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**Missouri Public
Service Commission**

Exhibit No: 10

Issue:

Witness: Paul N. Mahlberg

Type of Exhibit: Rebuttal Testimony

Sponsoring Party: City of Independence,
Missouri

Case No: EO-2008-0046

Date Testimony Prepared: November 30, 2007

**BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION**

CASE NO: EO-2008-0046

REBUTTAL TESTIMONY OF

PAUL N. MAHLBERG

ON BEHALF OF

THE CITY OF INDEPENDENCE, MISSOURI

City of Independence
Exhibit No. 10
Case No(s). EO-2008-0046
Date 11-15-08 Rptr XF

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of)
Aquila, Inc. d/b/a Aquila Networks -)
MPS and Aquila Networks - L&P for)
Authority to Transfer Operational) Case No. EO-2008-0046
Control of Certain Transmission Assets)
to the Midwest Independent)
Transmission System Operator, Inc.)

AFFIDAVIT OF PAUL N. MAHLBERG

STATE OF MISSOURI)

COUNTY OF JACKSON)

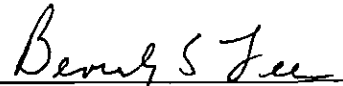
Paul N. Mahlberg, being first duly sworn on his oath, states:

1. My name is Paul N. Mahlberg. I am the Planning and Rates Supervisor for the Power & Light Department for the City of Independence, Missouri. My business address is 21500 East Truman Road, Independence, Missouri, 64056. My business telephone number is (816) 325-7492.

2. I certify that the following Testimony was prepared by me or under my direct supervision and that such Testimony is true and correct to the best of my knowledge and belief.


Paul N. Mahlberg

Subscribed to and sworn to me this 29th day of November, 2007.


Notary Public

My Commission expires:



BEVERLY S. LEE
My Commission Expires
December 11, 2008
Jackson County
Commission #06560566

**REBUTTAL TESTIMONY
OF
PAUL N. MAHLBERG
CASE NO: EO-2008-0046**

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

2 **A. My name is Paul N. Mahlberg. My business address is 21500 East Truman Road,**
3 Independence, Missouri, 64056.

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

6 **A. I am employed by the City of Independence, Missouri ("City") as Planning and**
7 Rates Supervisor for the Power & Light Department.

8
9 **Q. What are your responsibilities?**

10 **A. My responsibilities include power supply resource planning, power contract**
11 administration, fuel planning and procurement, fuel contract administration, cost-
12 of-service, retail rate development, transmission service procurement, and
13 strategic planning. In addition, I serve as the City's representative on the Markets
14 and Operations Policy Committee for the Southwest Power Pool ("SPP").

15
16 **Q. Please describe your education, experience and employment history.**

17 **A. I graduated from Iowa State University in 1988 with a Bachelor of Science**
18 degree in Electrical Engineering. I began my career with the City in January 1996
19 as a Senior Planning Engineer working on resource planning, wholesale and retail
20 rate activities, and contract administration. I was promoted to my current position

1 of Planning & Rates Supervisor in October, 2001. Prior to working for the City,
2 from 1988 to 1996, I held several positions at R.W. Beck, an engineering
3 consulting firm.
4

5 **Q. Have you previously testified in a proceeding at the Missouri Public Service**
6 **Commission ("MPSC" or "Commission") or before any other regulatory**
7 **body?**

8 **A.** Yes. I submitted prepared written testimony on behalf of the City before the
9 MPSC in Case No. EM-2007-0374.
10

11 **Q. What is the purpose of your testimony?**

12 **A.** The purpose of my testimony is to provide certain factual background regarding
13 the City's electric system, including its interconnections with Aquila, Inc.
14 ("Aquila"), and to explain the City's position on the benefits of placing the Aquila
15 assets under the operational control of the Midwest ISO.
16

17 **Q. Please briefly describe the City's system.**

18 **A.** The City owns and operates a municipal electric utility. It was established in
19 1901 to provide the residents and businesses of Independence, Missouri with safe,
20 reliable and affordable electric service. The City maintains and operates 12
21 generating units, 15 major substations, 22 miles of 161 kilovolt and 45 miles of 69
22 kilovolt transmission lines, and more than 750 miles of distribution power lines.
23 The City's all-time one-hour peak demand is 315 megawatts ("MW"), which

1 occurred on August 21, 2003. The City's annual energy requirements for calendar
2 year 2006 consisted of 1,150,000 megawatt-hours. As of October 1, 2007, the
3 City serves more than 56,000 customers.
4

5 **Q. Please describe the City's interconnections with other utility systems.**

6 **A.** The City has two direct physical interconnections with Aquila. The points of
7 interconnection consist of the City's 161 kilovolt transmission line that runs from
8 the City's Blue Valley station to Aquila's Sibley station and a 69 kilovolt tie
9 between the City's Substation N and Aquila's Blue Ridge substation. The 69
10 kilovolt interconnection is an emergency tie and is normally operated in the open
11 position. In addition, the City has several physical interconnections with Kansas
12 City Power & Light Company ("KCP&L") at the 161 kilovolt and the 69 kilovolt
13 level and one 161 kilovolt interconnection with Associated Electric Cooperative,
14 Inc. ("AECI").
15

16 **Q. Please briefly describe the City's power supply arrangements.**

17 **A.** Some of the electricity required to meet customer demand is generated by the
18 City's generating resources. The City also acquires much of the power and
19 energy needed to meet its customers' demand from resources and suppliers that
20 are outside of the City. For calendar year 2006, the City generated approximately
21 one-third of its energy requirements from City-owned resources. The other two-
22 thirds of the City's power supply needs was supplied from external resources not
23 owned by the City.

1 **Q. Please describe the arrangements the City has with other suppliers.**

2 **A. The City has Municipal Participation Agreements ("MPA") with Aquila, KCP&L**
3 and AECl. These agreements provide for the interconnection of the parties'
4 electrical systems and contain several service schedules for buying and selling
5 wholesale power. The City's MPA with KCP&L includes the City's purchase of
6 90 megawatts of base load power and energy from Montrose, a large, base load,
7 coal-fired unit owned by KCP&L. This purchase provides for nearly 60 percent
8 of the City's energy requirements each year. This power supply arrangement will
9 terminate as of May 31, 2011.

10

11 KCP&L and Aquila, along with certain other participants, are currently
12 developing Iatan 2. The Missouri Joint Municipal Electric Utility Commission
13 ("MJMEUC"), of which the City is a member, is among the parties that have an
14 ownership interest in Iatan 2, and the City has contracted with MJMEUC to
15 acquire 50 MW of the Iatan 2 capacity and associated energy. This unit is
16 expected to begin commercial operation in 2010. In addition, the City has
17 contracted for a share (approximately 55 MW) of Omaha Public Power District's
18 Nebraska City 2 unit. This unit is currently under construction and is expected to
19 begin commercial operation in 2009.

20

21 **Q. Does the City support the Aquila's application to place its transmission assets**
22 under the operational control of the Midwest ISO?

1 **A.** Based on the information available thus far and the City's analysis to date, the
2 City supports Aquila's application for authorization to participate in the Midwest
3 ISO. There are benefits to Aquila placing its assets under the operational control
4 of the Midwest ISO as opposed to the Southwest Power Pool (SPP).

5
6 **Q.** **On what does the City base this conclusion?**

7 **A.** There are three primary reasons. First, by joining the Midwest ISO, Aquila and
8 its customers will have access to a fully developed market for sales and purchases.
9 The SPP market is still in much earlier, developmental stages than are the
10 Midwest ISO's markets. The differences between the status of the development
11 and operation of the SPP and the Midwest ISO markets are more fully explained
12 in the testimony of City Witness Mark J. Volpe.

13
14 Second, the SPP's geographic reach is not nearly as large as the Midwest ISO's,
15 much less the combined Midwest ISO/PJM geographic reach. By participating
16 in the Midwest ISO, Aquila and its customers will have access not only to
17 Aquila's power supply resources, but to a vast regional market that Aquila, and all
18 Missouri wholesale customers interconnected with Aquila, can access. Likewise,
19 the Midwest ISO provides this same large market footprint for sales opportunities.

20
21 Third, by joining the Midwest ISO, the Aquila territory will have the ability to
22 transmit power from and to anywhere in the entire Midwest ISO/PJM region
23 without incurring pancaked transmission charges.

1 **Q. Why does Independence favor Aquila joining the Midwest ISO over the**
2 **SPP?**

3 A. A few of the reasons are stated above. The Midwest ISO has a more developed
4 market than does the SPP, it has a larger footprint, and thus has more power
5 supply options that are available to customers that have access to that region at a
6 single, non-pancaked transmission rate. In addition, KCPL is already a member
7 of the SPP. Thus, Missouri customers already have the ability to access SPP
8 through the interconnections with KCPL. By joining the Midwest ISO, Aquila
9 will provide an opportunity for more Missouri customers to have access to both
10 SPP and the Midwest ISO.

11

12 **Q. The Cost Benefit Analysis (Application, Appendix G) submitted by Aquila**
13 **indicates that Aquila would experience substantially greater trade benefits**
14 **by participating in SPP instead of the Midwest ISO. Why, then, is the City**
15 **supporting Aquila's participation in the Midwest ISO rather than SPP?**

16 A. In addition to the reasons set forth above, the City questions the conclusions of
17 the Cost Benefit Analysis. The City's comments on the Cost Benefit Analysis are
18 explained in the testimony of City Witness Mark J. Volpe. But, based on Mr.
19 Volpe's review of the Cost Benefit Analysis, the City at this time does not believe
20 that the differential in benefits between SPP participation and the Midwest ISO
21 participation is nearly as great as the study suggests.

22

23

1 Q. Does this conclude your testimony?

2 A. Yes.