

**Exhibit No.:**

**Issue(s):** Regulatory Plan Amortization/  
Payroll

**Witness/Type of Exhibit:** Trippensee

**Sponsoring Party:** True Up Rebuttal

**Case No.:** Public Counsel

ER-2006-0314

**TRUE UP REBUTTAL 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 14, 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 Charges for Electric Service )  
To Begin the Implementation of Its Regulatory )  
Plan. )

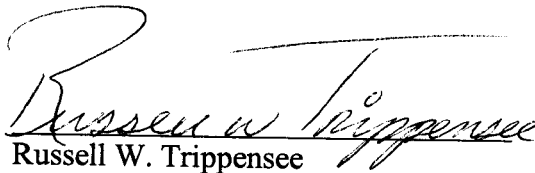
**Case No. ER-2006-0314**

**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 true up rebuttal testimony consisting of 4 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 14th day of November 2006.



  
Kathleen Harrison  
Notary Public

My commission expires January 31, 2010.

**TRUE-UP REBUTTAL 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**  
8       **REBUTTAL, SURREBUTAL, AND TRUE-UP DIRECT TESTIMONY IN THIS**  
9       **CASE INVOLVING KANSAS CITY POWER & LIGHT COMPANY?**

10  A.   Yes.

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

12  A.   To address Staff's change in its position with respect to the appropriate risk factor to be applied to the  
13       net present value of the debt equivalents that are to be included in the calculation of the Regulatory  
14       Plan Amortization (RPA). Specifically, Staff witness Steven Traxler in his True-Up Direct  
15       Testimony changed Staff's recommendation from use of a 30% risk factor to use of a 50% risk factor.

16       I will also state Public Counsel's agreement with Staff's position on Payroll expense.

17                   **Risk Factor – Off-Balance Sheet Obligations**

1    **Q.    WHAT IS THE BASIS FOR THE CHANGE IN THE RISK FACTOR**  
2    **RECOMMENDED BY STAFF?**

3    A.    Staff witness Traxler indicates that Staff obtained new information from Standard & Poor's that  
4    indicated S&P would use a 50% risk factor. Therefore, Staff changed its position "based upon this  
5    corrected information from Standard & Poor's."

6    **Q.    ARE THE PARTIES TO THIS CASE OR THIS COMMISSION OBLIGATED TO**  
7    **DEFER TO STANDARD & POOR'S IN THE CALCULATION OF THE**  
8    **REGULATORY PLAN AMORTIZATION?**

9    A.    No. The Regulatory Plan Amortization is premised on providing adequate cash flows to KCPL  
10    during the period of time covered by the Regulatory Plan approved by the Commission in Case No.  
11    EO-2005-0329. The parties to that case crafted a measurement of cash flow that gave consideration  
12    to methods and criteria used by S&P at that point in time to measure cash flow and determine credit  
13    ratings based, in part, on the results of its cash flow calculations. However, the Stipulation and  
14    Agreement and the Commission's Report & Order in case No. EO-2005-0329 clearly do not  
15    anticipate that this Commission defer its regulatory authority to S&P to set just and reasonable rates.

16   **Q.    WHILE THE STAFF PROPOSES TO DEFER TO S&P REGARDING THE RISK**  
17   **FACTOR, ARE THE OTHER COMPONENTS OF THE REGULATORY PLAN**  
18   **AMORTIZATION PROPOSED BY STAFF CONSISTENT WITH STANDARD &**  
19   **POOR'S METHODS?**

20   A.    No. There are numerous examples where the Regulatory Plan Amortization recommended by Staff is  
21   inconsistent with S&P methods. The entire calculation is based upon findings by this Commission  
22   on the cost to serve Missouri retail operations while S&P looks at total Company operations,  
23   including non-regulated operations such as Strategic Energy. The RPA also allocates the capital

1 structure to Missouri retail operations. That Missouri jurisdictional allocation excludes debt that  
2 supports non-Missouri retail operations and the resulting interest expense on that debt coverage. This  
3 lowers the cash flow requirements by lowering the interest coverage requirement.

4 **Q. WHILE STAFF NOW PROPOSES TO USE THE S&P RISK FACTOR FOR OFF-**  
5 **BALANCE SHEET OBLIGATIONS, DOES STAFF USE THE SAME DISCOUNT**  
6 **FACTOR AS S&P WITH REGARD TO OFF-BALANCE SHEET OBLIGATIONS?**

7 A. No. Staff and Public Counsel advocate use of a 6.1% discount factor as part of the calculation to  
8 determine off-balance sheet obligations. In contrast, KCPL proposes to adopt the S&P  
9 recommendation of 10%. Public Counsel believes this Commission should not blindly follow S&P  
10 procedures in setting rates for Missourians nor does Public Counsel believe the Stipulation and  
11 agreement in ER-2005-0329 contemplated such adherence to an organization whose mission has  
12 absolutely nothing to do with ensuring Missourians have just and reasonable utility rates.

13 **Q. WHAT EFFECT DOES AN INCREASED RISK FACTOR HAVE ON THE**  
14 **REGULATORY PLAN AMORTIZATION?**

15 A. It raises the required amount of regulatory amortization as I discussed in my True-up Direct  
16 testimony. Compared to use of a 10% risk factor, the RPA would be \$3,669,956 higher if a 50% risk  
17 factor is used or \$1,834,978 higher if a 30% risk factor, as Staff originally proposed, is used.

18 **True-up Payroll**

19 **Q. DOES PUBLIC COUNSEL AGREE WITH STAFF'S POSITION STATED BY**  
20 **MR. TRAXLER WITH RESPECT TO THE 113 EMPLOYEES WHO WERE NOT**  
21 **EMPLOYED BY KCPL AS OF SEPTEMBER 30, 2006?**

1 A. Yes. The purpose of a date certain for true-up is to ensure that all components of the overall cost of  
2 service are properly matched. This “matching” of the components is necessary to maintain the  
3 relationship of the costs incurred to serve a specified number of customers. It is inappropriate to take  
4 into consideration factors beyond that date in time without consideration of all other possible changes.  
5 As one example, the depreciation reserve will grow post September 30 thus reducing the rate base  
6 and the resulting revenue requirement. These payroll increases are not known and measurable  
7 because almost one-half of the employees have yet to pass initial employment checks.  
8 Mr. Traxler’s True-up Direct Testimony discussion on this issue is consistent with Public Counsel’s  
9 view of how a true-up procedure should be implemented and how this Commission has implemented  
10 true-ups in previous cases. To isolate a single issue as proposed by KCPL is inappropriate.

11 **Q. DOES THIS CONCLUDE YOUR TRUE-UP REBUTTAL TESTIMONY?**

12 A. Yes.