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**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2012-0174**

**SURREBUTTAL TESTIMONY**

**OF**

**RYAN A. BRESETTE**

**ON BEHALF OF**

**KANSAS CITY POWER & LIGHT COMPANY**

**Kansas City, Missouri  
October 2012**

\*\*\* [REDACTED] \*\*\* Designates "Highly Confidential" Information  
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**SURREBUTTAL TESTIMONY**

**OF**

**RYAN A. BRESETTE**

**Case No. ER-2012-0174**

1 **Q: Please state your name and business address.**

2 A: My name is Ryan A. Bresette. My business address is 1200 Main, Kansas City, Missouri  
3 64105.

4 **Q: Are you the same Ryan A. Bresette who pre-filed Supplemental Direct and Rebuttal**  
5 **Testimony in this matter?**

6 A: Yes, I am.

7 **Q: What is the purpose of your Surrebuttal Testimony?**

8 A: The purpose of my testimony is to rebut certain comments by Staff witnesses V. William  
9 Harris, Erin L. Maloney and Mark L. Oligschlaeger. Staff witness Harris has asserted on  
10 pages 7 and 8 of his Rebuttal Testimony that Kansas City Power & Light Company  
11 (“KCP&L” or the “Company”) has charged KCP&L Greater Missouri Operations  
12 Company (“GMO”) substantially more for power than other entities. Below, I will point  
13 out the inaccuracies of Mr. Harris’ calculations. Also, Staff witnesses Oligschlaeger and  
14 Maloney have recommended that the Commission deny recovery of KCP&L’s increased  
15 incremental fuel and purchased power costs and lost off-system sales (“OSS”) margins  
16 caused by the 2011 Missouri River flood. Multiple witnesses<sup>1</sup> cite the Commission’s

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<sup>1</sup> Mark L. Oligschlaeger of Staff, Ted Robertson of Office of Public Counsel, Greg R. Meyer representing Missouri Industrial Energy Consumers and Midwest Energy Consumers Group, and Dwight D. Etheridge representing the U.S. Department of Energy.

1 Report and Order in Case No. GU-2011-0392 relating to the request of Southern Union  
2 Company, d/b/a Missouri Gas Energy (“MGE”) as grounds for denying KCP&L’s  
3 request to defer lost OSS margins. I will show that the both MGE’s Case No. GU-2011-  
4 0392 and The Empire District Electric Company’s Case No. EU-2011-0387 are very  
5 dissimilar from KCP&L’s situation. In fact, if applied to the facts of this proceeding, the  
6 section of the Commission’s Report and Order in Case No. GU-2011-0392 relating to  
7 MGE’s request would result in the elimination of the OSS margin credit to customers that  
8 has been included in KCP&L’s rates since 2005.

9 My testimony combined with the Surrebuttal Testimony of Company witness  
10 Wm. Ed Blunk refutes the assumptions and basis of testimony from Staff Witnesses Erin  
11 Maloney and Mark Oligschaeger, Ted Robertson of Office of Public Counsel, Greg R.  
12 Meyer representing Missouri Industrial Energy Consumers and Midwest Energy  
13 Consumers Group, and Dwight D. Etheridge representing the U.S. Department of Energy  
14 regarding the Company’s request to defer as a regulatory asset the off-system sales  
15 margin that was forfeited during the 2011 Flood to protect system reliability during the  
16 summer peak months of 2011. Together we show that the recommendations to reject the  
17 Company’s request are unfounded.

#### 18 I. Off-System Sales

19 **Q: On page 7, lines 1-3 of Mr. Harris’ Rebuttal Testimony, Mr. Harris indicates that**  
20 **KCP&L makes a considerable amount of OSS from purchased power. In lines 4-6,**  
21 **Mr. Harris states that a significant amount of these purchases for resale include**  
22 **sales that KCP&L makes to GMO from power purchased by KCP&L acting as**

1 **GMO's agent. Does KCP&L include the power purchased on GMO's behalf in the**  
2 **calculation of KCP&L's OSS wholesale margin?**

3 A: No. The power that KCP&L buys on GMO's behalf is not included in the calculation of  
4 KCP&L's OSS margins. KCP&L specifically identifies these hourly and day ahead  
5 transactions in its webTrader deal capture system so these transactions are excluded from  
6 the wholesale margin calculation. In the general ledger, KCP&L records these as  
7 offsetting transactions in Federal Energy Regulatory Commission ("FERC") Account  
8 555. For example, if KCP&L purchases 100 MWh and resells 100 MWh to GMO,  
9 KCP&L would not have any sales reflected in FERC Account 447, Sales for Resale.  
10 KCP&L would record the purchase in FERC Account 555 and then record the offsetting  
11 sale in FERC Account 555, so KCP&L's financial statements are not grossed up for a  
12 transaction done on behalf of GMO. The result of these entries is that KCP&L purchases  
13 that are made on behalf of GMO are not reflected in KCP&L's financial statements.  
14 They are merely a pass-through from KCP&L to GMO.

15 **Q: On page 7 of Mr. Harris' testimony lines 10 - 14 and page 8 lines 1 - 6, Mr. Harris**  
16 **raises concerns regarding the amount of purchased power GMO has bought from**  
17 **KCP&L before and after the acquisition of GMO. Has GMO's overall purchased**  
18 **power volumes significantly changed since the merger?**

19 A: No, they have not. Schedule RAB-3 reflects information provided directly from GMO's  
20 FERC Form 1 page 326 and 327. GMO's number of counterparty lines in its FERC  
21 Form 1 has decreased from 125 lines in 2005 to 38 in 2011. While the percentage of  
22 MWh's purchased from KCP&L (column C) has increased since 2005, GMO's

1 percentage of purchased power to serve GMO's customers (column E) has remained  
2 relatively constant since 2005.

3 **Q: Why has the amount of purchased power GMO bought from KCP&L increased**  
4 **since KCP&L's acquisition of GMO?**

5 A: At the time of the merger, KCP&L began purchasing power on behalf of GMO.

6 **Q: Does the Joint Operating Agreement (JOA) between KCP&L and GMO as required**  
7 **by the Commission's decision in Case No. EM-2007-0374 address power purchases**  
8 **and sales?**

9 A: Yes, page 12 of Appendix A to the JOA states: "Power Purchases and Sales: Manage  
10 day ahead and real time sales and/or purchases to effectively meet customer demand;  
11 secure transmission paths; cultivate wholesale customers on both the buy and sell side;  
12 track and manage RTO transactions and costs; and manage participation in RTO markets  
13 as they become available (energy imbalance market, ancillary services, etc)."

14 **Q: Does KCP&L resell purchased power for OSS?**

15 A: Yes, during times when electricity is needed to balance retail load requirements, KCP&L  
16 resells power purchased in the wholesale market.

17 **Q: Does KCP&L make a profit on the purchased power it resells?**

18 A: Not necessarily. For 2010, KCP&L lost approximately \*\*[REDACTED]\*\* and in 2011  
19 KCP&L made approximately \*\*[REDACTED]\*\*.

20 **Q: Does the loss in 2010 and the gain in 2011 include the power purchases KCP&L**  
21 **made on behalf of GMO?**

22 A: No, they do not. The purchases for both years reflect only purchases made from third  
23 party power providers.

1 **Q: Does KCP&L make a profit on the transactions between KCP&L and GMO?**

2 A: KCP&L does not make a profit on the transactions in which KCP&L is acting as GMO's  
3 agent in the market. KCP&L does make a profit on the sales to GMO that were sourced  
4 from KCP&L's generation assets.

5 **Q: What are the benefits of KCP&L buying power on GMO's behalf?**

6 A: Mr. Blunk describes these benefits in his Surrebuttal Testimony.

7 **Q: Staff witness Harris asserts on page 8 of his Rebuttal Testimony on lines 7 – 9 that**  
8 **KCP&L sells power to GMO for nearly double the price than KCP&L sells to other**  
9 **utilities. Do you agree with his analysis in Schedule VWH-3?**

10 A: No, I do not.

11 **Q: Please explain why you do not agree.**

12 A: Mr. Harris has misinterpreted the information that has been provided to him through the  
13 data request process. In Schedule RAB-4, I have presented KCP&L OSS sourced from  
14 KCP&L's FERC Form No. 1 data (pages 310 – 311). In the table below, I have provided  
15 the 2011 information from Schedule RAB-4. In row 1, the average price of all KCP&L  
16 OSS (including all GMO transactions) was \$32.49. Row 2 excludes GMO from line 1  
17 and the average price is \$31.00. Rows 3 - 5 provide more detail of the transactions  
18 between KCP&L and GMO. Row 3 shows the average price of KCP&L sales to GMO  
19 (including agent sales) is \$35.77. Row 4 shows the KCP&L OSS from KCP&L's assets  
20 at an average price of \$29.86, which is lower than the OSS KCP&L sold to utilities other  
21 than GMO of \$31.00 on Row 2. Row 5 shows the transactions in which KCP&L bought  
22 power on behalf of GMO at an average price of \$38.15. Row 6, not on Schedule RAB-4,  
23 is from KCP&L's FERC Form 1 pages 326 and 327 which reflects KCP&L's purchases,

1 recorded in FERC Account 555, for KCP&L at price per MWh of \$38.95, which is higher  
2 than the purchases KCP&L made on behalf of GMO of \$38.15.

	<u>2011 OSS</u>	<u>MWh's</u>	<u>Price Per MWh</u>
1.	Total KCP&L OSS	6,641,820	\$32.49
2.	KCP&L OSS to parties other than GMO	4,568,853	\$31.00
3.	KCP&L OSS to GMO (including agent sales)	2,072,967	\$35.77
4.	KCP&L OSS to GMO from KCP&L assets	596,118	\$29.86
5.	KCP&L purchases on behalf of GMO	1,476,849	\$38.15
6.	KCP&L purchases for KCP&L	1,108,945	\$38.95

3 **Q: Why is price per MWh in row 5 of the above table higher than the other KCP&L**  
4 **OSS?**

5 **A:** Since GMO is short generation, GMO's need for electricity occurs during the high-priced  
6 peak hours when peak purchased power trades at a premium to off peak power because of  
7 the increased demand.

8 **Q: In Mr. Harris' schedule VMH-3, Mr. Harris indicates 2011 KCP&L OSS price per**  
9 **MWh sold is \$28.78 vs. \$32.49 in the above table, and the 2011 KCP&L OSS to**  
10 **other than GMO price per MWh was \$23.61 vs. \$31.00 in the above table. Why are**  
11 **your numbers different from Mr. Harris?**

12 **A:** Mr. Harris has included all sales from KCP&L to GMO in the calculation of \$35.77.  
13 However, the total KCP&L OSS in Mr. Harris' schedule excludes KCP&L purchases on  
14 behalf of GMO. Mr. Harris then calculated the KCP&L OSS to parties other than GMO  
15 as the difference. Because the total KCP&L OSS amount was understated, the KCP&L

1 OSS to parties other than GMO was also understated. In my analysis, total KCP&L OSS  
2 was from FERC Form 1 with KCP&L purchases for GMO added back.

3 **Q: What is the fundamental mistake that Mr. Harris made?**

4 A: Mr. Harris excluded the intercompany sales in the calculation of his average price of  
5 \$28.78, but included the intercompany sales in the calculation of the average price of  
6 \$35.77. As a result, he is making a comparison of two different sales numbers, and is not  
7 comparing “apples to apples.”

8 **Q: Did Mr. Harris have access to this information during Staff’s audit of KCP&L’s**  
9 **books and records?**

10 A: Yes. As indicated on Schedules RAB-3 and RAB-4, the sources of the schedules are  
11 FERC Form No. 1 and KCP&L’s response to data request number 447. Specifically, the  
12 intercompany transactions that were not included in Mr. Harris’ total KCP&L OSS are on  
13 FERC Form No. 1 page 311 and are labeled “Eliminations of inter-co transactions.”

## 14 II. 2011 Missouri River Flood (“2011 Flood”)

15 **Q: Do you agree with Mr. Oligschlaeger’s assessment in his Rebuttal Testimony at page**  
16 **6 that the 2011 Flood was extraordinary in nature?**

17 A: Yes. The 2011 Flood was an extraordinary, unusual, unique and non-recurring event.

18 **Q: Staff witness Oligschlaeger asserts at pages 12-13 of his Rebuttal Testimony that**  
19 **KCP&L did not take into account the income tax effect of the lost OSS margins for**  
20 **recovery. Do you agree that KCP&L should consider such tax effect regarding the**  
21 **amount of lost OSS margins KCP&L is seeking recovery?**

22 A: No. The deferral of lost OSS margins would be no different than the deferral of costs like  
23 rate case expenses. Upon establishment of a regulatory asset, KCP&L will set up a



1 deferred tax liability. As KCP&L recovers the regulatory asset from its retail customers,  
2 KCP&L will pay the related income taxes.

3 **Q: Mr. Oligschlaeger on page 9 of his Rebuttal Testimony states that future customers**  
4 **would pay higher rates to compensate KCP&L for a prior reduction in its earned**  
5 **rate of return due to the 2011 Flood. In the rate making process, do new rates set by**  
6 **the Commission charge “future customers” (i.e., customers to whom the new rates**  
7 **apply) for the costs that a utility has incurred in the test year?**

8 A: Yes. Retail customer rates are set on a historical test year. Customers constantly move in  
9 and out of a utility’s service territory, and all retail customers in a particular rate class are  
10 charged the same tariff rate. Rate structures do not account for whether a customer to  
11 whom a new rate applies was a customer of the utility in previous years. Recovery of  
12 KCP&L’s lost OSS margins due to an extraordinary event like the 2011 Flood is similar  
13 to other changes in historical test year costs as a result of other extraordinary events.

14 **Q: Mr. Oligschlaeger makes several comments regarding “guaranteeing” utility profits**  
15 **at page 9 of his Rebuttal Testimony. Is KCP&L asking the Commission to**  
16 **guarantee its OSS margins?**

17 A: No, KCP&L is only requesting recovery for the lost OSS margins as a result of the  
18 extraordinary events caused by the 2011 Flood. KCP&L is not seeking recovery for non-  
19 extraordinary events such as the Wolf Creek extended refueling outage, the significant  
20 decrease in natural gas prices, or transmission constraints. KCP&L recognizes that the  
21 level of OSS margins will fluctuate over time, but the Commission’s setting of OSS  
22 margins at the 40<sup>th</sup> percentile in an asymmetrical fashion did not contemplate the severity  
23 of the 2011 Flood. As discussed by Mr. Rush at pages 7 and 14 of his direct testimony,

1 under the current system KCP&L bears the entire risk of achieving OSS margins to the  
2 40<sup>th</sup> percentile and the customers receive all the benefit of margins over the 40<sup>th</sup>  
3 percentile.

4 **Q: Mr. Oligschlaeger asserts at pages 10-11 of his Rebuttal that recovery of**  
5 **extraordinary costs should be limited to “out-of-pocket” expenditures by the**  
6 **Company. What is an “out-of-pocket” expense?**

7 A: Out-of-pocket expenses are direct outlays of cash.

8 **Q: Would you consider the incremental fuel and purchased power from the 2011 Flood**  
9 **the Company is requesting recovery to be an “out-of-pocket” expense?**

10 A: Absolutely. In addition to “out-of-pocket,” these expenses were incurred due to an  
11 extraordinary event as Mr. Oligschlaeger mentioned in his Rebuttal Testimony. In order  
12 for KCP&L to meet its retail load obligation during the 2011 Flood period, KCP&L  
13 directly expended funds to pay for higher costs that it incurred for purchased power and  
14 higher costs of generation, such as natural gas and oil.

15 **Q: How are the OSS margins comparable to “out-of-pocket” costs expended by the**  
16 **Company?**

17 A: The Commission’s regulatory treatment of KCP&L’s OSS margins is unique, compared  
18 to other Missouri investor-owned electric utilities. As I stated in my Rebuttal Testimony  
19 at pages 3-4, the other investor-owned electric utilities in Missouri have OSS margins  
20 included in their respective fuel adjustment clauses (“FAC”). Since KCP&L’s retail  
21 revenue requirement, as set forth in its base rates, includes a customer offset or reduction  
22 at the 40<sup>th</sup> percentile of OSS margins, KCP&L automatically has an “out-of-pocket”  
23 expense for OSS margins without any guarantee that it will over time realize OSS

1 margins at that 40<sup>th</sup> percentile level. Another way of looking at the situation is that  
2 KCP&L's OSS margin is included in rates an expense, just like a sales allowance or  
3 rebate is an expense.

4 **Q: At page 8, Mr. Oligschlaeger was asked: "Since KCPL was still recovering all of its**  
5 **expense in rates following the flooding, what would be the result of granting**  
6 **KCPL's request to defer lost OSS margins?" He responded that KCP&L's request**  
7 **to defer lost OSS margins was a "request that the Company be allowed to restore its**  
8 **pre-flooding profits levels." Is that accurate?**

9 A: No. Mr. Oligschlaeger failed to recognize that OSS margins are more like an expense to  
10 the Company, rather than revenue. In addition, as I stated on page 2 of my Rebuttal  
11 Testimony, KCP&L has a **\*\* [REDACTED] \*\*** (Missouri jurisdictional) shortfall in OSS  
12 margins. After consideration of the **\*\* [REDACTED] \*\*** 2011 Flood lost OSS margins,  
13 KCP&L would still have an OSS margin shortfall of **\*\* [REDACTED] \*\***. As you can see,  
14 KCP&L would not be restored to its pre-flooding profit levels as Mr. Oligschlaeger  
15 asserts.

16 **Q: At page 9 of his Rebuttal Mr. Oligschlaeger stated: "Through regulation, a utility**  
17 **should be given the opportunity to earn a reasonable return, but not be guaranteed**  
18 **that it will earn a certain level of return." If KCP&L is granted the requested**  
19 **deferral, will that ensure it will earn its authorized rate of return?**

20 A: No. In fact, even if KCP&L is granted the requested deferral, it will still fall short of  
21 achieving the OSS margin included in its current rates.

1 **Q: Why do OSS margins look more like an expense to the Company than revenue?**

2 A: There is zero financial benefit to the Company from OSS. All OSS margins are used to  
3 reduce customer's retail rates. More than that, due to jurisdictional allocation issues with  
4 Kansas, every dollar of OSS margin off-sets about one dollar and five cents of retail  
5 revenue and thereby reduces the Company's net income.

6 **Q: At page 8, Mr. Oligschlaeger states: "The reality is that KCPL is requesting the  
7 Commission allow it to defer the impact of a reduced rate of return...." Is this the  
8 objective of AAOs regarding unusual or extraordinary expenditures?**

9 A: Yes. The purpose of all such requests for deferral or for AAOs is to defer unusual or  
10 extraordinary expenditures, and postpone or otherwise address the unanticipated financial  
11 impact of such events on a utility's rate of return.

12 **Q: Both Mr. Oligschlaeger at page 9 of his Rebuttal and Ms. Maloney at page 10 talk  
13 about how OSS margins are losses in revenue for the Company. Is that a correct  
14 characterization of the OSS margin mechanism?**

15 A: No. Both Mr. Oligschlaeger and Ms. Maloney are incorrect in their characterization of  
16 the OSS margin mechanism. KCP&L's rates were constructed using a projected value  
17 for OSS margin that the Commission determined was appropriate on the premise it was  
18 "conservative and easily achievable."<sup>2</sup> That projected value was not based on rates for  
19 retail sales which were designed to recover the cost of providing service, as was true in  
20 the cases of The Empire District Electric Company<sup>3</sup> or Southern Union Company d/b/a  
21 Missouri Gas Energy.<sup>4</sup> That projected value was used as an allowance to reduce the rates

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<sup>2</sup> Report and Order, Case No. ER-2010-0355, p. 136.

<sup>3</sup> See Case No. EU-2011-0387.

<sup>4</sup> See Case No. GU-2011-0392.

1 which KCP&L would charge retail customers. Allowances are recognized as an expense  
2 similar to employee labor expense included in cost of service.

3 **Q: Mr. Oligschlaeger states at page 8 of his Rebuttal that since KCP&L had positive**  
4 **earnings during the 2011 Flood, it was not financially harmed. Do you agree?**

5 A: No, I do not. KCP&L's earnings were significantly harmed by the 2011 Flood. The  
6 2011 Flood caused an approximate 50 basis point reduction in ROE.

7 **Q: At page 12, Mr. Oligschlaeger says the return on equity ("ROE") allowance**  
8 **compensated the utility for "all risks attendant to continued operation." Does that**  
9 **statement contradict a statement he made earlier in the same paragraph at the top**  
10 **of page 12?**

11 A: Yes. First, at the top of page 12 (lines 2-5), he stated "that no party attempted to  
12 specifically incorporate the impact of a possible severe flood into any aspect of KCPL's  
13 2010 rate case revenue requirement, including estimated OSS margin amounts." Then in  
14 the next sentence he stated that the "ROE allowance" set in the last rate case by the  
15 Commission "compensated [KCP&L] for all risks" related to its operations. Clearly, the  
16 risk of the flood was not considered in setting the Company's ROE, and those statements  
17 are contradictory.

18 **Q: At page 12 Mr. Oligschlaeger stated: "Staff asserts that the 2011 flooding event**  
19 **should not affect the allocation of OSS risk in the least." Is the Company asking the**  
20 **Commission to change the allocation of OSS risk that was included in KCP&L's**  
21 **2010 Rate Case revenue requirement?**

22 A: No. The Company is simply asking the Commission to recognize what Mr.  
23 Oligschlaeger has acknowledged, i.e., no party to KCP&L's 2010 Rate Case incorporated

1 the risk of a severe flood in the OSS margin included in KCP&L's 2010 Rate Case  
2 revenue requirement. Certainly, the Commission did not do so in its decision.

3 **Q: Ms. Maloney on page 9, lines 9 – 16 asserts that KCP&L did not need the energy**  
4 **from Dogwood to meet its retail load for the 2011 Flood. Do you agree with her**  
5 **analysis contained in her testimony?**

6 A: No, I do not. Ms. Maloney's analysis is flawed since she did not take into account the  
7 fact that KCP&L buys power on GMO's behalf. I reviewed the same data source and  
8 parameters that Ms. Maloney utilized, which was the data reported according to 4 CSR  
9 240-3.190(1)(E). KCP&L purchased \*\*[REDACTED]\*\* for an average price of  
10 **\*\*[REDACTED]\*\***. Of this amount, KCP&L purchased **\*\*[REDACTED]\*\*** for an average price  
11 of **\*\*[REDACTED]\*\*** to meet KCP&L's retail load from Westar. This results in KCP&L  
12 purchasing **\*\*[REDACTED]\*\*** for an average price of **\*\*[REDACTED]\*\*** of power after  
13 removing the effects of the Westar purchases (**\*\*[REDACTED]\*\***  
14 **[REDACTED]\*\***). Of this remaining amount (**\*\*[REDACTED]\*\***), KCP&L  
15 bought power on behalf of GMO of **\*\*[REDACTED]\*\*** at an average purchase price of  
16 **\*\*[REDACTED]\*\***. The remaining **\*\*[REDACTED]\*\*** would have been utilized by KCP&L.  
17 GMO customers actually paid a lower price of power (**\*\*[REDACTED]\*\***) than KCP&L  
18 customers (**\*\*[REDACTED]\*\***) excluding the Dogwood contract that was procured solely for  
19 KCP&L's retail load obligations.

20 **Q: Why was Ms. Maloney's conclusion in error?**

21 A: Ms. Maloney incorrectly assumed that since KCP&L was selling power to GMO during  
22 the 2011 Flood, KCP&L had excess generation. That was not the case. KCP&L was  
23 only selling power to GMO that KCP&L purchased on behalf of GMO.

1 **Q: Why are Ms. Maloney’s numbers so different than the actual average price at which**  
2 **KCP&L sold to GMO?**

3 A: The FERC Form 1 data identifies the inter-company transactions allowing the user to  
4 back them out of the total KCP&L receives from its other OSS. Ms. Maloney used the  
5 3.190 filings which do not distinguish inter-company transactions.

6 **III. Modeling**

7 **Q: On page 4 of Ms. Maloney’s Rebuttal Testimony, Ms. Maloney states “KCP&L used**  
8 **the Post Analysis (“PA”) model to simulate actual fuel and purchased power costs**  
9 **and OSS revenues...” Does KCP&L utilize PA in calculating OSS margins?**

10 A: Yes. KCP&L utilizes PA monthly to calculate OSS margins. These monthly  
11 calculations are consistent with the 40<sup>th</sup> percentile of OSS margins reflected as reduction  
12 of retail rates.

13 **Q: Do you consider PA to be a “simulation”?**

14 A: No, I do not. PA results have not been opposed in previous rate cases when KCP&L has  
15 exceeded the 25<sup>th</sup> percentile and established a regulatory liability to refund OSS margins  
16 to its retail customers.

17 **Q: Staff witness Maloney asserts in her Rebuttal at pages 6-7 that the modeling**  
18 **technique utilized by KCP&L is only an estimate and cannot be relied upon. Do**  
19 **you agree with her assessment?**

20 A: No, I do not. KCP&L calculated the impact of the 2011 Flood hour-by-hour, day-by-day  
21 using readily available market data. KCP&L witness Wm. Edward Blunk is providing  
22 Surrebuttal Testimony regarding the modeling technique.

1 **Q: Has KCP&L ever used a similar methodology in its calculation of future rates for its**  
2 **retail customers?**

3 A: Yes. When Iatan 2 was placed into service, KCP&L was required by FERC accounting  
4 rules to calculate the market impact of test power. KCP&L employed a similar modeling  
5 technique to calculate the impact of Iatan 2 test power.

6 **Q: Was this methodology opposed by any party in the Iatan 2 rate case (Case No. ER-**  
7 **2010-0355)?**

8 A: No. The methodology to value test power was not opposed by any party in the Iatan 2  
9 rate case.

10 **Q: How did the value of Iatan 2 test power impact retail customer rates?**

11 A: The value of test power was recorded as a reduction to rate base. Therefore, it decreased  
12 retail customer rates.

13 **Q: Why is this methodology relevant to the calculation of lost OSS margin?**

14 A: Ms. Maloney asserts on pages 2 – 3 of her Rebuttal Testimony that KCP&L's lost  
15 opportunity study is only an estimate and cannot be relied upon as an accurate  
16 methodology. However, KCP&L and GMO utilized similar modeling methodologies in  
17 calculating the value of Iatan 2 test energy that reduced rate base for KCP&L and GMO,  
18 and has been included in GMO's customer rates as part of GMO's FAC. Staff's assertion  
19 is contradictory to their past positions in previous rate cases where no party opposed the  
20 Company's valuation of Iatan test energy.



1 **Q: For the time period of Iatan 2 test energy, has Staff reviewed GMO's FAC for**  
2 **prudency?**

3 A: Yes. No party recommended a disallowance of the value of test energy included in  
4 GMO's FAC prudence review for the period ending November 30, 2010.

5 **IV. Lost OSS Margins are not comparable to "ungenerated revenues"**

6 **Q: Mr. Oligschlaeger, as well as OPC witness Ted Robertson and MECG witness Greg**  
7 **Meyer argue that Missouri Gas Energy's request for "ungenerated revenues" in**  
8 **Case No. GU-2011-0392 is analogous to KCP&L's request for lost OSS margin. Are**  
9 **the "ungenerated revenues" in Case No. GU-2011-0392 the same as KCP&L's lost**  
10 **OSS margins?**

11 A: No. There is a major difference between the "ungenerated revenues" in Case No. GU-  
12 2011-0392 and KCP&L's lost OSS margins.

13 **Q: What is the difference between the "ungenerated revenues" in Case No. GU-2011-**  
14 **0392 and KCP&L's lost OSS margins?**

15 A: The "ungenerated revenues" were never a part of MGE's revenue requirement, whereas  
16 KCP&L's OSS margins were included in the calculation of the revenue requirement.

17 **Q: Why is it significant that "ungenerated revenues" were never a part of MGE's**  
18 **revenue requirement while KCP&L's OSS margins were included in the calculation**  
19 **of the revenue requirement?**

20 A: KCP&L's OSS margins were treated like an allowance and used as a credit to reduce  
21 revenue from retail sales. KCP&L has not asked for inclusion of any reduction in retail  
22 sales in its request for the AAO.

1 **V. Recommendation**

2 **Q: What is your recommendation regarding KCP&L's 2011 Flood deferral request?**

3 A: I recommend the following:

- 4 1. The Commission reject Staff's recommendation to deny the Company's request to  
5 defer the incremental increase in fuel and purchased power expenses caused by  
6 the 2011 Flood.
- 7 2. The Commission reject Staff's recommendation to deny the Company's request to  
8 defer the OSS margins lost caused by the 2011 Flood.
- 9 3. The Commission grant KCP&L authority to defer the non-fuel operations and  
10 maintenance costs associated with the 2011 Flood and amortize such costs over  
11 five years.
- 12 4. The Commission grant KCP&L authority to defer the incremental increase in fuel  
13 and purchased power expenses caused by the 2011 Flood and amortize such costs  
14 over five years.
- 15 5. The Commission grant KCP&L authority to defer the OSS margins lost caused by  
16 the 2011 Flood and amortize such costs over five years.

17 **Q: Does that conclude your testimony?**

18 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-2012-0174

**AFFIDAVIT OF RYAN A. BRESSETTE**

STATE OF MISSOURI    )  
                                  ) ss  
COUNTY OF JACKSON )

Ryan A. Bresette, being first duly sworn on his oath, states:


1. My name is Ryan A. Bresette. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Assistant Controller.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Kansas City Power & Light Company consisting of Seventeen (17) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Ryan A. Bresette

Subscribed and sworn before me this 8<sup>th</sup> day of October, 2012.

  
\_\_\_\_\_  
Notary Public

My commission expires: Feb. 4, 2015

NICOLE A. WEHRY Notary Public - Notary Seal State of Missouri Commissioned for Jackson County My Commission Expires: February 04, 2015 Commission Number: 11391200
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**Kansas City Power & Light  
Case No. ER-2012-0174**

**PURCHASED POWER ANALYSIS**

PURCHASED POWER									MWh Sold
<u>A</u>	<u>B</u>	<u>C</u> B/D	<u>D</u>	<u>E</u> D/I	<u>F</u>	<u>G</u> F/H	<u>H</u>	<u>I</u>	
No of Customer Lines	Megawatt Hours (MWh's)			%	Energy Charges			Total	
	KCP&L	% of Total	Total	of Sales	KCP&L	% of Total	Total		
2005	125	28,389	1%	3,661,841	42%	\$ 1,181,649	1%	\$ 120,285,764	8,763,110
2006	91	29,521	1%	5,325,808	54%	\$ 1,322,877	1%	\$ 161,112,007	9,812,229
2007	106	7,153	0%	4,014,316	43%	\$ 240,584	0%	\$ 153,520,974	9,381,554
2008 #	97	827,960	16%	5,120,184	52%	\$ 41,394,108	20%	\$ 208,169,899	9,823,509
2009	41	1,621,548	47%	3,480,100	43%	\$ 55,444,254	58%	\$ 95,390,138	8,112,391
2010	42	1,573,260	41%	3,857,528	44%	\$ 62,036,721	53%	\$ 116,861,883	8,822,121
2011	38	2,072,967	59%	3,530,709	41%	\$ 74,146,634	68%	\$ 109,737,629	8,520,415

NOTES:

- A** Number of customer lines listed on pages 326 and 327 of the GMO FERC Form 1.
- B** Number of MWh's GMO purchased from KCP&L from pages 326 and 327 of the GMO FERC Form 1.
- D** Number of total MWh's GMO purchased from all sources from pages 326 and 327 of the GMO FERC Form 1.
- F** Amount GMO paid KCP&L associated with MWh's bought in column B from 326 and 327 of the GMO FERC Form 1.
- H** Amount GMO paid for all power purchased associated with MWh's bought in column C from 326 and 327 of the GMO FERC Form 1.
- I** Total MWh's GMO sold to retail and wholesale customers from page 301, line 14 of the GMO FERC Form 1.

# Aquila Networks-MPS and Aquila Networks-L&P were acquired July 2008.

Source: Purchased Power - FERC Form 1 pages 326 & 327 (KCP&L Greater Missouri Operations 2008 - 2011, Aquila Networks-MPS & Aquila Networks-L&P 2005 -2007)

Source: Electric Operating Sales MWh - FERC Form 1 pages 301 (KCP&L Greater Missouri Operations 2008 - 2011, Aquila Networks-MPS & Aquila Networks-L&P 2005 -2007)

**Kansas City Power & Light**  
**Case No. ER-2012-0174**  
**Comparison of KCP&L OSS to GMO vs. KCP&L OSS to Other Than GMO**

YEAR	TOTAL KCPL OSS(A)			TOTAL KCPL OSS TO OTHER THAN GMO			TOTAL SALES TO GMO(B)			KCPL PURCHASES ON GMO BEHALF(C)			SALES FROM KCPL ASSETS		
	MW	\$	\$/MW	MW	\$	\$/MW	MW	\$	\$/MW	MW	\$	\$/MW	MW	\$	\$/MW
2010	7,343,223	241,986,248	32.95	5,769,963	179,949,527	31.19	1,573,280	62,036,721	39.43	1,292,276	53,110,713	41.10	280,984	8,926,008	31.77
2011 (D)	6,641,820	215,787,471	32.49	4,568,853	141,640,837	31.00	2,072,967	74,146,634	35.77	1,476,849	56,345,527	38.15	596,118	17,801,107	29.86
2012 (E)	4,893,666	126,885,059	25.93	3,756,304	92,949,786	24.75	1,137,382	33,935,273	29.84	516,000	16,673,527	32.31	621,362	17,261,746	27.78

(A) Total from KCPL FERC Form No. 1, pages 310-311 grossed up for power KCP&L bought on behalf of GMO

(B) Totals from KCPL FERC Form No. 1, pages 310-311 sales to counterparty KCP&L GMC

(C) Total from KCP&L FERC Form No. 1 pages 310-311 labeled Elimination of Inter-co Transaction

(D) Also ties to data provided in DR 0062 case ER-2012-017.

(E) Data for January through August provided in DR0062T case ER-2012-017.