

Exhibit No.:

Issue(s):

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

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Regulatory Plan Issue

Trippensee/Rebuttal

Public Counsel

EM-2007-0374

**REBUTTAL TESTIMONY**

**OF**

**RUSSELL W. TRIPPENSEE**

Submitted on Behalf of  
the Office of the Public Counsel

**GREAT PLAINS ENERGY, INCORPORATED**  
**AND**  
**KANSAS CITY POWER & LIGHT COMPANY**

**Case No. EM-2007-0374**

October 12, 2007

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

In the Matter of the Joint Application       )  
of Great Plains Energy Incorporated,       )  
Kansas City Power & Light Company,       )  
and Aquila, Inc. for Approval of the       )  
Merger of Aquila, Inc. with a Subsidiary       )  
of Great Plains Energy Incorporated and       )  
for Other Related Relief                       )

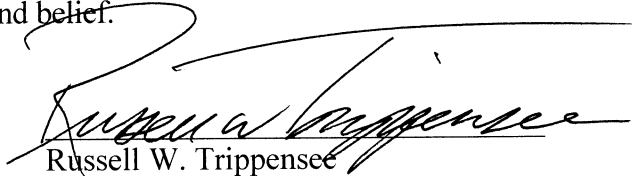
EM-2007-0374

**AFFIDAVIT OF RUSSELL W. TRIPPENSEE**

STATE OF MISSOURI       )  
                                      ) ss  
COUNTY OF COLE       )

Russell W. Trippensee, of lawful age and being first duly sworn, deposes and states:


1. My name is Russell W. Trippensee. I am the Chief Public Utility Accountant for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

  
Russell W. Trippensee

Subscribed and sworn to me this 12<sup>th</sup> day of October 12, 2007.



JERENE A. BUCKMAN  
My Commission Expires  
August 10, 2009  
Cole County  
Commission #05754036

  
Jerene A. Buckman  
Notary Public

My commission expires August 10, 2009

**DIRECT TESTIMONY**  
**OF**  
**RUSSELL W. TRIPPENSEE**  
**KANSAS CITY POWER & LIGHT COMPANY**  
**GREAT PLAINS ENERGY INCORPORATED**  
**AQUILA, INC.**  
**CASE NO. EM-2007-0374**

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

2 A. Russell W. Trippensee. I reside at 1020 Satinwood Court, Jefferson City, Missouri 65109, and my  
3 business address is P.O. Box 2230, Jefferson City, Missouri 65102.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am the Chief Utility Accountant for the Missouri Office of the Public Counsel (OPC or Public  
6 Counsel).

7 **Q. ARE YOU A CERTIFIED PUBLIC ACCOUNTANT?**

8 A. Yes, I hold certificate/license number 2004012797 in the State of Missouri.

9 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

10 A. I attended the University of Missouri at Columbia, from which I received a BSBA degree, major in  
11 Accounting, in December 1977. I also completed the requisite hours for a major in finance. I  
12 attended the 1981 NARUC Annual Regulatory Studies Program at Michigan State University. I have  
13 attended numerous seminars and conferences related to public utility regulation. Finally, I am  
14 required to take a minimum of 40 hours per year of continuing professional education to maintain my  
15 CPA license.

16 **Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE.**

17 A. From May through August, 1977, I was employed as an Accounting Intern by the Missouri Public  
18 Service Commission (MPSC or Commission). In January 1978 I was employed by the MPSC as a

1 Public Utility Accountant I. I left the MPSC staff in June 1984 as a Public Utility Accountant III and  
2 assumed my present position.

3 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL AFFILIATIONS.**

4 A. I served as the chairman of the Accounting and Tax Committee for the National Association of State  
5 Utility Consumer Advocates from 1990-1992 and am currently a member of the committee. I am a  
6 member of the Missouri Society of Certified Public Accountants.

7 **Q. PLEASE DESCRIBE YOUR WORK WHILE YOU WERE EMPLOYED BY THE MPSC**  
8 **STAFF.**

9 A. Under the direction of the Chief Accountant, I supervised and assisted with audits and examinations  
10 of the books and records of public utility companies operating within the State of Missouri with  
11 regard to proposed rate increases.

12 **Q. WHAT IS THE NATURE OF YOUR CURRENT DUTIES WITH THE OFFICE OF**  
13 **THE PUBLIC COUNSEL?**

14 A. I am responsible for the Accounting section of the Office of the Public Counsel and coordinating our  
15 activities with the rest of our office and other parties in rate proceedings. I am also responsible for  
16 performing audits and examinations of public utilities and presenting the findings to the MPSC on  
17 behalf of the public of the State of Missouri.

18 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE MPSC?**

19 A. Yes. I filed testimony in the cases listed on Schedule RWT-1 of my testimony on behalf of the  
20 Missouri Office of the Public Counsel or MPSC Staff.

21 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

1 A. I will respond to the direct testimony regarding the request to apply certain components of the  
2 Regulatory Plan adopted by this Commission for Kansas City Power & Light Company (KCPL) in  
3 Case No. EO-2005-0329 to Aquila, Inc (Aquila) future rate making process if this proposed  
4 acquisition is completed. Specifically, I will address the direct testimony of applicant witnesses  
5 William Downey, Mike Cline, and Terry Bassham who collectively recommend that the section of  
6 the Regulatory Plan entitled Additional Amortization to Maintain Financial Ratios (Regulatory Plan  
7 Amortization) be applied in the next general rate case filed by Aquila.

8 **Q. PLEASE PROVIDE AN OVERVIEW OF THE POINTS YOU WILL DISCUSS.**

9 A. The Regulatory Plan by its very terms was a negotiated agreement among the signatory parties and  
10 the provisions were “interdependent.” The Applicants’ proposal to carve out components of that  
11 agreement while ignoring other components destroys the balance between ratepayers, stockholders,  
12 and creditors that is inherent in the Regulatory Plan. In addition, the Regulatory Plan Amortization  
13 would likely result in the ratepayers backstopping the adverse financial impacts of Aquila’s forays  
14 into unregulated activities that proved disastrous.

15 **Q. DID YOU PARTICIPATE IN CASE NO. EO-2005-0329 INVOLVING KANSAS**  
16 **CITY POWER & LIGHT COMPANY’S REQUEST FOR A REGULATORY PLAN TO**  
17 **ADDRESS ISSUES THAT WOULD ARISE FROM ITS PARTICPATION IN THE**  
18 **CONSTRUCTION OF IATAN II AND OTHER MAJOR INVESTMENTS IN THE**  
19 **YEARS 2006 THROUGH 2010?**

20 A. Yes. As I testified in my direct testimony in that case, Ryan Kind and I served as the primary OPC  
21 staff members on the project and that at least one of us attended every major meeting or presentation  
22 in that case or the proceeding workshop dockets, EO-2004-0577 and EW-2004-0596. The complete  
23 procedural history of Case No. EO-2005-0329 can be found in Paragraph II, “Procedural History” of

1 the Stipulation and Agreement in that case. I also participated in all settlement meetings that lead to  
2 the development of the Stipulation and Agreement in Case No. EO-2005-0329.

3 **Q. DID YOU PARTICIPATE IN CASE NO. EO-2005-0293 INVOLVING**  
4 **AQUILA, INC'S. REQUEST FOR A REGULATORY PLAN TO ADDRESS**  
5 **ISSUES THAT WOULD ARISE FROM ITS PARTICPATION IN THE**  
6 **CONSTRUCTION OF IATAN II AND OTHER MAJOR INVESTMENTS IN THE**  
7 **YEARS 2006 THROUGH 2010?**

8 A. Yes, along with other technical staff of the Office of Public Counsel, specifically Travis Allen and  
9 Ryan Kind. I attended every meeting associated with this case and the development of the Stipulation  
10 & Agreement amongst the signatory parties that the Commission ultimately approved.

11 **Q. WAS A REGULATORY PLAN SIMILAR TO THE KCPL REGULATORY PLAN**  
12 **APPROVED AS A RESULT OF CASE NO. EO-2005-0293?**

13 A. No. Aquila amended its original filing twice. These amendments effectively eliminated the request  
14 for a regulatory plan from the application. The Stipulation & Agreement addressed only a  
15 commitment by Aquila to participate in the ownership of Iatan II and the environmental upgrades to  
16 Iatan I. The Stipulation & Agreement also addressed Aquila demonstrating to KCPL that it could  
17 have a "feasible financing plan for meeting its financial commitments" and the signatory parties  
18 agreed to not oppose Aquila's request for authority to pledge its MPS division electric utility  
19 properties in regard to such financing. Aquila also agreed to have its lender make any payments  
20 directly to KCPL if the requested draw down on the loan exceeded \$10 million.

1    **Q.    DID THE STIPULATION & AGREEMENT IN EO-2005-0293 CONTAIN ANY**  
2       **SPECIFIC PROCEDURES FOR SETTING RATES FOR AQUILA'S MISSOURI**  
3       **OPERATIONS AS ARE CONTAINED IN THE KCPL REGULATORY PLAN?**

4    A.    No. The Stipulation & Agreement only reserved parties' right to address construction costs and  
5       financing costs in subsequent rate proceedings. The Stipulation and Agreement also precludes Aquila  
6       from asserting that since KCPL is the managing partner, that Aquila could not be held responsible for  
7       the results of KCPL decisions in the construction of Iatan II and the additions to Iatan I.

8    **Q.    WHAT ARE THE PRIMARY COMPONENTS OF THE REGULATORY PLAN THAT**  
9       **THE APPLICANTS ARE REQUESTING TO NOW BE APPLIED TO THE RATE**  
10      **MAKING PROCESS FOR AQUILA?**

11   A.    The applicants are asking this Commission to approve the use of the Regulatory Plan Additional  
12      Amortizations based on a cash flow test of specified financial metrics which would result in a revenue  
13      requirement above the traditionally determined revenue requirement if the financial metrics are not  
14      met.

15   **Q.    WAS THE REGULATORY PLAN THE RESULT OF A NEGOCIATED**  
16      **SETTLEMENT?**

17   A.    Yes. The components of the plan were interdependent as evidenced by the following passages from  
18      the Regulatory Plan:

19                    The provisions of this Agreement have resulted from negotiations among the  
20                    Signatory Parties and are interdependent.  
21                    (Section III.B.10.e)

22      The Regulatory Plan goes on to state that:

This Agreement is based on the unique circumstances presented by KCPL to the Signatory Parties. This Agreement shall not be construed to have precedential impact in any other Commission proceeding.  
(Section III.B.10.b)

Finally, it should be recognized that Regulatory Plan did not bind the signatory parties to any position agreed to therein:

Except as specified herein, the Signatory Parties to this Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket;  
(Section III.B.10.d)

**Q. HAVE THE APPLICANTS REQUESTED THAT ALL COMPONENTS OF THE REGULATORY PLAN BE APPLIED TO AQUILA IF THE MERGER IS APPROVED?**

A. No. The Applicants have completely ignored the components of the Regulatory Plan that provide benefits to the consumer and result in a fair and balanced treatment of all stakeholders.

**Q. IN YOUR OPINION, WHY WAS THE STIPULATION & AGREEMENT REACHED IN CASE NO. EO-2005-0293 NOT SIMILAR TO THE REGULATORY PLAN AGREED TO IN CASE NO. EO-2005-0329?**

A. The primary reason can be found in Section III.B.1.i of the Regulatory Plan where it states:

The Signatory Parties agree that it is desirable to maintain KCPL's debt at investment grade rating during the period of the construction expenditures contained in this Agreement.

As a result of its non-regulated operations, Aquila was not an investment grade company during the pendency of EO-2005-0293 and in fact is not an investment grade company today. As a result, there is no reason for ratepayers to provide sufficient cash through rates to meet investment grade financial metrics. In fact, since Aquila agreed to protect ratepayers from the high cost of debt it was incurring



1        due to the failure of its non-regulated operations, it was virtually guaranteed that investment grade  
2        financial metrics could not be met. As addressed by OPC witness Jim Dittmer, the high cost of debt  
3        is going to continue even if this merger is approved.

4        I do not consider the Stipulation & Agreement in Case No. EO-2005-0293 to be a regulatory plan and  
5        thus any references in my testimony to Regulatory Plan address only the plan for KCPL approved in  
6        Case No. EO-2005-0329.

7        **Q. DOES THE CAP ON INTEREST EXPENSE IN SETTING RATES FOR**  
8        **AQUILA'S PROVIDE A VITAL PROTECTION FOR RATEPAYERS?**

9        A. Yes. Removing the cap would cause ratepayers to underwrite the failed non-regulated operations of  
10       Aquila and thus result in rates that are not just and reasonable.

11       **Q. DID THE APPLICANTS INCLUDE IN THEIR APPLICATION OR TESTIMONY**  
12       **ANY COMPONENTS OF THE REGULATORY PLAN THAT PUBLIC COUNSEL**  
13       **BELIEVES PROVIDE RATEPAYERS PROTECTIONS?**

14       A. No.

15       **Q. PLEASE DISCUSS COMPONENTS OF THE REGULATORY PLAN THAT PROVIDE**  
16       **RATEPAYERS PROTECTION.**

17       A. The Regulatory Plan contained multiple provisions that provided assurance to KCPL and protections  
18       to the ratepayers. Ratepayer protections included:

19       \*        KCPL would not take advantage of any single issue rate mechanism allowed under  
20              SB 179 or other change in state law that allows riders or surcharges or changes in  
21              rates outside a general rate case based upon a consideration of less than all relevant  
22              factors prior to June 1, 2015.

\* The rate for Allowance for Funds Used During Construction would reflect a 250 basis point reduction in the return on equity rate as compared to the overall return on equity rate authorized for KCPL for any AFUDC calculated on the Iatan II unit until the in-service date of the Iatan II unit.

\* Off-System Sales would be treated above the line for ratemaking purposes and KCPL specifically agreed to not propose any adjustment that would remove any portion of its off-system sales from its revenue requirement.

\* Transmission Related Revenues would be treated above the line for ratemaking purposes and KCPL specifically agreed to not propose any adjustment that would remove any portion of its off-system sales from its revenue requirement.

\* Resource Plan would be actively monitored by KCPL for all major factors and circumstances which would influence the need for and economics of all elements of the Resource Plan contained in the Regulatory Plan.

\* The rate base offset resulting from the Additional Amortizations would be reflected in the rates of KCPL for a minimum of ten years notwithstanding changes in Chapters 386 and 393 RSMo.

\* Rate Moratorium was put in place.

\* Rate Case process was put in place.

\* Rate Design changes were limited during the construction of Iatan II to the first and last rate case of four contemplated case with cases 2 & 3 reflecting only the necessary increase in revenue anticipated.

\* Demand Response, Efficiency, and Affordability Programs were to be adopted.

\* Customer Service Standards were addressed and monitoring procedures implemented.

**Q. IF THE APPLICANTS ADOPTED OF ALL THESE CUSTOMER PROTECTIONS THAT WERE INCLUDED IN THE REGULATORY PLAN, WOULD PUBLIC COUNSEL SUPPORT THE MERGER APPLICATION?**

A. No. As outlined in the testimony of Public Counsel witness Jim Dittmer, the economics of the current merger agreement indicate that customers would be detrimentally affected by the merger. The consumer protections listed above do not improve the economics of the proposed merger and therefore the inclusion of these would not eliminate the detriment identified by Mr. Dittmer.

1        However, I must stress that if this Commission finds that customers should be saddled with an  
2        additional amortization to meet financial metrics for the Aquila Missouri operations, these protections  
3        should also be included. It must be remembered that an additional amortization results in rates that  
4        are above those that are just and reasonable using traditional regulatory practices. Therefore in return  
5        for paying such inflated rates, customers should get future considerations and protections as are  
6        embodied in the KCPL Regulatory Plan.

7        **Q.    WITH REGARD TO THE REGULATORY PLAN FOR KCPL, WOULD THE OFFICE**  
8        **OF PUBLIC COUNSEL BEEN A SIGNATORY TO THAT AGREEMENT ABSENT**  
9        **THE CONSUMER PROTECTIONS YOU PREVIOUSLY DISCUSSED?**

10      **A.    No.**

11      **Q.    DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

12      **A.    Yes.**

Rebuttal Testimony  
Russell W. Trippensee  
Case No. EM-2007-0374

Missouri Power & Light Company, Steam Dept., Case No. HR-82-179  
Missouri Power & Light Company, Electric Dept., Case No. ER-82-180  
Missouri Edison Company, Electric Dept., Case No. ER-79-120  
Southwestern Bell Telephone Company, Case No. TR-79-213  
Doniphan Telephone Company, Case No. TR-80-15  
Empire District Electric Company, Case No. ER-83-43  
Missouri Power & Light Company, Gas Dept., Case No. GR-82-181  
Missouri Public Service Company, Electric Dept., Case No. ER-81-85  
Missouri Water Company, Case No. WR-81-363  
Osage Natural Gas Company, Case No. GR-82-127  
Missouri Utilities Company, Electric Dept., Case No. ER-82-246  
Missouri Utilities Company, Gas Dept., Case No. GR-82-247  
Missouri Utilities Company, Water Dept., Case No. WR-82-248  
Laclede Gas Company, Case No. GR-83-233  
Great River Gas Company, Case No. GR-85-136 (OPC)  
Northeast Missouri Rural Telephone Company, Case No. TR-85-23 (OPC)  
United Telephone Company, Case No. TR-85-179 (OPC)  
Kansas City Power & Light Company, Case No. ER-85-128 (OPC)  
Arkansas Power & Light Company, Case No. ER-85-265 (OPC)  
KPL/Gas Service Company, GR-86-76 (OPC)  
Missouri Cities Water Company, Case Nos. WR-86-111, SR-86-112 (OPC)  
Union Electric Company, Case No. EC-87-115 (OPC)  
Union Electric Company, Case No. GR-87-62 (OPC)  
St. Joseph Light and Power Company, Case Nos. GR-88-115, HR-88-116 (OPC)  
St. Louis County Water Company, Case No. WR-88-5 (OPC)  
West Elm Place Corporation, Case No. SO-88-140 (OPC)  
United Telephone Long Distance Company, Case No. TA-88-260 (OPC)  
Southwestern Bell Telephone Company, Case No. TC-89-14, et al. (OPC)  
Osage Utilities, Inc., Case No. WM-89-93 (OPC)  
GTE North Incorporated, Case Nos. TR-89-182, TR-89-238, TC-90-75 (OPC)  
Contel of Missouri, Inc., Case No. TR-89-196 (OPC)  
The Kansas Power and Light Company, Case No. GR-90-50 (OPC)  
Southwestern Bell Telephone Company, Case No. TO-89-56 (OPC)  
Capital City Water Company, Case No. WR-90-118 (OPC)  
Laclede Gas Company, Case No. GR-90-120 (OPC)  
Southwestern Bell Telephone Company, Case No. TR-90-98 (OPC)

Rebuttal Testimony  
Russell W. Trippensee  
Case No. EM-2007-0374

Empire District Electric Company, Case No. ER-90-138 (OPC)  
Associated Natural Gas Company, Case No. GR-90-152 (OPC)  
Southwestern Bell Telephone Company, Case No. TO-91-163 (OPC)  
Union Electric Company, Case No. ED-91-122 (OPC)  
Missouri Public Service, Case Nos. EO-91-358 and EO-91-360 (OPC)  
The Kansas Power and Light Company, Case No. GR-91-291 (OPC)  
Southwestern Bell Telephone Co., Case No. TO-91-163 (OPC)  
Union Electric Company, EM-92-225 and EM-92-253 (OPC)  
Southwestern Bell Telephone Company, TO-93-116(OPC) (OPC)  
Missouri Public Service Company, ER-93-37, (January, 1993) (OPC)  
Southwestern Bell Telephone Company, TO-93-192, TC-93-224 (OPC)  
Saint Louis County Water Company, WR-93-204 (OPC)  
United Telephone Company of Missouri, TR-93-181 (OPC)  
Raytown Water Company, WR-94-300 (OPC)  
Empire District Electric Company, ER-94-174 (OPC)  
Raytown Water Company, WR-94-211 (OPC)  
Missouri Gas Energy, GR-94-343 (OPC)  
Capital City Water Company, WR-94-297 (OPC)  
Southwestern Bell Telephone Company, TR-94-364 (OPC)  
Missouri Gas Energy, GR-95-33 (OPC)  
St. Louis County Water Company, WR-95-145 (OPC)  
Missouri Gas Energy, GO-94-318 (OPC)  
Alltel Telephone Company of Missouri, TM-95-87 (OPC)  
Southwestern Bell Telephone Company, TR-96-28 (OPC)  
Steelville Telephone Exchange, Inc., TR-96-123 (OPC)  
Union Electric Company, EM-96-149 (OPC)  
Imperial Utilites Corporation, SC-96-247 (OPC)  
Laclede Gas Company, GR-96-193 (OPC)  
Missouri Gas Energy, GR-96-285 (OPC)  
St. Louis County Water Company, WR-96-263 (OPC)  
Village Water and Sewer Company, Inc. WM-96-454 (OPC)  
Empire District Electric Company, ER-97-82 (OPC)  
UtiliCorp d/b/a Missouri Public Service Company, GR-95-273 (OPC)  
Associated Natural Gas, GR-97-272 (OPC)  
Missouri Public Service, ER-97-394, ET-98-103 (OPC)  
Missouri Gas Energy, GR-98-140 (OPC)

Rebuttal Testimony  
Russell W. Trippensee  
Case No. EM-2007-0374

St. Louis County Water, WO-98-223 (OPC)  
United Water Missouri, WA-98-187 (OPC)  
Kansas City Power & Light/Western Resources, Inc. EM-97-515 (OPC)  
St. Joseph Light & Power Company, HR-99-245 (OPC)  
St. Joseph Light & Power Company, GR-99-246 (OPC)  
St. Joseph Light & Power Company, ER-99-247 (OPC)  
AmerenUE, EO-96-14, (prepared statement) (OPC)  
Missouri American Water Company, WR-2000-281 (OPC)  
Missouri American Water Company, SR-2000-282 (OPC)  
UtiliCorp United Inc./St. Joseph Light & Power Company, EM-2000-292 (OPC)  
UtiliCorp United Inc./Empire District Electric Company, EM-2000-369 (OPC)  
St. Joseph Light & Power Company, EO-2000-845 (OPC)  
St. Louis County Water Company, WR-2000-844 (OPC)  
Union Electric Company, EO-2001-245 (OPC)  
Laclede Gas Company, GM-2001-342 (OPC)  
Empire District Electric Company, ER-2001-299 (OPC)  
Missouri-American Water Company, et. al., WM-2001-309 (OPC)  
AmerenUE, EC-2002-152, GC-2002-153 (OPC)  
UtiliCorp United Inc., ER-2001-672 (OPC)  
Aquila, Inc., GO-2002-175 (OPC)  
AmerenUE, ER-2002-001 (OPC)  
Laclede Gas Company, GA-2002-429 (OPC)  
AmerenUE, GR-2003-0517 (OPC)  
Algonquin Water Resources of Missouri & Silverleaf Resort, Inc. WO-2005-0206 (OPC)  
Kansas City Power & Light Company, Case No. EO-2005-0329 (OPC)  
Empire District Electric Company, Case No. ER-2006-0315 (OPC)  
Kansas City Power & Light Company, Case No. ER-2006-0314 (OPC)  
Atmos Energy Corporation, Case No. GR-2006-0387 (OPC)  
Missouri Gas Energy, Case No. GR-2006-0422 (OPC)  
Aquila, Inc., ER-2007-0004 (OPC)  
Missouri American Water Company, WR-2007-0216, (OPC)  
Kansas City Power & Light Company, ER-2007-0291 (OPC)  
Kansas City Power & Light Company/Aquila, Inc., EM-2007-0374 (OPC)