

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

REBUTTAL TESTIMONY OF

JOHN R. MARSHALL

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

**IN THE MATTER OF THE APPLICATION OF
KANSAS CITY POWER & LIGHT COMPANY
TO MODIFY ITS TARIFFS TO BEGIN THE
IMPLEMENTATION OF ITS REGULATORY PLAN**

DOCKET NO. 06-KCPE-828-RTS

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

2 A: My name is John R. Marshall. My business address is 1201 Walnut, Kansas City,
3 Missouri 64106.

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

5 A: I am employed by Kansas City Power & Light Company ("KCPL" or "Company") as
6 Senior Vice President, Delivery Division.

7 **Q: Are you the same John R. Marshall who pre-filed direct testimony in this case?**

8 A: Yes, I am.

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

10 A: The purpose of my testimony is to clarify and, in some instances, rebut testimony
11 presented by Kansas Corporation Commission ("KCC") Staff witness Mark Doljac
12 regarding the Asset Management Plan performance, as well as adjustments to the
13 Delivery operations and maintenance ("O&M") expense for performance
14 measurement. Additionally, I will be addressing the issue of KCPL's performance

1 justification for a return on equity adder, discussed in the rebuttal testimony of
2 Citizens' Utility Ratepayer Board ("CURB") witness Andrea Crane and KCC Staff
3 witness Adam Gatewood.

4 **Q: Please discuss KCPL's position on trend analysis relating to service reliability.**

5 A: KCPL does not object to providing performance time-series trend indicators on
6 service reliability as shown in the Commission's Electric Reliability Requirements
7 ("ERR") established in Docket No. 02-GIME-365-GIE. KCPL understands the
8 importance of trends and believes that the trended time-series evaluation of System
9 Average Interruption Duration Index ("SAIDI") performance is an indicator of its
10 performance relative to the perspective of its customers. Time-series comparisons
11 that gauge service reliability trends over time are considered important inputs or
12 potential indicators to the performance of our overall Asset Management Plan.

13 **Q: Are other system performance indices used to identify trends?**

14 A: Yes. In addition to SAIDI, KCPL uses the following system performance indices to
15 measure system reliability and to evaluate performance trends: (i) CAIDI (average
16 customer interruption duration per interruption); (ii) SAIFI (average number of
17 interruptions per customer served); and (iii) CEMI-x (number of customers
18 experiencing "x" number of interruptions per year). For each index other than CEMI,
19 KCPL calculates both normalized and non-normalized values. Normalized values
20 exclude interruptions related to major events. KCPL uses non-normalized indices for
21 the trending and analysis of major events.

1 **Q: Does KCPL intend to continue industry benchmarking of system reliability?**

2 A: Yes. KCPL intends to participate in industry benchmarking of the reliability of its
3 system against a peer group of utilities. The benchmarking of reliability performance
4 provides KCPL a useful tool in evaluating the quality of service provided by KCPL as
5 compared to industry peers. KCPL is a proponent of adopting the utility industry's
6 "best practices," specifically those identified by industry leading organizations such
7 as the Institute of Electrical and Electronics Engineers, Inc. ("IEEE"). Because
8 PA Consulting Group, a leader in utility benchmarking and industry surveys, has
9 adopted the IEEE 1366 method of SAIDI normalizing, KCPL will continue to use the
10 IEEE 1366 method in its peer group benchmark reporting.

11 **Q: Please address the statement in Staff witness Mark Doljac's testimony on**
12 **page 15 that KCPL may have misclassified 11 days in 2005 as Major Event Days**
13 **("MEDs").**

14 A: KCPL will conduct a review of the *"misclassification of 11 days in 2005 as MEDs."*
15 A preliminary look at the 11 days that were included reveals that these days were part
16 of a major wind or ice storm that lasted multiple days. In all of these cases, "a
17 rolling-day effect" took place. Some of the days represent "tail-end" days that are
18 included as a result of long restoration requirements at the end of a storm. Because
19 many storms begin at a day's end, the inclusion of two successive days is required to
20 capture a "24-hour storm period."

21 **Q: Do you agree with Mr. Doljac's recommendations of additional annual reporting**
22 **regarding system reliability?**

1 A: No. KCPL is required to annually provide detailed system reliability information in
2 compliance with the Commission's ERR. Additionally, KCPL provides an annual
3 Vegetation Management Report (Docket No. 97-GIME-483-GIE), which includes
4 line clearance information and reliability reporting. KCPL is also required to solicit
5 comments from all customers annually as to their satisfaction and provides that
6 information to the Commission pursuant to its Rules and Regulations, Section
7 5.09(E), as well as the Standards on Billing Practices, Section 1.F. If the Commission
8 believes it is necessary to impose additional reporting requirements, KCPL would
9 request that those requirements be established in a rulemaking proceeding and be
10 applicable to all utilities.

11 **Q: Please discuss KCPL's use of benchmarking instead of trend analysis for**
12 **comparison of its costs against other utilities.**

13 A: KCPL recognizes that benchmarking is not a silver bullet for evaluation of costs
14 among utilities. Thus, KCPL uses benchmarking as an evaluation of trends in costs
15 of utilities, as well as evaluation of the trends in our own costs, and sets goals for
16 improvement in management of costs based on that evaluation. The comparison to
17 peers provides the Company a "sounding board" to ensure the Company's goals
18 related to costs are headed in the prudent direction when compared to other peers.
19 Therefore, although KCPL targets Tier 1 performance as an internal philosophy, it
20 also tracks internal performance year to year to ensure trends are favorable. In
21 addition, one of the primary benefits of benchmarking is to determine the Company's
22 relative position in performance in a number of areas compared to industry peers,
23 identify the top performers, then establish relationships with those top performers to

1 identify and share best practices. Being able to identify and implement best practices
2 enables the Company to capture the full value of its benchmarking efforts.

3 **Q: Can you further discuss KCPL’s decision to exclude certain costs from**
4 **benchmarking for comparative purposes?**

5 A: In his direct testimony, KCC Staff witness Mark Doljac takes exception to KCPL
6 adjusting its Delivery O&M Cost per Customer to exclude certain expenses. In
7 benchmarking, there are undefined areas and subjectivity in comparability of
8 information. Thus, the Company has removed items from its costs that it believes are
9 not typical for all companies included in the benchmarking studies. The unadjusted
10 Delivery O&M Cost per Customer is reported via the financial statements – this
11 calculation although not overtly stated – is already available. Inclusion of this
12 information for benchmarking would skew results as storm patterns and regional
13 transmission operator (“RTO”) administration fees impact utilities across the industry
14 in varying degrees creating wide swings in costs. Mr. Doljac references Westar’s
15 inclusion of Southwest Power Pool (“SPP”) administrative fees in their transmission
16 delivery charges and transmission expenses. KCPL does not dispute where Westar
17 has recorded these expenses as KCPL also mirrors Westar’s treatment. The question
18 remains as to whether Westar includes these costs in benchmarking information.
19 Westar’s treatment of storm costs and a storm reserve would automatically cause
20 discrepancies in comparison of costs for benchmarking comparisons. The basic
21 premise of benchmarking is not to dispute or change accounting treatment of
22 expenses but to evaluate comparative costs of operations among utilities. Again,
23 KCPL uses these studies to analyze trends of costs in efforts to maximize efficiencies

1 in operational costs.

2 **Q: Please clarify KCPL's position that it should receive a cost of equity bonus to**
3 **compensate the Company for its high level of utility performance.**

4 A: As previously outlined in the direct testimonies of KCPL witnesses Chris Giles and
5 Robert Camfield, there is ample evidence to support a performance allowance to the
6 rate of return on equity in this proceeding. Mr. Camfield conducted an extensive
7 evaluation of KCPL to assess its performance in providing electric service to retail
8 consumers over recent years. The analyses revealed that, with particular emphasis on
9 trends over time, KCPL has performed near the top of the electric services industry
10 for the 1994-2004 timeframe. CURB witness Andrea Crane discusses in her
11 testimony at page 24 that "*[r]egulated utilities have the responsibility to provide safe*
12 *and adequate utility service in return for their right to hold a franchise and provide*
13 *monopoly service.*" This is precisely where KCPL is able to differentiate itself.
14 KCPL has achieved a high standard of productivity and overall performance over
15 recent years. The Company has implemented business practices and procedures that
16 have enabled it to provide quality service through cost containment and improvement
17 of productivity. The actions of the Company translate directly into benefits to retail
18 customers, which have been and are realized without compromise to delivered
19 reliability and service. KCPL believes the Commission should incorporate a
20 performance allowance in the range of 50-100 basis points into the allowed rate of
21 return on equity.

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

23 A: Yes, it does.

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