

Exhibit No.:
Issue: Maintenance Expense
Witness: John R. Marshall
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2006-0314
Date Testimony Prepared: September 8, 2006

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2006-0314

REBUTTAL TESTIMONY

OF

JOHN R. MARSHALL

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
September 2006**

REBUTTAL TESTIMONY

OF

JOHN R. MARSHALL

Case No. ER-2006-0314

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

2 A: My name is John R. Marshall. My business address is 1201 Walnut, Kansas City,
3 Missouri 64106.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Kansas City Power & Light Company (“KCPL”) as Senior Vice
6 President, Delivery Division.

7 **Q: Are you the same John R. Marshall who pre-filed direct testimony in this case?**

8 A: Yes, I am.

9 **Q: What is the purpose of your testimony?**

10 A: The purpose of my testimony is to discuss the recommendations made by Missouri Public
11 Service Commission (“MPSC”) Staff witness William Harris regarding maintenance
12 expense and, in particular, dispute the method he used to normalize the expense.

13 **Q: Please describe the method Mr. Harris recommends.**

14 A: Mr. Harris recommends adjusting the 2005 test year level of maintenance expense to
15 represent a normalized level of maintenance based upon an historical analysis of actual

1 costs. He uses a six-year average of actual maintenance expenses for years 2000 through
2 2005 to reflect transmission and distribution costs.

3 **Q: What adjustments are recommended by Staff witness Harris?**

4 A: Mr. Harris recommends a reduction of \$1,877,784 in distribution maintenance expense
5 and \$168,515 in transmission maintenance expense. Since the filing of his testimony;
6 however, Mr. Harris has removed the \$168,515 transmission adjustment.

7 **Q: Please explain why you dispute these adjustments.**

8 A: I dispute Mr. Harris' adjustments for several reasons. First, his analysis does not take
9 into account the time value of money. After utilizing the Handy Whitman index (an
10 index of trends in construction costs widely utilized by public utilities), to normalize the
11 maintenance expenses, adjusted to 2005 dollars, KCPL argues that the normalized
12 adjustment should be calculated as an increase of \$1,150,331 for distribution
13 maintenance expense and \$35,815 in transmission maintenance expense. This calculation
14 compares the 2005 test year to the six-year average. Schedule JRM-4 attached to this
15 testimony provides the calculations for the revised normalized adjustments.

16 Additionally, due to KCPL's continued focus on managing and controlling
17 maintenance costs, in 2005 dollars, the 2005 test year expenses are less than the six-year
18 average despite absorbing increases in labor rates, materials and fuel during the six-year
19 period. We expect these increases to continue into 2006 and beyond, and have
20 experienced higher price increases in 2006 for fuel and materials (transformers, cables,
21 poles) than in previous years. We will also be absorbing an additional operation and
22 maintenance ("O&M") impact of approximately \$2 million a year resulting from the
23 Asset Management Inventory and System Assessment Project discussed throughout my

1 Direct Testimony previously filed in this case. These costs were not captured in the
2 original Stipulation and Agreement in Case No. EO-2005-0329 or in my Direct
3 Testimony in this case, and will be incremental to the amounts specified in the 2005 test
4 year and the six-year average.

5 An integral part of the Stipulation and Agreement approved in Case No. EO-
6 2005-0329 addressed the need for continued and even increased attention by the
7 Company in the area of asset management. It was the parties' intention to ensure that
8 reliability initiatives not suffer during this period of large investments in generation. As
9 evidence of that intention, the Stipulation and Agreement allowed for additional capital
10 investments totaling \$42.3 million dollars over a five-year period.

11 From Appendix D of the Stipulation and Agreement:

12 *"This plan request assumes a certain level of **maintenance expenditures***
13 *including a project to conduct a system wide condition assessment and*
14 *inventory of the overhead distribution system. This project is*
15 *predominately a maintenance expenditure that provides substantial return*
16 *by improving our ability to target capital renewal programs towards*
17 *facilities that are nearing the end of life. Our plan is to implement this*
18 *project in 2005 and complete it in 2008."* (Emphasis added).

19 A reduction in distribution and transmission maintenance expenses could make it
20 more difficult for KCPL to implement the Inventory and System Assessment Project, as
21 well as the other projects associated with the Asset Management Plan, discussed in my
22 Direct Testimony. The Plan is the structured and disciplined process to develop the
23 program of work for system expansion, system improvements, and maintenance (both
24 corrective and preventive). It will optimize system maintenance programs, improve
25 system design for better long-term performance and optimize strategic capital and O&M
26 investments as envisioned in the Stipulation and Agreement.

1 Q: Does that conclude your testimony?

2 A: Yes, it does.

Kansas City Power & Light Co.
Maintenance Normalization

Historical Maintenance Information

Non-Labor Maintenance


		12-mos. Ending	12-mos. Ending	12-mos. Ending	12-mos. Ending	12-mos. Ending	12-mos. Ending	Yr-2000 \$	Yr-2001 \$	Yr-2002 \$	Yr-2003 \$	Yr-2004 \$	6-year	6-year	Revised
		Dec 31, 2000	Dec 31, 2001	Dec 31, 2002	Dec 31, 2003	Dec 31, 2004	Dec 31, 2005	Adjusted with	Adjusted with	Adjusted with	Adjusted with	Adjusted with	Adjusted Total	Adjusted	Normalized
								2005 Handy-	2005 Handy-	2005 Handy-	2005 Handy-	2005 Handy-	2000-2005	2000-2005	Adjustments
								Whitman Index	Whitman Index	Whitman Index	Whitman Index	Whitman Index		Avg	
Total Electric Maintenance Transmission															
568.000	Trans Maintenace Suprv & Engineering	3	0	0	20	20	315	4	0	0	23	21	363	61	(254)
569.000	Transmission Maintenance of Structures	1,219	9,683	738	8,447	30,277	25,130	1,482	11,427	848	9,508	31,348	79,744	13,291	(11,839)
570.000	Trans Maintenance of Station Equipment	256,020	356,065	328,998	290,162	239,873	340,344	318,417	425,730	384,998	338,750	254,801	2,063,040	343,840	3,496
571.000	Trans Maintenance of Overhead Lines	895,878	1,104,803	797,741	905,210	1,212,314	1,133,257	1,113,683	1,336,614	978,225	1,095,142	1,349,228	7,006,151	1,167,692	34,435
572.000	Trans Maintenance of Underground Lines	7,865	11,062	25,928	(419)	92,245	18,002	9,518	13,537	30,832	(489)	96,478	167,878	27,980	9,978
573.000	Trans Maintenance of Misc Trans Plant	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Electric Maint Transmission		1,160,985	1,481,613	1,153,405	1,203,420	1,574,729	1,517,048	1,443,104	1,787,308	1,394,903	1,442,936	1,731,877	9,317,175	1,552,863	35,815
Total Electric Maintenance Distribution															
590.000	Distr Maint Suprv & Engineering	42	3,690	83,795	33,876	56,068	50,629	52	4,447	97,333	38,283	59,796	250,540	41,757	(8,872)
591.000	Distr Maint of Structures	217,650	448,494	627,091	374,055	481,259	558,227	261,066	518,891	697,276	404,121	506,764	2,946,344	491,057	(67,170)
592.000	Distr Maint of Station Equipment	457,117	452,783	398,725	430,026	292,198	603,984	558,164	542,872	483,051	516,922	307,437	3,012,430	502,072	(101,912)
593.000	Distr Maint of Overhead Lines	14,181,911	14,544,959	25,434,720	15,066,386	14,393,114	17,851,471	18,152,846	17,901,488	30,497,838	17,452,465	15,746,313	117,602,421	19,600,403	1,748,932
594.000	Distr Maint of Underground Lines	400,383	596,923	684,165	773,266	496,127	809,869	488,666	735,394	817,255	907,145	550,785	4,309,114	718,186	(91,683)
595.000	Distr Maint of Line Transformer	209,089	130,402	191,506	239,387	330,549	350,857	260,670	155,712	219,418	267,773	354,339	1,608,769	268,128	(82,729)
596.000	Distr Maint of Street Light & S	297,713	594,737	1,235,942	944,864	1,034,103	1,167,100	376,214	726,265	1,420,494	1,019,089	1,094,426	5,803,589	967,265	(199,835)
597.000	Distr Maintenance of Meters	169,836	132,237	79,336	109,262	99,999	105,911	254,754	172,189	89,914	118,561	95,924	837,253	139,542	33,631
598.000	Distr Maintenance of Misc Distr Plant	36,501	30,969	33,255	987	49,156	131,023	45,436	37,324	38,628	1,115	52,425	305,950	50,992	(80,031)
Total Electric Maintenance Distribution		15,970,242	16,935,194	28,768,535	17,972,109	17,232,573	21,629,071	20,397,869	20,794,582	34,361,206	20,725,474	18,768,208	136,676,410	22,779,402	1,150,331

In the Matter of the Application of Kansas City)
Power & Light Company to Modify Its Tariff to) Case No. ER-2006-0314
Begin the Implementation of Its Regulatory Plan)

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

1. My name is John R. Marshall. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Senior Vice President, Delivery Division.

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.


JOHN R. MARSHALL

of September 2006.

Carol Striils

Notary Public

My commission expires:



CAROL SIVILS
Notary Public - Notary Seal
STATE OF MISSOURI
Clay County
My Commission Expires: June 15, 2007