

Exhibit No.:
Issue: Maintenance Expense
Witness: John R. Marshall
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2006-0314
Date Testimony Prepared: September 8, 2006

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2006-0314

REBUTTAL TESTIMONY

OF

JOHN R. MARSHALL

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

FILED³

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Missouri Public
Service Commission

Kansas City, Missouri
September 2006

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Case No(s). ER-2006-0314
Date 10-16-06 Rptr XF

REBUTTAL TESTIMONY

OF

JOHN R. MARSHALL

Case No. ER-2006-0314

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

2 A: My name is John R. Marshall. My business address is 1201 Walnut, Kansas City,
3 Missouri 64106.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Kansas City Power & Light Company ("KCPL") as Senior Vice
6 President, Delivery Division.

7 **Q: Are you the same John R. Marshall who pre-filed direct testimony in this case?**

8 A: Yes, I am.

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

10 A: The purpose of my testimony is to discuss the recommendations made by Missouri Public
11 Service Commission ("MPSC") Staff witness William Harris regarding maintenance
12 expense and, in particular, dispute the method he used to normalize the expense.

13 **Q: Please describe the method Mr. Harris recommends.**

14 A: Mr. Harris recommends adjusting the 2005 test year level of maintenance expense to
15 represent a normalized level of maintenance based upon an historical analysis of actual

1 costs. He uses a six-year average of actual maintenance expenses for years 2000 through
2 2005 to reflect transmission and distribution costs.

3 **Q: What adjustments are recommended by Staff witness Harris?**

4 A: Mr. Harris recommends a reduction of \$1,877,784 in distribution maintenance expense
5 and \$168,515 in transmission maintenance expense. Since the filing of his testimony;
6 however, Mr. Harris has removed the \$168,515 transmission adjustment.

7 **Q: Please explain why you dispute these adjustments.**

8 A: I dispute Mr. Harris' adjustments for several reasons. First, his analysis does not take
9 into account the time value of money. After utilizing the Handy Whitman index (an
10 index of trends in construction costs widely utilized by public utilities), to normalize the
11 maintenance expenses, adjusted to 2005 dollars, KCPL argues that the normalized
12 adjustment should be calculated as an increase of \$1,150,331 for distribution
13 maintenance expense and \$35,815 in transmission maintenance expense. This calculation
14 compares the 2005 test year to the six-year average. Schedule JRM-4 attached to this
15 testimony provides the calculations for the revised normalized adjustments.

16 Additionally, due to KCPL's continued focus on managing and controlling
17 maintenance costs, in 2005 dollars, the 2005 test year expenses are less than the six-year
18 average despite absorbing increases in labor rates, materials and fuel during the six-year
19 period. We expect these increases to continue into 2006 and beyond, and have
20 experienced higher price increases in 2006 for fuel and materials (transformers, cables,
21 poles) than in previous years. We will also be absorbing an additional operation and
22 maintenance ("O&M") impact of approximately \$2 million a year resulting from the
23 Asset Management Inventory and System Assessment Project discussed throughout my

1 Direct Testimony previously filed in this case. These costs were not captured in the
2 original Stipulation and Agreement in Case No. EO-2005-0329 or in my Direct
3 Testimony in this case, and will be incremental to the amounts specified in the 2005 test
4 year and the six-year average.

5 An integral part of the Stipulation and Agreement approved in Case No. EO-
6 2005-0329 addressed the need for continued and even increased attention by the
7 Company in the area of asset management. It was the parties' intention to ensure that
8 reliability initiatives not suffer during this period of large investments in generation. As
9 evidence of that intention, the Stipulation and Agreement allowed for additional capital
10 investments totaling \$42.3 million dollars over a five-year period.

11 From Appendix D of the Stipulation and Agreement:

12 *"This plan request assumes a certain level of maintenance expenditures*
13 *including a project to conduct a system wide condition assessment and*
14 *inventory of the overhead distribution system. This project is*
15 *predominately a maintenance expenditure that provides substantial return*
16 *by improving our ability to target capital renewal programs towards*
17 *facilities that are nearing the end of life. Our plan is to implement this*
18 *project in 2005 and complete it in 2008."* (Emphasis added).

19 A reduction in distribution and transmission maintenance expenses could make it
20 more difficult for KCPL to implement the Inventory and System Assessment Project, as
21 well as the other projects associated with the Asset Management Plan, discussed in my
22 Direct Testimony. The Plan is the structured and disciplined process to develop the
23 program of work for system expansion, system improvements, and maintenance (both
24 corrective and preventive). It will optimize system maintenance programs, improve
25 system design for better long-term performance and optimize strategic capital and O&M
26 investments as envisioned in the Stipulation and Agreement.

1 Q: Does that conclude your testimony?

2 A: Yes, it does.

Non-Labor Maintenance

Historical Maintenance Information

	Total Electric Maintenance Transmission					Historical Maintenance Information									
	12-mos. Ending Dec 31, 2000	12-mos. Ending Dec 31, 2001	12-mos. Ending Dec 31, 2002	12-mos. Ending Dec 31, 2003	12-mos. Ending Dec 31, 2004	12-mos. Ending Dec 31, 2005	Yr-2000 \$ Adjusted with 2005 Handy-Whitman Index	Yr-2001 \$ Adjusted with 2005 Handy-Whitman Index	Yr-2002 \$ Adjusted with 2005 Handy-Whitman Index	Yr-2003 \$ Adjusted with 2005 Handy-Whitman Index	Yr-2004 \$ Adjusted with 2005 Handy-Whitman Index	6-year Adjusted Total 2000-2005	6-year Adjusted Avg 2000-2005	Revised Normalized Adjustments	
588,000	3	0	0	0	20	315	4	0	0	23	21	363	81	(254)	
569,000	1,219	9,683	738	8,447	30,277	1,482	11,427	846	9,506	31,348	79,744	13,281	(11,839)		
570,000	256,020	356,085	328,988	290,182	239,873	318,417	425,730	394,888	338,750	254,801	2,063,040	343,840	3,486		
571,000	895,878	1,104,803	797,741	1,212,314	905,210	1,113,883	1,338,614	878,225	1,085,142	1,349,228	7,005,151	1,167,892	34,435		
572,000	7,865	11,082	25,928	(419)	92,245	0	0	30,832	(489)	96,478	167,878	27,989	9,978		
573,000	0	0	0	0	0	0	0	0	0	0	0	0	0		
	1,160,985	1,481,613	1,153,405	1,203,420	1,574,729	1,443,104	1,787,308	1,384,903	1,442,538	1,731,877	8,317,175	1,552,863	35,815		
Total Electric Maintenance Distribution															
590,000	42	3,690	83,795	33,876	56,988	50,629	52	4,447	97,333	38,283	59,786	280,540	41,757	(8,872)	
591,000	217,650	448,484	627,001	374,055	481,259	558,227	291,068	518,891	697,276	404,171	506,764	2,946,344	491,057	(67,170)	
592,000	457,117	452,753	398,726	430,028	282,186	536,194	536,194	542,872	483,051	516,922	3,072,430	502,072	(101,912)		
593,000	14,181,911	14,514,959	25,424,720	14,393,114	17,851,471	18,152,848	17,807,488	30,497,838	17,452,465	15,748,313	117,802,421	19,600,403	1,748,832		
594,000	400,383	598,922	684,165	773,286	496,127	489,868	489,868	735,384	817,235	907,145	650,785	4,308,114	718,186	(91,683)	
595,000	209,089	530,482	1,813,506	238,387	330,549	390,857	280,670	155,712	219,418	267,773	354,339	1,603,789	268,128	(82,729)	
596,000	297,713	584,737	1,233,942	944,864	1,034,103	376,214	376,214	726,205	1,420,494	1,019,088	1,094,426	5,803,589	967,265	(199,835)	
597,000	169,836	132,237	78,336	108,262	89,899	106,911	254,754	172,189	99,874	118,561	95,924	837,253	139,542	33,631	
598,000	36,501	30,989	33,255	967	49,156	131,023	45,438	37,324	38,628	1,115	52,425	305,950	50,992	(80,031)	
	15,970,242	16,935,194	29,768,535	17,972,109	17,232,573	21,629,071	20,397,889	20,794,582	34,361,208	20,725,474	18,799,208	138,676,410	22,779,402	1,150,331	

