

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**

**FILED<sup>3</sup>**

**NOV 13 2006**

**Missouri Public  
Service Commission**

**Kansas City, Missouri  
September 2006**

**KCP&L** Exhibit No. 19  
Case No(s). ER-2006-0314  
Date 10-16-06 Rptr XS

**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					Total Electric Maintenance Distribution					Total Electric Maintenance Distribution				
	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	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	12-mos. Ending Dec 31, 2000	12-mos. Ending Dec 31, 2001	12-mos. Ending Dec 31, 2002
568,000	Trans Maintenance Supv & Engineering	3	0	0	20	315	1,160,985	1,481,613	1,153,405	1,203,420	1,574,729	1,517,048	1,443,104	1,787,308	1,384,803
569,000	Transmission Maintenance of Structures	1,218	8,683	738	8,447	25,130	0	0	0	0	0	0	0	0	0
570,000	Trans Maintenance of Station Equipment	256,020	356,065	328,988	290,182	340,344	4	11,427	425,730	394,988	338,750	31,348	79,744	2,063,040	13,281
571,000	Trans Maintenance of Overhead Lines	855,878	1,104,803	797,741	1,212,314	1,133,257	318,417	425,730	394,988	338,750	254,801	2,063,040	1,167,892	34,435	3,486
572,000	Trans Maintenance of Underground Lines	7,865	11,082	25,928	(419)	18,002	1,113,683	1,338,614	878,225	1,085,142	1,349,228	7,005,151	1,167,892	34,435	3,486
573,000	Trans Maintenance of Mixed Trans Plant	0	0	0	0	0	8,518	13,537	30,832	(489)	96,478	167,878	27,980	9,978	0
	Total Electric Maint Transmission	0	0	0	0	0	0	0	0	0	0	0	0	0	0
590,000	Dist Maint Supv & Engineering	42	3,690	83,795	33,876	56,028	52	4,447	87,333	38,283	58,786	250,540	41,757	(8,872)	(8,872)
591,000	Dist Maint of Structures	217,650	448,484	627,091	374,055	588,227	518,881	687,276	404,171	506,764	2,946,344	481,057	(67,170)	(67,170)	(67,170)
592,000	Dist Maint of Station Equipment	457,117	452,753	398,725	430,028	603,894	536,194	542,872	483,051	516,822	3,072,430	502,072	(101,912)	(101,912)	(101,912)
593,000	Dist Maint of Overhead Lines	14,181,911	14,514,959	25,424,720	14,588,386	17,851,471	18,152,846	17,801,488	30,487,838	17,452,465	15,748,313	117,802,421	19,600,403	1,748,832	1,748,832
594,000	Dist Maint of Underground Lines	400,383	586,923	684,165	773,286	809,869	488,666	735,394	817,235	907,145	650,785	4,308,114	718,186	(91,683)	(91,683)
595,000	Dist Maint of Line Transformer	209,089	150,402	181,506	238,387	330,587	280,670	155,712	219,416	267,773	354,339	1,603,789	268,128	(82,739)	(82,739)
596,000	Dist Maint of Steel Lays & S	287,773	584,737	1,233,942	944,654	1,034,103	376,214	726,205	1,420,484	1,019,088	1,094,426	5,803,586	967,265	33,651	33,651
597,000	Dist Maintenance of Hangers	169,856	132,237	78,336	108,262	89,898	254,754	172,189	99,814	118,561	95,824	837,253	139,542	33,651	33,651
598,000	Dist Maintenance of Misc Dist Plant	36,501	30,989	33,255	987	131,023	45,438	37,324	38,628	1,115	52,425	305,950	50,992	(80,031)	(80,031)
	Total Electric Maintenance Distribution	15,970,242	16,935,194	28,768,535	17,972,109	21,829,071	20,397,889	20,794,582	34,361,206	20,725,474	18,789,208	138,676,410	22,779,402	1,150,331	1,150,331

In the Matter of the Application of Kansas City )  
Power & Light Company to Modify Its Tariff to ) Case No. ER-2006-0314  
Begin the Implementation of Its Regulatory Plan )

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

1. My name is John R. Marshall. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Senior Vice President, Delivery Division.

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. MARSHALL

Subscribed and sworn before me this 8<sup>th</sup> day of September 2006.

of September 2006.

Carol L. Smith  
Notary Public

My commission expires:

