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Date 6-15-15 Reporter AT
File No. ER-2014-0370

Exhibit No.:

Issues: Wholesale Sales and
Amortization Tracking

Witness: V. William Harris

Sponsoring Party: MoPSC Staff

Type of Exhibit: Surrebuttal Testimony

Case No: ER-2014-0370

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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

UTILITY SERVICES - AUDITING

SURREBUTTAL TESTIMONY

OF

V. WILLIAM HARRIS, CPA, CIA

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2014-0370

Jefferson City, Missouri
June 5, 2015

** Denotes Highly Confidential Information **

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TABLE OF CONTENTS
SURREBUTTAL TESTIMONY OF
V. WILLIAM HARRIS
KANSAS CITY POWER & LIGHT COMPANY
CASE NO. ER-2014-0370

Executive Summary 1

Purchased Power Costs and Reimbursements – Border and CoGen Customers 2

Wholesale Sales – Firm Energy and Capacity Sales Agreements 3

Over-Recovery of Certain Amortizations 7

Excess OSS Margin Regulatory Liability 7

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

SURREBUTTAL TESTIMONY
OF
V. WILLIAM HARRIS, CPA, CIA
KANSAS CITY POWER AND LIGHT COMPANY
CASE NO. ER-2014-0370

Q. Please state your name and business address.

A. V. William Harris, Fletcher Daniels State Office Building, Room 201,
615 East 13th Street, Kansas City, Missouri 64106.

Q. Are you the same V. William Harris that filed Direct Testimony in this case?

A. Yes. I filed testimony in Staff’s Revenue Requirement, Cost of Service Report
 (“COS”) in this case.

Q. What is the purpose of your Surrebuttal Testimony?

A. The purpose of my Surrebuttal Testimony is to address the Rebuttal
 testimonies of Kansas City Power & Light Company (“KCPL”) witnesses Burton L.
 Crawford, on the issues of purchased power and wholesale sales, and Ronald A. Klote, on the
 issue of tracking certain amortizations. I will also address the Rebuttal Testimony of the
 Office of the Public Counsel (“Public Counsel”) witness William Addo, on the issue of the
 excess off-system sales (OSS) margin regulatory liability.

Executive Summary

Q. Please summarize your Surrebuttal Testimony.

A. Staff will continue to analyze power purchased and generated for border
 customers and parallel generation (“CoGen”) sales, as well as related costs that KCPL has

Surrebuttal Testimony of
V. William Harris

1 received reimbursement for, and will include the appropriate levels for this proceeding in the
2 true-up case.

3 All firm energy sales contracts, including Kansas Municipal Energy Agency (KMEA),
4 that are in effect as of the May 31, 2015 true-up date, should be included in KCPL's cost of
5 service determination for setting rates in this case.

6 Staff opposes KCPL's efforts to over-recover certain amortizations relating to
7 maintenance expense at its Iatan generating station and nuclear refueling expense at its
8 Wolf Creek generating station.

9 Staff believes that its calculations and adjustments related to the excess OSS
10 margin regulatory liability are, for the most part, correct and appropriate. However, Staff
11 agrees with Public Counsel witness Addo's assertion, in his Rebuttal Testimony, that neither
12 Staff nor KCPL calculated its adjustment based on the correct amount established in KCPL
13 Rate Case No. ER-2012-0174. Accordingly, Staff has revised its adjustment to reflect the
14 correct starting point as established in Case No. ER-2012-0174.

15 **Purchased Power Costs and Reimbursements – Border and CoGen Customers**

16 Q. What are border and parallel generation ("CoGen") customers?

17 A. Border customers are customers who are in the service area of one utility
18 (to whom the customer will pay its bill), but are physically served by another utility.
19 KCPL supplies power to other utilities' customers and the other utilities supply power to
20 KCPL's customers residing on the border of each utility's respective service areas. CoGen
21 (or co-generators) are customers on the system who have their own generators and sell their
22 surplus power to the utility (in this case, KCPL).

Surrebuttal Testimony of
V. William Harris

1 Q. KCPL witness Burton Crawford states on page 11, lines 20 through 22, of his
2 Rebuttal Testimony that Staff has included the impacts of these customers in its fuel modeling
3 but not in its cost of service modeling. Please respond.

4 A. Staff was made aware of this possible shortcoming through Mr. Crawford's
5 Rebuttal Testimony. As a result, Staff issued Data Request (DR) No. 539 to obtain the
6 information necessary to respond to his testimony. Staff recently received KCPL's response
7 to DR No. 539 and is currently determining the correct amount to include in its cost of service
8 modeling for the true-up period. Staff is committed to include the proper level of all costs
9 (and reimbursements) to supply service to border and CoGen customers.

10 **Wholesale Sales – Firm Energy and Capacity Sales Agreements**

11 Q. On page 12 of his Rebuttal Testimony (lines 1 through 14), Mr. Crawford
12 states that KCPL's firm energy sales agreement with KMEA expires on September 30, 2015
13 (prior to the effective date of rates in this case). As a result, KCPL believes the contract
14 should not be included in this case. Do you agree?

15 A. No. The firm contract will be in effect at the end of the true-up in this case
16 (May 31, 2015) and should be treated as firm revenue. It would be inappropriate to consider
17 the impact of this out-of-period event without considering the potential impacts of other
18 out-of-period events, either revenue increases or any potential cost reductions that
19 could eliminate or partially offset the impact of the loss of this contract's capacity and
20 energy revenues.

21 Q. Do you have any specific examples of the potential impacts of other
22 out-of-period events?

Surrebuttal Testimony of
V. William Harris

1 A. Yes, I do. KCPL has two capacity agreements that it has entered into with
2 KMEA during the true-up period. One firm energy sales agreement is currently in effect and
3 will be included in the true-up at May 31, 2015. The other contract will not be in effect until
4 July 1, 2015.

5 KCPL has entered into a firm energy sales agreement that will be effective July 1,
6 2015 through December 31, 2019. Since this agreement will not become effective until after
7 the May 31, 2015 true-up in this case, Staff will not consider its impact on KCPL's cost of
8 service. KCPL will receive revenues from capacity charges and energy sales from this
9 contract. Those revenues will not be included in the true-up as of May 31, 2015. If KCPL is
10 successful in removing the KMEA September 2015 ending capacity contract from the true-up,
11 then the new KMEA July 1, 2015 contract should be included in the true-up. However, Staff
12 does not believe this contract should be part of the true-up or that the September 30, 2015
13 ending contract with KMEA should be removed.

14 Additionally, KCPL has entered into another firm energy sales agreement with KMEA
15 that became effective on April 1, 2015, and will expire on December 31, 2019. Since this
16 agreement will be in effect at the end of the true-up period in this case (May 31, 2015), Staff
17 will reflect sales made under that agreement in its true-up of KCPL's cost of service.

18 Q. Has KCPL had capacity agreements in past rate cases that were ending prior to
19 the effective date of rates in that respective case?

20 A. Yes. In its past three rate cases, beginning with Case No. ER-2009-0089 and
21 continuing through ER-2010-0355 and ER-2012-0174, KCPL has attempted to remove or
22 adjust firm energy OSS related to agreements with KMEA and/or the Missouri Joint
23 Municipal Electric Utility Commission (MJMEUC).

Surrebuttal Testimony of
V. William Harris

1 Q. Please explain.

2 A. In Case No. ER-2009-0089, KCPL made adjustments in its direct filing to
3 remove firm OSS and related demand charges associated with KMEA and MJMEUC
4 contracts that expired May 31, 2009 (beyond the March 31, 2009 true-up period in that
5 case). On April 6, 2009, Staff discovered that KCPL had executed a new agreement with
6 MJMEUC that became effective on the day following the termination of the expiring contract.
7 A new contract with KMEA was also subsequently agreed upon.

8 In Case No. ER-2010-0355, KCPL again removed firm OSS associated with a
9 MJMEUC contract that expired on December 31, 2010, the final day of the true-up period in
10 that case. A new MJMEUC contract was subsequently executed.

11 In Case No. ER-2012-0174, KCPL removed a firm OSS contract with KMEA that was
12 expiring on November 30, 2012, even though the contract was in effect at the end of the
13 August 31, 2012 true-up period. KCPL ultimately entered into another KMEA contract.

14 Staff did not remove the firm OSS from KCPL's final cost of service in any of the
15 aforementioned rate cases despite KCPL's assertions that the removal of the firm OSS was
16 necessary.

17 Q Does Mr. Crawford's Rebuttal Testimony include any other wholesale sales
18 issue you would like to address?

19 A. Yes. Also on page 12 of his Rebuttal Testimony (lines 15 through 20),
20 Mr. Crawford states:

21 KCP&L had made a capacity sale to KCP&L Greater Missouri
22 Operations Company ("GMO") that ran from June 1, 2014 to May 31,
23 2015 so that GMO could meet its capacity requirements for that period.
24 GMO has recently entered into a capacity contract with another
25 supplier to meet its capacity need for the period June 1, 2015 to
26 May 31, 2016.

Surrebuttal Testimony of
V. William Harris

1 Q. Have you verified the accuracy of Mr. Crawford's preceding statement?

2 A. I submitted Staff DR No. 541, requesting a copy of the capacity contract, to
3 verify the accuracy of Mr. Crawford's statement. KCPL's response to DR No. 541 indicates
4 that while another agreement to supply GMO's capacity requirement has been entered into
5 with ** _____

6 _____ ** the effective period of the agreement as stated by
7 Mr. Crawford is inaccurate.

8 Q. Please explain.

9 A. Mr. Crawford states that the new contract will supply GMO's capacity need for
10 "the period June 1, 2015 to May 31, 2016." The copy of the contract provided in KCPL's
11 response to Staff DR No. 541 clearly states that it is only in effect ** _____

12 _____ **

13 Q. What is the significance of the ** _____ ** date?

14 A. Since the new contract "replacing" the expiring contract between KCPL and
15 GMO is only in effect until ** _____ **, it essentially "frees up" GMO to
16 buy additional capacity from some other entity (including KCPL) after the termination of the
17 ** _____ ** capacity agreement. KCPL could enter into a new capacity sales agreement
18 with GMO which would result in revenues that will not be in this case after the May 31, 2015
19 GMO contract is removed from the true-up. If KCPL resumes / starts a capacity agreement
20 after the ** _____ ** contract is over, then that would be in time for its
21 inclusion in GMO's cost of service in the rate case that GMO is expected to file later
22 this year.

1 **Over-Recovery of Certain Amortizations**

2 Q. On page 10 of his Rebuttal Testimony, KCPL witness Klote alleges that Staff
3 is proposing a number of adjustments on a retroactive basis, among them Wolf Creek Nuclear
4 Refueling Outage No. 16 and Iatan Unit 2 O&M expenses. Mr. Klote goes on to add, on
5 pages 11 (line 20) through 13 (line 3), that Staff's treatment of the Wolf Creek Refueling
6 amortization as a tracker constitutes retroactive ratemaking. Please respond.

7 A. As stated in my Direct Testimony in the Staff COS, the refueling and O&M
8 amortizations were established to allow KCPL to recover its actual reasonable and prudent
9 costs and were never intended to allow KCPL an opportunity to over-recover its actual costs.
10 The expiration of this amortization occurred in August 2014 (during the 12-month update
11 period ended December 31, 2014). Capturing the over recovery of the amortization (as
12 reflected in Adjustments E-69.1 and E-78.1) within the update period used in this case for the
13 Wolf Creek refueling outage is not retroactive ratemaking. The deferral of the Wolf Creek
14 refueling costs was a unique ratemaking tool that allowed KCPL recovery of these costs. It
15 was not intended or expected the recovery would provide an opportunity for KCPL to recover
16 more than the original amortization amount.

17 **Excess OSS Margin Regulatory Liability**

18 Q. On page 41 (lines 12 through 19) of his Rebuttal Testimony, Public Counsel
19 witness Addo states that KCPL and Staff "did not utilize the correct amount built into the
20 Company's rates in Case No. ER-2012-0174 to construct their respective workpapers in this
21 case." Do you agree?

22 A. Yes, I do. Accordingly, I corrected the beginning amount in my calculation to
23 reflect the agreed upon level from Case No. ER-2012-0174. All other amounts, formulas and

Surrebuttal Testimony of
V. William Harris

1 | calculations remain the same. The revision results in a \$642 difference in the amount of
2 | the adjustment.

3 | Q. Does this conclude your Surrebuttal Testimony?

4 | A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

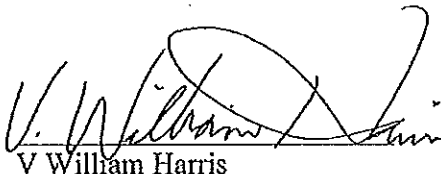
In the Matter of Kansas City Power & Light)
Company's Request for Authority to)
Implement a General Rate Increase for Electric)
Service)

Case No. ER-2014-0370

AFFIDAVIT

COMES NOW V. William Harris and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Surrebuttal Testimony; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

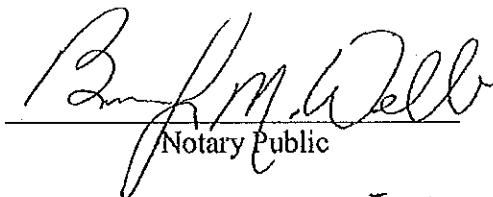

V William Harris

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 3rd day of June, 2015.



BEVERLY M. WEBB
My Commission Expires
April 14, 2016
Clay County
Commission #12464070


Notary Public

My Commission Expires 04-14-2016