

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

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**REBUTTAL TESTIMONY OF**

**BRADLEY D. LUTZ**

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

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**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. 07-KCPE-905-RTS**

1 **Q: Are you the same Bradley D. Lutz who submitted Direct Testimony in this**  
2 **proceeding?**

3 A: Yes, I am.

4 **Q: What is the purpose of your Rebuttal Testimony?**

5 A: To provide rebuttal comments to the direct testimony filed by other parties in this  
6 case concerning KCPL's class cost of service study ("CCOS study").

7 **Q: What is the purpose of the CCOS study?**

8 A: The purpose of the CCOS study is to determine the contribution that each customer  
9 class makes toward the Company's overall rate of return. The analysis underlying the  
10 CCOS study strives to attribute costs in relationship to the cost-causing factors of  
11 demand, energy and customers.

12 **Q: Have you reviewed the testimony filed by other parties concerning the**  
13 **Company's CCOS study?**

14 A: Yes, I have.

1 **Q: Please describe that testimony.**

2 A: Testimony related to KCPL’s CCOS study was filed by the Kansas Corporation  
3 Commission (“KCC”) Staff and the Midwest Utility User Group (“MUUG”). The  
4 KCC Staff prepared a complete CCOS study using allocation methods they believe to  
5 be appropriate for assigning costs to the respective classes and applying the study to  
6 rate design. The testimony prepared by MUUG did not include a study but spoke to  
7 the benefit of a CCOS study in establishing cost-based rates.

8 **Q: How did the results of the KCC Staff CCOS study compare to the Company  
9 CCOS study?**

10 A: The results were similar. Table 1 compares the studies on the basis of current rate of  
11 return.

12 **Table 1**

13	<b>Customer Class</b>	<b>KCPL</b>	<b>KCC Staff</b>
14	Total Jurisdiction	6.779%	7.928%
15	Residential	4.936%	6.211%
16	Small Gen. Service	8.623%	14.289%
17	Medium Gen. Service	10.251%	11.538%
18	Large Gen. Service	9.154%	8.781%
19	Large Power	8.501%	7.240%
20	Off-Peak Lighting	12.592%	12.658%
21	Other Lighting	0.787%	4.487%
22			

23 **Q: Please elaborate on the differences between the two studies.**

24 A: There are two primary differences between the studies: the dollars assigned to the  
25 respective accounts and the allocation method used to distribute those costs to the rate  
26 classes.

1 **Q: Please detail the account differences.**

2 A: In reconciling the two studies, I identified an approximately \$3 million variance in  
3 revenues, approximately \$8 million variance in expenses, and approximately  
4 \$10 million variance in rate base. Further investigation determined that all but the  
5 revenue variance were due to KCC Staff adjustments that occurred after the filing of  
6 the Company CCOS study. Other Company witnesses address concerns with these  
7 adjustments in their testimony.

8 **Q: Please detail the allocation methodology differences.**

9 A: I identified three notable allocation methodology differences: (i) allocations based on  
10 demand, (ii) allocations based on customers, and (iii) the allocation of line  
11 transformers as part of distribution plant.

12 For the demand allocator, the KCC Staff utilized the coincident peak demand for the  
13 four summer months (“4CP”) and the Company utilized an Average & Peak (“A&P”)  
14 allocation. The A&P method better recognizes that KCPL’s electric utility system is  
15 designed to meet both peak demands and energy requirements, and that the  
16 generation and transmission equipment are designed to meet both.

17 Concerning the allocations based on customers, the KCC Staff utilized average  
18 customer counts provided in Section 2 of the Minimum Filing Requirements filed by  
19 the Company as part of this case. The Company utilized a weighted average number  
20 of Customers. The weighted average provides a better recognition of the relative  
21 costs associated with providing service to those customers.

22 Finally, concerning the allocation of line transformer plant, the KCC allocates all line  
23 transformers on the basis of non-coincident peak demand. The Company utilizes a

1 split methodology where, based on the linear regression of plant and costs, the asset is  
2 allocated to demand and customer. This split methodology appropriately  
3 acknowledges that a portion of cost causation of the line transformer plant is due to  
4 the customer.

5 **Q: What is the impact of these differences on the final CCOS studies?**

6 A: The impact of these differences is to vary the absolute amounts of the individual  
7 accounts and totals. The differences have had little impact on the relative amounts  
8 expressed by the two studies. As expressed in Table 1 above, both studies reflect  
9 similar results.

10 **Q: Are the differences between the CCOS studies to be expected?**

11 A: Yes. Even when studies use the same base data, the choice of allocation methodology  
12 will alter the results. The result of any CCOS study is a function of the initial account  
13 data and the allocation methodology chosen. While the study work is precise, the  
14 results should be viewed as only an indication of the relative contributions of each  
15 class.

16 **Q: Is the study offered by the KCC Staff consistent with the study performed by the  
17 Company?**

18 A: Yes.

19 **Q: After reviewing the other parties' testimony, do you still believe the results of  
20 KCPL's CCOS study provide reasonable results?**

21 A: Yes, I do.

1 **Q: What is the Company's response to the recommendations made by the Staff and**  
2 **MUUG regarding various increases to KCPL's customer classes?**

3 A: Company witness Timothy M. Rush addresses these recommendations in his rebuttal  
4 testimony.

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

6 A: Yes, it does.

