BEFORE THE CORPORATION COMMISSION

OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION	]	
OF KANSAS CITY POWER COMPANY	]	KCC Docket No. 15-KCPE-116-RTS
TO MAKE CERTAIN CHANGES IN ITS	]	
CHARGES FOR ELECTRIC SERVICE	]	

CROSS ANSWERING TESTIMONY

ANDREA C. CRANE

RE: REVENUE REQUIREMENTS

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

May 26, 2015

A. Introduction

Q. Please state your name and business address.

A. My name is Andrea C. Crane and my business address is PO Box 810, Georgetown, CT 06829.

Q. Did you previously file Direct Testimony in this proceeding?

A. Yes, on May 11, 2015, I filed Direct Testimony on behalf of the Citizens' Utility Ratepayer Board ("CURB"). In my Direct Testimony, I recommended that the Kansas Corporation Commission ("KCC") find that Kansas City Power and Light Company ("KCP&L" or "Company") has a Test Year, pro forma, revenue deficiency of $16,889,734, instead of the revenue deficiency of $56,278,815 claimed by the Company. In addition, I recommended that the KCC approve the Company's request to establish a Transmission Delivery Charge ("TDC") rider, subject to certain adjustments discussed in my testimony. I also recommended that the KCC reject the Company's request to implement tracker mechanisms for vegetation management and cyber security costs. Finally, I recommended that the KCC approve the Company's request to file an abbreviated rate case within twelve months of an Order in this case.

B. Purpose of Testimony

Q. What is the purpose of your Cross-Answering Testimony?

A. The purpose of my Cross-Answering Testimony is to address recommendations made by various Staff witnesses that the Company's filing be updated to reflect actual results through March 31, 2015. While I am not taking exception to any of the specific recommendations made by Staff, I am concerned that the procedural schedule, although it was agreed to by the parties, does not permit all of the parties sufficient opportunity to evaluate the significant and numerous changes made late in the procedural process. This is especially true given the fact that the Company did not provide a comprehensive update but rather updated on a piecemeal basis through the discovery process.

C. Discussion of the Issues

Q. How does Staff's recommended revenue increase compare with CURB's recommendation?

A. Staff is recommending a revenue increase of $35.45 million, considerably more than the $16.89 million recommended by CURB. Following is a comparison of the positions of the Company, Staff, and CURB:

	Company Claim	Staff Position	CURB Position
Rate Base	$2,087,480,331	$2,121,932,092	$2,072,500,820
Cost of Capital	7.94%	7.41%	7.06%
Required Return	$165,812,738	$157,300,948	$146,398,867
Operating Income at Present Rates	$131,792,200	$135,868,622	$136,201,836
Income Deficiency	$34,020,538	$21,432,326	$10,197,031
Revenue Multiplier	1.6543	1.6543	1.6563
Revenue Increase	$56,278,815	$35,454,640	$16,889,734

Approximately $12.1 million of the difference between Staff's revenue requirement recommendation and CURB's recommendation is due to the different recommendations relating to return on equity. In addition to return on equity, the majority of the difference is due to Staff's use of a rate base that was updated with actual data through March 31, 2015. While CURB generally accepted the Company's forecasts through March 31, 2015, as noted in my Direct Testimony I did not attempt to update all components of the Company's rate base with actual results. Instead, I evaluated the Company's projected data that was filed in its Application and made a determination in each case regarding the reasonableness of that forecast. It is interesting to note that both Staff and CURB have virtually the same Operating Income at Present Rates, with CURB's recommendation being only $333,214 higher than Staff's recommendation.

Q. What was the Test Year in this case?

A. The Test Year in this case is the twelve month period ending June 30, 2014. However, as discussed in my Direct Testimony, in Docket No. 15-GIME-025-MIS ("025 Docket"), the parties agreed that KCP&L would be permitted to include, in rates resulting from this rate case, budgeted capital expenditures associated with the La Cygne Environmental Project and with certain Wolf Creek capital projects that were scheduled to be completed during the spring 2015 refueling outage. In addition, the parties agreed that the Company would be permitted to defer depreciation expenses associated with capital expenditures made by March 31, 2015 related to the La Cygne Environmental Project.

Q. Did the parties agree to update all components of the Company's filing as of March 31, 2015?

A. No, they did not. The only "update" specifically referenced in the Application in the 025 Docket is the update for March 31, 2015 capital expenditures associated with the La Cygne Environmental Project, which will form the basis for the plant that is subject to the depreciation deferral agreed upon by the parties. While the Application refers in several places to the "update date for the upcoming general rate case", there are no specific revenue requirement components identified in the Application itself except for La Cygne Environmental Upgrade Project. The proposed schedule attached to the Application shows that March 31, 2015 is the "Actual La Cygne Cost

Update Date" and that "Update Data [was] Due" on April 10, 2015 except for plant, accumulated depreciation and accumulated deferred income taxes, which were due "4/13 9am".

Q. Did KCP&L file an update to its original filing?

A. No, it did not. KCP&L did not file an update to its case. It did provide updated data in response to certain data requests propounded by Staff. Staff used this data to update most of KCP&L's adjustments for the Company. These included adjustments relating to plant and other rate base items as well as many of KCP&L's proposed expense adjustments. In fact, virtually every component of the Company's case was updated by Staff based on the Company's responses to data requests.

Q. **Do you believe it is appropriate for the KCC to utilize these substantial updates when setting rates for the Company?**

A. No, I do not. In many cases, the Company's updates substantially increased the Company's revenue requirement. Given the fact that these updates were not provided until April 10, 2015 (and in many cases even later), it was virtually impossible for CURB, given its limited resources, to adequately review and evaluate these updates in time to file testimony under the current procedural schedule. Moreover, since the Company did not update its revenue requirement claim, the updated data request responses represent a series of piecemeal updates.

Q. How significant were some of the "updates" provided by the Company?

A. Some of the updates were very significant. As an example, Staff's rate base recommendation, which largely reflects the "updates" provided by KCP&L, is $34.45 million higher than the Company's claimed rate base. Assuming the Company's requested rate of return and revenue multiplier, Staff's rate base recommendation would result in a rate increase of approximately $3.91 million, or almost 7.0%, <u>higher</u> than the Company's claim. Revised depreciation and amortization expense similarly added another $3.13 million to the Company's revenue requirement. Therefore, the updated data request responses had the potential to result in a significant increase to the Company's revenue requirement claim. Since the Company itself did not update its claim, it was left to other parties to determine which, if any, of the updates should be utilized.

Q. What is the problem with using updated data provided so late in the procedural schedule through discovery responses?

A. There are several issues with using this data. First, since the Company itself did not update its claim, it was left to the determination of each party to decide whether or not to reflect these updates in its testimony. This has the potential to make for varied starting points for the KCC's determination. Second, to the extent that a party chose to utilize the updates, that party had to ensure that the impact of those revised amounts was properly reflected in the overall revenue requirement. This quantification can be difficult since many adjustments impact other adjustments. For example, a plant adjustment will impact depreciation expense, the depreciation reserve, income taxes, and accumulated deferred income taxes (and potentially other revenue requirement components as well). Third, since the updates were not provided until April 10, 2015, or later, there was very limited time to review the data, update the revenue requirement model, and propound follow-up discovery, if necessary. Fourth, the Company did not update all of its previously-provided data requests that may have been impacted by the "updates". CURB's discovery questions, and most of Staff's questions as well, were based on the Company's filing and the Company responded to discovery in that context. Therefore, to the extent that the updates changed the information on which the initial discovery responses were based, then adjustments that were based on the initial discovery responses would need to be recalculated. However, since the Company did not update all of its responses to reflect the "updates", we did not necessarily have the data needed to revise our adjustments.

Q. **Didn't the Order in the 025 Docket anticipate that there would be an update?**

A. As noted earlier, the Order in the 025 Docket was not specific about what components of the Company's revenue requirement would be subject to updating, except for the fact that deferred depreciation expense on the La Cygne Environmental

Upgrade Project would be limited to expenditures made by March 31, 2015. Moreover, as noted earlier, the Company itself did not update its claim or its filing. Instead, the "updates" were provided through the discovery process. While ideally, all parties have access to the same data, in fact some of the "updates" were provided to Staff earlier than to the other parties in this case. Moreover, given the limited resources of some parties, it is difficult to review and evaluate a large number of data request responses, especially so late in the procedural schedule, given the fact that the revenue requirement recommendation needs to be developed prior to the rate design recommendations and given the need for internal review of testimony.

Q. What do you recommend?

A. It is my understanding that the current Kansas rules and regulations pertaining to rate cases still require the filing of an historic test year. However, over the past few years, we have seen an increased use of post-test year adjustments, particularly updates reflecting actual results well past the end of the Test Year. To the extent that the KCC is going to evaluate rate cases based on updated data, the KCC should enunciate a clear policy regarding the extent to which updates will be accepted. The KCC should also require the utilities to provide formal updates and to demonstrate the impact of any updates on all components of the revenue requirement, so that all parties in a proceeding are evaluating the rate request from a common starting point. In addition, the KCC should require that all data requests responses are updated to reflect a response based on the updated data. Finally, the KCC should adjust the procedural schedule so that the parties have more time to review the updates and to undertake additional discovery, if required. These provisions would ensure that all parties are operating with similar data and have sufficient time to undertake a comprehensive review of any updates.

Q. In addition to your concerns regarding the updating of the Company's filing, do you have any comments about specific Staff adjustments?

A. Yes, I do. I note that while Staff utilized March 31, 2015 updated data for the majority of its adjustments, it did not include a customer annualization adjustment to reflect the growth in customers either during the Test Year or subsequent to the Test Year. If the KCC adopts Staff's recommendations that reflect updates based on actual data at March 31, 2015, then it should similarly make an adjustment to annualize customer growth through that same date. The Company's filing is based on actual Test Year customers during the twelve months ending June 30, 2014. I recommended an adjustment to annualize customers at September 30, 2014, i.e., to reflect revenues as if the customers during the twelve months ending March 31, 2015 were in place for a full twelve months. If the KCC adopts Staff's updated March 31, 2015 rate base and expenses, then it should make an additional revenue adjustment to annualize revenues based on customer growth subsequent to the midpoint of the Test Year.

Q. Does this conclude your testimony?

A. Yes, it does.

VERIFICATION

STATE OF CONNECTICUT)

COUNTY OF FAIRFIELD) ss:

Andrea C. Crane, being duly sworn upon her oath, deposes and states that she is a consultant for the Citizens' Utility Ratepayer Board, that she has read and is familiar with the foregoing Testimony, and that the statements made herein are true to the best of her knowledge, information and belief

Andrea C. Crane

Andrea C. Crane

Subscribed and sworn before me this 22th day of May, 2015.

Notary Public Benjamin D Cotton

BENJAMIN D COTTON
Notary Public-Connecticut
My Commission Expires
June 30, 2017

My Commission Expires: ______________

CERTIFICATE OF SERVICE

15-KCPE-116-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 26th day of May, 2015, to the following parties:

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