO. 184, IT APPEARS THAT GMO AND**
4 **ITS AFFILIATES WILL SEEK TO TREAT ANY FUTURE RISK-BASED SALES AS A NON-**
5 **REGULATED EARNINGS GENERATING ACTIVITY. WOULD GMO AND ITS AFFILIATES BE**
6 **IN A POSITION TO MAKE SUCH EARNINGS ABSENT ITS LONG TIME OPERATIONS AS A**
7 **REGULATED UTILITY?**

8 A. Probably not, at least not on the scale that it is able to accomplish as a result of the power
9 trading operation presence and goodwill that it has established as a regulated entity.

10 **Q. YOU STATED EARLIER THAT OSS MARGINS SHOULD REFLECT THE ONGOING LEVEL**
11 **OF MARGINS THAT GMO’S FORMER OWNER, AQUILA, WAS ABLE TO ACHIEVE OVER**
12 **THE LAST FEW YEARS. HAVE YOU PERFORMED A CALCULATION TO DETERMINE**
13 **THESE AMOUNTS FOR THE MPS AND SJLP DIVISIONS OF GMO?**

14 A. Yes. I utilized data that GMO provided in its response to Staff DR No. 184. Based on the
15 monthly OSS margin information that GMO provided in a spreadsheet that was
16 responsive to subpart 4 of this DR, I calculated the average amount of annual OSS
17 margins earned by GMO’s predecessor Aquila during the 21/2 years that preceded the
18 Commission’s approval of the Great Plains Energy and Aquila transaction on July 1,
19 2008. The average annual OSS margins during this 21/2 period for Aquila’s MPS and St.
20 Joseph Light & Power divisions were ** ** and ** ** respectively.
21 The sum of these two amounts is ** **. Public Counsel proposes that these
22 amounts of annual OSS margins be used to set base rates for GMO.

23 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

Rebuttal Testimony of
Ryan Kind

1

A. Yes.

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