

Exhibit No.:  
Issues: Revenue Requirement  
Witness: James R. Dauphinais  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: Missouri Industrial Energy Consumers and  
Midwest Energy Consumers Group  
Case No.: ER-2012-0174  
Date Testimony Prepared: October 8, 2012

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Service Commission

**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-2012-0174  
Tracking No. YE-2012-0404

Surrebuttal Testimony of  
**James R. Dauphinais**  
Revenue Requirement

On behalf of  
**Missouri Industrial Energy Consumers  
and  
Midwest Energy Consumers Group**

October 8, 2012

Exhibit No. 405

Date 10/20/12 Reporter psg  
File No. ER-2012-0174, ER-2012-0175



Project 9593



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**In the Matter of Kansas City Power &  
Light Company's Request for Authority to  
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**Case No. ER-2012-0174  
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**Surrebuttal Testimony of James R. Dauphinais**

1    **Q     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

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

4    **Q     ARE YOU THE SAME JAMES R. DAUPHINAIS WHO HAS PREVIOUSLY FILED**  
5       **DIRECT "REVENUE REQUIREMENT" TESTIMONY ON BEHALF OF THE**  
6       **MISSOURI INDUSTRIAL ENERGY CONSUMERS ("MIEC") AND MIDWEST**  
7       **ENERGY CONSUMERS GROUP ("MECG") IN THIS PROCEEDING?**

8    **A     Yes.**

9    **Q     WHAT IS THE SUBJECT MATTER OF YOUR SURREBUTTAL TESTIMONY?**

10   **A     My surrebuttal testimony addresses Kansas City Power & Light Company's ("KCPL"**  
11       **or "Company") response to my direct testimony recommendations that:**

- 12           ▪ The Missouri Public Service Commission ("Commission") require the  
13           Company to annualize its transmission revenues based on actual values  
14           and rates at the end of the true-up period in the same manner that the  
15           Company is proposing to do for its transmission expanses; and
- 16           ▪ The Commission deny the Company's request for a transmission tracking  
17           mechanism ("Transmission Tracker").  
18

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1           The fact that I do not address a particular issue in this testimony should not be  
2 interpreted as approval of any position taken by the Company or any other party in  
3 this proceeding.

4   **Q    HAS THE COMPANY RESPONDED TO YOUR TESTIMONY RECOMMENDING**  
5   **THAT ITS TRANSMISSION REVENUES BE SUBJECT TO TRUE-UP IN THIS**  
6   **PROCEEDING IN THE SAME MANNER THAT ITS TRANSMISSION EXPENSES**  
7   **ARE SUBJECT TO TRUE-UP IN THIS PROCEEDING?**

8   **A    Yes.** Company witness John P. Weisensee indicates in his rebuttal testimony that the  
9 Company: (i) agrees with my recommendation with regard to this issue and  
10 (ii) intends to annualize its transmission revenues based on actual values and rates at  
11 the end of the true-up period in the same manner that the Company is proposing to  
12 do for its transmission expenses (Weisensee Rebuttal at 17). As I stated in my direct  
13 testimony, this will help to ensure the relationship between revenues, expenses and  
14 rate base remain in synchronism so the Company does not over-recover its costs.

15   **Q    HAS THE COMPANY RESPONDED TO YOUR TESTIMONY RECOMMENDING**  
16   **THAT ITS REQUEST FOR A TRANSMISSION TRACKER BE DENIED?**

17   **A    Yes.** Company witness Darrin R. Ives briefly acknowledges my direct testimony  
18 opposing the Company's request for a Transmission Tracker, reiterates the  
19 Company's position with regard to seeking a Transmission Tracker and states the  
20 conditions that led to the Company requesting a Transmission Tracker have not  
21 changed (Ives Rebuttal at 23 through 24). In doing so, Mr. Ives continues to state the  
22 Company's position that transmission expenses are one category of expenses that  
23 tends to be volatile and for the most part imposed on the Company and are largely

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1 outside of the Company's management discretion (*Id.*). However, Mr. Ives has made  
2 absolutely no attempt in his rebuttal to respond to my direct testimony that a tracker  
3 isn't justified because these expenses: (1) are not sufficiently large, (2) are not  
4 sufficiently volatile, and/or (3) are not unmanageable. As I discussed in detail in my  
5 direct testimony (Dauphinais Direct at 6 through 9), the nature of these expenses  
6 does not justify granting the Company a Transmission Tracker for them. It is not  
7 enough for the Company to claim, for example, that an expense is volatile. The  
8 Company must actually show that the expense is in fact volatile. Demonstrating that  
9 an expense is projected to significantly increase over the next few years is not a  
10 demonstration that the expense is volatile. For the expense to be found to be volatile,  
11 a reasonable demonstration must be made that the expense can rapidly go up and  
12 down in an unpredictable manner. The Company has not done so.

13 **Q HOW HAS THE COMMISSION DEFINED VOLATILITY WITH REGARD TO**  
14 **CHANGES IN THE COST OF SERVICE?**

15 **A** In its Order in Case No. ER-2007-0002, at page 23, the Commission defined volatility  
16 regarding fuel and purchased power costs and the need for a fuel adjustment clause.

17 *"Markets in which prices are volatile tend to go up and down in an*  
18 *unpredictable manner. When a utility's fuel and purchased power*  
19 *costs are swinging in that way, the time consuming ratemaking*  
20 *process cannot possibly keep up with the swings. As a result, in those*  
21 *circumstances, a fuel adjustment clause may be needed to protect*  
22 *both the utility and its ratepayers from inappropriately low or high*  
23 *rates."*

24 **Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.**

25 **A** I continue to recommend that the Commission require the Company to annualize its  
26 transmission revenues based on actual values and rates at the end of the true-up

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1 period in the same manner that the Company is proposing to do for its transmission  
2 expenses. In addition, I continue to recommend that the Commission deny the  
3 Company's request for a Transmission Tracker.

4 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

5 **A Yes.**

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