Exhibit No.:	
Issue:	Off-system sales adjustments Spot market power prices Fuel run
Witness:	Burton L. Crawford
Type of Exhibit:	Rebuttal Testimony
Sponsoring Party:	Kansas City Power & Light Company
Case No.:	ER-2010-0355
Date Testimony Prepared:	December 8, 2010

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-0355

REBUTTAL TESTIMONY

OF

BURTON L. CRAWFORD

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
December 2010

REBUTTAL TESTIMONY

OF

BURTON L. CRAWFORD

Case No. ER-2010-0355

Q: Please state your name and business address.

A: My name is Burton L. Crawford. My business address is 1200 Main, Kansas City, Missouri 64105.

Q: Are you the same Burton L. Crawford who prefiled Direct Testimony in this matter?

A: Yes.

Q: What is the purpose of your rebuttal testimony?

A: The purpose of my testimony is to rebut issues related to off-system sales adjustments, spot market power price development, and fuel model related issues in the Commission Staff's ("Staff") direct case filing and issues related to off-system sales adjustments of Greg R. Meyer on behalf of MEUA, MIEC and Praxair Inc. These off-system sales adjustment issues include SPP line loss charges, Purchases for Resale and Revenue Neutrality Uplift.

Q. Has Staff failed to recognize prudently incurred costs related to KCP&L's off-system sales transactions?

A. Yes. Staff has failed to recognize costs associated with the Southwest Power Pool ("SPP") line loss charges in their cost of service. *See* Staff Report, p. 69. Failure to recognize these costs results in understating KCP&L's cost to serve its retail customers.

Q: Please describe the SPP line losses that Staff did not include in their cost of service.

A: As described in my Direct Testimony, SPP line loss charges are assessed by SPP on off-system sales made by KCP&L, as well as other SPP transmission customers. SPP uses the revenue from these line loss charges to compensate SPP transmission owners for the loss of energy that occurs when transmitting energy through the transmission network.

Q: Are these SPP line loss charges to KCP&L a result of KCP&L's membership in the SPP RTO?

A: Yes. These line loss charges are assessed to KCP&L and other SPP transmission customers.

Q: Does KCP&L have any control over incurring these costs?

A: No. To the extent that KCP&L makes off-system sales, these line loss charges will be assessed by SPP per the FERC-approved SPP regional transmission tariff.

Q: Is it appropriate to include SPP line loss charges in the costs to serve KCP&L's retail customers?

A: Definitely. KCP&L's retail customers receive the net benefits of KCP&L's off-system sales and should therefore incur all costs associated with making these sales.

Q: What amount of SPP line loss charges has KCP&L proposed in this case?

A: In my Direct Testimony, I included $1.061 million in SPP line loss charges. This was the 2009 test year actual SPP line loss expense incurred by KCP&L. At the time of the true-up filing in this case, KCP&L will include the actual net SPP line loss charges for the prior 12 months as an expense in determining the off-system sales margin.

Q: In this case, KCP&L proposes to include off-system sales margins at the 25th percentile as a credit to retail customers. Furthermore, KCP&L proposes to return

any actual margins over the 25th percentile to retail customers. Would the actual net SPP line loss charges be used in determining the actual off-system sales margins?

A: Yes. The actual net SPP line loss charges would be included in calculating the actual off-system sales margin when determining any future off-system sales margin-related regulatory liability stemming from this case.

Q: Why does Staff oppose including SPP line loss charges as a component of KCP&L's off-system sales margins?

A: Staff argues that since the off-system sales model used by Mr. Schnitzer does not contain sales made outside the SPP system, then the SPP line loss charge adjustment should not be made. *See* Staff Report, p. 69.

Q: Is this a valid argument?

A: No. Whether or not Mr. Schnitzer's model includes sales outside of the SPP system is irrelevant to the charges actually incurred by KCP&L to make off-system sales outside the SPP system. As described above, KCP&L's retail customers will receive the full benefit of KCP&L's future actual off-system sales and should therefore incur the costs associated with making these sales, including the SPP line loss charges.

Q: Has Mr. Meyer failed to recognize prudently incurred costs related to KCP&L's off-system sales transactions?

A: Yes. Mr. Meyer has failed to recognize costs associated with the SPP line loss charges and purchases for resale. Failure to recognize these costs results in understating KCP&L's cost to serve its retail customers.

Q: Why does Mr. Meyer propose to disallow SPP line loss charges incurred by KCP&L?

A: Mr. Meyer proposes to disallow the SPP line loss charges because the model used by Mr. Schnitzer to estimate KCP&L's off-system sales margins does not specifically identify sales made outside the SPP system and as such, KCP&L "fails to recognize the higher sales price for these sales." (*See* Meyer Direct, p. 7)

Q: Do you agree with this logic?

A: No. If KCP&L failed to recognize any actual higher sales prices from sales made outside the SPP system, it would have been appropriate to exclude the higher cost associated with making these sales. However, KCP&L recognizes these sales made outside the SPP system and KCP&L's retail customers directly benefit from these sales. The off-system sales tracker that KCP&L has had in place for several years fully reflects the benefit of these sales and, therefore, KCP&L's retail customers should incur the costs associated with making these sales.

Q: Why does Mr. Meyer propose that purchase for resale be disallowed from KCP&L's cost of service?

A: Essentially, Mr. Meyer proposes to disallow purchase for resale on the grounds that benefits associated with these transactions are not reflected in KCP&L's cost of service,

Q: Will the benefits associated with these transactions be reflected in the actual costs to KCP&L's retail customers and if so, how?

A: Yes. The benefits described in Mr. Meyer's Direct Testimony in this case will flow back to retail customers through the off-system sales margin tracking process. In fact, these benefits are currently flowing back through the off-system margin tracking process.

KCP&L's Post Analysis program (the program used to calculate KCP&L's actual off-system margins) has been enhanced to determine the actual benefits from these transactions, and as such the actual off-system sales margins reflect this benefit.

Q: Has Mr. Meyer offered other reasons for disallowing purchases for resale from KCP&L's cost of service?

A: Yes.

Q: Please describe.

A: Generation derates and forced outages can result in purchase for resale transactions. Mr. Meyer asserts that since KCP&L models generation derates and forced outages in its production cost modeling, these costs may already be accounted for. *See* Meyer Direct Testimony, pp. 11-12.

Q: Have these purchases for resale costs related to derates and forced outages been included in KCP&L's production cost modeling?

A: No. When a generation derate or forced outage is simulated in KCP&L's production cost modeling, the energy that would have been available to make an off-system sale is no longer available and no sale is made. What happens in actual practice is that KCP&L may have an off-system sale in place at the time of a derate or forced outage which results in a purchase needed to fill the sale. It is exactly this difference between the production cost modeling and actual operating practice that KCP&L is accounting for with the purchases for resale adjustment. Without this adjustment, purchased power costs would be understated since the production cost models used by both KCP&L and Staff cannot reflect these transactions.

Q: What treatment does Mr. Meyer propose for the SPP Revenue Neutrality Uplift (RNU) charges and credits?

A: Mr. Meyer proposes to include these charges and credits in KCP&L's annualized fuel expense. He agrees that RNU is a component of KCP&L's cost of service. *See* Meyer Direct Testimony, pp. 12-13.

Q: How does this differ from KCP&L's proposal for RNU treatment?

A: KCP&L proposes to include these as part of the off-system sales margin calculation.

Q: Why is KCP&L's proposed treatment appropriate?

A: KCP&L incurs these charges and credits due to its participation in the SPP Energy Imbalance Service (EIS) market. The charges and credits are recorded as wholesale purchases and sales.

Q: Do you disagree with the Staff's methodology for determining spot market prices?

A: Yes. The Staff utilized a procedure developed in 1996 to develop hourly market prices using the relationship between historical market prices and loads, but does not consider the impact of other market price drivers, such as natural gas prices, environmental allowances or other factors of electric production. In addition to loads, KCP&L's methodology considers these factors in arriving at spot market prices. As such, KCP&L's methodology should be adopted.

Q: Do you have an issue with the cost of fuel oil for nuclear operations?

A: Yes. Staff has not included any cost for the fuel oil consumed at Wolf Creek. Fuel oil is used at Wolf Creek for multiple purposes such as building heat and start-up thus these costs are on-going, regular costs of station operations and therefore should be included in the case. This issue has been discussed with Staff, but has not yet been resolved.

Q: Do you have an issue with the Staff's determination of firm off-system sales revenues in the cost of service model?

A: Yes. In the Staff's Cost of Service Model they have included sales revenues from the existing contract with MJMEUC and included this wholesale customer's load in the modeling performed to support fuel and purchased power costs in the COS. This effectively double counts the revenue and costs associated with this contract since the off-system sales margins included in Staff's cost of service includes the margin associated with the energy that would have been used to serve this wholesale customer.

Q: Do you have an issue with the Staff's determination of purchased power expense?

A: Yes. In the staff's modeling to determine fuel cost and purchased power expense, they included in total energy sources, energy provided by other utilities to serve KCPL border customers and by small generators under the Company's parallel generation tariff. However, purchased power expense in the cost of service does not include the cost of these energy sources. This issue has been discussed with Staff, but has not yet been resolved.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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. ER-2010-0355

AFFIDAVIT OF BURTON L. CRAWFORD

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

Burton L. Crawford, being first duly sworn on his oath, states:

1. My name is Burton L. Crawford. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Senior Manager, Energy Resource Management.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Kansas City Power & Light Company consisting of Seven (7) 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.

Burton L. Crawford

Subscribed and sworn before me this 8th day of December, 2010.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4 2011

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200