

Exhibit No.: GMO-4
Issue: Overview and Policy
Witness: Curtis D. Blanc
Type of Exhibit: Direct Testimony
Sponsoring Party: KCP&L Greater Missouri
Operations Company
Case No.: ER-2010-____
Date Testimony Prepared: June 4, 2010

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-____

DIRECT TESTIMONY

OF

CURTIS D. BLANC

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
June 2010**

KCP&L Exhibit No. GMO-4
Date 2/14/11 Report: LMB
File No. ER-2010-0354

DIRECT TESTIMONY

OF

CURTIS D. BLANC

Case No. ER-2010-_____

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

2 A: My name is Curtis D. Blanc. My business address is 1200 Main Street, Kansas City,
3 Missouri 64105.

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

5 A: I am employed by Kansas City Power & Light Company ("KCP&L") as Senior Director
6 – Regulatory Affairs.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of KCP&L Greater Missouri Operations Company ("GMO" or
9 the "Company") for the territories served by L&P ("L&P") and MPS ("MPS").

10 **Q: What are your responsibilities?**

11 A: My responsibilities include oversight of the Company's Regulatory Affairs Department,
12 as well as all aspects of regulatory activities including cost of service, rate design,
13 revenue requirements, and tariff administration.

14 **Q: Please describe your experience and employment history.**

15 A: I received a Bachelor of Science degree from Washington University in St. Louis with
16 majors in Finance and Economics. I also received a *Juris Doctor* from the George
17 Washington University, National Law Center. Prior to coming to KCP&L, I worked as
18 an attorney in private practice first at Shook, Hardy & Bacon, LLP, then at Vinson &
19 Elkins, LLP, representing energy companies primarily before the Federal Energy

1 Regulatory Commission (the "FERC"). I came to KCP&L in 2005 as in-house regulatory
2 counsel and continued in that role until being promoted to my current position in July
3 2009.

4 **Q: Have you previously testified in a proceeding before the Missouri Public Service
5 Commission ("Commission" or "MPSC")?**

6 A: Yes. I testified before the Commission in Case No. EO-2010-0259 with respect to the
7 construction audit and prudence review of the KCP&L's and GMO's investment in air
8 quality control system ("AQCS") equipment at Iatan 1. Also, in my prior role as counsel
9 for the Company, I testified in a rulemaking proceeding before the Commission.

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

11 A: The purpose of my testimony is to provide an overview of the Company's proposed rate
12 increase, including a description of the major drivers in the case. In addition, I describe
13 the Company's compliance with the commitments it made in the Stipulation and
14 Agreement that resolved its most recent rate case in Case No. ER-2009-0090 ("0090
15 S&A"). I also discuss the Company's efforts to control its costs and address the needs of
16 its low-income customers.

17 **CASE OVERVIEW AND DRIVERS**

18 **Q: Please briefly summarize the Company's case.**

19 A: The Company is requesting an increase of \$75.8 million or 14.43 percent for its MPS
20 jurisdiction, based on a current Missouri jurisdictional base revenue, including fuel
21 adjustment clause revenue of \$525.1 million, to be reflected in rates effective May 4,
22 2011. The Company is requesting an increase of \$22.1 million or 13.87 percent for its
23 L&P jurisdiction, based on a current Missouri jurisdictional base revenue, including fuel

1 adjustment clause revenue of \$159.3 million, also to be reflected in rates effective May 4,
2 2011.

3 For both its MPS and L&P jurisdictions, the Company's case is based on a
4 historical test year that ended December 31, 2009. GMO anticipates an update based on
5 June 30, 2010 financials and a true-up as of December 31, 2010. Accordingly, test year
6 data was annualized and normalized and reflects projected values for true-up items as of
7 December 31, 2010.

8 The Company then allocated the resulting annualized and normalized MPS
9 amounts between its FERC and Missouri jurisdictions. The annualized and normalized
10 L&P amounts were allocated between its electric and steam utilities. The allocation
11 process is described in the Direct Testimony of Company witness John Weisensee, with
12 the allocation factors listed on his Schedule JPW2010-6. Mr. Weisensee's Direct
13 Testimony also supports the cost of service and revenue requirement determination,
14 which is included in his Schedule JPW2010-1.

15 **Q: What are the major drivers underlying GMO's proposed rate increase?**

16 **A:** This case includes GMO's share of Iatan 2, an 850 MW super-critical, coal-fired
17 generation facility that is expected to be fully operational and used for service prior to the
18 December 31, 2010 true-up date in this case. I expect that Iatan 2 will be a cost-effective,
19 reliable source of base load generation for the region for many years to come.

20 GMO owns an 18% interest in Iatan 2, which equates to a 153 MW interest.
21 GMO's ownership share means that over the past several years the Company has spent
22 approximately \$360 million on Iatan 2. Because of the prohibition on construction work
23 in progress, none of those dollars are currently reflected in the Company's Missouri rates.

1 That reality emphasizes the need for rates reflecting Iatan 2 to go into effect as soon as
2 possible after the plant is in-service.

3 Another significant driver in the case affecting the L&P jurisdiction is the
4 Company's investment in AQCS equipment on Iatan 1. The Iatan 1 AQCS project
5 included the addition of a selective catalytic reduction ("SCR") system to reduce nitrous
6 oxide emissions, a flue gas desulphurization unit ("Scrubber") to reduce sulfur dioxide
7 emissions, and a pulse jet fabric filter ("Baghouse") to reduce particulate matter
8 emissions. The project was completed in February 2009 and deemed to be fully
9 operational and used for service in April 2009. GMO owns 18% of Iatan 1, all of which
10 is assigned to the L&P jurisdiction. Although a majority of the Company's investment in
11 the Iatan 1 AQCS equipment was included in rates as part of its most recent rate case,
12 ER-2009-0090 (the "2008 Case"), a portion remains to be included in rates as part of this
13 case.

14 In addition, GMO added an SCR to Sibley 3. The Sibley 3 SCR became fully
15 operational and used for service in February 2009. Although a majority of the
16 Company's investment in the Sibley 3 SCR was included in rates as part of the 2008
17 Case, a portion remains to be included in rates as part of this case.

18 AQCS equipment was also added at the Jeffrey Energy Center ("Jeffrey"), which
19 is principally comprised of three coal-fired generating units, each with a generating
20 capacity of 720 MW, completed between 1978 and 1983. Each unit was built with a
21 Scrubber of that vintage. The Scrubbers were rebuilt to contemporary standards. The
22 rebuild of the Scrubber on Jeffrey 1 was completed in August 2008. The rebuild of the
23 Scrubber for Jeffrey 3 was completed in December 2008. GMO owns an 8% interest in

1 Jeffrey. Through its subsidiaries, Westar Energy ("Westar") owns 84% of the facility
2 and leases the remaining 8%. The majority of the Company's investment in Jeffrey 1 and
3 3 was included in rates as part of the 2008 Case. GMO seeks recovery of remaining costs
4 in this case. The rebuild of the Scrubber for Jeffrey 2 was not completed in time for
5 consideration in the 2008 Case. As discussed in the Direct Testimony of Company
6 witness Terry Hedrick, it became fully operational and used for service in April 2009.
7 GMO seeks recovery of those costs in this case.

8 This case also includes continued investments in system reliability focused
9 transmission and distribution ("T&D") projects. Similarly, the case includes the
10 continuation of cost recovery related to GMO's Customer Programs, *i.e.*, energy
11 efficiency, affordability, and demand response programs. The Company does not seek at
12 this time to alter how the costs of such programs are being recovered. However, GMO
13 does intend to avail itself of any new cost recovery mechanisms that might be permissible
14 as a result of the Commission's rulemaking efforts concerning Senate Bill 376. GMO
15 will not seek to make its Customer Programs permanent until there is greater certainty
16 concerning cost recovery.

17 This case also includes other investments in plant along with increasing operating
18 costs. These costs contribute to the revenue deficiency being addressed in this case.

19 **Q: What effective date do the Company's proposed tariffs being filed in this case bear?**

20 **A:** The tariffs bear an effective date of May 4, 2011, eleven months after filing. Although
21 utilities typically file tariffs with an effective date thirty days after filing, consistent with
22 how KCP&L has filed its tariffs under its Regulatory Plan, GMO filed the tariffs for its
23 most recent rate case with an effective date eleven months after filing, the presumed

1 operation of law date, assuming the Commission would like to have the maximum
2 amount of time to consider the case.

3 **Q: What impact does using a May 4, 2011 (eleven-month) effective date have on the**
4 **timing of the rates going into effect?**

5 A: Ideally, it will have no impact at all. If Iatan 2 is deemed fully operational and used for
6 service prior to the December 31, 2010 true-up date in this case, the rates resulting from
7 this case will go into effect May 4, 2011, as provided on the proposed tariffs. If Iatan 2
8 has not been deemed to be in service by the true-up date, GMO will very likely request
9 that the Commission delay both the true-up date and the effective date for the new rates,
10 similar to what occurred in KCP&L's and GMO's last rate cases with respect to the Iatan
11 1 AQCS equipment. No portion of the Company's significant investment in Iatan 2,
12 approximately \$360 million, is currently reflected in its Missouri jurisdictional rates. It is
13 therefore critical that the new rates reflecting Iatan 2 go into effect as soon as possible
14 after the plant become fully operational and used for service. Delaying the effectiveness
15 of new rates beyond eleven months would be harmful to the Company's financial health.

16 **Q: Has GMO taken steps to control costs during the test year for this case?**

17 A: Absolutely. In addition to the Company's usual efforts to keep its costs as low as
18 possible, in light of the economic conditions affecting us and our customers, GMO has
19 redoubled its efforts to control costs and conserve capital. Great Plains Energy the parent
20 company of GMO, reduced its dividend by 50%. KCP&L, which provides operating
21 services to GMO, also suspended external hiring for all but essential skills, and has left a
22 significant number of open positions unfilled. KCP&L also tightened its belt concerning
23 its operations and maintenance expenses and capital expenditures. In addition, the

1 Company re-reviewed savings that result from Great Plains Energy's acquisition of
2 Aquila, Inc. in 2008. Company witness Darrin Ives speaks to those synergy savings in
3 his Direct Testimony. The Company has been able to realize greater savings than
4 initially anticipated.

5 **Q: Does the Company's requested revenue requirement include costs incurred by**
6 **Company officers and reflected on their expense reports?**

7 A: No, it does not. These costs are reasonable and appropriate for recovery. I anticipate that
8 GMO will seek to include such costs in future rate cases. However, given that officer
9 expense charges, especially mileage reimbursements for business-related travel, have
10 proven to be a distraction from other more significant issues and the importance to the
11 Company that Iatan 2 be addressed in this rate case, GMO has removed all officer
12 expense charges incurred during the test year for this case. GMO has also removed all
13 officer expenses charged to Iatan 2, regardless of when they were incurred. It is GMO's
14 hope that the removal of these charges from the case will make it easier for the parties
15 and the Commission to focus on the important issues to be decided in this case.

16 **Q: What steps has GMO taken to assist its low-income customers during these difficult**
17 **economic times?**

18 A: As described in the Direct Testimony of Company witness Jim Alberts, in GMO's last
19 rate case, GMO began its Economic Relief Pilot Program ("ERPP"). The ERPP is a
20 fixed credit that reduces electric bills for low-income customers. In this case, again as
21 described in Mr. Alberts's testimony, GMO seeks to continue its ERPP with some
22 modifications to increase customer participation. For example, GMO has entered into a

1 partnership with the Salvation Army to direct customers to GMO's ERPP. As in the
2 Company's last case, it only seeks to recover half of its ERPP costs.

3 Mr. Alberts also describes the Company's Connections Program. The point of the
4 Connections Program is to help customers manage their energy usage and reduce their
5 electric bills, as well as to help customers access resources for assistance with paying
6 their electric bills. The program has included a number of resource fairs to educate and
7 assist our customers near where they work and live.

8 **Q: Has the Company included in this case the revenue requirement impact of the**
9 **acquisition of Aquila, Inc. by Great Plains Energy?**

10 A: Yes, as discussed in the Direct Testimony of Darrin Ives, GMO has included its allocable
11 share of the merger savings and transition cost amortization in the revenue requirement in
12 this case, as ordered by the Commission in Case No. EM-2007-0374. The Company has
13 realized more synergy savings than it had expected to at that time of the merger.

14 **Q: During the course of Case No. EM-2007-0374, the Company agreed not to seek**
15 **recovery of all of its actual debt costs, based on past commitments made by Aquila,**
16 **Inc. with respect to certain specific debt issuances. Has the Company's cost of**
17 **capital calculation been made consistent with this agreement?**

18 A: Yes, consistent with prior rate cases the Company has not sought to recover actual debt
19 costs for certain debt issued at non-investment grade interest rates.

20 **Q: What is the return on equity GMO is requesting in this case?**

21 A: GMO is requesting a return on equity of 11.0 percent based upon the projected capital
22 structure of Great Plains Energy, GMO's parent holding company, as of December 31,
23 2010, 46.2 percent of which is comprised of common equity. GMO witness Dr. Samuel

1 Hadaway presents in his Direct Testimony his cost of capital study results and
2 recommendations in support of the Company's requested return on equity. Dr. Hadaway
3 has utilized the same approach as in GMO's three recent rate cases before the
4 Commission. Dr. Hadaway's approach is based on a traditional approach to estimate the
5 underlying cost of equity capital for a group of comparable, investment-grade electric
6 utility companies.

7 GMO requests a return on equity commensurate with the top of Dr. Hadaway's
8 range to reflect the Company's reliability and customer satisfaction achievements.
9 GMO's T&D systems continued to perform at Tier 1 reliability levels in 2009, as
10 measured by System Average Interruption Duration Index ("SAIDI") in the annual
11 Edison Electric Institute Reliability Survey. In addition, KCP&L/GMO is ranked as one
12 of the highest rated electric utilities in Customer Satisfaction according to JD Power and
13 Associates. In February 2010, JD Power recognized KCP&L/GMO as No. 1 in Customer
14 Satisfaction among business customers in the Midwest Large electric utilities. Similar
15 results were seen in the JD Power Residential study that was released in July 2009 when
16 KCP&L/GMO was ranked No. 2 among the Midwest Large utilities. KCP&L/GMO
17 continue to be tracking very well in its 2010 Residential study that will be released July
18 2010.

19 **Q: What is the status of the Iatan 1 AQCS Project?**

20 **A:** The Iatan 1 AQCS Project was placed into service in April 2009. GMO included costs
21 for Iatan 1 in its 2008 Case. Ultimately, the parties in that case reached a settlement.
22 Prudence issues related to Iatan 1 and the common facilities necessary to operate Iatan 1
23 were deferred to this proceeding for consideration by the Commission, but pursuant to the

1 settlement agreement, any proposed disallowance for imprudence is capped at \$15
2 million.

3 **Q: What is the status of the Iatan 2 generation facility?**

4 A: Construction of Iatan 2 is essentially complete. The Project team has begun start-up and
5 commissioning activities. Iatan 2 is expected to become fully operational and used for
6 service in the fourth quarter of 2010, in time for the true-up in this case. Consequently,
7 the Company expects to include in its rates as part of this rate case all prudently incurred
8 costs related to Iatan 2 that were incurred prior to the true-up date established for this rate
9 case. Similarly, if for some reason Iatan 2 is not fully operational and used for service by
10 the true-up date in this case, it is very likely that GMO will seek to move both the in-
11 service date and the effective date for the new rates to coincide with Iatan 2's in-service
12 date. Company witnesses William Downey, Robert Bell, Brent Davis, Chris Giles,
13 Kenneth Roberts, Steve Jones, and Daniel Meyer discuss various aspects of the
14 construction of Iatan 2 in their Direct Testimonies.

15 Iatan 2 will be one of the newest, most efficient base load generating units in the
16 region. As noted, GMO owns 153 MW (18%) interest in Iatan 2 to be allocated between
17 MPS and L&P as discussed in the Direct Testimony of Company witness Burton
18 Crawford. GMO's partners in Iatan 2 are KCP&L, which owns 465 MW (54.7%); The
19 Empire District Electric Company, which owns 102 MW (12%); Missouri Joint
20 Municipal Electric Utility Commission, which owns 100 MW (11.8%); and Kansas
21 Electric Power Cooperative, which owns 30 MW (3.5%).

1 **Q: What is the status of GMO's Customer Programs investments?**

2 A: As a result of the Company's two demand response programs, Energy Optimizer and
3 MPower, GMO has approximately 24 MW it can call upon for curtailment. In addition,
4 GMO estimates that its energy efficiency and affordability programs have resulted in
5 energy savings of more than 17,000 MWh.

6 **Q: How has the Fuel Adjustment Clause ("FAC"), first approved by the Commission in
7 the 2007 case and continued in GMO's subsequent rate cases, been addressed in the
8 current case?**

9 A: GMO is requesting to continue the FAC. Company witness Tim Rush discusses the FAC
10 in his Direct Testimony.

11 **0090 S&A UPDATE**

12 **Q: What commitments made by the signatory parties to the 0090 S&A will you address
13 here?**

14 A: I will address GMO's commitments concerning the submission of a class cost of service
15 study and vegetation management reporting.

16 **Q: What was the specific commitment in the 0090 S&A concerning the submission of a
17 class cost of service study?**

18 A: GMO agreed to file a class cost of service study with the Commission by June 30, 2010.

19 **Q: What is the status of this commitment?**

20 A: The results of GMO's class cost of service study are discussed in the Direct Testimony of
21 Company witness Paul Normand. The complete study will be provided as a work paper
22 supporting his testimony.

1 Q: What was the specific commitment in the 0090 S&A regarding vegetation
2 management reporting?

3 A: GMO agreed to submit to the Commission's Energy Department quarterly reports
4 detailing the Company's vegetation management activities and expenses its Missouri
5 jurisdictional service territory.

6 Q: What is the status of this commitment?

7 A: GMO has provided the required quarterly reports to the Commission's Energy
8 Department.

9 **OTHER REQUESTS**

10 Q: Does the Company request Commission authorization on any additional matters?

11 A: Yes, GMO requests Commission authorization on the following items:

- 12 • GMO requests the same pension methodology as has been authorized for
13 KCP&L, as discussed by Company witness C. Kenneth Vogl in his Direct
14 Testimony in this case. Additionally, GMO requests the Commission to
15 determine that this proposed pension method satisfies the requirement in Case No.
16 EM-2000-292, the UtiliCorp United/St. Joseph Light & Power Company
17 ("SJL&P") merger case, that the SJL&P pension funded status be accounted for
18 separately following the merger.
- 19 • GMO requests that the Commission authorize the continuation of depreciation
20 rates authorized by the Commission in the 2007 Case and the use of the Iatan 2
21 depreciation rates recommended by Company witness John Spanos in his Direct
22 Testimony, Schedule JJS2010-4.

- 1 • GMO requests that the unrecovered general plant be recovered as recommended
2 by Mr. Spanos and that such costs be amortized over twenty years, as
3 recommended by Company witness John Weisensee in his Direct Testimony.
4 Additionally, the Company requests that the Commission authorize the plant
5 accounting practice generally referred to as "general plant amortization", as
6 recommended in the Direct Testimony of Mr. Spanos and Mr. Weisensee.
- 7 • GMO requests that the Commission approve the amortization of rights to use
8 equipment that the Company does not own using the depreciation rate the
9 Commission has previously authorized for similar equipment owned by the
10 Company, as recommended by Company witness John Weisensee in his Direct
11 Testimony.
- 12 • GMO requests that the deferred depreciation portion of the Iatan Unit 1 AQCS
13 and Iatan common cost regulatory asset approved in the 0090 S&A, be transferred
14 to FERC account 108, Accumulated Depreciation, as a reduction in that balance
15 and that the carrying cost portion of the regulatory asset be transferred to FERC
16 account 101, Plant in Service, as an increase in that balance, as recommended by
17 Company witness John Weisensee in his Direct Testimony. Alternatively, in the
18 event the Commission does not grant this request, we ask that the amortization
19 period for the regulatory asset be set at the remaining depreciable life of Iatan
20 Unit 1, FERC plant account 312, or 27 years, also as discussed by Mr. Weisensee
21 in his Direct Testimony.

- 1 • GMO requests authority to establish a tracking mechanism for Other Post-
2 employment Benefits, as recommended by Company witness John Weisensee in
3 his Direct Testimony.
- 4 • GMO requests authority to implement a transmission expense tracker as proposed
5 by Company witness Tim Rush in his Direct Testimony, in the event the
6 Company's request to include transmission costs in the fuel adjustment clause, as
7 recommended by Mr. Rush in his Direct Testimony, is not approved.
- 8 • GMO requests the Commission to authorize a three-year amortization of ERPP
9 costs deferred prior to the establishment of a cost recovery mechanism in this case
10 and that cost recovery for ongoing costs during the pilot program be established
11 so that one-half of the ongoing costs for this program is included in cost of
12 service, as recommended by Company witness John Weisensee in his Direct
13 Testimony.

14 **Q: Does that conclude your testimony?**

15 **A: Yes, it does.**

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

In the Matter of the Application of KCP&L Greater)
 Missouri Operations Company to Modify Its) Docket No. ER-2010-____
 Electric Tariffs to Effectuate a Rate Increase)

AFFIDAVIT OF CURTIS D. BLANC


STATE OF MISSOURI)
) ss
 COUNTY OF JACKSON)

Curtis D. Blanc, being first duly sworn on his oath, states:

1. My name is Curtis D. Blanc. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Senior Director – Regulatory Affairs.

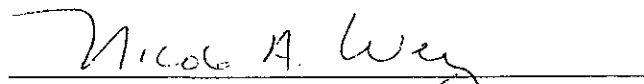
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of KCP&L Greater Missouri Operations Company consisting of fourteen (14) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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.



 Curtis D. Blanc

Subscribed and sworn before me this 20th day of May, 2010.



 Notary Public

My commission expires: Feb. 4, 2011

"NOTARY SEAL"
 Nicole A. Wehry, Notary Public
 Jackson County, State of Missouri
 My Commission Expires 2/4/2011
 Commission Number 07391200