

Exhibit No.:
Issue(s):
Witness/Type of Exhibit:

Sponsoring Party:
Case No.:

Rate Design
Trippensee/
Rebuttal
Public Counsel
ER-2007-0291

REBUTTAL TESTIMONY

OF

RUSSELL W. TRIPPENSEE

Submitted on Behalf of the Office of the Public Counsel

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2007-0291

August 30, 2007

**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 Charges)
for Electric Service to Implement its)
Regulatory Plan)

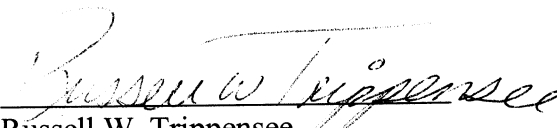
Case No. ER-2007-0291

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 rebuttal testimony consisting of 7 pages.
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 30th day of August 2007.



KENDELLE R. STRATTON
My Commission Expires
February 4, 2011
Cole County
Commission #07004782



Kendelle R. Stratton
Notary Public

My Commission expires February 4, 2011.

REBUTTAL TESTIMONY
OF
RUSSELL W. TRIPPENSEE
KANSAS CITY POWER & LIGHT COMPANY
CASE NO. ER-2007-0291

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. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS CASE?**

8 A. Yes, I filed direct testimony on the issue of the Regulatory Plan Amortization.

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

10 A. I will address the MPSC Staff testimony and report that recommends a change in rate design to shift
11 revenue responsibility from Medium General Service class to the Residential class for Kansas City
12 Power & Light (KCPL or Company) customers. Specifically I will address why the proposed
13 revenue shift conflicts with the express language of the Stipulation and Agreement in Case No. EO-
14 2005-0329 to which Staff was a signatory. I will also address why the proposed revenue shift is not
15 appropriate under the regulatory plan currently used by this Commission to set rates for KCPL.

16 **Q. DID YOU PARTICIPATE IN CASE NO. EO-2005-0329?**

17 A. Yes. As I testified in my direct testimony in that case, Ryan Kind and I served as the primary OPC
18 staff members on the project and that at least one of us attended every major meeting or presentation

1 in that case or the proceeding workshop dockets, EO-2004-0577 and EW-2004-0596. The complete
2 procedural history of Case No. EO-2005-0329 can be found in Paragraph II, "Procedural History" of
3 the Stipulation and Agreement in that case. I also participated in all settlement meetings that lead to
4 the development of the Stipulation and Agreement in Case No. EO-2005-0329.

5 **Q. DOES THE COMPANY AGREE WITH PUBLIC COUNSEL'S POSITION THAT IT**
6 **IS NOT APPROPRIATE FOR A SIGNATORY TO THE STIPULATION AND**
7 **AGREEMENT IN CASE NO. EO-2005-0329 TO PROPOSE RATE CHANGES IN**
8 **THE CURRENT RATE CASE?**

9 A. Yes. Company witness Tim Rush explains why the Company proposed an equal percentage increase
10 for all rate classes on page 5, lines 1 – 10 of his direct testimony. Mr. Rush references the
11 prohibitions contained in the Stipulation and Agreement in what he refers to as the Regulatory Plan
12 which is the plan outlined in the Stipulation and Agreement in EO-2005-0329.

13 **Q. DOES THE REGULATORY PLAN ADDRESS RATE DESIGN FOR CASES FILED**
14 **PRIOR TO AND THROUGH THE IN-SERVICE DATE OF THE IATAN II**
15 **ELECTRIC GENERATING STATION?**

16 A. Yes. The Regulatory Plan contemplated two mandatory rate cases that would bookend two
17 discretionary rate filings. These cases were called Rate Filings 1, 2, 3, and 4 with 1 and 4 being the
18 mandatory cases. Procedures to be followed for each case are set out in the Stipulation and
19 Agreement beginning on page 29 (Expected Rate Cases During Regulatory Plan, Paragraph III, B, 3)
20 and ending on page 44. In mandatory filing #1, (paragraph III, B, 3, b. vii) beginning on page 33 of
21 the Stipulation and Agreement along with Appendix I sets out parameters as to what rate design
22 information was to be provided in that case. This information was detailed and resulted in the parties

1 addressing rate design in Case No. ER-2006-0314 with a resulting stipulation and agreement between
2 the parties.

3 There is a specific paragraph addressing Rate Design included in each of the discretionary filings #'s
4 2 and 3.

5 The Signatory Parties agree not to file new or updated class cost of service studies or
6 to propose changes in rate structures in Rate Filing #2 (#3 in section of document in
7 Filing number 3)
8 (Stipulation and Agreement, Case No EO-2005-0329, page 35 and 39)

9 Public Counsel believes Staff proposal to shift revenue responsibility between customer classes is in
10 conflict with the terms of the Stipulation and Agreement to which Staff was a signatory in Case No.
11 EO-2005-0329.

12 **Q. DID THE STIPULATION AND AGREEMENT IN EO-2005-0329 ADDRESS**
13 **RATE DESIGN WITH REGARD TO FILING NUMBER 4?**

14 A. Only to the extent that KCPL would provide certain data that provide assistance in performing the
15 necessary cost studies and also assist in the development of a revenue requirement, (Paragraph III, B,
16 3, d, iii of the Stipulation and Agreement)

17 **Q. WHY DOES PUBLIC COUNSEL BELIEVE THE REGULATORY PLAN WAS**
18 **STRUCTURED IN A MANNER THAT ADDRESSED RATE DESIGN IN THREE**
19 **DISTINCT WAYS FOR THE FOUR CASE ANTICIPATED DURING THE PERIOD**
20 **THE REGULATORY PLAN WOULD BE IN EFFECT?**

21 A. Public Counsel believes the Regulatory Plan was designed to address a period of time when KCPL
22 faced unique circumstances and a changing cost structure. The period of declining costs and
23 infrequent rate increases following the Wolf Creek Nuclear generating station being placed in service

1 in 1985 have ended. The Regulatory Plan anticipated annual filings for rate increases over a four year
2 period. The Regulatory Plan also supplemented the traditional basis of rate of return method of
3 setting rates for KCPL with an examination of cash flow metrics to determine the total revenue needs
4 for rate filings numbers 1, 2, and 3. The Regulatory Plan anticipated a Regulatory Amortization
5 Expense being included in the ultimate revenue requirement that would quantify the difference
6 between traditional rate of return regulation and the cash flow metrics method. It is Public Counsel's
7 belief that the Regulatory Plan appropriately recognized this change in rate-making methods, the
8 uniqueness of the costs to be incurred during this short-term period and thus prohibited changes in
9 rate design in rate filing numbers 2, and 3. Public Counsel would also point out that the Regulatory
10 Plan anticipated annual filings and the minor changes in rate design that might occur would not justify
11 the time and expense of performing annual studies and litigating differences between parties in each
12 case.

13 **Q. WHY DOES THE REGULATORY PLAN REQUIRE THE UNDERLYING STUDIES**
14 **NECESSARY TO ADDRESS RATE DESIGN AS PART OF FILING #1?**

15 A. The requirement for a class cost of service study in rate filing #1 (Case No. ER-2006-0314) was an
16 acknowledgement that such a study and the resulting adjustment to rate design has not been
17 performed for several years. It was Public Counsel's belief and the general sense among the
18 signatories to the Regulatory Plan that KCPL's rate design and class cost of service should be updated
19 to reflect current relationships as we entered into this period of setting rates in a non-traditional
20 manner. Therefore the Regulatory Plan envisioned rate design and class cost of service being a part
21 of the first case, but not a part of the second and third cases.

1 **Q. DOES PUBLIC COUNSEL BELIEVE THAT USE OF THE CASH FLOW METRICS**
2 **TO SET RATES IN RATE FILINGS #2 AND 3 ALSO MAKE IT**
3 **INAPPROPRIATE TO CHANGE RATE DESIGN IN THESE FILINGS?**

4 **A.** Yes. The Regulatory Plan Amortization was anticipated to generate significant revenue requirements
5 in filings #2 and 3. In fact, Regulatory Plan Amortization from ER-2006-0314 was over \$21,679,000
6 and KCPL filing in this case recommends an incremental increase to this amount of \$9,284,000. If
7 the Commission adopts a just and reasonable rate of return as recommended by OPC witness
8 Gorman, the amortization would rise significantly although the total change in revenue would not
9 change. Public Counsel anticipates that the Regulatory Plan Amortization will represent over 5% of
10 total KCPL revenues during the period prior to rates being implemented from rate filing #4 sometime
11 during 2010.

12 These revenue requirement associated with the Regulatory Plan Amortization does not fit the rate
13 design models used under traditional regulation and it is a significant change that has occurred since
14 the cost studies that Staff relies upon were conducted. These cash flow metrics are calculated based
15 on all cash inflows and outflows from the Company, imputed debt not used in traditional regulation,
16 and investments not considered in traditional regulation. Staff's attempt to change class cost
17 responsibility during the Regulatory Plan period does not recognize this reality. The Regulatory Plan
18 correctly recognized this reality and prohibited the signatories from presenting any new or updated
19 studies during filings #2 and 3.

20 **Q. PLEASE RESPOND TO STAFF WITNESS JAMES WATKINS ASSERTION THAT**
21 **IT IS APPROPRIATE TO SHIFT REVENUE RESPONSIBILITY BECAUSE THE**
22 **ADDITION OF IATAN II WILL COMPOUND ANY CURRENT MISALIGNMENTS**
23 **BETWEEN CLASS COSTS AND CLASS REVENUES.**

1 A. Mr. Watkins premise is based on his anticipation of the effect of a rate base addition that will not
2 occur until 2010 at the earliest. This Commission is well aware of its traditional practice of excluding
3 from consideration items that are not know and measurable. Mr. Watkins' assertion as to what will
4 occur over three years from now clearly does not rise to the level of known and measurable.

5 There is no assurance that Iatan II will ever be placed in-service, nor what the cost will be for its
6 construction, the impact on cost responsibility by customer class, effect on off-system sales, changes
7 in customer class usage, and a host of other factors.

8 **Q. IS MR. WATKINS ASSERTION CONSISTENT WITH STAFF TESTIMONY IN**
9 **CASE NO. E0-2005-0329?**

10 A. No. Staff witness Warren Wood, testified under cross-examination that use of gas-fired units could
11 cost more over time than the if a base load unit would be built, (transcript page 603). When the cost
12 studies were performed for Case No. ER-2006-0314 (rate filing #1), Iatan II was not in-service and
13 thus would not have been available to reduce costs as Mr. Woods discussed. Mr. Watkins' assertion
14 assumes future cost studies will reflect that same cost/revenue relationships after Iatan II becomes in-
15 service as the cost/revenue relationship that existed in a period almost 5 years prior when a potentially
16 significantly different least cost production mix was in-service. If the cost/revenue relationship is the
17 same at the time Iatan II reaches in-service status, it will be a mere coincidence given the significant
18 cost of Iatan II relative to the depreciated costs associated with the generating facilities included in the
19 cost study used in ER-2006-0314.

20 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

21 A. The Regulatory Plan was designed to address unique circumstances faced by the Company. The
22 terms of the Regulatory Plan addressing the rate cases contemplated during the period recognize that

1 uniqueness. As I testified in Case No ER-2005-0329, providing surety to all stakeholders was a
2 critical component of the Regulatory Plan. The Regulatory Plan treatment of rate design in the
3 second and third filings as compared to the first filing provided customers surety that changes would
4 not occur except to reflect the actual cost increases that were anticipated to occur during the period
5 covered by the plan. Any proposal to shift revenue responsibility in this case would eliminate the rate
6 change surety that was an integral component of the Regulatory Plan.

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

8 **A.** Yes.