

Project 8544

**In the Matter of the Application of  
Kansas City Power & Light Company  
for Approval to Make Certain Changes  
in its Charges for Electric Service to  
Begin the Implementation of Its  
Regulatory Plan**

STATE OF MISSOURI            )  
  )  
COUNTY OF ST. LOUIS        )            SS

**BRUBAKER & ASSOCIATES, INC.**

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

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**In the Matter of the Application of  
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in its Charges for Electric Service to  
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**Case No. ER-2006-0314**

**Rebuttal Testimony of Maurice Brubaker**

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

2    A     Maurice Brubaker. My business address is 1215 Fern Ridge Parkway, Suite 208,  
3           St. Louis, Missouri 63141-2000.

4    **Q     WHAT IS YOUR OCCUPATION?**

5    A     I am a consultant in the field of public utility regulation and president of Brubaker &  
6           Associates, Inc., energy, economic and regulatory consultants.

7    **Q     HAVE YOU PREVIOUSLY FILED REVENUE REQUIREMENT TESTIMONY IN THIS**  
8           **PROCEEDING?**

9    A     Yes. I filed revenue requirement testimony on August 8, 2006. (I also filed direct  
10          testimony on cost of service, revenue allocation and rate design on August 22, 2006.)

11   **Q     DO YOUR QUALIFICATIONS APPEAR IN YOUR PRIOR TESTIMONY?**

12   A     Yes. My qualifications appear as Appendix A to my direct testimony on revenue  
13          requirement issues.

1    **Q     WHAT REVENUE REQUIREMENT ISSUES ARE YOU ADDRESSING IN THIS**  
2    **REBUTTAL TESTIMONY?**

3    A     I address two methods utilized by KCPL in its jurisdictional study to allocate costs and  
4           revenues among the Missouri retail jurisdiction, the Kansas retail jurisdiction and the  
5           FERC jurisdiction.

6    **Q     DOES THE FACT THAT YOU ARE NOT ADDRESSING ANY OTHER REVENUE**  
7    **REQUIREMENT ISSUE CONSTITUTE AN ENDORSEMENT OF ANY PARTICULAR**  
8    **POSITION ON THOSE MATTERS NOT ADDRESSED?**

9    A     No.

10   **Q     PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.**

11   A     My rebuttal testimony may be summarized as follows:

- 12           1. KCPL's demand costs allocation methodology applied to generation and  
13           transmission does not give appropriate recognition to the summer peaking  
14           characteristics of the system. The result is to over-allocate costs to the Missouri  
15           jurisdiction. Instead of KCPL's 12 monthly coincident peak allocation method, the  
16           four coincident peak allocation method used by Commission Staff witnesses is  
17           appropriate.
- 18           2. KCPL's allocation methodology for imputed profits from off-system sales is not  
19           supported. The energy allocation method employed by Commission Staff  
20           witnesses is more appropriate and should be adopted.

21   **Q     WHAT METHODOLOGY FOR ALLOCATING DEMAND-RELATED GENERATION**  
22    **AND TRANSMISSION COSTS AMONG JURISDICTIONS DID KCPL EMPLOY?**

23   A     As discussed in the direct testimony of KCPL witness Don Frerking, KCPL used the  
24           average contributions of the Missouri jurisdiction to KCPL's 12 monthly system peaks.  
25           This methodology gives weighting to demands in every month of the year, despite the  
26           fact that demands in many months of the year are significantly below the peak

1 summer levels. This approach allocates more costs than appropriate to the Missouri  
2 retail jurisdiction, which has an above-average load factor.

3 Schedules 1 and 2 attached to my direct testimony on cost of service, revenue  
4 allocation and rate design show the total company and also the Missouri jurisdictional  
5 monthly peaks for the 12 month period ended September 30, 2005 that was used for  
6 class cost of service purposes.

7 Attached hereto as Schedules 1 and 2 to this rebuttal testimony is a similar  
8 presentation which shows the peak loads of KCPL in total, and also the loads of the  
9 Missouri jurisdiction as those loads were used in the June 2006 updated revenue  
10 requirement studies. As expected, the pattern is the same, and summer peak loads  
11 predominate.

12 **Q PLEASE EXPLAIN THE RELEVANCE OF KCPL'S MONTHLY LOAD CURVE AS IT**  
13 **APPLIES TO THE CONSTRUCTION OF PRODUCTION AND TRANSMISSION**  
14 **FACILITIES.**

15 **A** As explained in my previously filed rate design testimony, the electric industry is  
16 unique in that electricity cannot be stored and must be produced as it is demanded by  
17 the customer. Because of the inability to store electricity, production and  
18 transmission plant must be sized to meet the maximum demand imposed on these  
19 facilities. Given this basic concept, it is clear that KCPL's production and  
20 transmission facilities have been constructed to meet its predominantly summer peak.

1    **Q     THIS BEING THE CASE, WHAT ALLOCATION METHODOLOGY SHOULD BE**  
2           **APPLIED FOR DEMAND-RELATED GENERATION AND TRANSMISSION**  
3           **COSTS?**

4    A     As pointed out in my rate design testimony, the specific allocation method should be  
5           consistent with the principle of cost-causation; that is, the allocation should reflect the  
6           contribution of each customer class (or in this case – each state) to the demands that  
7           caused the utility to incur capacity costs. Therefore, either a form of coincident peak  
8           allocation which would utilize one or more significant demands from the summer  
9           period, or an average and excess allocation methodology which would utilize class  
10          peaks from the summer period would be appropriate.

11                 In this context, the Commission Staff accounting witnesses have utilized a  
12                 four-summer coincident peak allocation methodology. For purposes of the  
13                 jurisdictional allocation study, I support Staff's allocation as I believe it is generally  
14                 consistent with cost of service principles.

15   **Q     DID KCPL WITNESSES EXPLAIN WHY THEY CHOSE A 12 COINCIDENT PEAK**  
16           **JURISDICTIONAL ALLOCATION METHODOLOGY?**

17   A     No. None of KCPL's witnesses provided any rationale for this allocation.  
18           Nevertheless, as explained above, it is apparent that KCPL's production and  
19           transmission facilities are constructed to meet the summer peaks experienced by the  
20           company. KCPL's use of a 12 CP demand allocator inappropriately shifts demand  
21           costs from the low load factor Kansas jurisdiction to the higher load factor Missouri  
22           jurisdiction.

1   **Q     HOW DID KCPL ALLOCATE THE MARGINS FROM OFF-SYSTEM SALES**  
2   **AMONG JURISDICTIONS?**

3   A     KCPL allocates what it has identified as profits from off-system sales using a rather  
4         novel methodology which attempts to allocate more profits to the low load factor  
5         Kansas jurisdiction than to the higher load factor Missouri jurisdiction. The theory  
6         expressed is that the low load factor jurisdiction has a load pattern which frees up  
7         more capacity at certain times to facilitate off-system sales, than is true for the  
8         Missouri jurisdiction, which has a higher load factor.

9   **Q     DO YOU AGREE WITH KCPL'S ALLOCATION METHODOLOGY?**

10  A     No. This methodology does not give any consideration at all to sales made from the  
11         reserve capacity that is paid for by all customers and carried for the benefit of all  
12         customers in proportion to customer loads, rather than in proportion to some  
13         ill-defined notion of "unused energy." It also does not recognize scheduled  
14         maintenance requirements or forced outage events, nor does it recognize specific  
15         class load patterns. It is a rather simplistic, broad brush and unique allocation  
16         formula. More typically, all of the revenues generated from off-system sales,  
17         including any imputed profit margin, would be allocated to customer groups or  
18         jurisdictions on the basis of energy. This is the methodology which Commission Staff  
19         accounting witnesses have employed for purposes of their jurisdictional allocation  
20         and I believe it is appropriate.

1    **Q     IN THE EVENT THAT KCPL'S ALLOCATION METHODOLOGY IS USED, DO YOU**  
2           **HAVE ANY SUGGESTIONS IN ORDER TO ACHIEVE MORE EQUITABLE**  
3           **TREATMENT OF ALL CUSTOMERS?**

4    A     Yes. In allocating off-system sales margins, KCPL's method places heavy reliance  
5           on the relative load factors of Missouri versus Kansas and allocates less of the  
6           margins to Missouri on the theory that Missouri customers are using the generation  
7           plant more hours, making it less available for off-systems sales. I noted previously  
8           some of the problems with this approach. However, if this approach is utilized, the  
9           importance of the relative load factors should be recognized in other aspects of  
10          KCPL's cost of service as well. To achieve symmetry, Missouri retail customers  
11          should be allocated a correspondingly larger share of energy from lower running cost  
12          generation that KCPL's allocation logic says they are using more intensively.

13   **Q     DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY ON REVENUE**  
14          **REQUIREMENTS?**

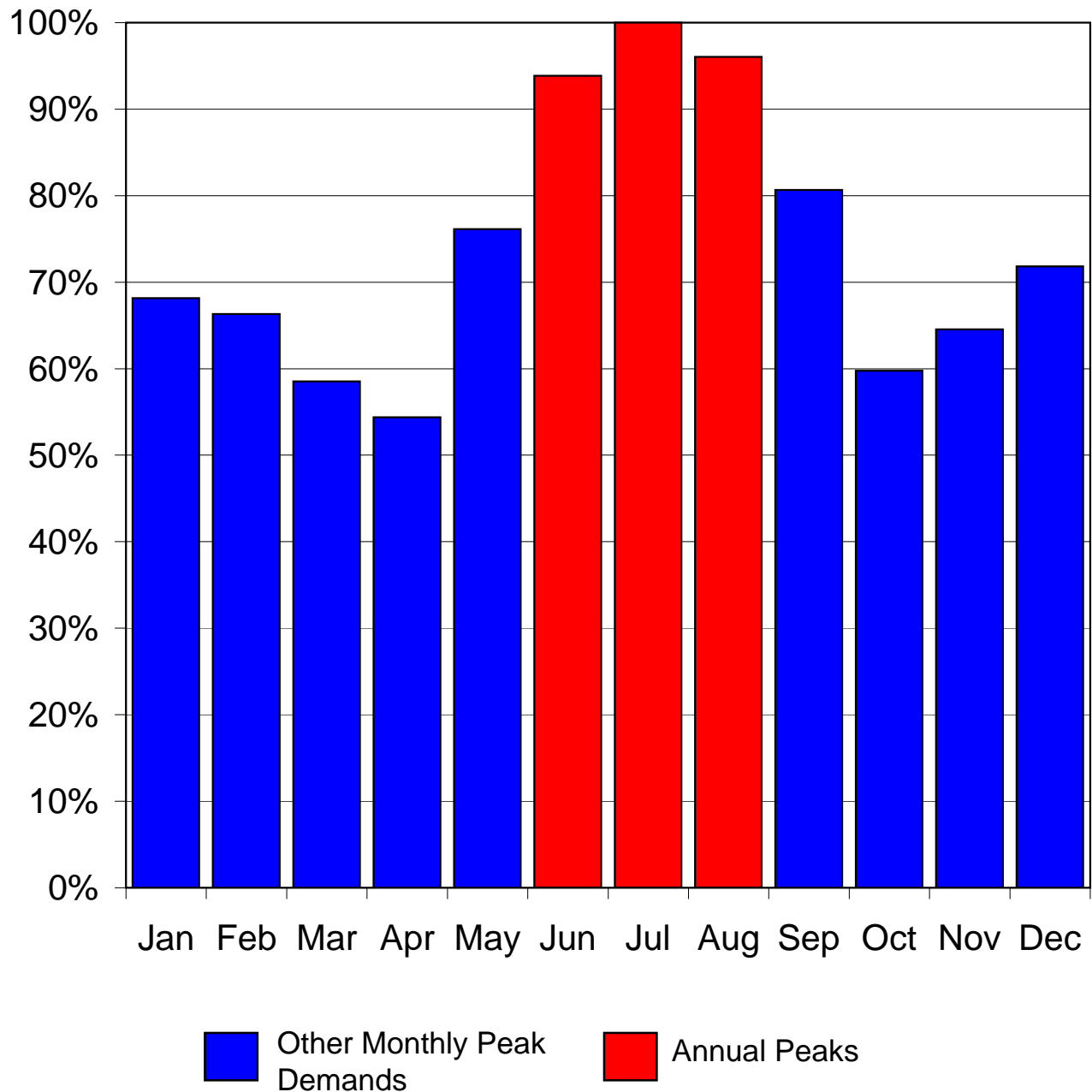
15   A     Yes, it does.

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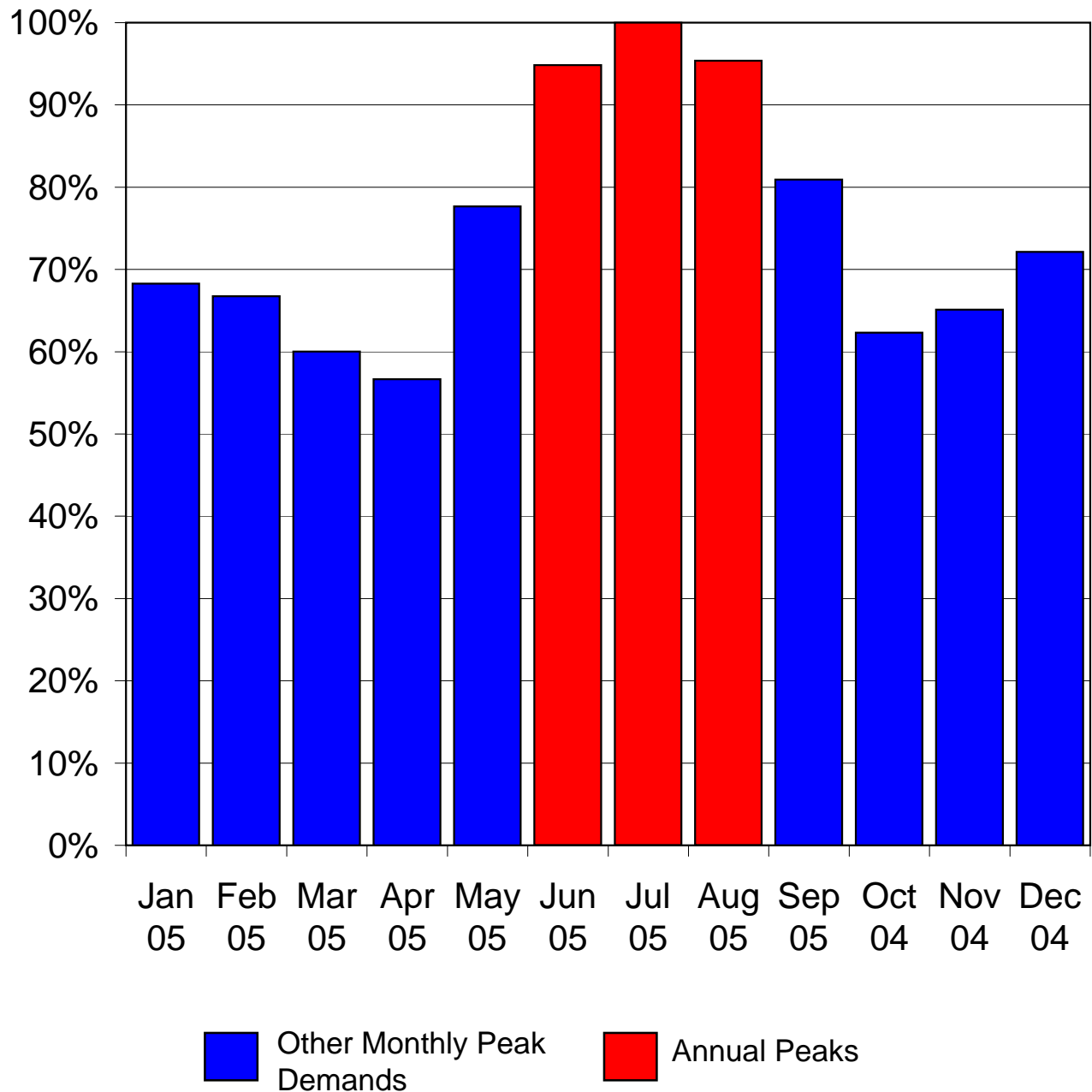
# KANSAS CITY POWER & LIGHT COMPANY

## Analysis of KCPL's Monthly Peak Demands as a Percent of the Annual System Peak (Weather Normalized and with Losses) June 2006 Updated Data



# KANSAS CITY POWER & LIGHT COMPANY

## Analysis of Missouri's Monthly Peak Demands as a Percent of the Annual System Peak (Weather Normalized and with Losses) June 2006 Updated Data



## KANSAS CITY POWER & LIGHT COMPANY

### Analysis of KCPL's Monthly Peak Demands as a Percent of the Annual System Peak (Weather Normalized and with Losses) June 2006 Updated Data

<u>Line</u>	<u>Description</u>	Total Company <u>MW</u>	<u>Percent</u>
		(1)	(2)
1	January	2,436	68
2	February	2,371	66
3	March	2,092	59
4	April	1,944	54
5	May	2,722	76
6	June	3,356	94
7	July	3,575	100
8	August	3,433	96
9	September	2,883	81
10	October	2,137	60
11	November	2,308	65
12	December	2,568	72

Source: "Unused Energy Allocator,"  
Demand Allocator, Page 1 of 1

## KANSAS CITY POWER & LIGHT COMPANY

### Analysis of Missouri's Monthly Peak Demands as a Percent of the Annual System Peak (Weather Normalized and with Losses) June 2006 Updated Data

<u>Line</u>	<u>Description</u>	Missouri Jurisdiction	<u>Percent</u> (2)
		<u>MW</u> (1)	
1	January	1,299	68
2	February	1,270	67
3	March	1,142	60
4	April	1,078	57
5	May	1,478	78
6	June	1,805	95
7	July	1,903	100
8	August	1,815	95
9	September	1,540	81
10	October	1,186	62
11	November	1,239	65
12	December	1,373	72

Source: "Unused Energy Allocator,"  
Demand Allocator, Page 1 of 1