

Exhibit No.:
Issue: 2011 Missouri River Flooding
Witness: Ryan A. Bresette
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Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2012-0174
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2012-0174

REBUTTAL TESTIMONY

OF

RYAN A. BRESETTE

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
September 2012**

*** [REDACTED] *** Designates "Highly Confidential" Information
Has Been Removed.

KCP Exhibit No. 8
Date 10-29-12 Reporter KF
File No. ER-2012-0174

REBUTTAL 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 Testimony in**
5 **this matter related to the request of Kansas City Power & Light Company**
6 **(“KCP&L” or the “Company”) to defer and recover certain losses related to the**
7 **2011 Missouri River flood (“2011 Flood”)?**

8 A: Yes, I am.

9 **Q: What is the purpose of your Rebuttal Testimony?**

10 A: The purpose of my testimony is to rebut certain comments by Mr. Greg R. Meyer, who
11 filed Direct Testimony on behalf of Missouri Industrial Energy Consumers and Midwest
12 Energy Consumers Group. My testimony rebuts Mr. Meyer’s recommendation at page
13 26 of his testimony to reject KCP&L’s request for deferral of the reduced off-system
14 sales (“OSS”) margins attributable to the 2011 Flood.

15 **Q: What is the current regulatory treatment of KCP&L’s OSS margins?**

16 A: In its last rate case (Case No. ER-2010-0355, the “2010 Case”), KCP&L was ordered to
17 reduce its retail revenue requirement by \$45.9 million (Missouri jurisdictional), which
18 represented the 40th percentile of OSS margins as calculated by KCP&L witness Michael
19 M. Schnitzer in his Direct Testimony in that case. In addition, if it earns more than \$45.9

1 million, then KCP&L is required to record the excess OSS margins as a regulatory
2 liability to be returned to customers in a future rate case. The current OSS margin
3 treatment is asymmetrical for KCP&L, and its authorized return on equity ("ROE") does
4 not compensate for the significant risk KCP&L bears for absorbing the impacts of the
5 2011 Flood.

6 **Q: Does KCP&L have any current mechanism to recover a shortfall in OSS margins?**

7 A: No, it does not. Since KCP&L's ROE does not compensate for the difference between
8 the 40th percentile and the impacts of the 2011 Flood, the Company is seeking recovery
9 of the OSS margin shortfall solely associated with the impact of the 2011 Flood.

10 **Q: In your Supplemental Direct Testimony, you stated the Company did not know the**
11 **actual OSS margin shortfall. Does the Company know the final margin for the**
12 **twelve month period ending April 30, 2012?**

13 A: Yes, it does. For the twelve months ended April 30, 2012, the Company earned **
14 **(Missouri jurisdictional) in OSS margins compared to the OSS threshold**
15 **established in KCP&L's 2010 Case of \$45.9 million (Missouri jurisdictional).**

16 **Q: Does KCP&L intend to adjust the 2011 Flood OSS margin impact of**
17 **** (Missouri jurisdictional) **?**

18 A: No. Given the ** **(Missouri jurisdictional) **** shortfall in OSS margins, KCP&L will not be
19 decreasing the request for the OSS margin impact of the 2011 Flood.

20 **Q: How did KCP&L calculate the impact of the OSS margin shortfall?**

21 A: The computation of the OSS margin was determined based on modeling methodology
22 that compares costs and revenues that would have occurred absent the 2011 Flood. The
23 shortfall was calculated by comparing the hourly system costs during the 2011 Flood to

1 the system costs that would have been incurred by the units that would have run absent
2 the 2011 Flood. Mr. Blunk discusses the modeling in his Supplemental Direct
3 Testimony.

4 **Q: Is this modeling methodology consistent with the calculation of OSS margins for**
5 **KCP&L?**

6 A: Yes. KCP&L utilizes the same modeling methodology to track its OSS margins as
7 established in the 2010 Case. In addition, KCP&L performed a similar analysis for the
8 calculation of displacement power associated with the test energy from the construction
9 of Iatan 2.

10 **Q: From what period was the impact of the 2011 Flood calculated?**

11 A: The 2011 Flood impacted KCP&L operations from July 2 through October 12.

12 **Q: Is the OSS margin regulatory treatment requested by KCP&L comparable to the**
13 **requests submitted in the past by Union Electric Company d/b/a Ameren Missouri**
14 **(“Ameren”) and The Empire District Electric Company (“Empire”)?**

15 A: No. Both Empire and Ameren include OSS margins as a component of their fuel
16 adjustment clause (“FAC”), which is a reduction of fuel and purchased power costs to
17 their retail customers. KCP&L retail customers automatically receive credit for the 40th
18 percentile amount of OSS margins regardless of whether KCP&L earns that level of
19 margins. Empire and Ameren’s customers only receive credit for the amount of OSS
20 margins earned by Empire and Ameren.

1 **Q: If KCP&L would have had an FAC similar to Empire’s or Ameren’s during the**
2 **2011 Flood or an Interim Energy Charge (“IEC”) similar to that requested by**
3 **KCP&L in this rate case, would KCP&L have sought deferral and recovery of the**
4 **lost OSS margins related to the 2011 Flood?**

5 **A:** No. The OSS margins would have been a component of the FAC or IEC, and would
6 have eliminated the impact of the current asymmetrical treatment of OSS margins.

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

8 **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) Case No. ER-2012-0174
A General Rate Increase for Electric Service)

AFFIDAVIT OF RYAN A. BRESETTE

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 Rebuttal Testimony on behalf of Kansas City Power & Light Company consisting of four (4) 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
Ryan A. Bresette

Subscribed and sworn before me this 5th day of September, 2012.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2015

