

Exhibit No.:
Issue: Policy
Witness: Natelle Dietrich
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: ER-2016-0285
Date Testimony Prepared: November 30, 2016

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

DIRECT TESTIMONY

OF

NATELLE DIETRICH

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2016-0285

Jefferson City, Missouri
November 2016

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1 activities relate to oversight of Staff's analysis and positions on renewable energy, energy
2 efficiency, demand side management, demand response and smart grid. I was a member of
3 the Missouri Delegation to the Missouri/Moldova Partnership through National Association of
4 Regulatory Utility Commissioners ("NARUC") and the US Agency for International
5 Development.

6 I am a member of the NARUC Subcommittee on Rate Design and the Staff
7 Subcommittee on Telecommunications. I serve on the Staff of the Federal/State Joint Board
8 on Universal Service, serve as lead Staff for the Missouri Universal Service Board, and was a
9 member of the Governor's MoBroadbandNow taskforce.

10 Q. Have you previously testified before the Commission?

11 A. Yes. My Case Summary is attached as Schedule ND-d1.

12 **EXECUTIVE SUMMARY**

13 Q. What is the purpose of your testimony?

14 A. The purpose of my testimony is to sponsor the Staff's Revenue Requirement
15 Report that is being filed concurrently with this testimony, provide an overview of Staff's
16 revenue requirement calculation, and if requested at hearing, address questions of a general or
17 policy nature regarding the work performed by, or the positions taken by Staff in this
18 proceeding.

19 Q. Is Staff filing anything other than your testimony and Staff's Revenue
20 Requirement Report at this time?

21 A. Yes. Staff is also separately filing its accounting schedules. On December 14,
22 2016, Staff will separately file direct testimony and a report on its class cost-of-service and
23 rate design analyses and recommendations, and a report responding to the various issues

1 raised in the Commission's Order Directing Consideration of Certain Questions in Testimony
2 and the Commission's Order Directing Submittal of Infrastructure Tariff.

3 Q. What did Staff review for Staff's Revenue Requirement Report?

4 A. Staff reviewed all the cost-of-service components (capital structure, return on
5 rate base, rate base, depreciation expense, and operating expenses) that comprise Kansas City
6 Power & Light Company's ("KCPL") revenue requirement based on the 12-months ending
7 December 31, 2015.

8 Q. Based on Staff's review, what is Staff's recommendation concerning KCPL's
9 revenue requirement?

10 A. Based on the information available at the time of filing Staff's Cost-of-Service
11 Report, Staff does not have enough information to support a change in rates. If the
12 Commission determines new rates are appropriate, Staff recommends a return on equity
13 (ROE) of 8.65% which is the upper end of equity cost rate range of 7.9% to 8.75%.
14 Combined with recommended capitalization ratios and senior capital cost rate, overall rate of
15 return cost of capital for KCPL is 7.01%.

16 Q. What rate increase is KCPL requesting?

17 A. KCPL filed its Direct Testimony on July 1, 2016, requesting an increase in
18 revenues of \$90.1 million, including the rebasing of fuel for the FAC, or an expected increase
19 in rates of approximately 10.77% based on test year retail revenue of \$836.5 million. KCPL
20 proposes to increase the revenues of each customer class by 7.25%. For a typical residential
21 customer, KCPL states the increase would be approximately \$9 per month. KCPL is
22 requesting a ROE of 9.9%.

1 Q. What does KCPL cite as the reason(s) for the requested increase?

2 A. At page 4 of his Direct Testimony, KCPL witness Darrin R. Ives cites several
3 factors for the requested increase, including recovery of new investments and resetting of the
4 cost of service based upon the test year as well as forecasted expenses for Southwest Power
5 Pool (SPP) transmission (net of SPP transmission-related revenues) and state assessed
6 property taxes, in order to provide a reasonable opportunity for KCPL to earn its
7 Commission-authorized return. Mr. Ives also states KCPL is experiencing periods where its
8 average use per customer is flattening or declining, which according to Mr. Ives, makes it
9 difficult for KCPL to absorb any cost increases to its cost of service. Finally, KCPL is
10 requesting to continue, with modification, its fuel adjustment clause (FAC).

11 Q. Is the requested rate increase related to Great Plains Energy's announcement of
12 its intent to acquire Westar Energy?

13 A. No. Mr. Ives, at page 5 of his Direct Testimony, states, "KCP&L is making no
14 request regarding this announced transaction in this filing and has included no costs
15 associated with the transaction in its filing in this case."

16 Q. Does Staff address other issues in its Cost-of-Service Report?

17 A. Yes. It is important to note that on October 17, 2016, Staff filed its report in
18 File No. EW-2016-0313, the Commission's working case to consider policies to improve
19 electric utility regulation. Some of the issues identified and discussed in Staff's report are
20 relevant to rate case processing and will be addressed, as applicable, in Staff's Rebuttal
21 Testimony in this case; however, Staff is committed to healthy utilities and continues to favor
22 policies that would encourage capital investments and allow utilities to earn returns on those
23 investments sooner. Staff also addresses the Clean Charge Network (CCN) in its Cost-of-

1 Service Report. Staff counsel advises the Commission has jurisdiction to regulate the CCN.
2 In Staff's opinion, ratepayers should be held harmless from the proposed project; therefore,
3 Staff recommends all revenues, expenses and investment associated with the CCN be
4 recorded below-the-line.

5 **REPORT ON COST OF SERVICE**

6 Q. How is Staff's Cost-of-Service Report organized?

7 A. It is organized by topic as follows:

- 8 I. Background of KCPL
- 9 II. Executive Summary
- 10 III. Economic Considerations
- 11 IV. Rate of Return
- 12 V. Rate Base
- 13 VI. Income Statement (Revenues)
- 14 VII. Income Statement (Expenses)
- 15 VIII. Depreciation
- 16 IX. Current and Deferred Income Tax
- 17 X. Jurisdictional Allocation
- 18 XI. Fuel Adjustment Clause and Transmission Expenses
- 19 XIII. Other Miscellaneous Issues

20 The Rate Base and Income Statement sections of Staff's Revenue Requirement Report have
21 numerous subsections which explain each specific adjustment Staff made to the EMS run
22 Staff developed in this case. The Staff member responsible for writing each subsection of the
23 report is identified at the end of the subsection. The affidavit of each Staff person who
24 contributed to the report is included in an appendix to the report.

25 Short forms used in the Staff's Revenue Requirement Report and Class Cost-of-
26 Service Report include:

- 27 "the Commission" for the Missouri Public Service Commission;
- 28 "Staff" for the Staff of the Missouri Public Service Commission;
- 29 "KCPL" for Kansas City Power & Light Company;

1 “GMO” for KCP&L Greater Missouri Operations Company;
2 “Public Counsel” for the Office of the Public Counsel;
3 “EMS” for Staff’s revenue requirement model referred to as Exhibit
4 Modeling System;
5 “ROE” for Return on Equity;
6 “ROR” for Rate of Return;
7 “SPP” for Southwest Power Pool;
8 “RTO” for Regional Transmission Organization

9 **OVERVIEW OF STAFF’S RECOMMENDED REVENUE REQUIREMENT**

10 Q. How does one determine the revenue requirement for a regulated utility?

11 A. The revenue requirement¹ for a regulated utility can be defined by the
12 following formula:

13 Revenue Requirement = Cost of Providing Utility Service
14 or

$$15 \quad RR = O + (V - D)R \text{ where,}$$

16 RR = Revenue Requirement

17 O = Operating Costs (Fuel, Payroll, Maintenance, etc.), Depreciation and Taxes

18 V = Gross Valuation of Property Required for Providing Service

19 D = Accumulated Depreciation Representing Recovery of Gross
20 Property Investment

21 V - D = Rate Base (Gross Property Investment less Accumulated
22 Depreciation = Net Property Investment)

23 (V - D)R = Return Allowed on Net Property Investment

24 Q. Does this conclude your testimony?

25 A. Yes.

¹ Most properly, “revenue requirement” refers to the total cost for a utility to provide safe and reliable service. Commonly, in the context of Commission rate cases, the term “revenue requirement” is generally used to refer to the increase or decrease in revenue over the revenues produced from a utility’s current rates.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

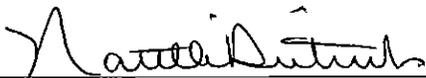
In the Matter of Kansas City Power & Light)
Company's Request for Authority to) Case No. ER-2016-0285
Implement A General Rate Increase for)
Electric Service)

AFFIDAVIT OF NATELLE DIETRICH

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW NATELLE DIETRICH and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Direct Testimony; and that the same is true and correct according to her best knowledge and belief.

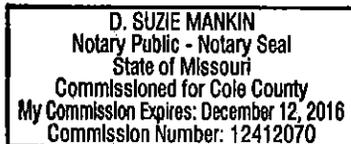
Further the Affiant sayeth not.

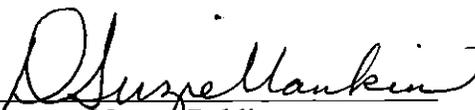


NATELLE DIETRICH

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 30th day of November, 2016.





Notary Public

Natelle Dietrich
Case Summary

Presented testimony or analysis through affidavits on the following cases and proceedings:

- Case No. TA-99-405, an analysis of the appropriateness of a “payday loan” company providing prepaid telecommunications service.
- Case No. TX-2001-73, In the Matter of Proposed New Rules on Prepaid Calling Cards.
- Case No. TO-2001-455, the AT&T/Southwestern Bell Telephone Company arbitration, which included issues associated with unbundled network elements.
- Case No. TX-2001-512, In the Matter of Proposed Amendments to Commission Rule 4 CSR 240-33.010, 33.020, 33.030, 33.040, 33.060, 33.070, 33.080, 33.110, and 33.150 (telecommunications billing practices).
- Case No. TO-2002-222, the MCI/SWBT arbitration.
- Case No. TR-2002-251, In the Matter of the Tariffs Filed by Sprint Missouri, Inc. d/b/a Sprint to Reduce the Basic Rates by the Change in the CPI-TS as Required by 392.245(4), Updating its Maximum Allowable Prices for Non-Basic Services and Adjusting Certain Rates as Allowed by 392.245(11) and Reducing Certain Switched Access Rates and Rebalancing to Local Rates as Allowed by 392.245(9).
- Case No. TX-2002-1026, In the Matter of a Proposed Rulemaking to Implement the Missouri Universal Service Fund End-User Surcharge.
- Case No. TX-2003-0379, In the Matter of Proposed Amendments to Commission Rule 4 CSR 240-3.545, formerly 4 CSR 240-30.010 (tariff filing requirements).
- Case No. TX-2003-0380, In the Matter of Proposed Amendments to Commission Rules 4 CSR 240-2.060, 4 CSR 240-3.020, 4 CSR 240-3.510, 4 CSR 240-3.520, and 4 CSR 240-3.525 (competitive local exchange carrier filing requirements and merger-type transactions).
- Case No. TX-2003-0389, In the Matter of Proposed Amendment to Commission Rules 4 CSR 240-3.530 and 4 CSR 240-3.535, and New Rules 4 CSR 240-3.560 and 4 CSR 240-3.565 (telecommunications bankruptcies and cessation of operation).
- Case No. TX-2003-0445, In the Matter of a Proposed New Rule 4 CSR 240-33.160 Regarding Customer Proprietary Network Information.
- Case No. TX-2003-0487, In the Matter of Proposed Commission Rules 4 CSR 240-36.010, 36.020, 36.030, 36.040, 36.050, 36.060, 36.070, and 36.080 (arbitration and mediation rules).
- Case No. TX-2003-0565, In the Matter of a Proposed Rulemaking to Codify Procedures for Telecommunications Carriers to Seek Approval, Amendment and Adoption of Interconnection and Resale Agreements.
- Case Nos. TX-2004-0153 and 0154, in the Matter of Proposed Rule for 211 Service (emergency and permanent rules).

- Case Nos. TO-2004-0370, IO-2004-0467, TO-2004-0505 et al, In the Matter of the Petition of various small LECs for Suspension of the Federal Communications Commission Requirement to Implement Number Portability.
- Case No. TX-2005-0258, In the Matter of a New Proposed Rule 4 CSR 240-33.045 (placement and identification of charges on customer bills).
- Case No. TX-2005-0460, In the Matter of the Proposed Amendments to the Missouri Universal Service Fund Rules.
- Case No. TO-2006-0093, In the Matter of the Request of Southwestern Bell Telephone, L.P. d/b/a SBC Missouri, for Competitive Classification Pursuant to Section 392.245.6, RSMo (2205) – 30-day Petition.
- Case Nos. TC-2005-0357, IR-2006-0374, TM-2006-0306, the complaint case, earnings investigation and transfer of assets case to resolve issues related to Cass County Telephone Company, LP, LEC Long Distance, FairPoint Communications, Inc., FairPoint Communications Missouri Inc. d/b/a FairPoint Communications and ST Long Distance Inc. db/a FairPoint Communications Long Distance.
- Case No. TC-2006-0068, FullTel, Inc., v. CenturyTel of Missouri, LLC.
- Case No. TX-2006-0169, In the Matter of Proposed New Rule 4 CSR 240-3.570 Regarding Eligible Telecommunications Carrier Designations for Receipt of Federal Universal Service Fund Support.
- Case No. TX-2006-0429, In the Matter of a Proposed Amendment to 4 CSR 240-3.545 (one day tariff filings).
- Case No. TX-2007-0086, In the Matter of a Proposed Rulemaking to Create Chapter 37 – Number Pooling and Number Conservation Efforts
- Case No. TA-2009-0327, In the Matter of the Petition of TracFone Wireless, Inc. for Designation as an Eligible Telecommunications Carrier in the State of Missouri for the Limited Purpose of Offering Lifeline and Link Up Service to Qualified Households.
- Case No. RA-2009-0375, In the Matter of the application of Nexus Communications, Inc. dba TSI for Designation as an Eligible Telecommunications Carrier in the State of Missouri for the Limited Purpose of Offering Wireless Lifeline and Link Up Service to Qualifying Households.
- Case No. AX-2010-0061, Office of Public Counsel’s Petition for Promulgation of Rules Relating to Billing and Payment Standards for Residential Customers.
- Case No. GT-2009-0056, In the Matter of Laclede Gas Company’s Tariff Revision Designed to Clarify its Liability for Damages Occurring on Customer Piping and Equipment Beyond the Company’s Meter.
- Case No. ER-2012-0166, In the Matter of Union Electric Company d/b/a Ameren Missouri’s Tariffs to Increase Its Revenues for Electric Service. Energy Independence and Security Act of 2007 (EISA).
- Case No. ER-2012-0174, In the Matter of Kansas City Power & Light Company’s Request for Authority to Implement A General Rate Increase for Electric Service. Energy Independence and Security Act of 2007 (EISA).

- Case No. ER-2012-0175, In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement A General Rate Increase for Electric Service. Energy Independence and Security Act of 2007 (EISA).
- Case No. ER-2012-0345, In the Matter of Empire District Electric Company of Joplin, Missouri Tariff's Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company. Energy Independence and Security Act of 2007 (EISA).
- File Nos. EO-2013-0396 and EO-2013-0431, In the Matter of the Joint Application of Entergy Arkansas, Inc., Mid South TransCo, LLC, Transmission Company Arkansas, LLC and ITC Midsouth LLC for Approval of Transfer of Assets and Certificate of Convenience and Necessity, and Merger and, in connection therewith, Certain Other Related Transactions; and In the Matter of Entergy Arkansas, Inc.'s Notification of Intent to Change Functional Control of Its Missouri Electric Transmission Facilities to the Midwest Independent Transmission System Operator Inc. Regional Transmission System Organization or Alternative Request to Change Functional Control and Motions for Waiver and Expedited Treatment, respectively.
- Case No. MX-2013-0432, In the Matter of a Proposed Rulemaking to Revise Manufactured Housing Rules Regarding Installation and Monthly Reporting Requirements.
- Case No. TX-2013-0324, In the Matter of a Proposed Rulemaking to the Missouri Universal Service Fund.
- Case No. EO-2014-0095, In the Matter of Kansas City Power & Light Company's Filing for Approval of Demand-Side Programs and for Authority to Establish Demand-Side Programs Investment Mechanism.
- Case No. EA-2014-0207, In the Matter of the Application of Grain Belt Express Clean Line LLC for a Certificate of Convenience and Necessity Authorizing It to Construct, Own, Operate, Control, Manage, and Maintain a High Voltage, Direct Current Transmission Line and an Associated Converter Station Providing an Interconnection on the Maywood - Montgomery 345 kV Transmission Line.
- Case No. ER-2014-0370, In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service.
- Case No. WR-2015-0301, In the Matter of Missouri-American Water Company's Request for Authority to Implement a General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas.
- Case No. ER-2016-0246, In the Matter of the Application of Union Electric Company d/b/a Ameren Missouri for Approval of a Tariff Setting a Rate for Electric Vehicle Charging Stations.
- Case No. ER-2016-0156, In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service.
- Actively participated in or prepared comments on numerous issues on behalf of the Commission to be filed at the Federal Communications Commission.

- Prepared congressional testimony on behalf of the Commission on number conservation efforts in Missouri.
- A principal author on Missouri Public Service Commission Comments on the Reduction of Carbon Emissions in Missouri under Section 111(d) of the Clean Air Act.
- A principal author on Missouri Public Service Commission Comments on the Environmental Protection Agency's "Emission Guidelines for Existing Stationary Sources: Electric Generating Unity".

Commission Arbitration Advisory Lead Staff for the following cases:

- Case No. TO-2005-0336, Southwestern Bell Telephone, L.P., d/b/a SBC Missouri's Petition for Compulsory Arbitration of Unresolved Issues For a Successor Interconnection Agreement to the Missouri 271 Agreement ("M2A").
- Case No. IO-2005-0468, In the Matter of the Petition of Alma Telephone Company for Arbitration of Unresolved Issues Pertaining to a Section 251(b)(5) Agreement with T-Mobile USA, Inc.
- Case No. TO-2006-0147 et al, In the Matter of the Petition for Arbitration of Unresolved Issues in a Section 251(b)(5) Agreement with T-Mobile USA, Inc and Cingular Wireless.
- Case No. TO-2006-0299, Petition of Socket Telecom, LLC for Compulsory Arbitration of Interconnection Agreements with CenturyTel of Missouri, LLC and Spectra Communications, LLC, pursuant to Section 251(b)(1) of the Telecommunications Act of 1996.
- Case No. TO-2006-0463, In the Matter of the Petition for Arbitration of Unresolved Issues in a Section 251(b)(5) Agreement with ALLTEL Wireless and Western Wireless.
- Case No. TO-2009-0037, In the Matter of the Petition of Charter Fiberlink-Missouri, LLC for Arbitration of an Interconnection Agreement Between CenturyTel of Missouri, LLC and Charter Fiberlink-Missouri, LLC.