

# EXHIBIT

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

FILED<sup>2</sup>

NOV 17 2006

Missouri Public  
Service Commission

November 7, 2006

OPC Exhibit No. 219  
Case No(s). ER-2006-0314  
Date 11/16/06 Rptr MW

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

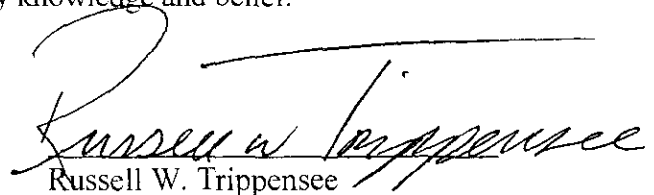
In the Matter of the Application of Kansas )  
City Power & Light Company for )  
Approval to Make Certain Changes in its ) **ER-2006-0314**  
Charges for Electric Service to Begin the )  
Implementation of Its Regulatory Plan )

**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 7<sup>th</sup> 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	-	688,461,275
8	Preferred	Barnes Schedule 9	39,000,000	1.53%	19,568,651	-	19,568,651
9	Long-term Debt	Barnes Schedule 9	1,144,565,000	44.79%	574,297,262	-	574,297,262
10	Cost of Debt	Barnes Schedule 10	6.21%	#####	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 Requirem	0	455,309,562	60,720,688	-	516,030,250
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	-	641,298,392
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	-	65,142,044
20	Interest on Customer Deposits					0	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	-	542,678,847
25							
26	Operating Income	Staff Accounting Schedule 1-1 Line 3	0	98,619,545	0	-	98,619,545
27	less Interest Expense	- Line 15	-	(35,663,860)	-	-	(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	-	65,142,044
30	Deferred Taxes	Staff Accounting Schedule 9-4		14,034,622	(23,541,411)	-	(9,506,789)
31	Funds from Operations (FFO)	Sum of Lines 30 to 34	-	139,422,189	37,179,277	-	176,601,466
32							
33	Net Income	Line 30 + Line 31	-	62,955,685	-	-	62,955,685
34	Return on Equity	Line 37 / Line 11	0.0%	9.1%	0.0%	-	9.1%
35	Unadjusted Equity Ratio	Line 11 / Line 10	53.7%	53.7%	0.0%	-	53.7%

## 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.B. 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 @ 6.10%	86,834,678	47,036,456	-	47,036,456
41	Purchase Power Debt Equivalent	Present Value of Purchase Power Obligations @ 6.10%	4,148,429	2,247,114	-	2,247,114
42	Accounts Receivable Sale	KCPL Trial Balance account 142011	70,009,000	37,917,477	-	37,917,477
43	Total OBS Debt Adjustment	Sum of Lines 50 to 52	160,993,107	87,201,047	-	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	-	2,869,224
47	Purchase Power Debt Equivalent	Line 51 * 6.10%	253,054	137,074	-	137,074
48	Accounts Receivable Sale	Line 52 * 5.00%	3,500,000	1,895,874	-	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	-	44,202,357
51	Adjusted Total Debt	Line 13 + Line 43 + Line 44 + Line 53	1,386,452,592	706,405,865	-	706,405,865
52	Adjusted Total Capital	Line 10 + Line 43 + Line 44 + Line 53	2,739,544,592	1,414,435,791	-	1,414,435,791
53						
54	FFO Interest Coverage	(Line 35 + Line 43) / Line 53	1.00	4.15	0.84	5.00
55	FFO as a % of Average Total Debt	Line 35 / Line 54	0.0%	19.7%	5.3%	25.0%
56	Total Debt to Total Capital	Line 54 / Line 55	49.6%	49.9%	0.0%	49.9%

## Changes required to meet ratio targets

57	FFO Interest Coverage Target		3.00	3.00	0.00	3.00
58	FFO adjustment to meet target	(Line 53 - Line 57) * Line 53	243,153,479	(112,552,660)	(37,179,277)	(52,634,899)
59	Interest adjustment to meet target	Line 55 * (1 - (Line 53 - 1) - 1) / (Line 57 - 1)	#####	#####	#####	15,269,596
60						
61	FFO as a % of Average Total Debt Target		25%	25%	0%	25%
62	FFO adjustment to meet target	(Line 57 - Line 61) * Line 54	247,113,148	(37,179,277)	(37,179,277)	-
63	Debt adjustment to meet target	Line 53 * (1 - (Line 57 - 1) / (Line 61 - 1))	#####	(149,717,109)	145,717,109	-
64						
65	Total Debt to Total Capital Target		51%	51%	0%	51%
66	Debt adjustment to meet target	(Line 54 - Line 65) * Line 55	39,315,160	14,950,388	-	14,950,388
67	Total Capital adjustment to meet target	Line 54 / Line 61 - Line 65	(77,096,529)	(29,126,251)	-	(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%	38.77%
70	Deferred income taxes *	- Line 87 * Line 66 / (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 36) / (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					