

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

DIRECT TESTIMONY OF

DARRIN R. IVES

**ON BEHALF OF
KANSAS CITY POWER & LIGHT COMPANY**

**IN THE MATTER OF THE APPLICATION OF
KANSAS CITY POWER & LIGHT COMPANY
TO MAKE CERTAIN CHANGES IN
ITS CHARGES FOR ELECTRIC SERVICE**

DOCKET NO. 17-KCPE-____-RTS

1 **I. INTRODUCTION**

2 **Q: Please state your name and business address.**

3 A: My name is Darrin R. Ives. My business address is 1200 Main, Kansas City, Missouri
4 64105.

5 **Q: By whom and in what capacity are you employed?**

6 A: I am employed by Kansas City Power & Light Company (“KCP&L” or the “Company”)
7 as Vice President – Regulatory Affairs.

8 **Q: What are your responsibilities?**

9 A: My responsibilities include oversight of the Company’s Regulatory Affairs Department,
10 as well as all aspects of regulatory activities including cost of service, rate design,
11 revenue requirements, regulatory reporting and tariff administration.

1 **Q: What is the purpose of your testimony?**

2 A: The purpose of my testimony is to provide (1) an overview of the Company's filing, (2) a
3 description of the drivers and components of the case consistent with the Commission
4 Order in Docket No. 15-KCPE-116-RTS ("15-116 Docket" and "15-116 Order"),¹ (3) the
5 impact of this request on customers, and (4) a summary of the Company's Ask in this
6 Application.

7 **Q: Please describe your education, experience and employment history.**

8 A: I graduated from Kansas State University in 1992 with a Bachelor of Science in Business
9 Administration with majors in Accounting and Marketing. I received my Master of
10 Business Administration degree from the University of Missouri-Kansas City in 2001. I
11 am a Certified Public Accountant. From 1992 to 1996, I performed audit services for the
12 public accounting firm Coopers & Lybrand L.L.P. I was first employed by KCP&L in
13 1996 and held positions of progressive responsibility in Accounting Services and was
14 named Assistant Controller in 2007. I served as Assistant Controller until I was named
15 Senior Director – Regulatory Affairs in April 2011. I have held my current position of
16 Vice President – Regulatory Affairs since August 2013.

¹ See 15-116 Order, *Order on KCP&L's Application for Rate Change*, issued Sep. 10, 2015, p. 35, Ordering ¶ B, Attachment A to that Order, Unanimous Partial Settlement Agreement on Revenue Requirement, p. 7, ¶ 15, p. 11, ¶ 20, Attachment B to that Order, Non-Unanimous Rate Design Settlement Agreement, p. 4, ¶ 7, third bullet under Residential Customer Charge, p. 8, ¶ 10, *Order Granting Joint Motion for Approval of Process to Implement Migration Adjustment*, issued Oct. 27, 2015, and *Order Granting Joint Motion for Approval of Modified Process to Implement Migration Adjustment*, issued Mar. 3, 2016.

1 **Q: Have you previously testified in a proceeding before the Kansas Corporation**
2 **Commission (“Commission” or “KCC”) or before any other utility regulatory**
3 **agency?**

4 A: Yes, I have testified a number of times before the Kansas Corporation Commission
5 (“Commission” or “KCC”) and the Missouri Public Service Commission (“MPSC”). I
6 have also provided written testimony before the Federal Energy Regulatory Commission
7 and have testified before legislative committees in Missouri.

8 **II. CASE OVERVIEW**

9 **Q: Please discuss the basis and authority for this abbreviated rate case request.**

10 A: Kansas Administrative Regulation (“K.A.R.”) 82-1-231(b)(3) sets out the parameters for
11 a Kansas utility to request approval from the Commission to file an abbreviated rate case.
12 Such a request is typically made in the context of a general rate case and the abbreviated
13 rate case application must be filed within one year of the Commission’s order in the
14 general rate case. The case is considered “abbreviated” because the issues included are
15 limited to those specified by the Commission in the general rate case order, and the utility
16 must be “willing to adopt all the regulatory procedures, principles, and rate of return
17 established by the Commission”² in the general rate case order preceding the filing of an
18 abbreviated rate case.

² K.A.R. 82-1-231(b)(3)(A).

1 **Q: When did KCP&L request the Commission authorize the filing of this abbreviated**
2 **rate case?**

3 A: The Company requested, and the Commission granted, the opportunity to file this
4 abbreviated rate case in Docket No. 15-GIME-025-MIS (“15-025 Docket”).³ The
5 Commission’s 15-116 Order approved the 15-116 Unanimous Partial Settlement of
6 Revenue Requirement (“15-116 RR Settlement”), which approved extension of the filing
7 date for the abbreviated rate case from 12 months following the 15-116 Order to
8 14 months following that order.⁴

9 **Q: Is the Company adopting all of the regulatory procedures, principles, and rate of**
10 **return established by the Commission in the 15-116 Order?**

11 A: Yes. KCP&L has used the rate of return established in the 15-116 Order. The
12 Company’s revenue requirement model in this abbreviated rate case was first set to
13 reflect the results of the Commission’s 15-116 Order before applying the impact
14 associated with the limited items in this case.

15 **Q: What revenue requirement change is the Company requesting in this case?**

16 A: The Company is requesting a decrease of \$2,829,191 or approximately (0.49) percent,
17 based on current Kansas jurisdictional Commission authorized base revenues of
18 \$578.3 million.

19 **Q: What are the key drivers underlying KCP&L’s proposed rate decrease?**

20 A: As previously noted there are two primary drivers in this case: (1) true-up to actual of
21 capital costs associated with the La Cygne Environmental Project and the Wolf Creek

³ 15-025 Docket, *Order Approving Joint Application*, issued Sep. 9, 2014, Ordering Clause C.

⁴ 15-116 Order, issued Sep. 10, 2015, Ordering Clause B and Attachment A, p. 7.

1 capital additions; and (2) removal of certain regulatory assets/liability amortizations. I
 2 will describe each of these briefly in turn below as well as discuss specifics regarding the
 3 Wolf Creek capital additions and the Wolf Creek refueling outage 20 costs true-ups;
 4 however, the specifics of each other item will be discussed in more detail by other
 5 KCP&L witnesses. Following is a list of the Company’s witnesses in this case and the
 6 topics each address.

Darrin R. Ives	Overview and Summary of Abbreviated Rate Case
Linda J. Nunn	Revenue Requirement Model, Accounting Adjustments including True-ups for Plant in Service related to the La Cygne Environmental Project and Wolf Creek Projects, and the removal of certain Regulatory Asset and Liability Amortizations
Robert N. Bell	La Cygne Environmental Project Status
Marisol E. Miller	Minimum Filing Requirements, Customer Migration Impact, Rate Design and Tariffs

7 **Q: Please briefly discuss each of the primary drivers for filing this Application.**

8 A: The Company has invested significant capital resources in new facilities and equipment
 9 necessary to comply with environmental obligations and to continue to provide reliable
 10 and efficient service to its customers. Such investments include the La Cygne
 11 Environmental Project approved by the Commission in Docket No. 11-KCPE-581-PRE
 12 (the “11-581 Docket”). As discussed in more detail in the Direct Testimony of
 13 Mr. Robert N. Bell, the Project involves installation of environmental controls for
 14 La Cygne generating units 1 and 2 to meet Environmental Protection Agency (“EPA”)
 15 and Kansas Department of Health and Environment (“KDHE”) requirements. In this
 16 case, KCP&L is seeking to true-up those costs to actual costs as those projects come to
 17 completion.

1 In the 15-025 Docket, the Commission approved the Joint Application of
2 KCP&L, Westar Energy, Inc. and Kansas Gas and Electric Company to, among other
3 things, include the budget costs for the La Cygne Environmental Project and the Wolf
4 Creek capital additions in rates as part of its next rate case, Docket No. 15-KCPE-116-
5 RTS (“15-116 Docket”), with the commitment that those budgeted costs would be trued-
6 up to actual costs in an abbreviated rate case following the 15-116 Docket. As part of the
7 Unanimous Partial Settlement Agreement on Revenue Requirement between the parties
8 to the 15-116 Docket (“15-116 RR Settlement”), the issues to be addressed in this
9 abbreviated rate case related to the La Cygne Environmental Project and Wolf Creek
10 capital additions were identified by the parties and approved by the Commission. The
11 15-116 Settlement provides,

12 Items for consideration in such an abbreviated proceeding include:

- 13 ▪ True-up La Cygne Environmental Project costs to actual with all
14 affected components of KCP&L's revenue requirement, including
15 deferred taxes, trued-up consistently. Allowance for Funds Used
16 During Construction (AFUDC) amounts recorded on the Project will
17 also be trued-up;
- 18 ▪ True-up La Cygne deferred depreciation total amortization amount,
19 including deferred taxes, as well as annual amortization amount;
- 20 ▪ True-up to Wolf Creek capital additions costs to actual with all
21 affected components of KCP&L's revenue requirement, including
22 deferred taxes, trued-up consistently. AFUDC amounts recorded on
23 the Wolf Creek Additions will also be trued-up;
- 24 ▪ Update the amortization of Wolf Creek refueling outage costs included
25 in base rates to refueling outage 20 actual expenditures;⁵

⁵ 15-116 Order, p. 35, Ordering ¶ B, and Attachment A, Unanimous Partial Settlement Agreement on Revenue Requirement, ¶ 15, pp. 7-8.

1 Additionally, a number of regulatory assets and one regulatory liability are
2 set to be fully amortized by the end of this proceeding. This Application requests
3 to remove those regulatory assets and liability from KCP&L's rates consistent
4 with the 15-116 RR Settlement which lists the following for inclusion in the
5 abbreviated rate case:

- 6 ▪ Termination of the following regulatory asset items:
 - 7
 - 8 ○ Removal of amortization of pre-existing FAS 87 regulatory asset;
 - 9 ○ Removal of amortization of the regulatory assets associated with
 - 10 rate case expense for all rate cases prior to this 15-116 Docket;
 - 11 ○ Removal of amortization of the regulatory asset associated with the
 - 12 Kansas Merger Transition Costs;
 - 13 ○ Removal of the amortization of the regulatory asset associated with
 - 14 the talent assessment expenses; and
 - 15 ○ Removal of amortization of the regulatory liability of a legal fee
 - 16 reimbursement.⁶

17 The 15-116 RR Settlement also called for the following to be included in
18 this abbreviated rate case which I will discuss later in my testimony:

- 19 ▪ Electric Vehicle Charging Station costs and tariff to be included in
20 abbreviated rate case pursuant to Section N below.⁷

21 The Commission's 15-116 Order and associated settlement agreements set
22 out parameters for rate design in this abbreviated rate case as,

23 The Parties agree that the revenue requirement increase/decrease resulting
24 from the abbreviated rate case shall be applied to rates within the classes
25 on an equal percentage basis, maintaining the rate and class relationships
26 ultimately approved by the Commission in this 15-116 Docket except as
27 otherwise noted in the separate Rate Design Settlement Agreement, filed
28 in this case.⁸

⁶ 15-116 Order, Attachment A, ¶ 15, p. 8.

⁷ 15-116 Order, Attachment A, ¶ 15, p. 9.

⁸ 15-116 Order, p. 35, Ordering ¶ B, and Attachment A, Partial Settlement Agreement on Revenue Requirement, pp. 7-9, ¶ 15, p. 11, ¶ 20.

1 Additionally, the Non-Unanimous Rate Design Settlement Agreement (“15-116
2 Rate Design Settlement”) and subsequent related filings in the 15-116 Docket provide for
3 adjustments to rates to account for commercial and industrial (“C&I”) customer
4 migration between rates due to rate design changes resulting from the 15-116 Docket.⁹

5 **Q: Please explain how KCP&L developed its rate case.**

6 A: Consistent with the requirements for this abbreviated rate case filing, the Company’s cost
7 of service and revenue in this case are based on the results of the Commission’s Order in
8 the 15-116 Docket (“15-116 Order”).¹⁰ The impact of each of the drivers is added to or
9 subtracted from the revenue requirement determined in the 15-116 Docket to arrive at the
10 new revenue requirement in this request. The Direct Testimony of KCP&L witness
11 Ms. Linda J. Nunn supports the revenue requirement model and revenue requirement
12 determination, which is included in her Schedules LNJ-1 through LNJ-3.

13 **III. LA CYGNE ENVIRONMENTAL PROJECT**

14 **Q: Please discuss the La Cygne Environmental Project.**

15 A: The La Cygne Environmental Project continues the Company’s initiatives for compliance
16 with state and federal environmental regulations and requirements with the installation of
17 environmental air quality control on its La Cygne Unit 1 and La Cygne Unit 2 coal-fired
18 units. This Project, given that the Company’s Hawthorn Unit 5, Iatan Unit 1, and Iatan
19 Unit 2 coal-fired units already have state of the art environmental equipment, is the last
20 major air quality control project KCP&L expects to undertake for its fleet under current

⁹ 15-116 Order, p. 35, Ordering ¶ B, and Attachment B, Non-Unanimous Rate Design Settlement Agreement, p. 4, ¶ 7, third bullet under Residential Customer Charge, p. 8, ¶ 10, *Order Granting Joint Motion for Approval of Process to Implement Migration Adjustment*, issued Oct. 27, 2015, and *Order Granting Joint Motion for Approval of Modified Process to Implement Migration Adjustment*, issued Mar. 3, 2016.

1 state and federal regulations. A selective catalytic reduction (“SCR”) system and low
2 nitrous oxide (“NO_x”) burners were added to La Cygne Unit 2 (similar controls were
3 installed on La Cygne Unit 1 in 2007) and fabric filters (also called baghouses) were
4 installed for both La Cygne units. Additionally, a dual flue chimney was installed to
5 accommodate both units. This equipment was put in service in March and April 2015.¹¹
6 The remainder of the La Cygne Environmental Project which includes punch list items
7 from the equipment noted above, demolition of certain obsolete equipment such as the
8 old chimneys and site finishing, is expected to be completed in December 2016. Both the
9 Project and the cost estimate for the Project were approved by the Commission in the
10 11-581 Docket. Truing up the final costs of the Project in rates consistent with the
11 Commission’s *Order Approving Joint Application* in Docket No. 15-GIME-025-MIS¹² is
12 the major driver in this abbreviated rate case.

13 The status of the La Cygne Environmental Project is discussed in more detail in
14 the Direct Testimony of Mr. Bell. The request for capital cost recovery for the Project is
15 discussed in the Direct Testimony of Ms. Nunn (Adjustments RB-20).

¹⁰ See 15-116 Docket, *Order on KCP&L’s Application for Rate Change*, issued Sep. 10, 2015, p. 35, Ordering ¶¶ B, C and D, and Attachment A, *Partial Settlement Agreement on Revenue Requirement*, p. 7, ¶ 15.

¹¹ 15-025 Docket, *Order Approving In-Service Dates*, issued Jul. 21, 2015.

¹² See Docket No. 15-GIME-025-MIS, *Order Approving Joint Application*, issued Sep. 9, 2014, p. 6-9, ¶¶ 16-22, and Ordering ¶¶ B and C.

1 **IV. WOLF CREEK CAPITAL ADDITIONS AND REFUELING OUTAGE 20**

2 **Q: What capital investments have been required at Wolf Creek?**

3 A: As described by KCP&L witness Scott Heidtbrink in his direct testimony in the 15-116
4 Docket, additional capital investments have been required at Wolf Creek to meet
5 government mandates regarding aging infrastructure and will allow continued safe and
6 reliable operation of Wolf Creek, which is a clean and low-cost generation source. Three
7 of the major modifications completed during the last outage are (1) In-plant Essential
8 Service Water Piping Inspection and Replacement, (2) Containment Cooler Upgrade and
9 (3) Essential service water system pressure surge mitigation. As discussed earlier, the
10 costs of these projects were reflected in rates at budgeted levels as a result of KCP&L's
11 last rate case. In this case, these costs will be trued-up to actuals and all affected
12 components of KCP&L's revenue requirement should be trued-up consistently.

13 **Q: What other Wolf Creek costs are part of the abbreviated rate case?**

14 A: The amortization of Wolf Creek refueling outage 20 costs will be updated to include the
15 actual expenditures for that outage.

16 **V. REGULATORY ASSET / LIABILITY UPDATES**

17 **Q: Please describe the regulatory asset updates being proposed by the Company.**

18 A: As stated earlier there were a number of regulatory assets and one regulatory liability that
19 are expected to be fully amortized in the first half of 2017. As such, this abbreviated rate
20 case filing removes these amortizations from the Companies cost of service. The
21 regulatory assets and regulatory liability that are being removed from the cost of service
22 in this case include the following:

- 1 ○ FAS 87 Regulatory Asset - The unamortized balance established in the 15-116
2 docket of the pre-existing FAS 87 pension-related regulatory asset is expected to
3 be fully amortized by the end of this proceeding.
- 4 ○ Prior Rate Case Expense Regulatory Asset - Rate case expense amortizations for
5 cases prior to the 15-116 Docket are expected to be fully amortized by the end of
6 this proceeding.
- 7 ○ Merger Transition Costs Regulatory Asset – KCP&L was authorized to recover a
8 level of transition costs over a five-year period in accordance with the settlement
9 agreement in Docket No. 07-KCPE-1064-ACQ. Amortization of these costs
10 began in December 2010 with the effective date of new rates in the 10-415
11 Docket, and they are expected to be fully amortized by the end of this proceeding.
- 12 ○ Talent Assessment Expenses Regulatory Asset – The Commission-approved
13 Stipulation and Agreement in Docket No. 06-KCPE-828-RTS specified that
14 outside consultant costs associated with the 2006 talent assessment program
15 should be deferred to a regulatory asset account and amortized. It is expected to
16 be fully amortized by the end of this proceeding.
- 17 ○ Legal Fee Reimbursement Regulatory Liability – In Docket No. 12-KCPE-764-
18 RTS, a three-year amortization was included in cost of service for a
19 reimbursement that the Company received during the fourth quarter of 2010 for
20 legal fees incurred during 2007-2010 on a personal injury claim. It is expected to
21 be fully amortized by the end of this proceeding.

1 These regulatory assets and regulatory liability adjustments removing the
2 associated amortizations from cost of service are discussed in more detail by Ms. Nunn in
3 her Direct Testimony.

4 **VI. RATE DESIGN AND CUSTOMER IMPACT**

5 **Q: What does the Company propose for allocating the requested revenue decrease to its**
6 **customer classes?**

7 A: Neither the Non-Unanimous Rate Design Settlement Agreement¹³ nor the Joint Motion
8 for Approval of Process to Implement Migration Adjustment¹⁴ calls for a class cost of
9 service study, therefore none was prepared as part of this abbreviated rate case filing. As
10 a result, the Company is proposing that the decrease in revenue requirements be spread
11 evenly across all customer classes. A discussion of the Company's proposed rate design
12 for the requested decrease as well as a discussion of the application of the impact of
13 commercial and industrial customer migration can be found in the Direct Testimony of
14 KCP&L witness Ms. Marisol E. Miller.

15 **Q: Please discuss the impact on customers of the proposed rate design.**

16 A: The requested decrease for a typical residential customer and a typical small commercial
17 customer would be a reduction of (\$0.56) and (\$1.22) per month, respectively.¹⁵ This
18 does not involve any shifting of revenue recovery between customer classes as the same
19 overall percentage increase is being applied to each customer class. However, the net

¹³ 15-116 Docket, Attachment B to the 15-116 Order, Non-Unanimous Rate Design Settlement Agreement, p. 8, ¶ 10.

¹⁴ 15-116 Docket, Joint Motion for Approval of Process to Implement Migration Adjustment, filed Sep. 24, 2015, p. 6, first bullet.

¹⁵ A typical KCP&L residential customer uses 1,452 kWh in summer and 791 kWh in winter. A typical small commercial customer has summer usage of 1,719 kWh and winter usage of 1,151 kWh.

1 revenue reduction associated with the industrial customer migration remained with the
2 rate class where the migration occurred, as outlined in the Joint Motion for Approval of
3 Process to Implement Migration Adjustment. KCP&L's next full general rate case will
4 include a class cost of service study and will again look at rate design in more detail;
5 however, without an updated class cost of service study in this proceeding, spreading the
6 revenue request evenly across all customer classes is the most fair and reasonable
7 approach. Ms. Miller addresses this in her testimony.

8 **VII. ELECTRIC VEHICLE CHARGING STATIONS**

9 **Q: You list the tariff and costs for KCP&L's electric vehicle charging stations as an**
10 **item to be included in this abbreviated rate case. Has KCP&L included those in this**
11 **Application?**

12 A: No. While they were listed in the 15-116 RR Settlement for inclusion, such inclusion
13 was subject to Commission approval through a separate docket. In Docket No. 16-
14 KCPE-160-MIS, the Commission denied KCP&L recovery of the capital and operations
15 and maintenance ("O&M") costs of the electric vehicle charging station equipment.¹⁶ In
16 that same docket, the Commission approved KCP&L's tariff for recovery of costs of the
17 electricity used by electric vehicle drivers at the charging stations.¹⁷ Therefore, there is
18 nothing related to the electric vehicle charging stations to include in this abbreviated rate
19 case.

¹⁶ Docket No. 16-KCPE-160-MIS, *Order Denying KCP&L's Application for Approval of its Clean Charge Network Project and Electric Vehicle Charging Station Tariff*, issued Sep. 13, 2016.

¹⁷ Docket No. 16-KCPE-160-MIS, *Order on Petition for Reconsideration*, issued Oct. 27, 2016.

1 **VIII. SUMMARY OF KCP&L REQUESTS IN THIS APPLICATION**

2 **Q: What is the Company requesting of the Commission with this Abbreviated Rate**
3 **Case Application?**

4 A: The Company is requesting that the Commission approve:

- 5 ▪ The adjustments necessary to true-up recovery in rates to reflect the actual costs
6 associated with the La Cygne Environmental Project;
- 7 ▪ The adjustments necessary to true-up recovery in rates to reflect the actual costs
8 associated with the Wolf Creek capital additions and the actual costs associated
9 with Wolf Creek refueling outage 20;
- 10 ▪ The removal of the amortization amounts for the four regulatory assets and one
11 regulatory liability discussed in this filing;
- 12 ▪ The adjustments necessary to address the migration of C&I customers as a result
13 of the rate design changes in the 15-116 Docket; and
- 14 ▪ The rate design and rate tariffs proposed to allocate the revenue requirement
15 results of this abbreviated rate case rate decrease request across KCP&L's
16 customer classes and reflect the application of the impact of commercial and
17 industrial customer migration resulting from implementation of the 15-116
18 Orders.

19 **Q: Does that conclude your testimony?**

20 A: Yes, it does.

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Kansas)
City Power & Light Company to Make)
Certain Changes in Its Charge for Electric) Docket No. 17-KCPE-____-RTS
Service)

AFFIDAVIT OF DARRIN R. IVES

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Darrin R. Ives, being first duly sworn on his oath, states:

1. My name is Darrin R. Ives. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President – Regulatory Affairs.

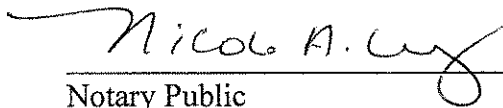
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of fourteen (14) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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.



Darrin R. Ives

Subscribed and sworn before me this 9th day of November 2016.


Notary Public

My commission expires: Feb. 4, 2019

