

**Exhibit No.:**

**Issue(s):**

\_\_\_\_\_  
IATAN 2 AND IATAN  
Common Regulatory Asset/  
IATAN 1 and IATAN  
Common Regulatory Asset /  
IATAN 2 and IATAN Common  
Operations and Maintenance Tracker /  
Excess Off-System Sales  
Margin Regulatory Liability /  
Rate Case Expense

**Witness/Type of Exhibit:**

**Sponsoring Party:**

**Case No.:**

Addo/True-Up Direct

Public Counsel

ER-2014-0370

**TRUE-UP DIRECT TESTIMONY**

**OF**

**WILLIAM ADDO**

Submitted on Behalf of the Office of the Public Counsel

**KANSAS CITY POWER & LIGHT COMPANY**

**CASE NO. ER-2014-0370**

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**Denotes Highly Confidential Information that has been Redacted**

July 7, 2015

**NP**

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

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service. )  
 ) Case No. ER-2014-0370  
 )  
 )

**AFFIDAVIT OF WILLIAM ADDO**

STATE OF MISSOURI )  
 ) ss  
COUNTY OF COLE )

William Addo, of lawful age and being first duly sworn, deposes and states:

1. My name is William Addo. I am a Public Utility Accountant II for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my true-up direct 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.

  
\_\_\_\_\_  
William Addo  
Public Utility Accountant II

Subscribed and sworn to me this 7<sup>th</sup> day of July 2015.



JERENE A. BUCKMAN  
My Commission Expires  
August 23, 2017  
Cole County  
Commission #13754037

  
\_\_\_\_\_  
Jerene A. Buckman  
Notary Public

My Commission expires August 23, 2017.

## **TABLE OF CONTENTS**

<b>I.</b>	<b>INTRODUCTION</b>	<b>1</b>
<b>II.</b>	<b>PURPOSE OF TESTIMONY</b>	<b>1</b>
<b>III.</b>	<b>IATAN 2 AND IATAN COMMON REGULATORY ASSET</b>	<b>2</b>
<b>IV.</b>	<b>IATAN 1 AND IATAN COMMON REGULATORY ASSET</b>	<b>3</b>
<b>V.</b>	<b>IATAN 2 AND IATAN COMMON OPERATIONS AND MAINTENANCE TRACKER</b>	<b>5</b>
<b>VI.</b>	<b>EXCESS OFF-SYSTEM SALES MARGIN REGULATORY LIABILITY</b>	<b>7</b>
<b>VII.</b>	<b>NORMALIZED RATE CASE EXPENSE</b>	<b>8</b>

**TRUE-UP DIRECT TESTIMONY  
OF  
WILLIAM ADDO**

**KANSAS CITY POWER & LIGHT COMPANY**

**CASE NO. ER-2014-0370**

1 **I. INTRODUCTION**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. William Addo, P.O. Box 2230, Jefferson City, Missouri 65102-2230.

4

5 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A. I am employed by the Missouri Office of the Public Counsel (“OPC” or “Public  
7 Counsel”) as a Public Utility Accountant II.

8

9 Q. ARE YOU THE SAME WILLIAM ADDO THAT PREVIOUSLY FILED DIRECT,  
10 REBUTTAL AND SURREBUTTAL TESTIMONY IN THIS CASE?

11 A. Yes. I filed direct testimony on April 2, 2015, rebuttal testimony on May 7, 2015, and  
12 surrebuttal testimony on June 5, 2015.

13

14 **II. PURPOSE OF TESTIMONY**

15 Q. WHAT IS THE PURPOSE OF YOUR TRUE-UP DIRECT TESTIMONY?

16 A. The purpose of my testimony is to present Public Counsel’s true-up position regarding  
17 the Iatan 2 and Iatan Common regulatory asset, Iatan 1 and Iatan Common regulatory

1 asset, Iatan 2 and Common operations and maintenance (“O&M”) tracker, excess off-  
2 system sales margin regulatory liability, and rate case expense.

3  
4 **III. IATAN 2 AND IATAN COMMON REGULATORY ASSET**

5 Q. WHAT IS THE ISSUE?

6 A. This issue relates to the unamortized balance for Iatan 2 and Iatan Common Regulatory  
7 Asset that should be reflected in Kansas City Power & Light Company’s (“KCP&L” or  
8 “Company”) Missouri jurisdictional rate base at the end of the true-up date authorized in  
9 this case, May 31, 2015.

10  
11 Q. WHAT IS PUBLIC COUNSEL’S POSITION REGARDING THIS ISSUE?

12 A. Public Counsel’s analysis shows that as of May 31, 2015, KCP&L’s unamortized balance  
13 for Iatan 2 and Iatan Common Regulatory Asset amounts to \$26,612,773 (\$15,583,669  
14 for “Vintage 1” plus \$11,029,104 for “Vintage 2”).

15  
16 Q. HOW DID PUBLIC COUNSEL TRUE-UP THE IATAN 2 AND IATAN COMMON  
17 REGULATORY ASSET?

18 A. Public Counsel aggregated the annual amortization amounts that the Company has  
19 recovered for “Vintage 1” of the Iatan 2 and Iatan Common Regulatory Asset from May  
20 4, 2011, through May 31, 2015, and then subtracted the resulting amount from the

1 deferred amount authorized by the Commission in Case No. ER-2010-0355. For  
2 “Vintage 2” of Iatan 2 and Iatan Common Regulatory Asset, Public Counsel aggregated  
3 the annual amortization amounts that the Company has recovered from February, 2013,  
4 through May 31, 2015, and subtracted the resulting amount from the deferred amount that  
5 the Commission authorized in Case No. ER-2012-0174. My workpaper, Iatan 2  
6 Regulatory Asset-TDWP, shows a detailed calculation of the \$26,612,773 amount.

7  
8 Q. HAS PUBLIC COUNSEL’S RECOMMENDATION RELATING TO THE  
9 ANNUALIZED AMORTIZATION AMOUNT FOR IATAN 2 AND IATAN COMMON  
10 REGULATORY ASSET CHANGED SINCE THE FILING OF DIRECT TESTIMONY  
11 IN THIS CASE?

12 A. No. Public Counsel continues to recommend that the Commission authorize KCP&L to  
13 recover an amount of \$610,151 (\$357,287 for “Vintage 1” plus \$252,864 for “Vintage  
14 2”) in rates annually.

15  
16 **IV. IATAN 1 AND IATAN COMMON REGULATORY ASSET**

17 Q. WHAT IS PUBLIC COUNSEL’S POSITION REGARDING THE UNAMORTIZED  
18 BALANCE FOR IATAN 1 AND IATAN COMMON REGULATORY ASSET THAT  
19 SHOULD BE REFLECTED IN KCP&L’S MISSOURI JURISDICTIONAL RATE  
20 BASE AT THE END OF THE TRUE-UP DATE AUTHORIZED IN THIS CASE?

1 A. Public Counsel's analysis shows that as of May 31, 2015, KCP&L's unamortized balance  
2 for Iatan 1 and Iatan Common Regulatory Asset amounts to \$11,307,882 (\$9,730,213 for  
3 "Vintage 1" plus \$1,577,669 for "Vintage 2").  
4

5 Q. HOW DID PUBLIC COUNSEL TRUE-UP THE IATAN 1 AND IATAN COMMON  
6 REGULATORY ASSET?

7 A. Akin to the methodology utilized to calculate the unamortized balance for the Iatan 2 and  
8 Iatan Common Regulatory Asset, Public Counsel aggregated the annual amortization  
9 amounts that the Company has recovered for "Vintage 1" of Iatan 1 and Iatan Common  
10 Regulatory Asset from May 4, 2011, through May 31, 2015, and then subtracted the  
11 resulting amount from the deferred amount that was authorized by the Commission in  
12 Case No. ER-2010-0355. For "Vintage 2" of Iatan 1 and Iatan Common Regulatory  
13 Asset, Public Counsel aggregated the annual amortization amounts that the Company has  
14 recovered from February, 2013, through May 31, 2015, and subtracted the resulting  
15 amount from the deferred amount that the Commission authorized in Case No. ER-2012-  
16 0174. My workpaper, Iatan 1 and Iatan Common Regulatory Asset-TDWP, shows a  
17 detailed calculation of the \$11,307,882 amount.  
18

1 Q. HAS PUBLIC COUNSEL’S RECOMMENDATION REGARDING THE  
2 ANNUALIZED AMORTIZATION AMOUNT FOR IATAN 1 AND IATAN COMMON  
3 REGULATORY ASSET CHANGED SINCE THE FILING OF DIRECT TESTIMONY  
4 IN THIS CASE?

5 A. No. Public Counsel continues to recommend that the Commission authorize KCP&L to  
6 recover an amount of \$515,949 (\$443,964 for “Vintage 1” plus \$71,985 for “Vintage 2”)  
7 in rates annually.

8  
9 **V. IATAN 2 AND IATAN COMMON OPERATIONS AND MAINTENANCE**  
10 **TRACKER**

11 Q. WHAT NECESSITATED THE TRUE-UP OF THIS ISSUE?

12 A. Pursuant to the Commission’s Report and Order in Case No. ER-2010-0355, KCP&L  
13 started tracking the Iatan 2 and Iatan Common operations and maintenance expenses on  
14 May 4, 2011, the effective date of rates in Case No. ER-2010-0355. Since that time through  
15 January, 2015, the Company has completed the accumulation of four different vintages of  
16 Iatan 2 and Iatan Common operations and maintenance expenses. “Vintage 1” of the Iatan 2  
17 and Iatan Common operations and maintenance expenses is included in KCP&L’s current  
18 rates as a result of Case No. ER-2012-0174, and is being amortized over a 3-year period.  
19 As of the update period in this case, the parties in this case recommended that Vintages 2, 3,  
20 and 4 of the Iatan 2 and Iatan Common O&M expenses be included in the Company’s



1 currently proposed rates. However, between February 1, 2015, and May 31, 2015, the  
2 Company has additionally accumulated “Vintage 5” of Iatan 2 and Iatan O&M expenses.  
3 Since the stub period from February, 2015, through May, 2015, falls within the true-up  
4 period authorized in this case, it is just and reasonable to true-up the Iatan 2 and Iatan  
5 Common operations and maintenance tracker to capture the “Vintage 5” O&M expenses.  
6

7 Q. WHAT IS PUBLIC COUNSEL’S TRUE-UP RECOMMENDATION REGARDING  
8 THIS ISSUE?

9 A. Public Counsel recommends that the Commission authorize KCP&L to include an  
10 annualized expense amount of \$924,335 in the Company’s cost of service going forward.  
11 Consistent with Public Counsel’s recommendation in my Direct and Rebuttal Testimony in  
12 this case that the Commission authorize KCP&L to aggregate all unamortized balances for  
13 Iatan 2 and Iatan Common O&M expenses at the conclusion of this case so as to maintain  
14 only one tracker balance going forward, Public Counsel aggregated all the unamortized  
15 balances for Vintages 1, 2, 3, 4, and 5 O&M expenses as of September, 2015, and then  
16 divided the result by a 3-year amortization period ( $\$120,657 + \$1,054,983 + \$(241,898) +$   
17  $\$1,065,909 + \$773,352/3$ ). My workpaper, Iatan 2 and Common Tracker-TDWP, shows a  
18 detailed calculation of the \$924,335 amount.  
19

1 Q. WHY DID PUBLIC COUNSEL UTILIZE SEPTEMBER, 2015, IN ITS  
2 METHODOLOGY EVEN THOUGH THAT PERIOD IS BEYOND THE TRUE-UP  
3 DATE AUTHORIZED BY THE COMMISSION IN THIS CASE?

4 A. Public Counsel's rationale for utilizing the September 2015 timeframe is premised on the  
5 fact that KCP&L will continue to recover "Vintage 1" operations and maintenance expenses  
6 through September, 2015, when new rates are set to go into effect. It is, therefore,  
7 reasonable to take into account the stub period between the true-up cut-off date and the  
8 proposed effective date of rates in this case.

9  
10 **VI. EXCESS OFF-SYSTEM SALES MARGIN REGULATORY LIABILITY**

11 Q. WHAT IS PUBLIC COUNSEL'S TRUE-UP POSITION REGARDING THE EXCESS  
12 MARGINS THAT KCP&L REALIZED ON OFF-SYSTEM ENERGY AND  
13 CAPACITY SALES REVENUES, AND RELATED COSTS RESULTING FROM THE  
14 COMPANY'S 2006, 2007, AND 2009 RATE CASES?

15  
16 A. Public Counsel recommends that the Commission authorize KCP&L to return, in rates,  
17 an annualized amount of \$760,720 to its Missouri customers. My workpaper, Excess  
18 Off-system Sales Margins-TDWP, shows a detailed calculation of this amount.

19

1 **VII. NORMALIZED RATE CASE EXPENSE**

2 Q. HAS PUBLIC COUNSEL UPDATED ITS NORMALIZED RATE CASE EXPENSE  
3 RECOMMENDATION SINCE THE FILING OF SURREBUTTAL TESTIMONY IN  
4 THIS CASE?

5 A. Yes. The Company has furnished additional rate case expense invoices through  
6 May, 2015. Public Counsel's analysis shows KCP&L has expended the amount of  
7 \$534,180.06 for rate case expense through May, 2015. The breakdown of this  
8 amount is depicted on *Table 1* below.

9  
10 Q. WHAT IS PUBLIC COUNSEL'S RECOMMENDED NORMALIZED RATE CASE  
11 EXPENSE THAT KCP&L HAS INCURRED TO-DATE?

12 A. By Public Counsel's calculations, the normalized rate case expense incurred by  
13 KCP&L to-date would amount to \$63,743.

14

1 \*\*

2

3 \*\*

1 Q. HOW WAS THE \$63,743 NORMALIZED RATE CASE EXPENSE AMOUNT  
2 DETERMINED?

3 A. Consistent with the methodology utilized in my Surrebuttal Testimony, Public  
4 Counsel first evaluated the additional invoices that the Company has furnished to  
5 determine if the expenses have been prudently and/or reasonably incurred. Public  
6 Counsel recommends that incremental amounts of \*\* \*\*, \*\* \*\*, and \*\*  
7 and \*\* \*\* for Denton US, LLP, Fisher & Dority, P.C. (KCP&L's outside  
8 attorneys), and Black & Veatch, respectively, be disallowed by the Commission.  
9 Public Counsel further recommends that the Commission also disallow an amount  
10 of \*\* \*\* of the total amount of \*\* \*\* charged by a third outside  
11 attorney, Cafer Pemberton, LLC., engaged by KCP&L primarily to "prep" the  
12 Company's witnesses in this case. Public Counsel recommends these  
13 disallowances consistent with the arguments raised in my Surrebuttal Testimony  
14 regarding the exorbitant fees charged by KCP&L's outside attorneys and the  
15 duplicative nature of Dr. H. Edwin Overcast's testimony. Additionally, Public  
16 Counsel's review of Cafer Pemberton, LLC invoices shows that the law firm  
17 conducted prepping for KCP&L's witnesses as early as January 14, 2015. Public  
18 Counsel has an outstanding data request seeking, among other information,  
19 explanation regarding the prudence and reasonableness of KCP&L's rationale for  
20 prepping its witnesses approximately three months before the Missouri Public

1 Service Commission Staff/intervenors filed direct testimony in this case, and  
2 approximately four months before the parties, including the KCP&L, filed a list of  
3 issues to be litigated before the Commission. Depending on the Company's  
4 response to this data request, Public Counsel may further recommend that the  
5 Commission disallow additional amounts charged by Cafer Pemberton, LLC.

6  
7 The cumulative disallowance of rate case expense being proposed by Public  
8 Counsel through May 2015 is \$127,112 (\$91,767 for KCP&L's outside attorneys,  
9 and \$35,345 for Black and Veatch). The remaining rate case expense incurred by  
10 the Company through May, 2015, was split in the ratio of 50:50 to reflect Public  
11 Counsel's recommendation that prudently incurred rate case expenses in this case  
12 be shared between the Company's shareholders and ratepayers. The ratepayers'  
13 portion of the rate case expenses was then normalized over a 3-year period.  
14 However, the normalized ratepayers' portion of the Gannett Fleming Valuation  
15 and Rate Case Consultants, LLC costs is over a 5-year period to reflect the  
16 requirements for a depreciation study.

17  
18 Q. DOES THIS CONCLUDE YOUR TRUE-UP DIRECT TESTIMONY?

19 A. Yes, it does.