

Exhibit No.:

Issue(s):

Witness:

Type of Exhibit:

Sponsoring Party:

Case Number:

Rate Case Expense/
Flood AAO

Ted Robertson

Surrebuttal

Public Counsel

ER-2012-0174

SURREBUTTAL TESTIMONY

OF

TED ROBERTSON

Submitted on Behalf of
the Office of the Public Counsel

KANSAS CITY POWER & LIGHT COMPANY

Case No. ER-2012-0174

**

**

Denotes Highly Confidential Information that has been redacted

October 5, 2012

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TABLE OF CONTENTS

Testimony	Page
Introduction	1
Purpose of Testimony	1
Rate Case Expense	2
2011 Flood Costs - Case No. EU-2012-0130	3

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **TED ROBERTSON**

4 **KANSAS CITY POWER & LIGHT COMPANY**

5 **CASE NO. ER-2012-0174**

6
7 **I. INTRODUCTION**

8 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

9 A. Ted Robertson, P. O. Box 2230, Jefferson City, Missouri 65102.

10
11 Q. ARE YOU THE SAME TED ROBERTSON THAT HAS PREVIOUSLY FILED
12 REBUTTAL TESTIMONY IN THIS CASE?

13 A. Yes.

14
15 **II. PURPOSE OF TESTIMONY**

16 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

17 A. The purpose of this Surrebuttal Testimony is to address the Rebuttal Testimony of
18 Company witnesses, Mr. John P. Weisensee regarding Company's request for ratemaking
19 treatment of rate case expense, and Mr. Ryan A. Bresette and Mr. Wm. Edward Blunk
20 regarding the Company's request for ratemaking treatment of the 2011 flood costs.

21

22

1 **III. RATE CASE EXPENSE**

2 Q. ON PAGE 9, LINES 4-9, OF YOUR REBUTTAL TESTIMONY YOU STATED YOU
3 WOULD UPDATE THE COMMISSION ON OPC'S RECOMMENDATION. WHAT
4 IS THE AMOUNT OF RATE CASE EXPENSE INCURRED BY COMPANY AS OF
5 THE END OF THE MARCH 31, 2012 KNOWN AND MEASURABLE PERIOD
6 AUTHORIZED BY THE COMMISSION?

7 A. Based on Company's responses to MPSC Staff Data Request Nos. 94 and 96, the total
8 rate case expenditures identified as of March 31, 2012 is ** **.

9
10 Q. WHAT IS THE PUBLIC COUNSEL'S RECOMMENDATION FOR RECOVERY OF
11 THOSE COSTS?

12 A. Public Counsel recommends that the costs associated with the services provided by all
13 outside legal, outside consultants and outside contract service providers be disallowed and
14 that the remaining costs be split evenly between shareholders and ratepayers. That is,
15 shareholders should be allowed to recover 50% of the remaining incremental costs incurred
16 by the Company which is approximately \$2,468.

17
18 Q. HAS COMPANY INCURRED ADDITIONAL RATE CASE COSTS SUBSEQUENT
19 TO MARCH 31, 2012?

1 A. Yes. Based on Company's September 19, 2012 update to MPSC Staff Data Request No.
2 94, the total rate case expenditures identified as of the end of the true-up date of August
3 31, 2012 is ** **.

4
5 Q. IS IT PUBLIC COUNSEL'S INTENTION TO UPDATE ITS RECOMMENDATION
6 REGARDING THESE COSTS IN TRUE-UP TESTIMONY?

7 A. Yes.

8
9 Q. DOES PUBLIC COUNSEL'S RECOMMENDATION INCLUDE THE DISALLOWANCE
10 OF ANY COSTS ASSOCIATED WITH THE COMPANY'S 2009 OR 2010 RATE CASES
11 AUTHORIZED BY THE COMMISSION FOR DEFERRAL AND FUTURE
12 RECOVERY?

13 A. No. Though the Public Counsel generally supports the MPSC Staff's position on the
14 recovery of those costs in the determination of rates for the current case, OPC's
15 recommendation does not specifically address those costs.

16
17 **IV. 2011 FLOOD COSTS - CASE NO. EU-2012-0130**

18 Q. ON PAGE 12 OF YOUR REBUTTAL TESTIMONY YOU STATED THAT COMPANY
19 HAD NOT INCLUDED THE OFF-SYSTEM SALES MARGINS ALLEGEDLY LOST
20 DUE TO THE FLOOD IN ITS DIRECT CASE AND THAT COMPANY WITNESS, MR.
21 TIM M. RUSH, STATED THE FINAL NUMBERS WOULD BE INCLUDED IN THE

1 TRUE-UP. HAS COMPANY NOW IDENTIFIED THE FINAL AMOUNT IT IS
2 REQUESTING FOR THE OFF-SYSTEM SALES MARGINS ALLEGEDLY LOST?

3 A. Yes. Beginning on page 2, line 10, of his Rebuttal Testimony, Company witness, Mr. Ryan
4 A. Bresette, states,

5
6 **Q: In your Supplemental Direct Testimony, you stated the**
7 **Company did not know the actual OSS margin shortfall. Does**
8 **the Company know the final margin for the twelve month**
9 **period ending April 30, 2012?**

10
11 A: Yes, it does. For the twelve months ended April 30, 2012, the
12 Company earned ** ** (Missouri jurisdictional) in
13 OSS margins compared to the OSS threshold established in
14 KCP&L's 2010 Case of \$45.9 million (Missouri jurisdictional).

15
16 **Q: Does KCP&L intend to adjust the 2011 Flood OSS margin**
17 **impact of ** **?**

18
19 A: No. Given the ** ** shortfall in OSS margins,
20 KCP&L will not be decreasing the request for the OSS margin
21 impact of the 2011 Flood.

22
23
24 Q. BEGINNING ON PAGE 13 OF YOUR REBUTTAL TESTIMONY YOU STATE THAT
25 THE ISSUE OF REVENUES ALLEGEDLY LOST DUE TO AN EXTRAORDINARY
26 EVENT WAS RECENTLY DECIDED BY THE COMMISSION IN MISSOURI GAS
27 ENERGY COMPANY, CASE NO. GU-2011-0392, AND EMPIRE DISTRICT ELECTRIC
28 COMPANY, CASE NO. EU-2011-0387, AND IN BOTH CASES THE COMPANY'S
29 REQUEST WAS EITHER DENIED OR RESCINDED. DOES THE COMPANY

1 BELIEVE THE REVENUES REQUESTED IN THOSE CASES ARE COMPARABLE TO
2 THE REVENUES IT REQUESTED IN THIS CASE?

3 A. No. Beginning on page 8, line 16, of his Rebuttal Testimony, Company witness, Mr. Wm.
4 Edward Blunk, states,

5
6 **Q: Are KCP&L's lost OSS margins comparable to Empire's lost**
7 **revenues and profits attributable to the Joplin tornado?**

8
9 A: No. Empire's lost revenues and profits were lost from retail sales.
10 Empire's lost sales were due to the number of retail customers
11 impacted by the tornado. Approximately 8,000 of Empire's retail
12 customers had damaged or destroyed structures that no longer took
13 service. Empire requested recovery for the loss of the "fixed cost
14 components" of its rates due to the lost retail sales. It defined
15 those "fixed cost components" as the difference between its filed
16 tariff rates less the variable cost components of fuel and purchased
17 power. Those components would have included the return on its
18 capital investment. KCP&L has not requested recovery for its lost
19 return on capital. KCP&L has not requested recovery for lost
20 revenues and profits from retail sales. KCP&L is requesting
21 recovery of an imputed cost not based on historical data but on
22 future expectations and those expectations did not include a major
23 flood on the Missouri River.
24
25

26 Q. IS MR. BLUNK'S DISTINCTION BETWEEN THE SOURCE OF REVENUES
27 INCLUDED IN THE DEVELOPMENT OF ITS AUTHORIZED RATES RELEVANT?

28 A. No, it is not. It does not matter what the source is from which the alleged
29 revenues lost derive. Off-systems sales margins included in its authorized rates
30 resulted from an analysis of expected off-system sales imputed into its rate

1 development just as retail sales are based on analysis of customers, usage and
2 other relevant factors. The end result is that the Commission authorized
3 Company's current rates and those rates provide the utility with the opportunity to
4 recover a set revenue requirement. The Commission's authorization did not
5 provide the Company with a guarantee that it would recover the revenue
6 requirement. Thus, the revenues allegedly lost represent, as stated in the
7 Commission's Report and Order in Case No. GU-2011-0392, nothing more than,
8 "Ungenerated revenue never has existed, never does exist, and never will exist.
9 Revenue not generated, from service not provided, represents no exchange of
10 value. There is neither revenue nor cost to record, in the current period nor in any
11 other." And, "To issue an AAO for ungenerated revenue would create a phantom
12 loss, and an unearned windfall, for the Company. Therefore, the Commission will
13 deny the AAO as to ungenerated revenue."

14
15 Furthermore, Public Counsel fails to see the distinction alleged by Mr. Blunk that
16 a tornado does not exhibit the same cause and effect of a flood. Both events are
17 of an extraordinary nature wherein incremental costs caused are not normally
18 included in the development of a utility's rates; therefore, that is why Public
19 Counsel believes that it is reasonable for the Commission to authorize the utility
20 to defer its non-fuel incremental operation and maintenance costs for possible
21 future recovery.

1

2 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

3 A. Yes, it does.

4