

EXHIBIT

Exhibit No.:

Issue(s):

Rate Case Expense/
St. Joseph Infrastructure
Improvement Programs/
St. Joseph L&P Ice Storm AAO/
Sibley Rebuild/Western Coal AAO

Witness:

Type of Exhibit:

Sponsoring Party:

Case Number:

Ted Robertson
Rebuttal
Public Counsel
ER-2012-0175

Filed
December 03, 2012
Data Center
Missouri Public
Service Commission

REBUTTAL TESTIMONY

OF

TED ROBERTSON

Submitted on Behalf of
the Office of the Public Counsel

**KANSAS CITY POWER & LIGHT
GREATER MISSOURI OPERATIONS COMPANY**

Case No. ER-2012-0175

**

**

Denotes Highly Confidential Information that has been redacted

September 12, 2012

OPC Exhibit No 311
Date 10-29-12 Reporter KF
File No ER-2012-0175

NP

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

In the Matter of Kansas City Power & Light)
Greater Missouri Operations Company's)
Request for Authority to Implement A) File No. ER-2012-0175
General Rate Increase for Electric Service)

AFFIDAVIT OF TED ROBERTSON


STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Ted Robertson, of lawful age and being first duly sworn, deposes and states:

1. My name is Ted Robertson. I am a Chief Public Utility Accountant for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal 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.



Ted Robertson, C.P.A.
Chief Public Utility Accountant

Subscribed and sworn to me this 12th day of September 2012.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2013
Cole County
Commission #09754037


Jerene A. Buckman
Notary Public

My Commission expires August, 2013.

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REBUTTAL TESTIMONY

OF

TED ROBERTSON

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2012-0175

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Ted Robertson, PO Box 2230, Jefferson City, Missouri 65102-2230.

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

A. I am employed by the Missouri Office of the Public Counsel (OPC or Public Counsel) as the Chief Public Utility Accountant.

Q. WHAT IS THE NATURE OF YOUR CURRENT DUTIES AT THE OPC?

A. My duties include all activities associated with the supervision and operation of the regulatory accounting section of the OPC. I am also responsible for performing audits and examinations of the books and records of public utilities operating within the state of Missouri.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND OTHER QUALIFICATIONS.

1 A. I graduated in May 1988, from Missouri State University in Springfield, Missouri,
2 with a Bachelor of Science Degree in Accounting. In November of 1988, I
3 passed the Uniform Certified Public Accountant Examination, and I obtained
4 Certified Public Accountant (CPA) certification from the state of Missouri in 1989.
5 My CPA license number is 2004012798.

6
7 Q. HAVE YOU RECEIVED SPECIALIZED TRAINING RELATED TO PUBLIC
8 UTILITY ACCOUNTING?

9 A. Yes. In addition to being employed by the Missouri Office of the Public Counsel
10 since July 1990, I have attended the NARUC Annual Regulatory Studies
11 Program at Michigan State University, and I have also participated in numerous
12 training seminars relating to this specific area of accounting study.

13
14 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC
15 SERVICE COMMISSION (COMMISSION OR MPSC)?

16 A. Yes, I have testified on numerous issues before this Commission. Please refer
17 to Schedule TJR-1, attached to this testimony, for a listing of cases in which I
18 have submitted testimony.

19
20 **II. PURPOSE OF TESTIMONY**

21 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

1 A. I am sponsoring the Public Counsel's positions regarding Kansas City Power &
2 Light Company Greater Missouri Operations Company's (KCPL-GMO or
3 Company) ratemaking treatment for the issues of Rate Case Expense, St.
4 Joseph Infrastructure Improvements Program (GMO-L&P only), St. Joseph Light
5 and Power Ice Storm Accounting Authority Order (AAO), and the Sibley Rebuild
6 Program and the Sibley Western Coal Conversion Project AAOs (GMO-MPS
7 only).

8
9 **III. RATE CASE EXPENSE**

10 Q. WHAT IS THE ISSUE?

11 A. The issue concerns determining the proper amount of rate case expense the
12 Company should be authorized to include in its rates pursuant to changes in rates
13 effective at the conclusion of the current case.

14
15 Q. PLEASE SUMMARIZE THE PUBLIC COUNSEL'S POSITION ON THIS ISSUE.

16 A. Public Counsel believes that the amount of rate case expense included in the
17 development of the Company's rates should only include a normalized annual level
18 of costs that directly benefit ratepayers. Since shareholders benefit from the
19 activities from which rate case costs are derived, as much as, if not more than
20 ratepayers, shareholders should also bear some of the burden of rate case
21 expense.

1
2 Q. HOW DO SHAREHOLDERS AND RATEPAYERS BENEFIT FROM THE
3 ACTIVITIES ASSOCIATED WITH GENERAL RATE INCREASE CASES?

4 A. Customers definitely have an interest in ensuring that their utilities' rates are just
5 and reasonable, which is the ultimate objective of any rate case, whether it
6 results in an increase or decrease in rates; however, both shareholders and
7 ratepayers benefit in many ways from a strong stable organization that has
8 competent management at its helm. The utility that is able to respond to all
9 stakeholders with the services and other requirements that they expect
10 necessitates that the utility be able to access debt markets at competitive rates.
11 That entails that the earnings capacity of the utility must be sufficient to fund its
12 construction and operational processes while providing an adequate return to
13 shareholders. In addition, operational processes must be able to fulfill the utility's
14 commitments of safe and reasonably priced service to ratepayers. All of which
15 can only be done if the utility is allowed to recover a reasonable return on its
16 investment and recover prudent, reasonable and necessary expenses. General
17 rate increase cases provide the avenue upon which the utility seeks to obtain the
18 proper revenue requirement (i.e., rates) which will allow it to meet those goals.
19 Furthermore, shareholders benefit even more from any efficiencies that
20 management may be able to incorporate into the organization; thereby,

1 increasing the likelihood of growth in future stock prices and dividends they may
2 receive.

3
4 Q. HAVE YOU REVIEWED COMPANY'S ESTIMATED COSTS TO DEVELOP AND
5 PROCESS THE INSTANT CASE?

6 A. Yes. The Company's response to MPSC Staff Data Request No. 96.2 identified the
7 projected cost of the instant cases as ** ** for GMO-MPS and
8 ** ** for GMO-L&P.

9
10 A breakdown of the projected amounts was also provided in the Rate Case
11 Expense Workpapers (CS-80) provided by Company as follows:

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13 **

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22 **

1 Q. IS PUBLIC COUNSEL CONCERNED ABOUT THE LARGE EXPENDITURES
2 COMPANY EXPECTS TO INCUR FOR PROCESSING THE CURRENT
3 GENERAL RATE INCREASE CASE?

4 A. Yes. Public Counsel has become increasingly concerned with the level of rate
5 case expense among regulated utilities in general. For example, costs
6 associated with outside legal representation and consultants is extremely costly
7 and represents the majority of the costs of Company's estimate; however, all of
8 these costs are properly within management's control. As a result, rate case
9 expense, like any other expenditure, is an area where the utility should seek to
10 contain costs.

11
12 Q. DOES PUBLIC COUNSEL BELIEVE THAT THE COMPANY HAS THE PROPER
13 INCENTIVE TO CONTROL THE LEVEL OF EXPENDITURES IT IS INCURRING
14 FOR THE CURRENT GENERAL RATE INCREASE CASE?

15 A. No. Company's management apparently believes that because it decides to
16 incur outside legal and outside consultant costs to assist it in processing its
17 request for a rate increase, those expenditures should be considered and
18 authorized as an automatic recovery from ratepayers. Public Counsel believes
19 that rationale is neither appropriate or reasonable. It is not appropriate because
20 the idea itself results in monopolistic inefficiencies which lead to higher rates than
21 should have actually occurred. The utility should always be actively seeking to

1 reduce its cost structure so that ratepayers do not end up paying higher rates
2 than absolutely necessary, but the indiscriminate incurrence of excessive
3 expenditures runs counter to that goal. Also, it is not reasonable due to the fact
4 that if the expenditures are to be incurred they must be done so with the
5 understanding that they are the most cost-effective alternative and that their
6 incurrence will be scrutinized thoroughly so as to avoid the payment of improper
7 or unreasonable charges. Company's view that it can spend whatever it desires
8 to process its rate increase request, because the expenditures are an entitlement
9 subject to automatic recovery, provides no incentive for the controlling of the
10 costs at issue.

11
12 Q. DOES PUBLIC COUNSEL BELIEVE THAT SHAREHOLDERS SHOULD CARRY
13 AN EQUAL PROPORTION OF THE COST OF THIS RATE CASE FOR WHICH
14 THEY TOO RECEIVE A BENEFIT?

15 A. Yes. Benefits that inure to ratepayers from a utility rate case are at least matched (if
16 not exceeded) by benefits enjoyed by the shareholders of the same utility.
17 Therefore, utilities should be vigilant in controlling their rate case expenses so that
18 owners and customers are not unduly burdened by the incurrence of unnecessary
19 or inefficient costs.
20

1 Q. WHAT SHARING OF PRUDENT, REASONABLE AND NECESSARY COSTS
2 DOES PUBLIC COUNSEL PROPOSE FOR THIS RATE CASE?

3 A. Public Counsel recommends that once the level of prudent, reasonable and
4 necessary costs is determined they should be shared 50%/50% between
5 shareholders and ratepayers.
6

7 Q. WHY DOES PUBLIC COUNSEL BELIEVE THAT A 50%/50% SHARING OF THE
8 COSTS IS APPROPRIATE?

9 A. A general rate increase case arises for the benefit of a utility's shareholders due
10 to the fact that a primary motivation in filing a rate case is to add shareholder
11 value by increasing rates. Thus, prudent, reasonable and necessary expenses
12 resulting from the rate case should be shared 50%/50% between shareholders
13 and ratepayers so that the shareholders bear some of the burden for the benefits
14 they receive.
15

16 Q. DOES THE PUBLIC COUNSEL BELIEVE THAT THE COSTS ASSOCIATED
17 WITH THE CURRENT GENERAL RATE INCREASE CASE SHOULD BE
18 UTILIZED TO DEVELOP THE NORMALIZED AMOUNT OF RATE CASE
19 EXPENSE TO INCLUDE IN THE DETERMINATION OF FUTURE RATES?

20 A. Yes. On a going forward basis, Public Counsel believes that the prudent costs
21 incurred in the instant case should be utilized to determined the annualized level of

1 rate case expense to include in the determination of rates since they represent the
2 most recent actual costs one can expect the utility to incur.

3
4 Q. WHAT IS THE ANNUALIZED AMOUNT OF RATE CASE EXPENSE YOU ARE
5 PROPOSING THAT THE COMPANY RECEIVE?

6 A. Public Counsel recommends that the Commission focus its attention on the costs
7 Company is incurring to process the current case. Within that context, Public
8 Counsel recommends that the question of who benefits from the costs is an
9 important consideration to take into account since rate case expense is a
10 complex problem in that consumers should not be forced to pay elaborate
11 defenses of private interests. Therefore, the Commission should disallow costs
12 Company expects to incur that are associated with the outside legal and outside
13 consultants hired by the utility to process the current case. Company bears the
14 burden of proof in these proceedings and it must establish that any expenditure it
15 incurs is prudent, reasonable and necessary. That, in Public Counsel's opinion,
16 has not occurred.

17
18 Furthermore, the Commission should not approve in-house general rate increase
19 expenditures as an allowable component of rate case expense if the in-house
20 charges for preparation and processing of the rate case will be recovered in other
21 in-house cost categories. For example, rate case expense should not include

1 recovery for expenses that are otherwise included in test year expenses,
2 including salaries for utility employees that prepare the filing, act as witnesses or
3 provide the legal requirements to develop, process and implement the rate
4 increase request. Disallowing these costs from rate case expense will avoid
5 duplicate accounting of amounts already incorporated in operating expense.
6

7 Therefore, Public Counsel recommends that Company be allowed to recover
8 only 50% of its incremental costs for rate case activities determined by the
9 Commission to be prudent, reasonable and necessary. However, since the costs
10 are a moving target in that they continue to be incurred through the end of the
11 update period and true-up, the total rate case expense will not be known until
12 sometime after the end of September 2012. Public Counsel will update the
13 Commission on its recommendation in later testimony.
14

15 Q. DOES PUBLIC COUNSEL BELIEVE AN ALTERNATIVE POSITION EXISTS
16 OTHER THAN SIMPLY DISALLOWING OUTSIDE LEGAL COUNSEL AND
17 OUTSIDE CONSULTANT COSTS WITH 50% OF THE REMAINDER OF
18 PRUDENT, REASONABLE AND NECESSARY COSTS BEING RECOVERED
19 FROM RATEPAYERS?

20 A. Yes. One alternative would be to allocate the actual costs incurred to
21 shareholders and ratepayers based on a ratio of the revenue increase authorized

1 by the Commission to the revenue increase requested by the Company. If 100%
2 of the revenue increase requested is authorized, then 100% of the incurred rate
3 case expense is allocated to ratepayers (on a normalized basis). If the revenue
4 increase authorized is less than the requested amount, then the percentage of
5 rate case expense to be recovered from ratepayers is reduced by an equal
6 percentage reduction. In that way, each bears some of the burden for the
7 benefits they receive.

8
9 Q. DOES COMPANY INCUR ANY OTHER EXPENSE WHICH BENEFITS
10 SHAREHOLDERS AND IS NOT RECOVERED FROM RATEPAYERS?

11 A. Yes. One example that comes to mind is advertising expense. Advertising that
12 benefits ratepayers, e.g., general and safety, is recovered from ratepayers while
13 goodwill advertising is not. The assignment of the costs associated with goodwill
14 advertising to shareholders is recognition by the Commission that they benefit
15 from the incurrence of the costs and should be held responsible for their
16 payment. In my opinion, the same analogy applies to rate case expense.

17
18 Q. IS THERE A NEED TO NORMALIZE THE RATE CASE EXPENSE
19 AUTHORIZED BY THE COMMISSION?

20 A. Yes. Since utilities do not normally file a rate increase request on a yearly basis,
21 the costs that they incur to process the case should be recovered over a period

1 of years representative of how often the utility's rates are actually changed from
2 one case to another. The costs should be normalized (averaged) over the period
3 of time necessary to complete the cycle for the activity.
4

5 Q. DOES PUBLIC COUNSEL RECOMMEND A SPECIFIC NORMALIZATION
6 PERIOD?

7 A. Yes. Company's proposal for a three-year normalization appears to be
8 reasonable.
9

10
11
12 **IV. ST. JOSEPH INFRASTRUCTURE IMPROVEMENTS PROGRAM**

13 Q. WHAT IS THE ISSUE?

14 A. This issue relates to a Company proposed "pilot project" to improve the overall
15 distribution reliability, condition, and future capacity needs of the City of St.
16 Joseph electrical system.
17

18 Q. WHAT IS THE INFRASTRUCTURE IMPROVEMENTS PROGRAM?

19 A. Beginning on page 10, line 9, of the Direct Testimony of Company witness, Mr.
20 Darrin R. Ives, he describes the infrastructure improvements program as,
21

1 We are submitting a comprehensive five-year, \$27 million plan
2 that will address the overall distribution reliability, condition, and
3 future capacity needs of the City of St. Joseph electrical system.
4 The plan will include proposed substation additions and asset
5 replacement to improve distribution reliability and the overall level of
6 service to our St. Joseph customers. The focus of our work will be
7 on improving service to customers located in the older core areas
8 of the City, as well as address and benefit other customers served
9 by the City of St. Joseph electrical system.

10
11
12 Q. WHAT IS THE COMPANY REQUESTING FROM THE COMMISSION?

13 A. Beginning on page 51, of the Direct Testimony of Company witness, Mr. John P.
14 Weisensee, he states that the Company is requesting construction accounting
15 treatment for the infrastructure improvements discussed in the Direct Testimony
16 of Company witness, Mr. William P. Herdegen III. The treatment requested
17 would allow for the deferral to a regulatory asset of depreciation on the
18 infrastructure assets until the next rate case in which the costs are included in
19 rate base, coupled with a carrying cost similar to allowance for funds used during
20 construction. Specifically, Company is asking for approval to record, as an offset
21 to depreciation expense, an amount equal to the depreciation and a carrying cost
22 charge to a regulatory asset account, which will be recognized in a future rate
23 case. Additionally, Company requests that the deferred, unamortized balance,
24 net of accumulated deferred income taxes, be included in rate base in future
25 cases.

1 Q. IS THE COMPANY'S REQUEST DISCUSSED IN THE DIRECT TESTIMONY OF
2 ANY OTHER COMPANY WITNESS?

3 A. Yes. In addition to the Company witnesses already mentioned, the issue is
4 discussed in the Direct Testimony of Company witness, Mr. Terry Bassham, on
5 page 7, lines 1-6.

6
7 Q. DOES THE COMPANY PROVIDE THE REASON WHY IT IS SEEKING SUCH A
8 RADICAL DEPARTURE FROM MISSOURI'S TRADITIONAL REGULATORY
9 TREATMENT OF ACCOUNTING FOR PLANT ADDITIONS AND
10 IMPROVEMENTS IN RATE CASES?

11 A. Yes. The Company appears to be concerned about the effect of regulatory lag
12 on plant placed in service between rate cases. On page 52, lines 11-12, of Mr.
13 Weisensee's Direct Testimony he states,

14
15 Without rate relief timed to when these costs are included in Plant and
16 depreciation starts, GMO will experience earnings decline.
17
18

19 Q. HAS THE COMPANY BEGUN IMPLEMENTING THE PROPOSED
20 INFRASTRUCTURE IMPROVEMENTS?

21 A. No. Beginning on page 20, line 21, of Mr. Herdegen's Direct Testimony he
22 states,

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Q: When would this five-year program begin?

A: The program could begin as soon as practical after the Commission approval of the program in this rate case.

Q. WHAT IS THE ULTIMATE PURPOSE OF THE COMPANY'S REQUEST FOR THE NEW REGULATORY MECHANISM?

A. Commission authorization of the Company's request would insulate its shareholders from the risks associated with regulatory lag that may occur if plant projects are completed and placed in service before the operation of law date of a general rate increase case.

Q. PLEASE EXPLAIN THE CONCEPT OF REGULATORY LAG.

A. This concept is based on a difference in timing of a decision by management and the Commission's recognition of that decision and its effect on the rate base/rate of return relationship in the determination of a utility's revenue requirement. Management decisions that reduce or increase the cost of service without changing rates result in a change in the rate base/rate of return relationship. This change either increases or decreases the profitability of the Company in the short-run until such time as the Commission reestablishes rates to properly match the new level of service cost. In the interim period between rate cases, regulated utilities are allowed

1 to retain cost savings (i.e., excess profits during the lag period between rate cases)
2 and are forced to absorb cost increases. When faced with escalating costs,
3 regulatory lag places pressure on management to minimize the change in the
4 relationship because it cannot be recognized in a rate increase until the Commission
5 approves such in a general rate proceeding.
6

7 Q. HAS THIS COMMISSION RULED THAT IT IS NOT REASONABLE TO PROVIDE
8 SUCH PROTECTION TO SHAREHOLDERS?

9 A. Yes, it has. In Missouri Public Service Co., Case Nos. EO-91-358 & EO-91-360, the
10 Commission stated,
11

12 Lessening the effect of regulatory lag by deferring costs is beneficial
13 to a company but not particularly beneficial to ratepayers. Companies
14 do not propose to defer profits to subsequent rate cases to lessen the
15 effects of regulatory lag, but insist it is a benefit to defer costs.
16 Regulatory lag is a part of the regulatory process and can be a benefit
17 as well as a detriment. Lessening regulatory lag by deferring costs is
18 not a reasonable goal unless the costs are associated with an
19 extraordinary event.
20

21 Maintaining the financial integrity of a utility is also a reasonable goal.
22 The deferral of costs to maintain current financial integrity, though, is
23 of questionable benefit. If a utility's financial integrity is threatened by
24 high costs so that its ability to provide service is threatened, then it
25 should seek interim rate relief. If maintaining financial integrity means
26 sustaining a specific return on equity, this is not the purpose of
27 regulation. It is not reasonable to defer costs to insulate shareholders
28 from any risks. 1 Mo. P.S.C. 3d 200, 207 (1991).
29
30

1 Q. SHOULD THE UTILITY BE SHIELDED FROM THE EFFECTS OF
2 REGULATORY LAG ASSOCIATED WITH ITS PROPOSED INFRASTRUCTURE
3 IMPROVEMENTS PROGRAM?

4 A. No. Regulatory lag can also benefit a utility. Changes in revenue, expense and
5 rate base items that may reduce a utility's revenue requirement are also not
6 reflected in rates until a subsequent rate case. For example, Company
7 witnesses conveniently leave out of their testimony that a utility will benefit from
8 regulatory lag if rates continue to reflect a return on and depreciation expense for
9 plant that has been fully depreciated prior to a change in rates. The timing of
10 rate cases, in effect, can either cause a detriment or a benefit to both
11 shareholders and ratepayers depending on the individual aspects of the case at
12 hand and the costs at issue. The testimony of the Company witnesses only
13 reflects the downside potential of regulatory lag to the Company and ignores the
14 potential upside of regulatory lag.

15
16 Further, the Company seeks to isolate one component (i.e., plant) in its cost of
17 service calculation, while ignoring other components within the same cost of
18 service calculation. Revenue could increase, operating expense could decline
19 and other rate base items in addition to individual components within plant-in-
20 service and accumulated depreciation could decline. These items are also
21 exposed to regulatory lag. The premise behind observing a test year for audit

1 purposes (and true-up if needed) is to match revenue and cost of service during
2 a specific period to ensure calculation of a revenue requirement that is fair to
3 both the Company and to ratepayers.
4

5 Q. IS IT PUBLIC COUNSEL'S RECOMMENDATION THAT THE COMMISSION
6 DENY THE COMPANY'S REQUEST FOR DEFERRAL OF THE COSTS
7 ASSOCIATED WITH THE PROPOSED INFRASTRUCTURE IMPROVMENTS
8 PROGRAM?

9 A. Yes.
10

11 **V. ST. JOSEPH LIGHT AND POWER ICE STORM AAO**

12 Q. WHAT IS THE ISSUE?

13 A. This issue relates to the Company's ratemaking treatment of the costs deferred
14 by an Accounting Authority Order authorized by the Commission in Case No. EU-
15 2008-0233. The costs incurred were the result of a December 2007 winter storm
16 which impacted the St. Joseph Light & Power service territory. The Commission
17 authorized the Company to defer incremental maintenance costs to Account
18 182.3, as a regulatory asset, to be amortized over a 5-year period commencing
19 in January 2008.
20

1 Q. WAS THE COMPANY ALSO AUTHORIZED TO RECEIVE RATE BASE
2 TREATMENT FOR THE BALANCE OF ANY UNAMORTIZED COSTS?

3 A. No.
4

5 Q. WHAT COSTS HAS COMPANY INCLUDED IN THE INSTANT CASE?

6 A. Company has included an annualized expense amount of \$1,589,436 and no rate
7 base treatment.
8

9 Q. DOES PUBLIC COUNSEL OPPOSE THE COMPANY'S REQUEST?

10 A. Yes. The remaining unamortized balance as of the end of the true-up date for the
11 instant case is approximately \$519,812 and those remaining costs are scheduled to
12 be fully amortized by the end of December 2012. Therefore, Company's request to
13 include an annualized expense amount of \$1,589,436 guarantees, if authorized by
14 the Commission, that it will over-recover the actual costs authorized for deferral by a
15 significant and material amount . Public Counsel does not believe that that is the
16 purpose or goal of the special regulatory ratemaking that the AAO process
17 provides.
18

19 Q. WHAT DOES PUBLIC COUNSEL RECOMMEND THAT THE COMMISSION
20 AUTHORIZE TO MITIGATE OVER-RECOVERY OF THE COSTS DEFERRED
21 BY THE COMPANY?

1 A. Public Counsel recommends that the Commission rebase the amortization of the
2 remaining unamortized balance (i.e., \$519,812) over 3 years because, it is my
3 understanding, Company has indicated that it expects to come in for another rate
4 case during that time period. That is, only 1/3 of the \$519,812 (i.e., \$173,271)
5 should be allowed as the annualized level of expense in the determination of the
6 cost of service for the instant case - not the \$1,589,436 proposed by the
7 Company. Public Counsel 's believes its recommendation to be more reasonable
8 because it will allow the Company to receive full recovery of the deferred costs, as
9 authorized by the Commission in the AAO case, but also prevent it from
10 inappropriately benefiting from any over-recovery of the costs.

11
12 **VI. SIBLEY REBUILD/WESTERN COAL AAOs**

13 Q. WHAT IS THE ISSUE?

14 A. This issue relates to the Company's ratemaking treatment of the costs deferred
15 by Accounting Authority Orders issued by the Commission in Case Nos. EO-90-
16 114 and EO-91-358, in connection with MPS's Sibley Rebuild Program and the
17 Sibley Western Coal Conversion Project.

18
19 Q. WHAT IS THE COMPANY REQUESTING?

20 A. Company is requesting ratemaking treatment for the unamortized costs
21 associated with remaining 1990 (a portion of this AAO was fully amortized as of

1 October 2010) and the 1992 Sibley Rebuild/Western Coal Conversion AAOs. It
2 has included in rate base the unamortized amount of \$130,989 (Co. WP RB-40)
3 offset by accumulated deferred income tax of \$49,986 (Co. WP RB-127) for a net
4 rate base amount of \$81,003 (i.e., \$130,989 less \$49,986) and an expense
5 amortization of \$116,409 (Co. WP CS-106).

6
7 Q. DOES PUBLIC COUNSEL OPPOSE THE COMPANY REQUEST?

8 A. Yes. The remaining 1990 AAO will be fully amortized in June of 2013 and the
9 1992 AAO in May of 2013; however, the unamortized balance that will exist as of
10 the effective date of rates in this case will be approximately \$65,483 (\$130,989
11 less 5 months of additional depreciation (\$888.50 plus \$12,212.75 multiplied by
12 5)). OPC believes it inappropriate for Company to be allowed to recover the
13 \$65,483 because during the months of October 2010 through June 2011 (i.e., the
14 effective date of the rate change in Company's last rate case, Case No. ER-
15 2010-0356) it continued to recover in rates a return and amortization of costs
16 associated with the portion of the 1990 AAO that became fully amortized in
17 October 2010.

18
19 During that 8 1/2 month period Company recovered, via its then current
20 authorized rates, approximately \$135,896 (i.e., October 2010 \$7993.60 plus 8
21 multiplied by the monthly amortization of \$15,987.83) over and above the

1 balance of the 1990 AAO actually authorized for recovery. Netting the \$135,896
2 excess recovery with the \$65,483 balance at the effective date of rates in this
3 case, for the remaining unamortized 1990 and 1992 AAOs, shows that Company
4 will have recovered a total of approximately \$70,413 more in expense than it was
5 authorized and that does not even include any additional return that Company
6 recovered from the inclusion of the currently fully amortized portion of the 1990
7 AAO unamortized balance in rate base for the setting of rates in the rate case
8 prior to ER-2010-0356 .
9

10 Furthermore, netting the \$135,896 excess recovery of the fully amortized portion
11 of the 1990 AAO with the \$130,989 unamortized balance for the remaining AAOs
12 (i.e., the remaining 1990 and 1992 AAOs), at the end of the true-up period in the
13 instant case, shows that Company has recovered a total of approximately \$4,907
14 more in expense than it was authorized to recover and that also does not include
15 any additional rate base return earned on the portion of the 1990 AAO that is
16 already fully amortized. Therefore, Public Counsel believes that the Company
17 has been more than adequately compensated under the special regulatory
18 ratemaking that the AAO process provides.
19
20
21

1 Q. PLEASE SUMMARIZE THE PUBLIC COUNSEL'S POSITION ON THIS ISSUE.

2 A. Public Counsel recommends that the Commission deny Company's request to
3 include any further costs associated with MPS's Sibley Rebuild Program and the
4 Sibley Western Coal Conversion Project AAOs in either rate base or expense
5 because the Company has already recovered more than the costs it was
6 authorized to defer and recover.

7

8 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

9 A. Yes, it does.

10

**CASE PARTICIPATION
OF
TED ROBERTSON**

<u>Company Name</u>	<u>Case No.</u>
Missouri Public Service Company	GR-90-198
United Telephone Company of Missouri	TR-90-273
Choctaw Telephone Company	TR-91-86
Missouri Cities Water Company	WR-91-172
United Cities Gas Company	GR-91-249
St. Louis County Water Company	WR-91-361
Missouri Cities Water Company	WR-92-207
Imperial Utility Corporation	SR-92-290
Expanded Calling Scopes	TO-92-306
United Cities Gas Company	GR-93-47
Missouri Public Service Company	GR-93-172
Southwestern Bell Telephone Company	TO-93-192
Missouri-American Water Company	WR-93-212
Southwestern Bell Telephone Company	TC-93-224
Imperial Utility Corporation	SR-94-16
St. Joseph Light & Power Company	ER-94-163
Raytown Water Company	WR-94-211
Capital City Water Company	WR-94-297
Raytown Water Company	WR-94-300
St. Louis County Water Company	WR-95-145
United Cities Gas Company	GR-95-160
Missouri-American Water Company	WR-95-205
Laclede Gas Company	GR-96-193
Imperial Utility Corporation	SC-96-427
Missouri Gas Energy	GR-96-285
Union Electric Company	EO-96-14
Union Electric Company	EM-96-149
Missouri-American Water Company	WR-97-237
St. Louis County Water Company	WR-97-382
Union Electric Company	GR-97-393
Missouri Gas Energy	GR-98-140
Laclede Gas Company	GR-98-374
United Water Missouri Inc.	WR-99-326
Laclede Gas Company	GR-99-315
Missouri Gas Energy	GO-99-258
Missouri-American Water Company	WM-2000-222
Atmos Energy Corporation	WM-2000-312
UtiliCorp/St. Joseph Merger	EM-2000-292
UtiliCorp/Empire Merger	EM-2000-369
Union Electric Company	GR-2000-512
St. Louis County Water Company	WR-2000-844
Missouri Gas Energy	GR-2001-292
UtiliCorp United, Inc.	ER-2001-672
Union Electric Company	EC-2002-1
Empire District Electric Company	ER-2002-424

Schedule TJR-1.1

**CASE PARTICIPATION
OF
TED ROBERTSON**

<u>Company Name</u>	<u>Case No.</u>
Missouri Gas Energy	GM-2003-0238
Aquila Inc.	EF-2003-0465
Aquila Inc.	ER-2004-0034
Empire District Electric Company	ER-2004-0570
Aquila Inc.	EO-2005-0156
Aquila, Inc.	ER-2005-0436
Hickory Hills Water & Sewer Company	WR-2006-0250
Empire District Electric Company	ER-2006-0315
Central Jefferson County Utilities	WC-2007-0038
Missouri Gas Energy	GR-2006-0422
Central Jefferson County Utilities	SO-2007-0071
Aquila, Inc.	ER-2007-0004
Laclede Gas Company	GR-2007-0208
Kansas City Power & Light Company	ER-2007-0291
Missouri Gas Utility, Inc.	GR-2008-0060
Empire District Electric Company	ER-2008-0093
Missouri Gas Energy	GU-2007-0480
Stoddard County Sewer Company	SO-2008-0289
Missouri-American Water Company	WR-2008-0311
Union Electric Company	ER-2008-0318
Aquila, Inc., d/b/a KCPL GMOC	ER-2009-0090
Missouri Gas Energy	GR-2009-0355
Empire District Gas Company	GR-2009-0434
Lake Region Water & Sewer Company	SR-2010-0110
Lake Region Water & Sewer Company	WR-2010-0111
Missouri-American Water Company	WR-2010-0131
Kansas City Power & Light Company	ER-2010-0355
Kansas City Power & Light Company	ER-2010-0356
Timber Creek Sewer Company	SR-2010-0320
Empire District Electric Company	ER-2011-0004
Union Electric Company, d/b/a AmerenUE	ER-2011-0028
Missouri-American Water Company	WR-2011-0337
Union Electric Company, d/b/a AmerenMO	EU-2012-0027
Missouri-American Water Company	WA-2012-0066
Union Electric Company, d/b/a AmerenMO	ER-2012-0166
Laclede Gas Company	GO-2012-0363
Kansas City Power & Light Company	ER-2012-0174
Kansas City Power & Light Company GMOC	ER-2012-0175