

Staff-16

Exhibit No.:  
Issues: Class Cost of Service  
Rate Design  
Witness: James C. Watkins  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Direct Testimony  
Case No.: ER-2007-0291  
Date Testimony Prepared: August 7, 2007

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**DIRECT TESTIMONY**

**OF**

**JAMES C. WATKINS**

**KANSAS CITY POWER & LIGHT COMPANY**

**CASE NO. ER-2007-0291**

**Jefferson City, Missouri  
August 2007**

Exhibit No. 216  
Case No(s) ER-2007-0291  
Date 10/1/07 Rptr MV

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

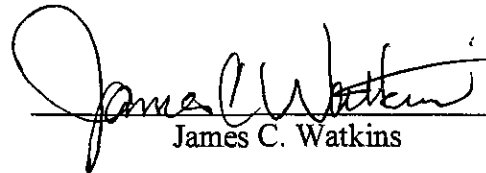
In the Matter of the Application of Kansas )  
City Power and Light Company for )  
Approval to Make Certain Changes in its )  
Charges for Electric Service To )  
Implement Its Regulatory Plan. )

Case No. ER-2007-0291

**AFFIDAVIT OF JAMES C. WATKINS**

STATE OF MISSOURI     )  
                                      ) ss  
COUNTY OF COLE     )

James C. Watkins, of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 3 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

  
James C. Watkins

Subscribed and sworn to before me this 6<sup>th</sup> day of August, 2007.



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

  
Notary Public

My commission expires 9-21-10

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**DIRECT TESTIMONY**

**OF**

**JAMES C. WATKINS**

**KANSAS CITY POWER AND LIGHT COMPANY**

**CASE NO. ER-2007-0291**

**RELIANCE ON OTHER STAFF ..... 2**

**EXECUTIVE SUMMARY..... 2**



1     **RELIANCE ON OTHER STAFF**

2           Q.     What reliance did you place on other staff members?

3           A.     Experts determining the appropriate class revenue shifts to more closely align  
4     class revenues with the cost of serving each class, and the related changes to the rate  
5     components of each tariff, typically rely on the work of others. I did so here. I relied on Ms.  
6     Janice Pyatte for preparing the Staff's Class Cost of Service and Rate Design Report (Report)  
7     filed in this case. The Report is based on her work in Case No. EO-2005-0329 (KCPL's  
8     "Regulatory Plan" case) and Case No. ER-2006-0314 (KCPL's most recent rate case) and  
9     analysis she performed in this case. Based on my long experience working with Ms. Pyatte,  
10    familiarity with the quality of the work products she produces, and my own experience with  
11    class cost of service and rate design issues, the analysis she presents is reasonable and reliable  
12    for determining the Staff's recommendation regarding shifts in class revenue responsibility.

13    **EXECUTIVE SUMMARY**

14           Q.     What is the purpose of your testimony?

15           A.     The purpose of this testimony is to sponsor the Staff's recommendation  
16    regarding shifts in class revenue responsibility.

17           Q.     What is the Staff's recommendation?

18           A.     The Staff recommends increasing the revenue responsibility of the Residential  
19    class by approximately 1.8% and reducing the revenue responsibility of the Medium General  
20    Service class by approximately 5% to shift precisely \$3,536,542 from the Medium General  
21    Service class to the Residential class. This revenue-neutral shift should be accomplished by  
22    reducing the medium general service (MGS) class rates by applying an equal percentage  
23    reduction to each demand charge and energy charge rate component, and increasing the

Direct Testimony of  
James C. Watkins

1 residential class rates by applying an equal percentage increase to every residential class rate  
2 component. Any overall rate increase should be implemented thereafter as an equal  
3 percentage increase to each rate component of each rate schedule.

4 Q. Why is the Staff recommending this shift in revenue responsibility at this time?

5 A. The addition of Iatan 2 generating capacity to KCPL's rate base will  
6 compound, rather than ameliorate, any current misalignments between class costs and class  
7 revenues. Thus, not only is this shift warranted to more closely align class revenue  
8 responsibility with the current cost of serving each class, it is an opportunity to moderate the  
9 more severe impacts of realigning class revenues that would occur if executed  
10 contemporaneously with the completion of Iatan 2.

11 Q. Does this conclude your direct testimony?

12 A. Yes, it does.

## Case List

1. The Empire District Electric Company	Case No. ER-83-42
2. Kansas City Power & Light Company	Case No. ER-83-49
3. Union Electric Company	Case No. ER-83-163
4. Arkansas Power & Light Company	Case No. ER-83-206
5. The Empire District Electric Company	Case No. ER-83-364
6. Kansas City Power & Light Company	Case No. EO-84-4
7. Union Electric Company	Case No. EO-85-17
8. Arkansas Power & Light Company	Case No. ER-85-20
9. Arkansas Power & Light Company	Case No. EO-85-146
10. Union Electric Company	Case No. ER-85-160
11. Kansas City Power & Light Company	Case Nos. ER-85-128 & EO-85-185
12. Arkansas Power & Light Company	Case Nos. ER-85-265 & ER-86-4
13. Union Electric Company	Case Nos. EC-87-114 & EC-87-115
14. St. Joseph Light & Power Company	Case No. HR-88-116
15. Union Electric Company	Case No. EO-87-175
16. Missouri Public Service	Case No. ER-90-101
17. The Empire District Electric Company	Case No. ER-90-138
18. Kansas City Power & Light Company	Case No. EM-91-16
19. St. Joseph Light & Power Company	Case No. EO-88-158
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28. The Empire District Electric Company	Case No. ER-97-81
29. The Empire District Electric Company	Case No. ER-97-491
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31. St. Joseph Light & Power Company	Case Nos. EC-98-573 & ER-99-247
32. Citizens' Electric Corporation	Case No. ET-99-113
33. Union Electric Company	Case No. EO-96-15
34. Union Electric Company	Case No. EO-2000-580
35. The Empire District Electric Company	Case No. ER-2001-299
36. Missouri Public Service	Case No. ER-2001-672 & EC-2002-265
37. Union Electric Company	Case No. EC-2002-1
38. Citizens' Electric Corporation	Case No. ER-2002-217
39. The Empire District Electric Company	Case No. ER-2001-1074 (ER-2001-425)
40. The Empire District Electric Company	Case No. ER-2002-424
41. Aquila, Inc. (MPS & L&P)	Case Nos. ER-2004-0034 & HR-2004-0024
42. The Empire District Electric Company	Case No. ER-2004-0570
43. Union Electric Company	Case No. EA-2005-0180
44. Aquila, Inc. (MPS & L&P)	Case No. EO-2002-384
45. Aquila, Inc. (MPS & L&P)	Case Nos. ER-2005-0436 & HR-2005-0450
46. Union Electric Company	Case No. ER-2007-0002
47. Aquila, Inc. (MPS & L&P)	Case No. ER-2007-0004