Exhibit No.:	
Issues:	Revenue Requirement
Witness:	James R. Dauphinais
Type of Exhibit:	Direct Testimony
Sponsoring Parties:	Ag Processing Inc; Federal Executive Agencies; Midwest Energy Consumer's Group; Midwest Energy Users' Association; and Missouri Industrial Energy Consumers
Case No.:	ER-2012-0175
Date Testimony Prepared:	August 9, 2012

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

In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service	**))))))**	**Case No. ER-2012-0175** Tracking No. YE-2012-0405

Direct Testimony of

James R. Dauphinais

On behalf of

**Ag Processing Inc
Federal Executive Agencies
Midwest Energy Consumer's Group
Midwest Energy Users' Association
Missouri Industrial Energy Consumers**

August 9, 2012

BRUBAKER & ASSOCIATES, INC.

Project 9594

BEFORE THE PUBLIC SERVICE COMMISSION
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STATE OF MISSOURI	)	
	)	**SS**
COUNTY OF ST. LOUIS	)	

Affidavit of James R. Dauphinais

James R. Dauphinais, being first duly sworn, on his oath states:

1. My name is James R. Dauphinais. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by Ag Processing Inc; Federal Executive Agencies; Midwest Energy Consumer's Group; Midwest Energy Users' Association; and Missouri Industrial Energy Consumers in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes is my direct testimony which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2012-0175.

3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things that it purports to show.

James R. Dauphinais

James R. Dauphinais

Subscribed and sworn to before me this 8th day of August, 2012.

MARIA E. DECKER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis City
My Commission Expires: May 5, 2013
Commission # 09706793

Maria E. Decker

Notary Public

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Direct Testimony of James R. Dauphinais

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A James R. Dauphinais. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a consultant in the field of public utility regulation and a Principal of Brubaker & Associates, Inc., energy, economic and regulatory consultants.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to this testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A This testimony is presented on behalf of Ag Processing Inc; Federal Executive Agencies; Midwest Energy Consumer's Group; Midwest Energy Users' Association; and Missouri Industrial Energy Consumers (collective referred to as "Industrials"). These companies purchase substantial amounts of electricity from KCP&L Greater

Missouri Operations Company ("GMO" or "Company") and the outcome of this proceeding will have an impact on their cost of electricity.

Q WHAT IS THE SUBJECT MATTER OF YOUR TESTIMONY?

A My testimony addresses the transmission expenses and revenues the Company has proposed for recovery in base rates and the Company's proposal to establish a transmission tracking mechanism ("Transmission Tracker"), which would track certain transmission costs on an actual basis versus the level set in this case. Under its proposed Transmission Tracker, any actual transmission cost amount in excess of the level set in this case would be treated as a regulatory asset and any actual shortfall from the level set in this case would be treated as a regulatory liability. The Company would then seek a true-up of these expenses as a part of its next base rate proceeding.

The fact that I do not address a particular issue in this testimony should not be interpreted as approval of any position taken by the Company.

Q IN ADDITION TO YOUR ANALYSIS OF TRANSMISSION ISSUES, HAVE YOU REVIEWED THE DIRECT TESTIMONY OF YOUR COLLEAGUE NICHOLAS L. PHILLIPS REGARDING THE SUBJECT OF THE COMPANY'S FUEL COSTS AND ITS OFF-SYSTEM SALES MARGINS?

A Yes. I worked with Mr. Phillips on the development of his analytical approach. I concur with the results of his analysis and his recommendation to the Commission with regard to the Company's fuel costs and off-system sales margins.

Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS WITH REGARD TO THE OTHER ISSUES ON WHICH YOU ARE TESTIFYING.

A At this time, I have no proposed adjustments to the level of transmission expenses the Company is proposing to recover in base rates. However, I am recommending that the Commission require the Company to annualize its transmission revenues based on actual values and rates at the end of the true-up period in the same manner the Company is proposing to do for its transmission expenses. In addition, I am recommending the Commission deny the Company's proposed R-80 transmission revenue credit reduction of $0.05 million for SJLP and $0.08 million for MPS. Finally, I am recommending that the Commission deny the Company's request for a Transmission Tracker.

TRANSMISSION EXPENSES

Q HAVE YOU REVIEWED THE LEVEL OF TRANSMISSION EXPENSES THE COMPANY IS PROPOSING TO RECOVER IN BASE RATES?

A Yes. The Company is proposing to recover its historical test year transmission expenses as adjusted through the end of the true-up period in this proceeding. In its direct case, the Company has annualized its transmission expenses to reflect forecasted values through the end of the true-up period including the projected level of rates at the end of the true-up period. These adjustments include: (i) CS-45 Transmission of Electricity by Others (Account 565), (ii) the Schedule 12 portion of CS-85 Annualize Regulatory Assessments and (iii) CS-86 Annualize SPP, RTO and NERC Fees. These adjustments are discussed in the testimonies of Company witnesses John P. Weisensee and John P. Carlson (Weisensee Direct at 36, 45 through 46 and JPW-4 (MPS and SJLP) and Carlson Direct at 2 through 11).

Q HAVE YOU IDENTIFIED ANY ISSUES WITH THE COMPANY'S DIRECT CASE WITH REGARD TO THE LEVEL OF TRANSMISSION EXPENSES IT IS PROPOSING TO COLLECT IN BASE RATES?

A While I continue to study this issue and will be reviewing the direct testimony of other parties in this proceeding with regard to this issue, I have not at this time identified any issues with the level of transmission expenses the Company is proposing to recover in its base rates. However, I would caution that in its annualization of transmission expenses the Company relied upon projected values through the end of the true-up period. The Company's annualization will need to be updated to reflect actual values and rates at the end of the true-up period once such actual values are available.

TRANSMISSION REVENUES

Q HAVE YOU REVIEWED THE LEVEL OF TRANSMISSION REVENUES THE COMPANY IS PROPOSING TO RECOVER IN BASE RATES?

A Yes. As with transmission expenses, I continue to study this issue and will be reviewing the direct testimony of other parties in this proceeding with regard to this issue. However, I have identified that it appears the Company is proposing to use test year transmission revenues without any adjustment to reflect actual values and rates at the end of the true-up period in this proceeding. This is inappropriate as the Company is proposing to adjust its transmission rate base and transmission expenses for actual values and rates at the end of the true-up period in this proceeding. In order to maintain the relationship between revenues, expenses and rate base that is expected to exist during the year rates are in effect, it is imperative that if any one of these three elements is to be updated for known and measureable values through the end of the true-up period, the other two elements must be updated as well.

Q WHAT DO YOU RECOMMEND TO THE COMMISSION WITH RESPECT TO THIS ISSUE?

A I recommend that the Commission require the Company to annualize its transmission revenues through the end of the true-up period in this proceeding in a manner consistent with the way it is annualizing transmission expenses through the end of the true-up period. This will help to ensure the relationship between revenues, expenses and rate base remains in synchronism so the Company does not over-recover its costs.

Q HAVE YOU IDENTIFIED ANY OTHER TRANSMISSION REVENUE RELATED ISSUES?

A Yes. I have identified a transmission revenue adjustment the Company is proposing that should be disallowed. Specifically, the Company's proposed R-80 transmission revenue reduction of $53,041 for SJLP and $84,602 for MPS should be denied.

Q PLEASE EXPLAIN THE COMPANY'S R-80 TRANSMISSION REVENUE ADJUSTMENT AND WHY IT SHOULD BE DISALLOWED.

A According to the testimony of Company witness Weisensee, the R-80 transmission revenue adjustment is necessary to ensure the return on equity ("ROE") included in retail rates is not less than authorized by the Commission (Weisensee Direct at 30-31). It appears the Company is removing from the revenue credits applied against its gross revenue requirement the additional return it receives for

FERC-jurisdictional transmission revenues that is derived from non-GMO sources at the FERC-authorized ROE of 11.1% versus the Company's proposed Commission jurisdictional ROE of 10.4%. In effect, the Company is proposing to be allowed to keep any return it earns for its transmission investment under FERC-jurisdictional transmission rates in excess of what it would have earned if that return was instead at the level authorized by the Commission.

The Company's proposal should be denied because its retail customers are ultimately responsible for supporting the revenue requirement of the Company's transmission facilities and, as such, should be entitled to all FERC-jurisdictional transmission revenues the Company is able to earn as an offset against the Company's transmission revenue requirement. The Company's proposal would be akin to allowing the Company to retain the difference between its non-firm off-system energy revenues received at market prices and the Company's fuel cost to produce that energy. The proposal should be denied.

Q IS THERE ANYTHING ELSE YOU WOULD LIKE TO NOTE REGARDING THIS ISSUE?

A Yes. Mr. Weisensee's testimony on behalf of GMO's sister company Kansas City Power & Light Company ("KCPL") in Case No. ER-2012-0174 does not discuss nor include the R-80 transmission revenue adjustment. I will be further reviewing KCPL's filing in that proceeding in order to determine whether KCPL is making a similar adjustment. If I determine a similar adjustment is being proposed in the KCPL proceeding, I will address it in future testimony in that proceeding.

<u>**TRANSMISSION TRACKER**</u>

Q PLEASE DESCRIBE THE COMPANY'S PROPOSAL TO ESTABLISH A TRANSMISSION TRACKER.

A The Company is proposing to establish a Transmission Tracker to track the actual level of the following expenses from the values for these expenses that were included in base rates:

- Southwest Power Pool ("SPP") Schedule 1-A Administration Charge;
- SPP Transmission Costs; and
- SPP Schedule 12 FERC Assessment Fees.

After its new base rates go into effect, the Company would track the difference between: (i) its actual amounts for these three expenses, and (ii) the amounts for these three expenses that have been included in base rates. Actual amounts for these expenses that are in excess of the base rate level would be treated as a regulatory asset (Account 182) and actual shortfalls for these expenses from the base rate level would be treated as a regulatory liability (Account 254). A true-up of these expenses as reflected in the accumulated regulatory asset and regulatory liability amounts for these expenses would occur at the time of the Company's next base rate proceeding (Ives Direct at 11 through 15 and Carlson Direct at 2 through 11).

Q HOW DO YOU RESPOND TO THE COMPANY'S PROPOSAL TO ESTABLISH A TRANSMISSION TRACKER?

A I recommend the Commission deny the Company's request to establish a transmission tracker. It has not reasonably demonstrated that it has a true need to track these expenses. In general, the use of a tracker, be it a tracker that automatically adjusts rates between base cases or a tracker that only adjusts at the time of the next base rate case, should be avoided unless true need for them has been demonstrated by the utility requesting it. There are two paramount reasons this is the case.

First, the use of a tracker allows a utility to pursue single-issue ratemaking. Under single-issue ratemaking, a utility can receive additional revenue in rates due to either an increase in a tracked expense or decrease in a tracked revenue without any consideration of whether that utility would simultaneously be receiving offsetting decreases in expenses or offsetting increases in revenues for those expenses and revenues that are not being tracked. To put it more simply, allowing a tracker can break the synchronism between revenues, expenses and rate base leading to a utility over-recovering its costs.

Second, the use of a tracker eliminates the inherent incentive a utility has to minimize expenses and maximize revenues between base rate proceedings, which over time works to keep electric rates lower than they otherwise would be. When a utility is allowed to track an expense, it can become indifferent with regard to minimizing that expense since it knows it will not need to file a new base rate case in order to recover any increases in that expense. Similarly, when a utility is allowed to track a revenue, it can become indifferent with regard to maximizing that revenue since it knows that it will not need to file a base rate case in order to recover any shortfall in that revenue.

Q WHAT SHOULD BE REASONABLY DEMONSTRATED IN ORDER FOR A UTILITY TO SHOW IT HAS A TRUE NEED FOR A TRACKER?

A The utility needs to show that the expense or revenue in question is:

- Large enough to present a threat to the financial well being of the utility;

- Volatile; <u>and</u>
- Cannot be reasonably managed by the utility.

Q DO ANY OF THE THREE EXPENSES THE COMPANY WOULD LIKE TO TRACK THROUGH ITS PROPOSED TRANSMISSION TRACKER MEET THESE THREE PREREQUISITES?

A No. SPP Schedule 1-A Administration Charges are neither very large, volatile or incapable of being managed by the Company. The Schedule 1-A rate, while larger than, for example, MISO's administration charges, is still currently only a relatively small $0.255 per MWh and is subject to a FERC rate cap of $0.35 per MWh. The rate may rise to the $0.35 per MWh level, but it cannot reasonably be said that the administration charge is volatile like, for example, the market price of a commodity might be. It can to a degree be managed by the Company by being active in the SPP stakeholder process and, as necessary, at FERC, to help ensure, working with other stakeholders, the SPP's costs are maintained within reasonable levels.

GMO's total SPP Transmission Costs are projected to increase from just under $7 million to just under $17 million by 2016. This projected cost increase is being driven by the construction of new regional transmission projects within the SPP footprint. However, the increase is not volatile as the increase is well forecasted by SPP and occurs in stair steps much like the rate base of a utility increases as new major capital projects are brought into service. It is also, like the SPP Schedule 1-A charge, a cost that can to a degree be managed by the Company being active in the SPP stakeholder process and, again, as necessary, at FERC. Allowing the Company to track this expense would eliminate the inherent incentive the Company otherwise would have to be vigilant in trying to contain these costs to reasonable levels in the

SPP stakeholder process and, as necessary, at FERC. In addition, as indicated in the testimony of Mr. Carlson and Mr. Ives (Carlson Direct at 6 and Ives Direct at 13), the regional transmission projects driving these costs are expected to provide significant benefits. The Company's proposed Transmission Tracker would not reflect these offsetting benefits.

Finally, SPP Schedule 12 FERC Assessment Fees fails two of the three tests. It is relatively small in magnitude and it is non-volatile. The Company itself has conceded it does not expect to see much variability in the Schedule 12 fees in the near term because the Schedule 12 rate has remained somewhat constant over the last couple of years and the Company expects that to continue (Carlson Direct at 10).

To conclude, for the reasons I have detailed, the Company's request for a Transmission Tracker should be denied.

CONCLUSIONS AND RECOMMENDATIONS

Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

A At this time, I have no proposed adjustments to the level of transmission expenses the Company is proposing to recover in base rates. However, I am recommending that the Commission require the Company to annualize its transmission revenues based on actual values and rates at the end of the true-up period in the same manner the Company is proposing to do for its transmission expenses. In addition, I am recommending the Commission deny the Company's proposed R-80 transmission revenue credit reduction of $0.05 million for SJLP and $0.08 million for MPS. Finally, I am recommending that the Commission deny the Company's request for a Transmission Tracker.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes.

Qualifications of James R. Dauphinais

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A James R. Dauphinais. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017, USA.

Q PLEASE STATE YOUR OCCUPATION.

A I am a consultant in the field of public utility regulation and a Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I graduated from Hartford State Technical College in 1983 with an Associate's Degree in Electrical Engineering Technology. Subsequent to graduation I was employed by the Transmission Planning Department of the Northeast Utilities Service Company as an Engineering Technician.

While employed as an Engineering Technician, I completed undergraduate studies at the University of Hartford. I graduated in 1990 with a Bachelor's Degree in Electrical Engineering. Subsequent to graduation, I was promoted to the position of Associate Engineer. Between 1993 and 1994, I completed graduate level courses in the study of power system transients and power system protection through the Engineering Outreach Program of the University of Idaho. By 1996 I had been promoted to the position of Senior Engineer.

In the employment of the Northeast Utilities Service Company, I was responsible for conducting thermal, voltage and stability analyses of the Northeast

Utilities' transmission system to support planning and operating decisions. This involved the use of load flow and power system stability computer simulations. Among the most notable achievements I had in this area include the solution of a transient stability problem near Millstone Nuclear Power Station, and the solution of a small signal (or dynamic) stability problem near Seabrook Nuclear Power Station. In 1993 I was awarded the Chairman's Award, Northeast Utilities' highest employee award, for my work involving stability analysis in the vicinity of Millstone Nuclear Power Station.

From 1990 to 1997 I represented Northeast Utilities on the New England Power Pool Stability Task Force. I also represented Northeast Utilities on several other technical working groups within the New England Power Pool ("NEPOOL") and the Northeast Power Coordinating Council ("NPCC"), including the 1992-1996 New York-New England Transmission Working Group, the Southeastern Massachusetts/Rhode Island Transmission Working Group, the NPCC CPSS-2 Working Group on Extreme Disturbances and the NPCC SS-38 Working Group on Interarea Dynamic Analysis. This latter working group also included participation from a number of ECAR, PJM and VACAR utilities.

In addition to my technical responsibilities, I was also responsible for oversight of the day-to-day administration of Northeast Utilities' Open Access Transmission Tariff. This included the creation of Northeast Utilities' pre-FERC Order No. 889 transmission electronic bulletin board and the coordination of Northeast Utilities' transmission tariff filings prior to and after the issuance of Federal Energy Regulatory Commission ("FERC" or "Commission") FERC Order No. 888. I was also responsible for spearheading the implementation of Northeast Utilities' Open Access Same-Time Information System and Northeast Utilities' Standard of Conduct under FERC Order

No. 889. During this time I represented Northeast Utilities on the Federal Energy Regulatory Commission's "What" Working Group on Real-Time Information Networks. Later I served as Vice Chairman of the NEPOOL OASIS Working Group and Co-Chair of the Joint Transmission Services Information Network Functional Process Committee. I also served for a brief time on the Electric Power Research Institute facilitated "How" Working Group on OASIS and the North American Electric Reliability Council facilitated Commercial Practices Working Group.

In 1997 I joined the firm of Brubaker & Associates, Inc. The firm includes consultants with backgrounds in accounting, engineering, economics, mathematics, computer science and business. Since my employment with the firm, I have filed or presented testimony before the Federal Energy Regulatory Commission in Consumers Energy Company, Docket No. OA96-77-000, Midwest Independent Transmission System Operator, Inc., Docket No. ER98-1438-000, Montana Power Company, Docket No. ER98-2382-000, Inquiry Concerning the Commission's Policy on Independent System Operators, Docket No. PL98-5-003, SkyGen Energy LLC v. Southern Company Services, Inc., Docket No. EL00-77-000, Alliance Companies, et al., Docket No. EL02-65-000, et al., Entergy Services, Inc., Docket No. ER01-2201-000, and Remedying Undue Discrimination through Open Access Transmission Service, Standard Electricity Market Design, Docket No. RM01-12-000, Midwest Independent Transmission System Operator, Inc., Docket No. ER10-1791-000 and NorthWestern Corporation, Docket No. ER10-1138-000. I have also filed or presented testimony before the Alberta Utilities Commission, Colorado Public Utilities Commission, Connecticut Department of Public Utility Control, Illinois Commerce Commission, the Indiana Utility Regulatory Commission, the Iowa Utilities Board, the Kentucky Public Service Commission, the Louisiana Public Service Commission, the

Michigan Public Service Commission, the Missouri Public Service Commission, the Montana Public Service Commission, the Public Utility Commission of Texas, the Wisconsin Public Service Commission and various committees of the Missouri State Legislature. This testimony has been given regarding a wide variety of issues including, but not limited to, avoided cost calculations, certification of public convenience and necessity, fuel adjustment clauses, interruptible rates, market power, market structure, prudency, resource planning, standby rates, transmission losses, transmission planning and transmission line routing.

I have also participated on behalf of clients in the Southwest Power Pool Congestion Management System Working Group, the Alliance Market Development Advisory Group and several working groups of the Midwest Independent Transmission System Operator, Inc. (“MISO”), including the Congestion Management Working Group and Supply Adequacy Working Group. I am currently an alternate member of the MISO Advisory Committee in the end-use customer sector on behalf of a group of industrial end-use customers in Illinois. I am also the past Chairman of the Issues/Solutions Subgroup of the MISO Revenue Sufficiency Guarantee (“RSG”) Task Force.

In 2009, I completed the University of Wisconsin-Madison High Voltage Direct Current (“HVDC”) Transmission course for Planners that was sponsored by MISO. I am a member of the Power and Energy Society (“PES”) of the Institute of Electrical and Electronics Engineers (“IEEE”).

In addition to our main office in St. Louis, the firm also has branch offices in Phoenix, Arizona and Corpus Christi, Texas.