

**Exhibit No.:**

**Issue(s):**

**Witness/Type of Exhibit:**

**Sponsoring Party:**

**Case No.:**

\_\_\_\_\_ Fuel Adjustment Clause

Kind/Surrebuttal

Public Counsel

ER-2009-0090

# **SURREBUTTAL 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

April 9, 2009

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

In the Matter of the Application of Aquila, Inc. )  
 d/b/a KCP&L Greater Missouri Operations )  
 Company, for Approval to Make Certain Changes )  
 in its Charges for Electric Service )  
 )

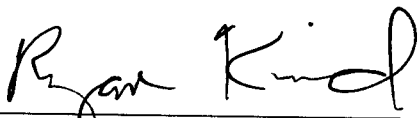
Case No. ER-2009-0090

**AFFIDAVIT OF RYAN KIND**

STATE OF MISSOURI )  
 ) ss  
 COUNTY OF COLE )

Ryan Kind, of lawful age and being first duly sworn, deposes and states:

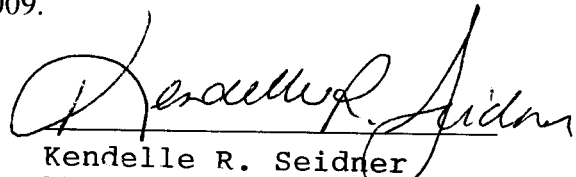
1. My name is Ryan Kind. I am Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

  
 \_\_\_\_\_  
 Ryan Kind

Subscribed and sworn to me this 9<sup>th</sup> day of April 2009.



KENDELLE R. SEIDNER  
 My Commission Expires  
 February 4, 2011  
 Cole County  
 Commission #07004782

  
 \_\_\_\_\_  
 Kendelle R. Seidner  
 Notary Public

My Commission expires February 4, 2011.

**SURREBUTTAL 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.     ARE YOU THE SAME RYAN KIND THAT HAS PREVIOUSLY FILED REBUTTAL REVENUE**  
5       **REQUIREMENT TESTIMONY AND REBUTTAL RATE DESIGN TESTIMONY IN THIS CASE**  
6       **REGARDING REVENUE REQUIREMENT ISSUES?**

7       A.     Yes.

8       **Q.     WHICH ISSUES ARE YOU ADDRESSING IN THIS SURREBUTTAL TESTIMONY?**

9       A.     I am responding to a couple of the Fuel Adjustment Clause (FAC) tariff issues that were  
10       presented in the rebuttal testimony of KCP&L Greater Missouri Operations Company  
11       (GMO or Company) witness Tim Rush. These issues include the categories of costs that  
12       are appropriate for collection through an FAC and the types of off-system sales revenues  
13       that are appropriate for inclusion in an FAC. At line 19 on page 2 of his rebuttal  
14       testimony, GMO witness Rush states "...but I would propose some changes to the specific  
15       language implementing that proposal, as identified in Schedule TMR-3."

1       **Q.     WHAT IS YOUR RESPONSE TO THE PARAGRAPHS LABELED 1 THROUGH 5 THAT START**  
2       **ON THE SECOND PAGE OF SCHEDULE TMR-3 AND CONTINUE ON THE TOP OF THE**  
3       **THIRD PAGE OF SCHEDULE TMR-3?**

4       A.     OPC opposes including several of the categories of costs that Mr. Rush has included in  
5       paragraphs 1, 2, and 3. The categories of costs opposed by OPC in each of the respective  
6       paragraphs are as follows:

7                 Paragraph 1 – railroad transportation, railcar depreciation, railcar lease costs,  
8                 similar costs associated with other applicable modes of transportation, and non-  
9                 labor fuel handling expenses.

10                Paragraph 2 – non-labor fuel handling expenses.

11                Paragraph 3 – Emission allowance costs and revenues from the sale of emission  
12                allowances, including but not limited to Carbon, Mercury, and Nitrogen.

13       OPC is opposed to the costs listed above that were included in paragraphs 1 and 2  
14       because these categories of costs include costs that do not vary directly with the level of  
15       generation output and are not the kind of fuel and fuel delivery variable costs that were  
16       addressed in SB 179 and the Commission’s Electric Utility Fuel and Purchased Power  
17       Cost Recovery Mechanisms Rule (4 CSR 240-20.090). Subsection (2)(C) of this rule  
18       states:

19                (C) In determining which cost components to include in a RAM, the  
20                commission will consider, but is not limited to only considering, the  
21                magnitude of the costs, the ability of the utility to manage the costs, the  
22                volatility of the cost component and the incentive provided to the utility  
23                as a result of the inclusion or exclusion of the cost component. The  
24                commission may, in its discretion, determine what portion of prudently  
25                incurred fuel and purchased power costs may be recovered in a RAM and  
26                what portion shall be recovered in base rates.

1           The above section is applicable to the costs listed above from paragraphs 1 and 2 of  
2           GMO's proposed FAC tariff presented in Schedule TMR-3 of Mr. Rush's testimony  
3           because of GMO's ability to manage the costs, the non-volatile nature of the cost  
4           component and the improper incentive that would be provided to the utility as a result of  
5           the inclusion of the cost component. In addition, GMO has not specified the amount of  
6           the costs in each of these categories that are already in its revenue requirement so there is  
7           no way to calculate variations from the amount in base rates for purposes of calculating  
8           periodic adjustments for the FAC. Without the explicit identification of the baseline level  
9           of these costs, GMO may be able to recover them twice - once in base rates, and again  
10          through periodic adjustments passed through the FAC.

11          **Q.    WHAT IS YOUR RESPONSE TO KCPL'S PROPOSAL FOR COLLECTING THE COSTS**  
12          **LISTED ABOVE FROM PARAGRAPH 3 OF GMO'S PROPOSED FAC TARIFF PRESENTED**  
13          **IN SCHEDULE TMR-3 OF MR. RUSH'S TESTIMONY?**

14          A.    OPC is not opposed to the inclusion of SO2 allowance costs and revenues in GMO's  
15          FAC at this time since GMO does not currently have an Environmental Cost Recovery  
16          Mechanism. However, GMO's proposal to also include "emission allowance costs and  
17          revenues from the sale of emission allowances, including but not limited to Carbon,  
18          Mercury, and Nitrogen" is not appropriate since there are no current emission allowance  
19          regulations that apply to GMO for these emissions. It is quite possible that GMO will  
20          have an Environmental Cost Recovery Mechanism if and when it ever begins to incur any  
21          of these costs and that mechanism would be the appropriate mechanism where inclusion  
22          of these types of costs should be considered.

Surrebuttal Testimony of  
Ryan Kind

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**Q. WHAT IS YOUR RESPONSE TO THE DEFINITION OF OSSR THAT APPEARS AT THE TOP OF THE THIRD PAGE OF GMO'S PROPOSED FAC TARIFF PRESENTED IN SCHEDULE TMR-3 OF MR. RUSH'S TESTIMONY?**

A. This definition should be expanded to include the revenues from "Q sales", speculative sales, non-asset based sales and any other purely financial power marketing transactions.

**Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

A. Yes.