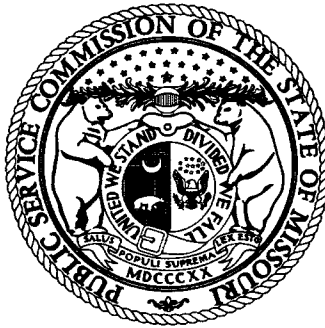


MISSOURI PUBLIC SERVICE COMMISSION

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STAFF REPORT

REVENUE REQUIREMENT COST OF SERVICE



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Date 10/3/12 Reporter SR
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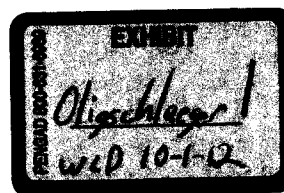
KCP&L GREATER MISSOURI OPERATIONS COMPANY

FILE NO. ER-2010-0356

*Jefferson City, Missouri
November 17, 2010*

**** Denotes Highly Confidential Information ****

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1 **19. Transmission Expenses and Revenues Tracker**

2 Staff has completed its review of GMO's transmission expenses and recommends the
3 Commission authorize the Company to use two transmission expense and revenue trackers, one
4 each for MPS and L&P. Additionally, Staff recommends GMO be required to file transmission
5 project cost estimate information in a detailed manner and as the cost estimate of any given
6 transmission project changes, as further described below.

7 The Company's historic transmission expenses are provided on Schedule TMR2010-4 of
8 Company witness Tim M. Rush for both L&P and MPS. Schedule TMR2010-4 also includes the
9 Company's estimate of its 12-month ending December 31, 2010 transmission expenses for both
10 L&P and MPS that it included in its filing that initiated this case. That estimate of transmission
11 expenses includes estimated transmission expenses for July through December 2010 and three
12 adjustments described in the pre-filed Direct Testimony of Company witness John P. Weisensee
13 from line 10 on page 30 to line 17 on page 31 (Adjustment CS-45) and from line 20 on page 41
14 to line 20 on page 43 (Adjustments CS-85 and CS-86). Staff has summarized those Company
15 adjustments as follows:

- 16 • Adjustment CS-45: Annualized expected transmission costs in FERC account 565
17 based on: 1) expected increased transmission expenses primarily due to increased
18 off-system sales made possible by Iatan Unit 2, and 2) projected costs related to
19 SPP base plan upgrades to meet the mandatory North American Electric
20 Reliability Corporation and SPP reliability standards, which call for one-third of
21 each base plan project to be shared by all SPP members and the remaining
22 two-thirds of the project cost to be allocated among the members that directly
23 benefit from the project.
- 24 • Adjustment CS-85: Annualized Missouri regulatory assessments and FERC
25 Schedule 12 fees based on assessment levels projected to be in effect in
26 December 2010. Under this new procedure, FERC will begin to base its
27 assessment on all load under SPP rates including retail load served by member
28 companies and will bill SPP for the assessment. SPP will then pass a share of
29 this cost through to all point-to-point and network service customers it serves.
30
31

- Adjustment CS-86: Annualized SPP Schedule 1-A fees based on the annual funding levels expected to be in effect on December 31, 2010 and on the Company's share of load at the time of the twelve monthly system peaks. The Schedule 1-A fees are for SPP activities related to regional transmission planning, processing and studying transmission and generation interconnection service requests, managing congestion across the transmission system, administering the SPP transmission tariff, serving as a reliability coordinator, managing the power reserve sharing system and operating the regional energy imbalance market.

The annual amounts of the Company's historic and estimated test year transmission expenses for MPS and L&P the Company provides in its filing that opened this case are:

Transmission Expenses ⁴⁶

(\$000)						
Year	2005	2006	2007	2008	2009	Est. 2010
MPS	\$12,177	\$22,674	\$19,909	\$22,344	\$14,210	\$17,228
L&P	\$4,174	\$4,902	\$4,936	\$5,416	\$3,459	\$1,409

Staff has completed its review of the Company's transmission expenses and recommends the Commission authorize the Company to use a transmission expense and revenue tracker. Staff recommends the Company be authorized to use a transmission expense and revenue tracker due to the historical growth in and current high level of the Company's transmission expenses, the uncertainty in the levels of its future transmission expenses, and because the Company has less control over the level of transmission expenses the SPP assigns to it than the Company has over most of its other expenses. While Staff does agree that the Company has less control over some of its transmission costs, Staff does assert that the Company has control over the transmission expenses it incurs related to transmission it, or its affiliates, directly constructs.

The uncertainty of the Company's future transmission expenses is increased by the recently FERC approved "Highway Byway" cost allocation tariff filing, which will increase the percentage of costs of newly planned transmission throughout the SPP region that will be

⁴⁶ Including FERC Account Numbers 561400, 561800, 565000, 565020, 565021, 565027, 565030, 575700 and 928003. Note that Staff has proposed a different transmission tracker amount.

1 allocated to the Company. For example, the Company will be allocated approximately 4% of all
2 transmission planned in the SPP footprint above 300 kilo-Volt (kV).

3 SPP has also approved a higher level of transmission expenses than normal in the recent
4 past, and Staff expects this trend to continue. For example, in April 2010, SPP approved
5 \$1.4 billion of transmission expenses in its "Priority Projects." Staff does expect additional
6 transmission valued at over \$1 billion to be planned by SPP in its new Integrated Transmission
7 Planning Year 20 ("ITP20"), consisting of transmission at, or possibly about, 345 kV, which is
8 most likely to be voted on for approval by the SPP Board in January 2011. Approval of ITP20
9 would lead to an increase in expected future transmission expenses for the Company, although
10 the exact amount of those expenses is unknown at this time. Transmission project cost estimates
11 may also differ significantly from the final cost of these projects when built, increasing the
12 uncertainty of the future level of the Company's transmission expenses.

13 The full transfer of control of GMO's transmission system to participate in all functions
14 of the Southwest Power Pool (SPP) regional transmission organization was finalized on
15 June 18, 2009. On this date, the Federal Energy Regulatory Commission's (FERC) order
16 accepting the "Agreement for the Provision of Transmission Service to Missouri Bundled Retail
17 Load" was effective (retroactive to April 15, 2009), allowing the Company to exercise the
18 authority granted to it by the Missouri Public Service Commission (Commission) in
19 Case No. EO-2009-0179.

20 While GMO may have less control over expenses assigned to it by SPP than other
21 expenses it incurs, Staff expects and encourages GMO to work within the SPP stakeholder
22 process to advocate for transmission improvements that benefit GMO stockholders and GMO
23 ratepayers, and to advocate for a proper allocation of transmission expenses. Staff also expects

1 that GMO's representatives advocate in GMO's and its customer's best interest if that interest is
2 different from its affiliate Kansas City Power & Light Company ("KCPL"). Staff notes that
3 GMO's voice on the Members Committee of SPP is that of the representative of its affiliate
4 KCPL, Michael L. Deggendorf, KCPL's Senior Vice President-Delivery.

5 In those situations where GMO has direct control over the transmission expenses it
6 incurs, Staff recommends the Commission require GMO to file with the Commission the
7 information shown in Appendix 8, Schedule DIB - 1, and provide the same information that is
8 supplied to SPP, when GMO proposes a transmission project at a voltage greater than 100 kV,
9 and that GMO be required to update that filing within seven days of when the project cost
10 estimate is changed each time the project cost estimate changes by more than 10% from the last
11 cost estimate GMO filed with the Commission. In addition, Staff recommends the Commission
12 order the Company to file quarterly updates of the costs incurred and progress made towards
13 completion of all transmission projects.

14 If off-system sales change in this instant case, then there should be a corresponding
15 adjustment to GMO's transmission expenses included in any transmission expense and revenue
16 tracker related to off-system sales. In prior rate cases involving GMO, as well as in those
17 involving its affiliate KCPL, during the case, the levels of off-system sales proposed have
18 changed dramatically. In the current economic conditions Staff believes this is very likely to
19 happen again in this rate proceeding. Staff will continue to review transmission expenses and
20 proposed off-system sale levels, and propose any appropriate adjustment to transmission
21 expenses based on changes in off-system sales levels.

22 Staff recommends a transmission expense and revenue tracker include two
23 FERC Accounts included as "revenue credits" in the Company's FERC Transmission formula

1 rate filing: FERC account 454.0001 "Rent From Electric Property" (to the extent derived from
2 transmission); and FERC account 456.1 "Revenues from Transmission of Electricity for Others",
3 listed in the FERC Formula Filing as "New 456.1 Account Activity". Staff recommends that the
4 revenues from these accounts be used to negatively adjust the amount in
5 FERC Account 565.000.

6 Worksheet "A-1 Revenue Credits" from the GMO's FERC Formula Rate Spreadsheet⁴⁷,
7 updated as of 9-28-10, is attached as Appendix 8, Schedule DIB-2. The relevant account names
8 and totals have been highlighted. These totals are for GMO (both L&P and MPS).

9 In order to divide the amount of the revenue credits between L&P and MPS, Staff
10 proposes using the proportion of the Zonal "Annual Transmission Revenue Requirement"
11 ("ATRR") that L&P and MPS had before GMO's FERC Formula Rate Filing. The
12 Zonal ATRRs are shown on Appendix 8, Schedule DIB – 3, on page DIB-3-2.

13 The calculation of the proportions is shown on Appendix 8, Schedule DIB-4, along with
14 the amounts of (1) FERC account 454.0001 "Rent From Electric Property" (to the extent derived
15 from transmission); and (2) FERC account 456.1 "Revenues from Transmission of Electricity for
16 Others", listed in the FERC Formula Filing as "New 456.1 Account Activity" to assign to L&P
17 and MPS.

18 For the amounts updated 9-28-10, FERC account 454.0001 "Rent From Electric
19 Property" (to the extent derived from transmission) and the "Net 456.1 Account Activity" are as
20 follows:

⁴⁷ The inclusion of information from the Company's formula rate spreadsheet does not constitute Staff taking a position on the Company's formula rate.

Revenue Description	"Net 456.1 Account Activity"	FERC account 454.0001 "Rent From Electric Property" (to the extent derived from transmission)
Staff Adjustment	Staff Adjustment 1	Staff Adjustment 2
L&P	\$1,615,534	\$80,336
MPS	\$3,389,963	\$168,573
GMO (L&P + MPS)	\$5,005,497	\$248,909

1 In Staff Report in File No. ER-2010-0355 regarding Staff's recommendation for the
2 creation of a transmission expense and revenue tracker, Staff inadvertently used the revenue
3 credits for KCPL for both its Missouri and Kansas jurisdictions. Staff will file an updated
4 corrected version of its transmission tracker recommendation with the correct revenue credit
5 amount for KCPL's Missouri jurisdiction.

6 Appendix 8, Schedule DIB-5 lists the differences between the transmission tracker
7 proposed by GMO in its direct testimony and the transmission expense and revenue tracker Staff
8 proposes. The proposed amount of Staff's transmission expense and revenue tracker is
9 (\$286,822) for L&P and \$13,669,875 for MPS. The amount of FERC account 456.1 "Revenues
10 from Transmission of Electricity for Others", listed in the FERC Formula Filing as "New 456.1
11 Account Activity", is listed as Staff Adjustment 1. The amount of FERC Account 454.0001
12 "Rent From Electric Property" (to the extent derived from transmission) is listed as Staff
13 Adjustment 2.

14 Staff recommends that the transmission expense and credit amounts included in GMO's
15 revenue requirements for setting rates for MPS and L&P in this rate proceeding be based on the
16 true-up amount for the 12-months ending December 31, 2010 for (1) the expenses in the
17 accounts listed on Company witness Tim M. Rush's Schedule TMR2010-4; and (2) the revenues
18 in FERC Account 454.0001 (to the extent derived from transmission) and FERC account 456.1

1 that would be listed in the FERC Formula Filing as “New 456.1 Account Activity”, as relevant to
2 L&P and MPS .

3 Staff proposes GMO should track its actual transmission expenses separately for MPS
4 and L&P on an annual basis. Staff further recommends the revenues from the two Staff
5 Adjustments listed above also be tracked on an annual basis. Also, Staff recommends these
6 expenses and revenues be tracked separately for L&P and MPS. Staff proposes that GMO record
7 any annual excess amount above the transmission expenses amount included in the revenue
8 requirement used in setting rates in this rate proceeding as a regulatory asset (account 182) and
9 any annual shortfall below the transmission expenses amount in rates in this rate proceeding as a
10 regulatory liability (account 254) for each L&P and MPS. Staff recommends the regulatory asset
11 or regulatory liability be amortized over five years in the Company’s next rate proceeding, with
12 the unamortized balance included in rate base.

13 *Staff Expert/Witness: Daniel I. Beck*

14 **20. Smart Grid Demonstration Project**

15 Staff is not aware of any advanced metering infrastructure (AMI) or Smart Grid
16 applications in the GMO service territory.

17 *Staff Expert/Witness: Randy S. Gross*

18 **IX. Depreciation**

19 **A. Recommendation**

20 Staff recommends that the Commission order GMO to:

- 21 1. Use the depreciation rates described in Appendix 9, Schedules AR-MPS-1 for
22 MPS, AR-L&P-1 for L&P, and AR-ECORP-1 for ECORP.
- 23 2. Record amortizations as shown in Appendix 9, Schedules AR-MPS-1 and
24 AR-L&P-1 against plant accumulated depreciation reserve accounts to correct for