Exhibit No.:
Issue: Iatan regulatory assets; rate case expense; DSM costs; updated revenue deficiency
Witness: John P. Weisensee
Type of Exhibit: True-Up Rebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2010-0355
Date Testimony Prepared: February 28, 2011

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-0355

TRUE-UP REBUTTAL TESTIMONY

OF

JOHN P. WEISENSEE

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
February 2011

KCPL Exhibit No. KCPL118
Date 3/3/11 Reporter SMB
File No. ER-2010-0355

TRUE-UP REBUTTAL TESTIMONY

OF

JOHN P. WEISENSEE

Case No. ER-2010-0355

Q: Please state your name and business address.

A: My name is John P. Weisensee. My business address is 1200 Main Street, Kansas City, Missouri, 64105.

Q: Are you the same John P. Weisensee who prefiled direct, rebuttal, surrebuttal and true-up direct testimony in this matter?

A: Yes, I am.

Q: What is the purpose of your true-up rebuttal testimony?

A: The purpose of this testimony is to rebut Missouri Public Service Commission ("MPSC" or the "Commission") Staff ("Staff") witness Keith Majors on Iatan regulatory asset and rate case expense issues addressed by Mr. Majors in his true-up direct testimony. Additionally, I will clarify demand-side management ("DSM") costs in this case. Finally, I will discuss Kansas City Power & Light Company's ("KCP&L" or "the Company") update to its revenue deficiency.

<u>Iatan Regulatory Assets</u>

Q: Please discuss the Iatan regulatory asset issue.

A: In his various testimonies leading up to the Evidentiary Hearing, Mr. Majors has taken the position that the Iatan 1 Air Quality Control System ("AQCS") regulatory asset authorized by the *Non-Unanimous Stipulation and Agreement* in Case No. ER-2009-0089 ("2009 Case"), page 5, should not be allowed in rate base in the current case. The Iatan 1

AQCS regulatory asset issue was fully scrutinized prior to and at the Evidentiary Hearing and is not a "true-up issue." However, Mr. Majors has now, near the end of this rate case, extended this theory to include a partial disallowance of both the Iatan Common and Iatan 2 regulatory assets.

Q: Were the Iatan Common and Iatan 2 regulatory assets also authorized by the MPSC?

A: Yes, the Iatan Common regulatory asset was authorized by the same Stipulation and Agreement discussed above for the Iatan 1 AQCS regulatory asset. The Iatan 2 regulatory asset was authorized by the *Stipulation and Agreement* in Case No. ER-2005-0329, pages 43-44.

Q: Please briefly explain the purpose of these regulatory assets.

A: The Iatan 1 AQCS and Iatan Common regulatory assets were established to defer in a regulatory asset the carrying costs and depreciation on Iatan 1 AQCS and Iatan Common costs recorded but not included in the 2009 Case, up to the effective date of new rates in the current rate case. The Iatan 2 regulatory asset was established to allow construction accounting during the period from the Iatan 2 commercial in-service date (August 26, 2010) through the effective date of new rates in this rate case. Construction accounting allows KCP&L the same treatment for expenditures and credits consistent with the treatment for Iatan 2 prior to Iatan 2's commercial in-service operation date. The combined effect of these two provisions is essentially to treat plant additions not included in the 2009 Case similar to construction work in progress, until new rates are established in this rate case.

Q: Did Staff provide any additional rationale for its proposed partial disallowance of the Iatan Common and Iatan 2 regulatory assets beyond its rationale regarding the Iatan 1 AQCS regulatory asset?

A: No. Mr. Majors stated identical arguments. His argument regarding the Iatan 1 AQCS regulatory asset was that Staff's proposed Iatan 1 AQCS disallowance resulted in a plant balance less than the balance included in rates in the 2009 Case and therefore the carrying costs included in the regulatory asset were unnecessary. He states in his true-up direct testimony, page 10, that "*The adjustments to the Iatan 2 and Iatan Common Plant regulatory assets remove a portion of the carrying cost of these two regulatory assets based upon Staff's proposed disallowances.*"

Q: Do you agree with Staff's partial disallowances of the Iatan Common and Iatan 2 regulatory assets?

A: No, I do not, for the same reasons I have discussed throughout this case in regard to the Iatan 1 AQCS regulatory assets. All Iatan costs, including both plant cost and the regulatory assets, should be included in rate base prior to any decision as to possible prudence disallowances. By excluding all or a portion of the various Iatan regulatory assets, Staff has proposed additional disallowances over and above the prudence disallowances it has proposed in this case.

Q: Do you believe the Iatan Common and Iatan 2 regulatory asset issue should be considered a "true-up issue" in this proceeding?

A: No, I do not. The purpose of a true-up is to update numbers, not to bring up new issues. Staff never brought up this issue until the true-up. Additionally, the issue that Staff has now brought up is identical to the Iatan 1 AQCS regulatory asset issue that was an issue at the Evidentiary Hearing.

Q: **How then does the Company recommend that the Commission handle this new issue being brought up by Staff in the true-up process?**

A: Because of Staff' failure to address this issue earlier in the case, the Commission should dismiss Staff's proposed partial disallowances of the Iatan Common and Iatan 2 regulatory assets, and adopt KCP&L's proposed regulatory asset balances as shown in Schedule JPW2010-9 attached to my true-up direct testimony (Schedule 1 of that Revenue Requirement Model). In the alternative, if the Commission believes Staff has a right to bring up this issue so late in the process, the Company believes the Commission should base its decision on the evidence already on the record regarding the identical Iatan 1 AQCS regulatory asset issue.

Q: **Both KCP&L and Staff have included Iatan-related regulatory assets based on activity through December 31, 2010, the true-up date in this case. How does the Company expect to address activity between December 31, 2010 and the effective date of new rates in this case?**

A: As authorized by the two Stipulation and Agreements discussed earlier in this testimony, KCP&L will continue to charge activity as appropriate into the regulatory asset balances through the effective date of new rates in this case. We will then adjust the annual amortization of these regulatory assets in the next case. We understand that Staff has this same intent.

Rate Case Expense

Q: Please discuss the rate case expense issue.

A: Similar to the Iatan regulatory asset issue discussed above, Staff has introduced another new issue in the true-up process. Staff now proposes, as we near the end of the case, that various rate case costs be disallowed.

Q: Why does Staff assert that it had to wait until the true-up process to bring this issue to light?

A: Mr. Majors stated in his true-up direct testimony, page 2, that the Company did not provide adequate and timely invoice support. I disagree, as I stated in my rebuttal testimony, page 23.

Q: Has the Staff discussed the disallowance of rate case costs previously in this case?

A: Of the four proposed rate case expense disallowances that Mr. Majors addresses in his true-up direct testimony, only one item, the NextSource charges, was previously discussed by Mr. Majors in this case. Both Staff and KCP&L have fully vetted the NextSource issue throughout this case and no further testimony is required. Staff has updated correctly the NextSource amount in its true-up adjustment.

Q: Please discuss the other three proposed disallowances.

A: Company witness Tim Rush discusses each of these professional services in his true-up rebuttal testimony, and explains why the costs should be recoverable.

Q: Why is KCP&L responding to Staff's concerns regarding these three proposed disallowances, when you stated above that these proposed disallowances are inappropriate at this juncture in the case?

A: While we believe that Staff's proposed adjustments have been made too late in the process, we want to address each of these proposed disallowances in case the Commission does not concur.

Q: Are there any other rate case expense issues that you would like to discuss?

A; Yes, there is one other point. I stated in my rebuttal testimony, page 22, that the Company expects to be able to recover all rate case costs prudently incurred in this case, including costs not recorded as of December 31, 2010 (and therefore not included in the true-up case). Mr. Majors has not addressed post-December 31, 2010 costs in his true-up direct testimony, or in any of his prior testimonies in this case. Therefore, I would like to request of the Commission that all prudent and reasonable rate case costs incurred in the current rate case, but not included in the true-up, be deferred in a regulatory asset for recovery in the next rate case.

Q: Is there a possibility that KCP&L might "over-recover" rate case costs incurred in this case if the Company does not file a rate case for some time?

A: Consistent with prior rate cases, KCP&L proposes that any such "over-recovery" be reflected as a reduction in the amount to be recovered in the next case.

DSM Costs

Q: Please explain the DSM cost issue.

A: As indicated in my rebuttal testimony, Staff combines several components in its DSM adjustment. One of those components relates to excess margins on off-system sales ("OSS") to be returned to customers over ten years. Staff's OSS true-up margins are not significantly different from those calculated by the Company in total for 2009 and 2010, but there are some discrepancies among the time periods that I would like to address in this testimony.

Q: What differences exist?

A: Staff calculated excess margins on a calendar year basis instead of examining each vintage. Staff calculated the excess margins for the period January 1, 2009 through August 31, 2009 using total 2009 calendar year margins. They then compared this calendar year amount to the $30 million (total company) 25th percentile tracker for OSS margins that became effective September 1, 2009 rather than to the $51 million (total company) 25th percentile tracker that was effective for the period January 2009 through August 31, 2009, arriving at excess margins of $2,424,214 (total company). Staff calculated excess margins for the period September 1, 2009 through August 31, 2010 using the calendar year 2010 margins, arriving at excess margins of $3,312,442 (total company). Finally, Staff did not calculate excess margins for the partial year September 1, 2010 through December 31, 2010. Therefore, Staff's total for the 2009-2010 period was $5,736,656 (total company).

Q: What are the correct excess margins for each period?

A: Excess margins for each period should have been as follows (all amounts are total company):

- True-up of prior year amounts recorded in 2009- ($793,388)
- January 1, 2009 through August 31, 2009 - $0
- September 1, 2009 through August 31, 2010 - $6,505,894 (includes a September 2010 adjustment of prior amounts)

- September 1, 2010 through December 31, 2010 - $0

2009-2010 total- $5,712,506

Q: Did you note any other issues with Staff's calculation of excess margins?

A: Yes. Staff used a 53.5% demand factor to calculate the Missouri jurisdictional value of excess margins to be deferred and amortized. In the *Non-Unanimous Stipulation and Agreement as to Miscellaneous Items* that was filed on February 3, 2011, it was agreed to use the Staff's energy allocation factor of 56.94%

Updated Revenue Deficiency

Q: KCP&L updated its revenue deficiency in its true-up direct testimony. Why is another update necessary?

A: The Company has been working closely with Staff in the reconcilement process since the filing of each parties' true-up direct testimony. As a result, there has been a need for both the Staff and KCP&L to update their respective revenue deficiencies. This process will continue through the Staff's filing of the reconciliation on or before March 2, 2011. The Company's revised position will be reflected in that reconciliation.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power & Light Company to Modify Its Tariffs to Continue the Implementation of Its Regulatory Plan	)))	Docket No. ER-2010-0355

AFFIDAVIT OF JOHN P. WEISENSEE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

John P. Weisensee, being first duly sworn on his oath, states:

1. My name is John P. Weisensee. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Regulatory Affairs Manager.

2. Attached hereto and made a part hereof for all purposes is my True-Up Rebuttal Testimony on behalf of Kansas City Power & Light Company consisting of eight (8) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

John P. Weisensee
John P. Weisensee

Subscribed and sworn before me this 28th day of February, 2011.

ANNETTE G. CARTER
Notary Public - Notary Seal
Comm. Number 09779753
STATE OF MISSOURI
Jackson County
My Commission Expires: Oct. 6, 2013

Annette G Carter
Notary Public

My commission expires: Oct. 6, 2013