

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

In the Matter of the Application of Kansas City        )  
Power & Light Company for Approval to Make        )  
Certain Changes in its Charges for Electric         )       **File No. ER-2010-0355**  
Service to Continue the Implementation of Its        )  
Regulatory Plan    )

**STAFF’S MOTION TO STRIKE TRUE-UP REBUTTAL TESTIMONY OF DARRIN R. IVES**

Comes now the Staff of the Missouri Public Service Commission (Staff) through the Staff Counsel’s Office and requests the Missouri Public Service Commission (Commission) to strike the True-Up Rebuttal testimony of Darrin R. Ives in File No. ER-2010-0355 as improper true-up testimony. In support thereof, the Staff states as follows:

1. The true-up testimonies of Charles R. Hyneman and Keith A. Majors are consistent with the Orders of the Commission and the KCPL Regulatory Plan Stipulation and Agreement. The following language appears at page 11 of the KCPL Regulatory Plan Stipulation and Agreement approved by the Commission in Case No. EO-2005-0329:

**d. RATE FILING # 4 (2009 RATE CASE)**

(i) Schedule. Rate schedules with an effective date of September 1, 2010, will be filed with the Commission on October 1, 2009, or eight (8) months prior to the commercial in service operation date of Iatan 2. The test year will be based upon a historic test year ending December 31, 2009, (initially filed with nine (9) months actual and three (3) months budget data), with updates for known and measurable changes, as of March 31, 2010, and with a true-up through May 31, 2010. On or about July 1, 2010, KCPL will file in a true-up proceeding a reconciliation as of May 31, 2010. The specific list of items to be included in the true-up proceeding shall be mutually agreed upon between KCPL and the Signatory Parties, or ordered by the Commission during the course of the rate case. However, the Signatory Parties anticipate that the true-up items will include, but not necessarily be limited to, revenues including off-system sales, fuel prices and purchased power costs, payroll and payroll related benefits, plant-in-service, depreciation and other items typically included in true-up proceedings before the Commission.

In its August 18, 2010 Order Approving Nonunanimous Stipulation and Agreement, Setting Procedural Schedule, and Clarifying Order Regarding Construction and Prudence Audit at Ordered: 5 and Ordered: 3, the Commission directed as follows regarding the true-up and audit:

5. A **true-up** period of the 12 months ending December 31, 2010, and **Iatan 2 and Iatan Common Plant cutoff period of October 31, 2010**, is ordered, **assuming that the actual in-service date of Iatan 2 is projected to occur no later than December 31, 2010**. However, in the event that the in-service date of Iatan 2 is projected to be delayed beyond December 31, 2010, the true-up period would be moved to the last day of the same calendar month as the actual in-service date of Iatan 2 and the Iatan 2 and Iatan Common Plant cutoff period would be moved to two months prior the revised true-up date. The Commission clarifies its July 7, 2010 Order Regarding Construction and Prudence Audit to allow Staff to audit Iatan 2 and Iatan Common Plant costs for an appropriate period beyond January 30, 2011.

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3. A test period of the 12 months ending December 31, 2009, to be updated through June 30, 2010 with a true-up of the 12 months ending December 31, 2010, is set. The Staff may audit the Iatan 1 Air Quality Control System (“AQCS”) costs for an appropriate period beyond August 6, 2010.

Emphasis supplied.

2. In the last general rate cases of KCPL and GMO on March 18, 2009, the Commission issued an Order in which it explained the purpose of a rate case true-up audit and hearing as follows:

The use of a True-Up audit and hearing in ratemaking is a compromise between the use of a historical test year and the use of a projected or future test year. It involves adjustment of the historical test year figures for known and measurable subsequent or future changes. However, while the “test year as updated” involves all accounts, the True-Up is generally limited to only those accounts necessarily affected by some significant known and measurable change, such as a new labor contract, a new tax rate, or the completion of a new capital asset. Both the “test year as updated” and the True-Up are devices employed to reduce regulatory lag, which is “the lapse of time between a change in revenue requirement and the reflection of that change in rates.”<sup>1</sup> (Original footnotes omitted.)

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<sup>1</sup> *Order Modifying Procedural Schedules for True-up Proceedings and Formally Adopting Test Year and Update Period*, issued and effective March 18, 2009, in Case Nos. ER-2009-0089, ER-2009-0090 and HR-2009-0092 (*In the Matter of the Application of Kansas City Power & Light Company for Approval to Make Certain Changes in its Charges for Electric Service to Continue the Implementation of its Regulatory Plan; In the Matter of the Application*

3. On February 28, 2011, KCPL/GMO filed the True-Up Rebuttal Testimony of Darrin R. Ives who filed direct, rebuttal and surrebuttal testimony in File Nos. ER-2010-0355 and ER-2010-0356. Mr. Ives states that the purpose of his True-Up Rebuttal Testimony is to address the financial implications of the Iatan disallowances proposed by the Staff and references the True-Up Direct Testimony of Staff witness Charles R. Hyneman. Mr. Ives also states that he addresses the KCPL Direct Costs (Property Tax, AFUDC, KCPL Only) as listed on Schedule I to the True-Up Direct Testimony of Mr. Hyneman. In reality, Mr. Ives addresses information known to KCPL/GMO prior to the true-up period that should have been raised by KCPL/GMO in its rebuttal and/or surrebuttal testimony and/or at the evidentiary hearings in January and February.

4. At page 2, lines 3 through 18, Mr. Ives repeats the proposed disallowance amounts in Mr. Hyneman's True-Up Direct Testimony. At page 2, line 19 through page 3, line 6, Mr. Ives repeats the proposed disallowance amounts in Mr. Hyneman's True-Up Direct Testimony in a Table and shows an estimated earnings per share impact. At page 3, lines 7 through 12, Mr. Ives repeats the rebuttal testimony of KCPL/GMO witness Curtis Blanc.

5. At page 3, line 13 through page 4, line 15, Mr. Ives introduces a Standard & Poor's (S&P) research report for Great Plains Energy, Inc. issued on October 27, 2010, well in advance of the rebuttal and surrebuttal filing dates in File Nos. ER-2010-0355 and ER-2010-0356. Mr. Ives quotes from this document and attaches a copy to his true-up rebuttal testimony as Schedule DR12010-2. There is nothing that prevented Mr. Ives or the KCPL/GMO cost of

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*of KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in its Charges for Electric Service; and In the Matter of the Application of KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in Its Charges for Steam Heating Service, respectively.)*

money witnesses from using this S&P research report in rebuttal and/or surrebuttal testimony or in the January and February hearings.

6. At page 4, line 16 through page 7, line 30, Mr. Ives discusses Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 980-360-35, SFAS No. 90 “Regulated Enterprises – Accounting for Abandonments and Disallowances of Plant Costs” relating to financial book write downs for disallowance of plant costs. This matter is not something that has just developed or occurred within the true-up period. On page 7, starting at line 7 of his True-Up Rebuttal Testimony, Mr. Ives refers first to KCPL write-offs that occurred as a result of this Commission’s disallowances in KCPL’s Wolf Creek rate case and then Mr. Ives repeats Mr. Blanc’s rebuttal testimony in this case. KCPL/GMO raises SFAS No. 90 for the first in true-up rebuttal testimony when there was nothing preventing KCPL/GMO from raising SFAS No. 90 in its rebuttal and/or surrebuttal testimony and/or at the evidentiary hearings in January and February. KCPL/GMO knew even before November 4, 2010 when the Staff filed its Iatan Construction Projection Audit And Prudence Review Report that any Staff Iatan adjustment could cause write-offs. The fact that Staff’s Iatan adjustments may cause write-offs on KCPL’s books is not a true-up issue.

7. At page 8, line 1 through page 14, line 11, Mr. Ives addresses Staff’s KCPL Direct Cost Adjustments, i.e., Mr. Keith Majors update for the true-up period of June 30, 2010 through October 31, 2010 of the disallowance of AFUDC for Iatan 2 related items, which in practicality limited the update period to August 26, 2010 because AFUDC stopped accruing when Iatan 2 became fully operational and used for service. Mr. Majors covers this subject at page 9, lines 8 through 17 of his True-Up Direct Testimony and Mr. Hyneman reflects the numbers calculated by Mr. Majors in 15 lines of Hyneman True-Up Direct Schedule 1HC. The

Staff has merely updated numbers. The situation required nothing more from the Staff, yet at pages 9 through page 16, line 11 of his true-up rebuttal testimony, Mr. Ives repeats testimony that KCPL/GMO has already offered in general in this case. For example, on pages 10 and 11 of his true-up rebuttal testimony, Mr. Ives repeats the Rebuttal Testimony of KCPL/GMO witness Brent Davis. KCPL/GMO set up Mr. Ives answers with the question on page 10, line 10, “Has there been any [Company] rebuttal testimony associated with this issue?”; the question on page 11, line 1 “Has the Company changed its position regarding this issue?”; and the questions on page 14, line 22 and page 15, line 1 “Has the Company changed its position regarding this issue?” “Why not?”. KCPL/GMO did not address eight out of the nine Staff KCPL Direct Cost Adjustments prior to Mr. Ives’ True-Up Rebuttal Testimony. The Staff brought this matter of KCPL/GMO not addressing these adjustments to KCPL’s/GMO’S attention during the case-in-chief.

8. At page 12, line 17 through page 14, line 11, Mr. Ives addresses Staff’s Advanced Coal Tax Credit Availability Of Funds adjustment in general. KCPL/GMO addressed the issue of KCPL’s allocation of the Advanced Coal Tax Credit in general in its case-in-chief. KCPL/GMO did not address this issue as it relates to AFUDC in its case-in-chief, and the Staff brought this to KCPL’s/GMO’s attention. KCPL/GMO now improperly seeks to address this issue through the True-Up Rebuttal Testimony of Mr. Ives.

9. Mr. Ives finally summarizes his improper true-up rebuttal testimony in a one page answer that appears at page 16, line 12 through page 17, line 17.

10. The Staff never agreed that KCPL/GMO could withhold accounting/auditing testimony regarding the Iatan issues until the rebuttal of the true-up phase when no party has an opportunity to adequately review and respond to this testimony. Mr. Ives submits testimony

making arguments against Staff adjustments that KCPL/GMO failed to address in the main phase of this case when the Staff would have had the opportunity to address this testimony in its surrebuttal.

11. The true-up process is the Missouri mainstay to address regulatory lag. Numbers are to be added to the record that were not available during the main processing of the case. Issues previously known were to have been raised in the main case with the true-up limited to an update for new information (e.g., Iatan plant balances at October 31, 2010 versus June 30, 2010) to allow rates to be based upon more current cost information and a raising of issues related to the information in the true-up period. KCPL/GMO are using the true-up to attempt to relitigate issues and make arguments that they should have made in rebuttal and/or surrebuttal testimony and at the January and February hearings.

Wherefore the Staff files its Staff Motion to Strike True-Up Rebuttal Testimony of Darrin R. Ives and requests the Missouri Public Service Commission (Commission) to strike the True-Up Rebuttal Testimony of Darrin R. Ives in File No. ER-2010-0355 as improper true-up testimony.

Respectfully submitted,

/s/ Steven Dottheim

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or emailed to all counsel of record this 2nd day of March, 2011.

/s/ Steven Dottheim