

Exhibit No.:

Issue(s): Regulatory Plan Amortization

Witness/Type of Exhibit: Trippensee

Sponsoring Party: True Up Direct

Case No.: Public Counsel
ER-2006-0314

TRUE UP DIRECT TESTIMONY

OF

RUSSELL W. TRIPPENSEE

Submitted on Behalf of the Office of the Public Counsel

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2006-0314

November 7, 2006

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

In the Matter of the Application of Kansas)
City Power & Light Company for)
Approval to Make Certain Changes in its) **ER-2006-0314**
Charges for Electric Service to Begin the)
Implementation of Its Regulatory Plan)

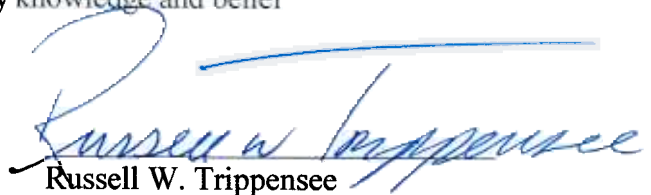
AFFIDAVIT OF RUSSELL W. TRIPPENSEE

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 Trippensee. I am Chief Public Utility Accountant for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my true up direct testimony consisting of 3 pages and Schedule RWT-2.
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 7th day of November 2006.



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


Jerene A. Buckman
Notary Public

My Commission expires August 10, 2009.

TRUE-UP DIRECT TESTIMONY
OF
RUSSELL W. TRIPPENSEE
KANSAS CITY POWER & LIGHT COMPANY
CASE NO. ER-2006-0314

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 THE SAME RUSSELL W. TRIPPENSEE WHO HAS FILED REBUTTAL**
8 **AND SURREBUATTAL TESTIMONY IN THIS CASE INVOLVING KANSAS CITY**
9 **POWER & LIGHT COMPANY?**

10 A. Yes.

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

12 A. To respond to questions from Commissioner Murray regarding the quantification of Public Counsel's
13 position on the issue of Additional Regulatory Amortization relating to the appropriate risk factor to
14 be used in determination of the debt equivalent for purchase power contracts.

15 **Q. WHAT IS THE RISK FACTOR PUBLIC COUNSEL BELIEVES SHOULD BE**
16 **USED WITH RESPECT TO THE PURCHASE POWER CONTRACTS?**

17 A. Public Counsel recommends the Commission use a 10% risk factor in determining the debt equivalent
18 for purposes of the Additional Regulatory Amortization calculation. The debt equivalent based on a
19 10% risk factor can be found on line 41 of Schedule RWT-2 attached to this testimony. This

1 calculation is in the same format as the calculation provided by Staff witness Steve Traxler in his
2 Surrebuttal testimony, Schedule 1, which was marked as exhibit XXX.

3 **Q. IS SCHEDULE RWT-2 BASED ON DATA AS OF SEPTEMBER 30, 2006**
4 **COMMONLY REFERRED TO AS THE TRUE-UP DATE?**

5 A. Yes. Staff graciously provided summaries of its true-up audit to OPC in time to allow me to make the
6 necessary calculations to precisely quantify the difference between use of a 10% risk factor and a
7 50% risk factor as initially recommended by KCPL. It is OPC's understanding that Staff will shift
8 from its position at the evidentiary hearing that use of a 30% risk factor was appropriate and Staff will
9 now be recommending use of a 50% risk factor in its true-up testimony. Public Counsel reserves the
10 opportunity in true-up rebuttal testimony to address such a change in position if in fact that change is
11 proposed by Staff.

12 **Q. PLEASE QUANTIFY THE EFFECT OF USING A 10% RISK FACTOR VERSUS**
13 **A 50% RISK FACTOR AS RECOMMENDED BY KCPL.**

14 A. The Regulatory Plan Amortization would be \$60,720,688 or \$3,669,956 less than KCPL's proposed
15 risk factor of 50% based on Staff's true-up audit findings and recommendations.

16 **Q. STAFF'S POSITION AT THE EVIDENTIARY HEARING WAS THAT THE RISK**
17 **FACTOR SHOULD BE 30%. COMMISSIONER MURRAY REQUESTED YOU TO**
18 **QUANTIFY THE DIFFERENCE IN REGULATORY AMORTIZATION BETWEEN**
19 **THE STAFF'S 30% POSITION AND PUBLIC COUNSEL'S 10% POSITION.**
20 **HAVE YOU MADE SUCH A CALCULATION AND IF SO WHAT WAS THE**
21 **DIFFERENCE IN THE REGULATORY PLAN AMORTIZATION?**

1 A. Yes, I have made that calculation using the Staff's true-up filing as the base line. The difference in
2 the amount of necessary amortization due specifically to the risk factor difference between OPC's
3 10% and Staff's 30% risk factor was \$1,834,978.

4 **Q. IS THE PARTIES' FINAL RECOMMENDATION REGARDING THE LEVEL OF**
5 **REGULATORY PLAN AMORTIZATION DEPENDENT UPON THE COMMISSION'S**
6 **FINDINGS REGARDING THE REVENUE REQUIREMENT EXCLUSIVE OF THE**
7 **RPA?**

8 A. Yes. The Commission's decision on the revenue requirement will have to be determined prior to the
9 parties being able to specifically quantify their positions on the Regulatory Plan Amortization. The
10 parties anticipate that the Commission will issue Scenario Requests to the parties so that results can be
11 provided to the Commission which quantify the revenue requirement and resulting Regulatory Plan
12 Amortization.

13 **Q. DOES THIS CONCLUDE YOUR TRUE-UP DIRECT TESTIMONY?**

14 A. Yes.

OPC Regulatory Plan Amortization - Staff 9/30 EMS Run

Line		Total Company	Jurisdictional Allocation	Jurisdictional Adjustments	Jurisdictional Proforma
1	Additional net Assets on KCPL's balance sheet		30,810,117		
2	Rate Base	NA	1,251,517,071		
3	Net Assets supported by LTD & Equity		1,282,327,188		
4	Jurisdictional Allocator for Capital	Jurisdictional Rate Base / Total Company Rate Base	54.17%		
5					
6	Total Capital	Barnes Schedule 9	2,555,657,000	1,282,327,188	1,282,327,188
7	Equity	Barnes Schedule 9	1,372,092,000	53.69%	688,461,275
8	Preferred	Barnes Schedule 9	39,000,000	1.53%	19,568,651
9	Long-term Debt	Barnes Schedule 9	1,144,565,000	44.79%	574,297,262
10	Cost of Debt	Barnes Schedule 10	6.21%	#####	6.21%
11	Interest Expense	Line 13 * Line 14	71,077,487	35,663,860	35,663,860
12					
13	Retail Sales Revenue	Staff Accounting Schedule 9-1 plus Revenue Requirement	0	455,309,562	60,720,688
14	Other Revenue	Staff Accounting Schedule 9-1	0	125,268,142	125,268,142
15	Operating Revenue	Staff Accounting Schedule 9-1	0	580,577,704	60,720,688
16					
17	Operating & Maintenance Expenses	Staff Accounting Schedule 9-3 - Less Customer Deposit Interest		351,796,054	351,796,054
18	Depreciation	Staff Accounting Schedule 9-3		58,010,526	58,010,526
19	Amortization	Staff Accounting Schedule 9-3		4,421,356	60,720,688
20	Interest on Customer Deposits				0
21	Taxes other than income taxes	Staff Accounting Schedule 9-3		36,022,094	36,022,094
22	Federal and State income taxes	Staff Accounting Schedule 9-4		31,708,129	31,708,129
23	Gains on disposition of plant			0	0
24	Total Electric Operating Expenses	Sum of Lines 21 to 27	0	481,958,159	60,720,688
25					
26	Operating Income	Staff Accounting Schedule 1-1 Line 3	0	98,619,545	0
27	less Interest Expense	- Line 15	-	(35,663,860)	-
28	Depreciation	Staff Accounting Schedule 9-3		58,010,526	58,010,526
29	Amortization	Staff Accounting Schedule 9-3		4,421,356	60,720,688
30	Deferred Taxes	Staff Accounting Schedule 9-4		14,034,622	(23,541,411)
31	Funds from Operations (FFO)	Sum of Lines 30 to 34	-	139,422,189	37,179,277
32					
33	Net Income	Line 30 + Line 31	-	62,955,685	-
34	Return on Equity	Line 37 / Line 11	0.0%	9.1%	0.0%
35	Unadjusted Equity Ratio	Line 11 / Line 10	53.7%	53.7%	0.0%

Additional financial information needed for the calculation of ratios

36	Capitalized Lease Obligations	KCPL Trial Balance accts 227100 & 243100	2,304,485	1,248,289	1,248,289
37	Short-term Debt Balance	KCPL Trial Balance accts 231000	80,600,000	43,659,267	43,659,267
38	Short-term Debt Interest	KCPL T.R. accts 831014, 831015, 831016	6,713,072	3,636,325	3,636,325

Adjustments made by Rating Agencies for Off-Balance Sheet Obligations

39	Debt Adjustments for Off-Balance Sheet Obligations				
40	Operating Lease Debt Equivalent	Present Value of Operating Lease Obligations di 6.10%	86,834,678	47,036,456	47,036,456
41	Purchase Power Debt Equivalent	Present Value of Purchase Power Obligations di 6.10%	4,148,429	2,247,114	2,247,114
42	Accounts Receivable Sale	KCPL Trial Balance account 142011	70,000,000	37,917,477	37,917,477
43	Total OBS Debt Adjustment	Sum of Lines 50 to 52	160,983,107	87,201,047	-
44					
45	Interest Adjustments for Off-Balance Sheet Obligations				
46	Present Value of Operating Leases	Line 50 * 6.10%	5,296,915	2,869,224	-
47	Purchase Power Debt Equivalent	Line 51 * 6.10%	253,054	137,074	-
48	Accounts Receivable Sale	Line 52 * 5.00%	3,500,000	1,895,874	-
49	Total OBS Interest Adjustment	Sum of Lines 56 to 58	9,049,970	4,902,172	4,902,172

Ratio Calculations

50	Adjusted Interest Expense	Line 15 + Line 45 + Line 59	86,840,528	44,202,357	-
51	Adjusted Total Debt	Line 13 + Line 43 + Line 44 + Line 53	1,388,452,592	706,405,865	-
52	Adjusted Total Capital	Line 10 + Line 43 + Line 44 + Line 53	2,799,544,592	1,414,435,791	-
53					
54	FFO Interest Coverage	(Line 35 + Line 63) / Line 63	1.00	4.15	0.84
55	FFO as a % of Average Total Debt	Line 35 / Line 64	0.0%	19.7%	5.3%
56	Total Debt to Total Capital	Line 64 / Line 65	49.6%	49.9%	0.0%

Changes required to meet ratio targets

57	FFO Interest Coverage Target		3.80	3.80	0.00
58	FFO adjustment to meet target	(Line 73 - Line 67) * Line 63	243,153,479	(15,655,590)	(37,179,277)
59	Interest adjustment to meet target	Line 35 * (1 / (Line 73 - 1) - 1 / (Line 67 - 1))	#DIV/0!		#VALUE!
60					
61	FFO as a % of Average Total Debt Target		25%	25%	0%
62	FFO adjustment to meet target	(Line 77 - Line 68) * Line 64	347,113,148	37,179,277	(37,179,277)
63	Debt adjustment to meet target	Line 35 * (1 / Line 77 - 1 / Line 68)		(148,717,109)	148,717,109
64					
65	Total Debt to Total Capital Target		51%	51%	0%
66	Debt adjustment to meet target	(Line 61 - Line 69) * Line 65	39,315,160	14,956,388	-
67	Total Capital adjustment to meet target	Line 64 / Line 61 - Line 65	(77,088,529)	(29,326,251)	-

Amortization and Revenue needed to meet targeted ratios

68	FFO adjustment needed to meet target ratios	Maximum of Line 74, Line 78, or Zero	347,113,148	37,179,277	(37,179,277)
69	Effective income tax rate	Accounting Schedule 11	38.77%	38.77%	38.77%
70	Deferred income taxes *	- Line 87 * Line 88 / (1 - Line 88)	(219,787,306)	(23,541,411)	23,541,411
71	Total amortization required for the FFO adjustment	Line 87 - Line 89	566,900,454	60,720,688	(60,720,688)
72					
73	Retail Sales Revenue Adjustment	Adjustment = Sum(Line 21 to Line 25) + Line 27 - Line 18 - Line 31 + (Line 11 * Line 38) / (1 - Line 88)	455,309,562	60,720,688	516,030,250
74	Percent increase in retail sales revenue	Line 92 Jurisdictional Adjustments / Line 92 Jurisdictional		13.3%	

* Adjusted for known and measurable changes including changes related to new plant in-service