

# EXHIBIT

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## REBUTTAL TESTIMONY

OF

RYAN KIND

FILED

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Submitted on Behalf of  
the Office of the Public Counsel

Missouri Public  
Service Commission

UNION ELECTRIC COMPANY  
D/B/A AMERENUE

Case No. EA-2005-0180

January 31, 2005

Exhibit No. 400  
Case No(s). EA-2005-0180  
Date 2-22-05 Rptr KF

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

In the Matter of the Application of Union Electric Company for a Certificate of Public Convenience and Necessity Authorizing It to Construct, Install Own, Operate, Control, Manage and Maintain Electric Plant, as Defined in Section 386.020(14), RSMo, to Provide Electric Service in a Portion of New Madrid County, Missouri, as an Extension of Its Existing Certificated Area.

Case No. EA-2005-0180

**AFFIDAVIT OF RYAN KIND**

STATE OF MISSOURI )  
 ) ss  
COUNTY OF COLE )


Ryan Kind, of lawful age and being first duly sworn, deposes and states:

1. My name is Ryan Kind. I am Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony consisting of pages 1 through 18 and Attachment A.
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.

Ryan Kind

Subscribed and sworn to me this 31<sup>st</sup> day of January 2005.

**KATHLEEN HARRISON**  
Notary Public - State of Missouri  
County of Cole  
My Commission Expires Jan. 31, 2006

  
Kathleen Harrison  
Notary Public

My commission expires January 31, 2006.

## **TABLE OF CONTENTS**

<b>I. INTRODUCTION.....</b>	<b>3</b>
<b>II. UNIQUE CHARACTERISTICS OF NORANDA'S ELECTRIC NEEDS AND THE PROPOSED TERMS AND CONDITIONS OF SERVING NORANDA.....</b>	<b>5</b>
<b>III. PREVIOUS COMMISSION EXPERIENCE WITH REGUALTORY OVERSIGHT OF PROVIDING SERVICE TO CUSTOMERS PURSUANT TO A SPECIAL CONTRACT .....</b>	<b>7</b>
<b>IV. REASONS WHY NORANDA SHOULD BE SERVED UNDER A SPECIAL CONTRACT TARIFF .....</b>	<b>11</b>
<b>V. REASONS WHY NORANDA SHOULD NOT BE SERVED UNDER THE PROPOSED LTS TARIFF.....</b>	<b>11</b>
<b>VI. RECOMMENDATIONS FOR A SPECIAL CONTRACT TARIFF UNDER WHICH AMERENUE WOULD SERVE NORANDA.....</b>	<b>14</b>
<b>VII. SUMMARY OF RECOMMENDATION REGARDING AMERENUE'S APPLICATION TO SERVE NORANDA UNDER A FIFTEEN YEAR CONTRACT. ....</b>	<b>17</b>

**REBUTTAL TESTIMONY**  
**OF**  
**RYAN KIND**  
**UNION ELECTRIC COMPANY D/B/A AMERENUE**  
**CASE NO. EA-2005-0180**

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

2       A.     Ryan Kind, Chief Energy Economist, Office of the Public Counsel, P.O. Box 2230,  
3             Jefferson City, Missouri 65102.

4       **Q.     PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.**

5       A.     I have a B.S.B.A. in Economics and a M.A. in Economics from the University of  
6             Missouri-Columbia (UMC). While I was a graduate student at UMC, I was employed as  
7             a Teaching Assistant with the Department of Economics, and taught classes in  
8             Introductory Economics, and Money and Banking, in which I served as a Lab Instructor  
9             for Discussion Sections.

10            My previous work experience includes several years of employment with the Missouri  
11            Division of Transportation as a Financial Analyst. My responsibilities at the Division of  
12            Transportation included preparing transportation rate proposals and testimony for rate  
13            cases involving various segments of the trucking industry. I have been employed as an  
14            economist at the Office of the Public Counsel (Public Counsel or OPC) since 1991.

15       **Q.     HAVE YOU TESTIFIED PREVIOUSLY BEFORE THIS COMMISSION?**

Rebuttal Testimony of  
Ryan Kind

1 A. Yes, prior to this case I submitted written testimony in numerous gas rate cases, several  
2 electric rate design cases and rate cases, as well as other miscellaneous gas, water,  
3 electric, and telephone cases.

4 **Q. HAVE YOU PROVIDED COMMENTS OR TESTIMONY TO OTHER REGULATORY OR**  
5 **LEGISLATIVE BODIES ON THE SUBJECT OF ELECTRIC UTILITY REGULATION AND**  
6 **RESTRUCTURING?**

7 A. Yes, I have provided comments and testimony to the Federal Energy Regulatory  
8 Commission (FERC), the Missouri House of Representatives Utility Regulation  
9 Committee, the Missouri Senate's Commerce & Environment Committee and the  
10 Missouri Legislature's Joint Interim Committee on Telecommunications and Energy.

11 **Q. HAVE YOU BEEN A MEMBER OF, OR PARTICIPANT IN, ANY WORK GROUPS,**  
12 **COMMITTEES, OR OTHER GROUPS THAT HAVE ADRESSED ELECTRIC UTILITY**  
13 **REGULATION AND RESTRUCTURING ISSUES?**

14 A. Yes. I was a member of the Missouri Public Service Commission's (the Commission's)  
15 Stranded Cost Working Group and participated extensively in the Commission's Market  
16 Structure Work Group. I am currently a member of the Missouri Department of Natural  
17 Resources Weatherization Policy Advisory Committee, the National Association of State  
18 Consumer Advocates (NASUCA) Electric Committee, and both the Operating  
19 Committee and the Standards Authorization Committee of the North American Electric  
20 Reliability Council (NERC). I have served as the public consumer group representative  
21 to the Midwest ISO's (MISO's) Advisory Committee. During the early 1990s, I served  
22 as a Staff Liaison to the Energy and Transportation Task Force of the President's Council  
23 on Sustainable Development.  
24

**I. INTRODUCTION**

**Q. PLEASE SUMMARIZE PUBLIC COUNSEL'S POSITION ON AMERENUE'S APPLICATION TO PERMIT THE PROVISION OF REGULATED ELECTRIC SERVICE TO NORANDA PURSUANT TO A 15-YEAR CONTRACT.**

A. In responding to this question, I have assumed that the Commission has the legal authority to authorize AmerenUE's request to provide fully regulated electric service to Noranda. Public Counsel filed a Legal Memorandum in this case on January 18, 2005 discussing the Commission's jurisdiction regarding electric service to an "aluminum smelting facility". This testimony will not address those legal issues and the recommendations contained herein are made irrespective of those issues.

AmerenUE should be allowed to provide regulated service to Noranda so long as it is done in accordance with terms and conditions that ensure no adverse impact on the public interest (i.e., future electric rates for AmerenUE's existing consumers). Unfortunately, AmerenUE is seeking to have Noranda served under a detailed set of terms and conditions that clearly do not protect the public from future detrimental impacts. Public Counsel believes that the Commission's approval of this application, as proposed, would **not** adequately protect AmerenUE's existing customers from future adverse rate impacts related to the approval of this application.

While I am concerned with the proposed terms and conditions for providing service to Noranda, we believe it would be possible to modify those terms and conditions in a manner that allows Noranda to benefit from becoming a customer that receives regulated service from AmerenUE, while ensuring that the approval of this application does not lead to detrimental impacts for AmerenUE's existing customers. This testimony outlines an alternative set of terms and conditions for providing regulated electric service to Noranda in a manner that protects AmerenUE's existing customers from adverse impacts.

1       **Q.     PLEASE PROVIDE A BRIEF DESCRIPTION OF THE APPROVALS THAT AMERENUE IS**  
2       **SEEKING THROUGH ITS APPLICATION IN THIS CASE.**

3       A.     AmerenUE is seeking approval from the Commission to expand its service territory to  
4       include Noranda's aluminum smelting facilities near New Madrid, Missouri so that it can  
5       provide regulated retail service to Noranda's facilities pursuant to a contract that the  
6       Company has entered into with Noranda Aluminum, Inc. (Noranda). The prayer for relief  
7       on page ten of AmerenUE's application contains numerous items including requests for:

- 8             •     A certificate of public convenience and necessity that would extend AmerenUE's  
9             service territory to include Noranda's facilities.
- 10            •     Commission findings that: (1) the extended service territory and service to  
11            Noranda pursuant to the requested certificate of public convenience and necessity  
12            and (2) the proposed Large Transmission Service Rate (LTS) tariff are both  
13            "prudent for ratemaking purposes."
- 14            •     Commission approval of the proposed LTS tariff with an effective date of June 1,  
15            2005.

16       **Q.     WHAT ARE AMERENUE AND NORANDA TRYING TO ACCOMPLISH THROUGH THIS**  
17       **APPLICATION?**

18       A.     AmerenUE and Noranda are seeking to satisfy the following objectives via this  
19       application:

- 20            •     AmerenUE is seeking to become Noranda's exclusive supplier for a period of 15  
21            years pursuant to the terms, conditions and initial rates in the special contract that  
22            the Company has negotiated and entered into with Noranda.

- Noranda is seeking to have AmerenUE become its exclusive supplier for a period of 15 years pursuant to the terms, conditions and initial rates in the special contract that Noranda has negotiated and entered into with AmerenUE.
- Both AmerenUE and Noranda are seeking to manage the regulatory risk (from AmerenUE's and Noranda's separate perspectives) associated with Noranda taking regulated service from AmerenUE subject to the authority of the Commission. The management of this risk appears to have prompted the creation of the proposed LTS tariff and AmerenUE's request for a Commission determination in this case that: (1) the extended service territory and service to Noranda pursuant to the requested certificate of public convenience and necessity and (2) the proposed Large Transmission Service Rate (LTS) tariff are both "prudent for ratemaking purposes."

**Q. WHAT OTHER OBJECTIVES ARE AMERENUE OR ITS AFFILIATES SEEKING TO ACCOMPLISH THROUGH THIS APPLICATION?**

A. Ameren's decision to have AmerenUE provide regulated service to Noranda, rather than having one of its non-regulated power marketing and/or generation affiliates provide electric service to Noranda, also appears to have been driven by regulatory risk considerations.

**II. UNIQUE CHARACTERISTICS OF NORANDA'S ELECTRIC NEEDS AND THE PROPOSED TERMS AND CONDITIONS OF SERVING NORANDA**

**Q. PLEASE DESCRIBE THE UNIQUE NATURE OF NORANDA AS A UTILITY CUSTOMER.**

A. The reasons why Noranda is unique include the following:



Rebuttal Testimony of  
Ryan Kind

- Noranda is the largest retail electric customer in Missouri and has a load that is greater than the entire electric load of Springfield, Missouri.
- Noranda is the only retail customer in Missouri that has been authorized by the Missouri legislature (Section 91.026 RSMo.) to purchase electricity directly from any electric service provider.
- Noranda has a very high load factor (usage is nearly constant throughout the day and throughout the year) that will impact the base load generation (coal/nuclear) resource needs and environmental compliance strategies/costs of whatever entity becomes its long-term power supplier.

**Q. PLEASE SUMMARIZE THE UNIQUE TERMS AND CONDITIONS THAT AMERENUE AND NORANDA HAVE AGREED UPON FOR THE ELECTRIC SERVICE THAT AMERENUE WOULD PROVIDE TO NORANDA.**

**A.** The unique terms and conditions under which Noranda would receive service as proposed in this Application include:

- Noranda's commitment to taking service from UE as a regulated customer is limited to only 15 years.
- AmerenUE's commitment to providing service to Noranda as a regulated customer is limited to 15 years and contingent upon acquiring additional generating capacity for AmerenUE's Missouri operations through: (1) prompt approval of AmerenUE's Metro East Transfer application (Case No. EO-2004-0108) and (2) AmerenUE's completion of the purchase of its affiliate's Pinckneyville and Kinmundy CTGs by June 1, 2005. (The proposed contract is

contingent upon these two separate transactions being approved in a manner that is agreeable, at AmerenUE's subjective discretion.)

- The terms, conditions, and rates under which AmerenUE would provide regulated service to Noranda are specified in a special contract that was negotiated between Noranda and the Company. Many of the agreed upon terms and conditions appear to be the result of Noranda's unique characteristics, including its unique ability to acquire power from any willing seller.
- According to the proposed contract, the Commission could approve extending AmerenUE's service territory to include Noranda's facilities and either AmerenUE or Noranda could still decline to move forward with the 15 year power supply arrangements for a variety of reasons specified in the contract. These reasons include modifications to the LTS tariff not agreed to by either Noranda or AmerenUE, regulatory approvals of the Metro East transfer that are deemed unsatisfactory by AmerenUE and certain FERC regulatory approvals that are deemed unsatisfactory by AmerenUE.

### **III. PREVIOUS COMMISSION EXPERIENCE WITH REGULATORY OVERSIGHT OF PROVIDING SERVICE TO CUSTOMERS PURSUANT TO A SPECIAL CONTRACT**

**Q. WHEN DID THE COMMISSION LAST ADDRESS THE TARIFF AND RATEMAKING ISSUES ASSOCIATED WITH SPECIAL CONTRACT CUSTOMERS LIKE NORANDA?**

A. The Commission made determinations in a series of electric cases during the mid-to-late 1990s that dealt with special contract electric customers. There were three Kansas City Power & Light (KCPL) cases (Case Nos. EO-95-67, EO-95-181, and ET-97-113) and one Aquila case (Consolidated Case Nos. ER-97-394, ET-98-103, and EC-98-126). The

cases in which special contract customer issues were recently addressed in the most comprehensive manner were Case Nos. EO-95-181 and ET-97-113. In a later Aquila case, many of the same issues raised in Case No. ET-97-113 were raised again and the Commission determined that:

...the Commission is not opposed to special contract tariffs and has approved such tariffs for use by several electric utilities in this state. However, the Commission agrees with the comments of the Staff in regard to availability, rates and various conditions. The Commission suggests that UtiliCorp [now named Aquila] refile a tariff similar in nature to the special contract tariffs the Commission has already approved. (Consolidated Case Nos. ER-97-394, ET-98-103, and EC-98-126, Report and Order, p. 62)

After the above quoted order was issued, Aquila filed a tariff similar to the KCPL Special Contract Service tariff that resulted from Case No. ET-97-113. A copy of the currently effective KCPL Special Contract Service (Schedule SCS) tariff is included as Attachment A to this testimony for easy reference.

**Q. PLEASE DESCRIBE THE AVAILABILITY PROVISIONS OF THE KCPL SPECIAL CONTRACT SERVICE (SCHEDULE SCS) TARIFF.**

A. The KCPL Schedule SCS tariff contains an "Availability" section that contains the following language:

**AVAILABILITY**

Electric Service is available under this schedule at points on the Company's existing transmission or distribution facilities located within its retail service area for **customers that either have competitive alternatives for serving a portion or all of their electric load requirements or require a special form of service.** The term "competitive alternatives", as used in this paragraph, refers to alternative (such as self-generation, alternative fuels, or potential location or relocation or expansion of facilities for an existing or potential Customer outside of the Company's service area) to the Company's regulated service that are available at the time at which the Company enters into the special contract, and may not be contingent upon a future change in Missouri statutes. The term "special form of service", as used in this paragraph, does not refer to services that are substantially the same as

Rebuttal Testimony of  
Ryan Kind

services available under other rate schedules or to minor variations from the terms of service available under other rate schedules. (Emphasis added)

In order to receive service under this schedule, the Customer must have a maximum half hour demand in excess of 1000 kW and must enter into a contractual agreement (Special Contract) with the Company. This schedule is not available for wholesale or resale service or for service to Customers that receive price discounts through the provisions of the Economic Development Rider or Urban Core Development Rider. The Company will not use undue discrimination in the application of this schedule. The company reserves the right to determine the applicability or the availability of this schedule to any specific applicant for electric service who meets the above criteria.

The availability criteria that are highlighted in bold in the above quote reflect the Commission's determination on page 11 of its Report and Order in Case No. ET-97-113 that KCPL's "generic" special contract tariff "would apply to all similarly situated customers" that "have previously had either competitive alternative or special service characteristics which cannot be met with the generally available tariffs..." While I believe that Noranda should be served under a special contract tariff, the availability criteria highlighted in the above quote are not the criteria that would be relevant to this special contract tariff.

**Q. DO YOU BELIEVE THERE ARE OTHER PORTIONS OF THE KCPL SPECIAL CONTRACT TARIFF THAT WOULD NOT BE APPLICABLE TO NORANDA'S CIRCUMSTANCES?**

A. Yes. There are several sections of the KCPL SCS tariff that would not be relevant. Sections of the KCPL SCS tariff that would need to be modified or eliminated to fit the circumstances of Noranda and similarly situated customers include the following:

- Pricing provisions
- Term of Contract and Termination

- Administrative and Facilities Charges
- Contract Documentation

**Q. WHY WOULD IT BE NECESSARY TO MODIFY THE PRICING PROVISION IN KCPL'S SCS TARIFF TO FIT THE CIRCUMSTANCES OF NORANDA AND SIMILARY SITUATED CUSTOMERS?**

A. The pricing provisions of the KCPL special contract tariff, which envision the possibility of pricing special contract tariff service at something less than fully allocated embedded cost, would not be relevant. The pricing of electric service to Noranda at a level that is less than fully allocated embedded costs (i.e. where the rate only covers variable cost and does not fully recover the customer's entire share of fixed costs) would lead to detriments for other customers as their rates would increase by the amount needed to cover the portion of Noranda's allocated share of fixed costs not covered by rates charged to Noranda.

**Q. DOES AMERENUE HAVE A SPECIAL CONTRACT TARIFF THAT WOULD PERMIT IT TO PROVIDE SERVICE TO NORANDA PURSUANT TO A SPECIAL CONTRACT WITH NORANDA?**

A. No. Apparently, AmerenUE believes that it could utilize its proposed LTS tariff to provide service pursuant to a special contract. However, I do not believe that it would be appropriate to provide special contract service to Noranda pursuant to the proposed LTS tariff and believe that providing special contract service pursuant to the proposed LTS tariff: (1) would be detrimental to the public interest and (2) would not result in just and reasonable rates.

**IV. REASONS WHY NORANDA SHOULD BE SERVED UNDER A SPECIAL  
CONTRACT TARIFF**

**Q. PLEASE LIST THE REASONS WHY YOU BELIEVE NORANDA SHOULD BE SERVED UNDER  
A SPECIAL CONTRACT TARIFF.**

**A.** I believe Noranda should be served under a special contract tariff for the following reasons:

- Serving Noranda under a special contract tariff would allow the unique characteristics of Noranda to be accommodated while protecting existing ratepayers from detrimental impacts.
- A special contract tariff is the appropriate manner to serve a customer where some of the key terms and conditions of service are specified in a contract between AmerenUE and one of its large customers.
- Serving Noranda under a special contract tariff will allow the Commission to make ratemaking determinations for Noranda in AmerenUE's next general rate proceeding that reflect the need to ensure that the provision of regulated service to this unique customer would not have an adverse impact on the rates of other AmerenUE customers.

**V. REASONS WHY NORANDA SHOULD NOT BE SERVED UNDER THE  
PROPOSED LTS TARIFF**

**Q. PLEASE LIST THE REASONS WHY YOU BELIEVE NORANDA SHOULD NOT BE SERVED  
UNDER THE PROPOSED LTS TARIFF.**

Rebuttal Testimony of  
Ryan Kind

1 A. I believe Noranda should not be served under the proposed LTS tariff for the following  
2 reasons:

- 3 • The proposed LTS tariff is essentially an extension of the special contract that  
4 AmerenUE and Noranda have signed. In fact, the proposed LTS tariff is actually  
5 part of the Noranda special contract. The LTS tariff comprises Exhibit A to the  
6 contract and has been incorporated into the contract by item 1.A. on page one of  
7 the contract. Unlike the proposed contract entered into by AmerenUE and  
8 Noranda, special contracts (as the Commission has approved in the past) should  
9 be designed to fit the parameters of a tariff. AmerenUE's proposal is  
10 backwards—an attempt to create a tariff designed to fit the parameters of a  
11 contract.
- 12 • The special contract between AmerenUE and Noranda that has prompted this case  
13 appears in Schedule CDN-1 of AmerenUE witness Craig Nelson's direct  
14 testimony. AmerenUE has indirectly requested approval of at least part of this  
15 special contract by requesting the Commission to approve Schedule LTS. The  
16 Commission cannot protect the public interest by only overseeing the portion of  
17 the special contract that constitutes the proposed LTS tariff. Instead, it is  
18 necessary for the Commission to consider the contract in its entirety when making  
19 a decision on this application.
- 20 • It could be argued that the proposed LTS tariff is unduly discriminatory because  
21 no other electric customer in the state of Missouri could meet the extremely  
22 narrow "Rate Application" (availability) criteria specified in item 6 of the  
23 proposed tariff. These extremely narrow availability criteria include the  
24 requirement that the customer "consumed 3 million MWh in the preceding 12  
25 months, or can demonstrate to the Company's satisfaction that it will consume

1           said amount in the next 12 months if historical data are unavailable.” I am not  
2           aware of any retail customers in the state of Missouri that have annual energy  
3           consumption anywhere near 3 million MWh, except for Noranda.

- 4           • The proposed LTS tariff exposes AmerenUE’s existing customers to the risk of  
5           future adverse rate impacts by including an Annual Contribution Factor (ACF)  
6           that “shall be eliminated” in AmerenUE’s next general rate proceeding.
- 7           • The proposed LTS tariff exposes AmerenUE’s existing customers to the risk of  
8           future adverse rate impacts by specifying the components of various charges and  
9           cost categories that would be considered when determining the applicable rates  
10          for serving Noranda in AmerenUE’s next general rate proceeding. The various  
11          charges and cost categories that should be considered when determining the  
12          applicable rates for serving Noranda should not be determined within the context  
13          of this expedited case. Rather, these are issues that should be addressed in the  
14          context of AmerenUE’s next general rate proceeding.
- 15          • It is not appropriate to serve Noranda under schedule LTS, even if this rate  
16          schedule did not have extremely narrow availability criteria, because Noranda is  
17          not similarly situated to other customers taking service under AmerenUE’s  
18          generally applicable rate schedules due to Noranda’s unique status resulting from  
19          Section 91.026 RSMo. This unique status allows Noranda to take regulated utility  
20          service for only a limited period of time, after which it has the right to shop for  
21          power from alternative suppliers. This unique right allows Noranda, absent  
22          adequate protections, to leave AmerenUE’s system and potentially impose costs  
23          on the remaining ratepayers by forcing them to pay for costs that were incurred to  
24          serve the enormous power supply needs of Noranda.



1       **Q.     WOULD THE LAST REASON LISTED ABOVE APPLY TO ALL OF AMERENUE'S**  
2       **GENERALLY APPLICABLE RATE SCHEDULES?**

3       A.     Yes. Noranda's unique status resulting from Section 91.026 RSMo. differentiates its  
4       situation from all of the other similarly situated customers that take service under  
5       AmerenUE's generally applicable rate schedules. My reference to AmerenUE's generally  
6       applicable rate schedules includes the following AmerenUE rate schedules:

- 7             •     Residential Service
- 8             •     Small General Service
- 9             •     Large General Service
- 10            •     Small Primary Service
- 11            •     Large Primary Service
- 12            •     Street & Outdoor Lighting – Company-Owned
- 13            •     Street & Outdoor Lighting – Customer-Owned

14  
15       **VI. RECOMMENDATIONS FOR A SPECIAL CONTRACT TARIFF UNDER**  
16       **WHICH AMERENUE WOULD SERVE NORANDA**

17       **Q.     PLEASE SUMMARIZE THE REMARKS YOU MADE EARLIER IN THIS TESTIMONY ABOUT**  
18       **THE EXTENT TO WHICH KCPL'S SPECIAL CONTRACT SERVICE TARIFF (SCHEDULE**  
19       **SCS) WOULD NEED TO BE MODIFIED OR ELIMINATED IN ORDER TO SERVE AS A**  
20       **TEMPLATE FOR AN AMERENUE SPECIAL CONTRACT TARIFF SUITABLE FOR SERVICE**  
21       **TO NORANDA?**

Rebuttal Testimony of  
Ryan Kind

1 A. I noted earlier that the Sections of the KCPL SCS tariff that would need to be modified or  
2 eliminated to fit the circumstances of Noranda and similarly situated customers include  
3 the Availability section, pricing provisions, the Term of Contract and Termination  
4 section, the Administrative and Facilities Charges section, and the Contract  
5 Documentation section.

6 **Q. HOW COULD THE KCPL SCHEDULE SCS AVAILABILITY SECTION BE MODIFIED IN**  
7 **ORDER TO SERVE AS A MODEL FOR A SPECIAL CONTRACT TARIFF APPROPRIATE FOR**  
8 **THIS SITUATION?**

9 A. Several changes to this section would be necessary. The first paragraph in this section  
10 should be modified to delete the language that pertains to "customers that either have  
11 competitive alternatives for serving a portion or all of their electric load requirements or  
12 require a special form of service." This language should be replaced with language that  
13 limits the availability to:

- 14 • Points (locations) that were not within the Company's retail service area prior to  
15 legislation (e.g. Section 91.026 RSMo.) which gives a large retail customer(s)  
16 with facilities at such points, the right to purchase its electric supplies from any  
17 provider, where such points have been included in an extension of the Company's  
18 service territory for the primary purpose of including the facilities of a large retail  
19 customer(s) that possesses the right to purchase its electric supply from any  
20 provider.
- 21 • Large retail customers that have the right to purchase their electric power supplies  
22 from any provider pursuant to legislation such as Section 91.026 RSMo.

1 The second paragraph of the KCPL Schedule SCS availability section would only require  
2 minor changes so that it references AmerenUE's economic development riders and any  
3 other appropriate riders.

4 **Q. HOW COULD THE PRICING PROVISIONS IN KCPL SCHEDULE SCS BE MODIFIED IN**  
5 **ORDER TO SERVE AS A TEMPLATE FOR AN AMERENUE SPECIAL CONTRACT TARIFF**  
6 **SUITABLE FOR SERVICE TO NORANDA?**

7 A. I explained earlier in this testimony why the KCPL Schedule SCS pricing provisions  
8 would be wholly inappropriate for a special contract tariff under which Noranda and  
9 similarly situated customers would take regulated retail service from AmerenUE. The  
10 primary objective of the pricing provisions in the special contract tariff used to serve  
11 Noranda should be to ensure that the rates under which Noranda is served are at a level  
12 sufficient to protect AmerenUE's existing Missouri retail customers from suffering  
13 adverse rate impacts due to this application.

14 In order to prevent such adverse rate impacts, the rates for Noranda's electric revenues  
15 must be high enough to give AmerenUE a reasonable opportunity to recover sufficient  
16 revenues to prevent AmerenUE's existing customers from suffering adverse rate impacts  
17 as a result of this application. I propose the following criteria for ensuring that rates are  
18 set at a level that protects AmerenUE's exiting customers from adverse rate impacts:

- 19 • Noranda's rates should be set at level that covers (1) the fully allocated embedded  
20 costs associated with providing service to Noranda plus (2) any forgone margins  
21 on off-system sales associated with providing service to Noranda that are not  
22 offset by Noranda's contribution to the recovery of fixed production costs.
- 23 • Noranda should either be (1) subject to exit fees that would recover any stranded  
24 costs that result from Noranda's choice to use a supplier other than AmerenUE for

1           some or all of the power supply needs at its aluminum smelting facilities near  
2           New Madrid, Missouri or (2) paying some reasonable amount over and above the  
3           costs described in the above bullet which would represent a risk premium to  
4           compensate AmerenUE's existing customers for bearing the risk that they may be  
5           required to pay increased rates in the future due to stranded costs associated with  
6           Noranda's choice to use a supplier other than AmerenUE after the end of the 15-  
7           year term of its contract with AmerenUE.

8           **VII. SUMMARY OF RECOMMENDATION REGARDING AMERENUE'S**  
9           **APPLICATION TO SERVE NORANDA UNDER A FIFTEEN YEAR**  
10           **CONTRACT.**

11           **Q. PLEASE SUMMARIZE YOUR POSITION REGARDING AMERENUE'S APPLICATION TO**  
12           **EXTEND ITS SERVICE TERRITORY AND SERVE NORANDA UNDER A 15-YEAR**  
13           **CONTRACT.**

14           A. I support granting AmerenUE a certificate of convenience and necessity that extends  
15           AmerenUE's service territory to include Noranda's facilities as described in the  
16           Application so long as the Commission rejects AmerenUE's proposed LTS tariff and  
17           accepts my proposal for a new AmerenUE special contract tariff.

18           I oppose AmerenUE's request in item a. of the prayer for relief on page 10 of the  
19           Company's application regarding Commission determinations that certain aspects of  
20           AmerenUE application are "prudent for ratemaking purposes" but support Commission  
21           findings that the special contract tariff outlined in this testimony would result in just and  
22           reasonable rates.

23           I support an initial rate of \$0.0325/kWh for providing service to Noranda so long as it is  
24           very clear that a finding that this rate is just and reasonable at this time is not a

Rebuttal Testimony of  
Ryan Kind

1           predetermination that this rate would be a just and reasonable rate when AmerenUE's  
2           rates are changed in its next general rate proceeding or in some other proceeding where  
3           the rates for AmerenUE's bundled service are addressed in a comprehensive manner.

4           **Q.     DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

5           A.     Yes.

# Attachment A

KANSAS CITY POWER &amp; LIGHT COMPANY

Name of Issuing Corporation or Municipality

For Missouri Retail Service Area

Community, Town or City

Missouri Public  
Service CommissionSpecial Contract Service  
Schedule SCS

REC'D MAY 05 2000

## AVAILABILITY

Electric Service is available under this schedule at points on the Company's existing transmission or distribution facilities located within its retail service area for customers that either have competitive alternatives for serving a portion or all of their electric load requirements or require a special form of service. The term "competitive alternatives", as used in this paragraph, refers to alternatives (such as self-generation, alternative fuels, or potential location or relocation or expansion of facilities for an existing or potential Customer outside of the Company's service area) to the Company's regulated service that are available at the time at which the Company enters into the special contract, and may not be contingent upon a future change in Missouri statutes. The term "special form of service", as used in this paragraph, does not refer to services that are substantially the same as services available under other rate schedules or to minor variations from the terms of service available under other rate schedules.

In order to receive service under this schedule, the Customer must have a maximum half hour demand in excess of 1000 kW and must enter into a contractual agreement (Special Contract) with the Company. This schedule is not available for wholesale or resale service or for service to Customers that receive price discounts through the provisions of the Economic Development Rider or Urban Core Development Rider. The Company will not use undue discrimination in the application of this schedule. The Company reserves the right to determine the applicability or the availability of this schedule to any specific applicant for electric service who meets the above criteria.

Missouri Public  
Service Commission99-485  
FILED JUN 05 2000

## SPECIAL PROVISIONS

## A. Pricing Methodology:

The expected annual average prices for each customer under this schedule will be higher than the expected average marginal costs incurred by KCPL to serve each customer. In general, the marginal costs are calculated using the approach that underlies the pricing of the Company's experimental Real-Time Pricing (RTP or RTP-Plus) rate schedules, Incremental Energy Rider (IER), or Two Part Time-of-Use (TPP) schedule. Real-Time Pricing operations under this tariff will have the transmission of the hourly prices conform to the methods used by the Company in the RTP and RTP-Plus schedules.

Customers will pay a monthly Access Charge that depends on: 1) the tariff prices of the standard tariff (SGS, MGS, LGS, LPS, SGA, MGA, or LGA) at which the Customer would otherwise be taking service; 2) the billing determinants derived from the historical Customer Baseline Loads; and 3) the costs or cost savings anticipated from special provisions of the individual contract. The Company will adjust the Access Charge, energy prices, and/or other pricing components to maximize the Customer's expected contribution to margin without exercise of undue price discrimination. This expected contribution to margin will be computed using projected revenues and costs that apply only to the regulated portions of the Company's electric utility operations.

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KANSAS CITY POWER &amp; LIGHT COMPANY

Name of Issuing Corporation or Municipality

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Community, Town or City

Special Contract Service  
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Service Commission

## SPECIAL PROVISIONS (continued)

REC'D MAY 05 2000

## B. Metering of Load:

Customers taking service under this option must have or have installed an hourly recording meter. This metering must be accessible to the Company at any time.

## TERM OF CONTRACT AND TERMINATION

The Customer may return to service under a standard, generally available tariff if they no longer require the specific service arrangement provided for in the Special Contract. The conditions for return to a standard tariff must be negotiated in the Special Contract. However, any incremental Facilities and Administrative costs must be paid during the remainder of the term of the Special Contract if the Customer returns to service under a standard, generally available tariff. The Special Contract must contain provisions to address pricing and service conditions, and to provide pricing options if required by the Customer, in the event that the choice of alternative electric power suppliers becomes available to the Customer's standard tariff class subsequent to the effective date of the Special Contract.

## CUSTOMER BASELINE LOAD (CBL)

The Access Charge is based on a Customer Baseline Load, which is defined as one complete year of Customer-specific load data representative of the electricity consumption pattern and level typical of this Customer's operation under the standard price schedule, unless otherwise agreed. In order to formulate a CBL that achieves this representative load pattern, the Company may make adjustments to historical usage data.

## BILL DETERMINATION

The bill for Special Contracts will depend substantially on the specific form of the Contract. However, the following is an example of the default form of these contracts. It is specified in terms of a two-part tariff similar to that found in the Company's RTP schedule.

$$\text{Customer Bill} = \text{Access Charge} + \sum_{hr} [\text{PRTP}_{hr} \times \text{Actual kWh}_{hr}] + \text{Reactive} + \text{PC}$$

Where:

Access Charge = The difference between the Standard Bill and the monthly sum of the product in each hour of the CBL kWh multiplied by the hourly RTP price;

$$= \text{Standard Bill} - \sum_{hr} [\text{CBL kWh}_{hr} \times \text{PRTP}_{hr}];$$

Where:

Standard Bill = Customer's bill for a specific month on CBL usage billed under the standard price schedule, including reactive pricing if applicable;

CBL kWh<sub>hr</sub> = The Customer Baseline kWh in each hour; and

PRTP<sub>hr</sub> = The hourly Real Time Prices.

Actual kWh<sub>hr</sub> = The Customer's actual usage during each hour;

Missouri Public  
Service Commission  
95-289

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KANSAS CITY POWER &amp; LIGHT COMPANY

Name of Issuing Corporation or Municipality

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Special Contract Service  
Schedule SCS

(continued)

Missouri Public  
Service Commission

## BILL DETERMINATION (continued)

PC = Facilities Charge + Administrative Charge ; and

Reactive = Incremental reactive power charge, calculated by taking the difference between the bill for reactive power using the standard rate applied to the current month quantities and the bill based on the historical CBL quantities. This charge may be positive or negative.

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## PRICES

The baseline tariff prices that are used in the calculation of the Access Charge may be found on the Customer's standard tariff sheets (SGS, MGS, LGS, LPS, SGA, MGA, or LGA), plus any adjustments for applicable riders. Special conditions as specified in the Special Contract can result in changes from these prices based on the Company's anticipated cost savings or market conditions. The hourly real time prices are equal to the Company's expected or actual hourly marginal costs, plus an adder. The adder may vary in size depending on the marginal cost and market considerations.

## ADMINISTRATIVE CHARGE

This charge will cover billing and administrative costs beyond those that are covered in the standard tariff. These costs will be collected from customers for the full term of the Special Contract even if they return to service under the standard tariff before the contract period is complete.

## FACILITIES CHARGE

A Facilities Charge incorporates incremental costs of serving the Customer that are not included elsewhere in the tariff. If the Company is required to either increase the capacity or accelerate its plans for increasing the capacity of transmission or distribution facilities to accommodate a customer's altered load served under this schedule, then an additional Facilities Charge will be assessed if the expansion is not revenue justified using KCPL's current methodology. The incremental costs related to these facilities will be collected from customers during the full term of the Special Contract, even if they return to service under the standard tariff before the contract period is complete.

## SPECIAL RIDERS

Applicable riders will be addressed with provisions in the Special Contract.

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Service Commission  
99-485  
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KANSAS CITY POWER &amp; LIGHT COMPANY

Name of Issuing Corporation or Municipality

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Community, Town or City

Special Contract Service  
Schedule SCS(continued)  
**Missouri Public  
Service Commission**

## PERIODIC REPORTING

REC'D MAY 05 2000

The Company shall maintain a central file regarding all contract discussions with each individual customer. Minutes of the meetings and contract negotiations shall be documented and placed in the central file. Contents of files shall be submitted to the Office of Public Counsel and Commission Staff on a quarterly basis. Each submission shall include a description of any special need or competitive alternative identified at the time of the submission and a summary report of the status of contract discussions with each potential contract customer. All such documents submitted to the Office of Public Counsel and Commission Staff will be treated pursuant to the Missouri Public Service Commission's standard Protective Order unless ordered otherwise by the Commission.

## CONTRACT DOCUMENTATION

Prior to the effective date of any Special Contracts and any amendments thereto, the Company will provide a copy of each Special Contract or any amendments thereto to the Missouri Public Service Commission Staff and the Office of Public Counsel. Any and all documentation or information provided to the Office of Public Counsel or the Commission Staff under this tariff will be treated pursuant to the Missouri Public Service Commission's standard Protective Order unless ordered otherwise by the Commission. The supporting documentation will include the following eight items:

1. Customer Needs: The Company shall provide a narrative description of the reasons why the Special Contract Customer should not or cannot use the generally available tariff. This description shall include the special needs of this Customer for a different form of service and/or the competitive alternatives available to the Customer. In addition, this description shall include the consequences to the Customer if the Special Contract is approved.
2. Customer Alternatives: The Company shall provide its estimate of the cost to the Customer for each competitive alternative available to the Customer. This estimate shall be for the time frame of the Special Contract, or by each year for multi-year contracts. The Company will provide copies of its work papers, if any, which support these estimates or document competitive alternatives available to the Customer.
3. Incremental and Assignable Costs: The Company shall quantify the incremental cost that can be avoided if the Special Contract Customer reduces load or leaves the system, and the incremental cost incurred if the Special Contract Customer is a new load or expands existing load. The Company shall also identify and quantify the embedded and replacement value of all specific facilities (e.g., distribution) that are assignable to serving the Special Contract Customer. This quantification shall be for the time frame of the Special Contract, or by each year for multi-year contracts. All significant assumptions shall be identified that affect this quantification.

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**Missouri Public  
Service Commission**Special Contract Service  
Schedule SCS

(continued)

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## CONTRACT DOCUMENTATION (continued)

4. Profitability: The Company shall quantify the profitability of the Special Contract as the difference between the revenues generated from the pricing provisions in the Special Contract compared to the Company's long-run incremental costs. For the purposes of this documentation, profitability of the Special Contract shall be calculated based on projected revenues and costs that apply only to the regulated portions of the Company's electric utility operations. All significant assumptions shall be identified that affect this quantification.
5. Revenue Change: The Company shall quantify the change in annual revenues from the Special Contract as the difference between the revenues that would be recovered from the general availability tariff compared to the revenues that alternatively would be recovered from the pricing provisions in the Special Contract. This quantification shall also include a separate adjustment for either the potential increase in sales that may be brought about by the Special Contract, or the potential loss of sales that may occur without the Special Contract. All significant assumptions shall be identified that affect this quantification.
6. Other Ratepayer Benefits: The Company shall quantify the benefits that it believes will accrue to other ratepayers from the Special Contract. All significant assumptions shall be identified that affect this quantification.
7. Other Economic Benefits to the Area: The Company shall quantify the economic benefits to the state, metropolitan area, and/or local area that the Company projects to be realized as a result of the Special Contract.
8. Documentation: The Company shall provide references to each internal policy, procedure and practice that it has developed and used in its negotiation of the Special Contract and make available copies of said policies, procedures and practices.

## TAX ADJUSTMENT

Tax Adjustment Schedule TA shall be applicable to all Customer billings under this schedule.

## REGULATIONS

Subject to Rules and Regulations filed with the State Regulatory Commission.

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99-485  
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