

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

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**DIRECT TESTIMONY OF**

**DARRIN R. IVES**

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

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**DEC 09 2013**

by  
**State Corporation Commission  
of Kansas**

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

**DOCKET NO. 14-KCPE-272-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 and summary of the  
3 Company's filing, (2) a discussion of the impact of the rate increase on KCP&L's  
4 customers, and (3) a description of the drivers and components of the case, including a  
5 discussion of the La Cygne Environmental Project and the regulatory asset amortization  
6 updates.

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 licensed in Kansas and Missouri. From 1992 to 1996, I  
12 performed audit services for the public accounting firm Coopers & Lybrand L.L.P. I was  
13 first employed by KCP&L in 1996 and held positions of progressive responsibility in  
14 Accounting Services and was named Assistant Controller in 2007. I served as Assistant  
15 Controller until I was named Senior Director – Regulatory Affairs in April 2011. I have  
16 held my current position of Vice President – Regulatory Affairs since August 2013.

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

20 A: Yes. I previously testified before the Commission in KCP&L's last rate case, Docket No.  
21 12-KCPE-764-RTS (the “764 Docket”). I have also testified a number of times before  
22 the Missouri Public Service Commission.

1 **II. CASE OVERVIEW**

2 **Q: Please briefly summarize the Company’s reasons for filing this Application.**

3 A: Consistent with the Partial Settlement Agreement between the parties to the 764 Docket  
4 (“764 Settlement”), the two underlying issues in this rate increase request are  
5 (1) recovery of costs invested in environmental control equipment at the Company’s  
6 La Cygne Generating Station as part of the “La Cygne Environmental Project” (or  
7 “Project”), and (2) updating of certain regulatory asset amortizations.<sup>1</sup> First, the  
8 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 “581 Docket”). The Project involves installation of environmental controls for  
13 La Cygne generating units 1 and 2 to meet Environmental Protection Agency (“EPA”)  
14 and Kansas Department of Health and Environment (“KDHE”) requirements. In this  
15 case, KCP&L is seeking recovery of recent costs associated with these capital additions  
16 from customers. The regulatory asset amortizations being addressed under the second  
17 item are the Other Post-Employment Benefits (“OPEB”) FAS 158<sup>2</sup> regulatory asset, the  
18 pension FAS 158 regulatory asset, and the rate case expense regulatory asset from Docket  
19 No. 10-KCPE-415-RTS (the “415 Docket”).

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<sup>1</sup> Docket No. 12-KCPE-764-RTS, Partial Settlement Agreement, filed Sep. 28, 2012, and Errata to the Partial Settlement Agreement, filed Nov. 9, 2012.

<sup>2</sup> Financial Accounting Standards (FAS) 158, Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans—An Amendment of FASB Statements No. 87, 88, 106, and 132(R).

1 **Q: What revenue requirement increase is the Company requesting in this case?**

2 A: The Company is requesting an increase of \$12,113,071 or approximately 2.3 percent,  
3 based on a current Kansas jurisdictional base revenue requirement of \$527.2 million.

4 **Q: What is the impact on customers of the increase in revenue requirements proposed**  
5 **by the Company?**

6 A: The proposed increase of approximately 2.3 percent will increase the monthly bill of a  
7 typical residential customer, a household using 1490 kWh in summer and 800 kWh in  
8 winter, by approximately \$2.35. A typical small commercial customer, (summer usage =  
9 1637 kWh and winter usage = 1102 kWh) will see an increase of approximately \$6.10 to  
10 their monthly bill.

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

12 A: As previously noted there are two primary drivers in this case: (1) capital costs associated  
13 with the La Cygne Environmental Project that was approved by the Commission in 2011  
14 in the 581 Docket; and (2) updates to certain regulatory assets. I will discuss each of  
15 these in turn below; however, each item will be discussed in more detail by other KCP&L  
16 witnesses. Following is a list of the Company’s witnesses in this case and the topics each  
17 address.

Darrin R. Ives	Overview and Summary of Abbreviated Rate Case
Ronald A. Klote	Revenue Requirement Model, Accounting Adjustments including Construction Work in Progress (“CWIP”) and Plant in Service for the La Cygne Environmental Project, and Certain Regulatory Asset Amortizations
Robert N. Bell	La Cygne Environmental Project Status
Bradley D. Lutz	Minimum Filing Requirements, Rate Design and Tariffs

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

2 A: Consistent with the requirements for this abbreviated rate case filing, the Company's cost  
3 of service and revenue in this case are based on the results of the Commission's Order in  
4 the 764 Docket ("764 Order").<sup>3</sup> The impact of each of the drivers is added to or  
5 subtracted from the revenue requirement determined in the 764 Docket to arrive at the  
6 new revenue requirement in this request. The Direct Testimony of KCP&L witness  
7 Mr. Ronald A. Klote supports the revenue requirement model and revenue requirement  
8 determination, which is included in his Schedules RAK-1 through RAK-3.

9 **Q: What are KCP&L's expectations for future rate cases?**

10 A: This abbreviated rate case is necessary to address capital costs related to the La Cygne  
11 Environmental Project. That Project is expected to be completed and the environmental  
12 equipment placed in service in June 2015. Given its current view of rate case timing and  
13 the current status of the Project, KCP&L would expect to file its next full general rate  
14 case in 2015.

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

16 A: Kansas Administrative Regulation ("K.A.R.") 82-1-231(b)(3) sets out the parameters for  
17 a Kansas utility to request approval from the Commission to file an abbreviated rate case.  
18 Such a request is made in the context of a general rate case and the abbreviated rate case  
19 application must be filed within one year of the Commission's order in the general rate  
20 case. The case is considered "abbreviated" because the issues included are limited to  
21 those specified by the Commission in the general rate case order, and the utility must be  
22 "willing to adopt all the regulatory procedures, principles, and rate of return established

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<sup>3</sup> Docket No. 12-KCPE-764-RTS, *Order on KCP&L's Application for Rate Change* (Dec. 13, 2012), ¶ 112, p. 43.

1 by the Commission”<sup>4</sup> in the general rate case order approving the filing of an abbreviated  
2 rate case.

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

5 A: In KCP&L’s last general rate case in the 764 Docket, pursuant to K.A.R. 82-1-231(b)(3)  
6 the Company requested, and the Commission granted, the opportunity to file an  
7 abbreviated rate case within one year of the issue date of the 764 Order. The  
8 764 Settlement set forth the items for consideration in this abbreviated rate case.  
9 Specifically, the 764 Settlement states,

10 The Signatory Parties agree not to contest KCP&L’s request for  
11 Commission pre-approval for KCP&L to file an abbreviated rate  
12 proceeding in accordance with K.A.R. 82-1-231(b)(3). Items for  
13 consideration in such an abbreviated proceeding include: CWIP for the  
14 LaCygne environmental project and the two regulatory asset items noted  
15 at the end of Bill Baldry’s testimony.<sup>5</sup>

16 The Commission’s 764 Order approved the 764 Settlement and KCP&L’s request for  
17 authority to file an abbreviated rate case.<sup>6</sup>

18 **Q: Is the Company adopting all of the regulatory procedures, principles, and rate of**  
19 **return established by the Commission in the 764 Order?**

20 A: Yes. KCP&L has used the rate of return established in the 764 Order. The Company’s  
21 revenue requirement model in this abbreviated rate case was first set to reflect the results  
22 of the Commission’s 764 Order before applying the impact associated with the limited  
23 items in this case.

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<sup>4</sup> K.A.R. 82-1-231(b)(3)(A).

<sup>5</sup> See Partial Settlement Agreement, Attachment A to the 764 Order, at pp. 7-8.

<sup>6</sup> 764 Order, ¶ 108, p. 42.

1 **III. LA CYGNE ENVIRONMENTAL PROJECT**

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

3 A: KCP&L already has state-of-the-art air quality control equipment on its Hawthorn Unit 5,  
4 Iatan Unit 1 and Iatan Unit 2 coal-fired units. KCP&L is continuing its initiatives for  
5 compliance with state and federal environmental regulations and requirements with the  
6 installation of similar environmental equipment on its La Cygne Unit 1 and La Cygne  
7 Unit 2 coal-fired units. A selective catalytic reduction (“SCR”) system and low nitrous  
8 oxide (“NO<sub>x</sub>”) burners are being added to La Cygne Unit 2 (similar controls were  
9 installed on La Cygne Unit 1 in 2007) and fabric filters (also called baghouses) are being  
10 installed for both La Cygne units. Additionally, a dual flue chimney is being installed to  
11 accommodate both units. These items together are referred to as the “La Cygne  
12 Environmental Project” which is expected to be completed in June 2015. Both the  
13 Project and the cost estimate for the Project were approved by the Commission in the  
14 581 Docket. Including CWIP and plant in-service associated with work to date on this  
15 Project in KCP&L’s rate base is consistent with K.S.A. 66-128 and is the major driver in  
16 this abbreviated rate case.

17 The status of the La Cygne Environmental Project is discussed in more detail in  
18 the Direct Testimony of KCP&L witness Mr. Robert N. Bell. The request for capital cost  
19 recovery for the Project is discussed in the Direct Testimony of Mr. Klote (Adjustments  
20 RB-20 and RB-21).

1 **IV. REGULATORY ASSET UPDATES**

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

3 A: As noted above, the regulatory asset amortizations being addressed in this Application  
4 are the Other Post-Employment Benefits (“OPEB”) FAS 158 regulatory asset, the  
5 pension FAS 158 regulatory asset, and the rate case expense regulatory asset from the  
6 415 Docket. The OPEB and pension regulatory assets will be fully recovered in  
7 July 2014, just before the expected effective date of rates in this case. Therefore, the  
8 Company is proposing to remove the amortization of these two assets from its cost of  
9 service. A significant portion of the rate case expense regulatory asset will be recovered  
10 as of the expected effective date of rates in this case. As a result, the Company is  
11 proposing to reduce the monthly amount being recovered under this asset such that only  
12 the remaining unrecovered amount will be recovered as of the expected effective date of  
13 new rates in KCP&L’s next general rate case.

14 These regulatory asset proposals are discussed in more detail by KCP&L witness  
15 Mr. Klote in his Direct Testimony (Adjustments CS-61, CS-65, and CS-80).

16 **V. OTHER COST OF SERVICE ISSUES**

17 **Q: Does this rate increase include fuel costs recovered under the Company’s Energy  
18 Cost Adjustment (“ECA”) mechanism?**

19 A: No. While ECA revenue and expenses are included in the Company’s revenue  
20 requirement model, the Company’s ultimate revenue requirement is not affected by these  
21 revenues and expenses because the adjusted Kansas revenue includes ECA revenue equal  
22 to the sum of all adjusted ECA expenses.



1 **Q: Does this rate increase include energy efficiency (“EE”) program costs recovered**  
2 **under the Company’s EE rider?**

3 A: No. As with the ECA, while EE program revenue and expenses are included in the  
4 Company’s revenue requirement model, the revenue requirement is not affected by these  
5 revenues and expenses because the adjusted Kansas revenue includes EE program  
6 revenue equal to the sum of all adjusted EE program expenses.

7 **VI. RATE DESIGN and CUSTOMER IMPACT**

8 **Q: What does the Company propose for allocating the requested revenue increase to its**  
9 **customer classes?**

10 A: Consistent with the 764 Settlement, no class cost of service study was required or  
11 prepared as part of this abbreviated rate case filing. Therefore, the Company is proposing  
12 that the increase in revenue requirements be spread evenly across all customer classes. A  
13 discussion of the Company’s proposed rate design for the requested increase can be  
14 found in the Direct Testimony of KCP&L witness Mr. Bradley M. Lutz.

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

16 A: As I previously noted the requested increase for a typical residential customer and a  
17 typical small commercial customer (as defined above by usage) would be \$2.35 and  
18 \$6.10 per month, respectively. This does not involve any shifting of revenue recovery  
19 between customer classes as the same overall percentage increase is being applied to each  
20 customer class. KCP&L’s next full general rate case, currently expected sometime in  
21 2015, will include a class cost of service study and will again look at rate design in more  
22 detail; however, without an updated class cost of service study in this proceeding,

1 spreading the revenue request evenly across all customer classes is the most fair and  
2 reasonable approach. Mr. Lutz addresses this in his testimony.

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

4 A: Yes, it does.

