

Exhibit No.:  
Issues: Fuel Prices  
Miscellaneous Adjustments  
Witness: Charles R. Hyneman  
Sponsoring Party: MoPSC Staff  
Type of Exhibit: Direct Testimony  
Case No: ER-2006-0314  
Date Testimony Prepared: November 7, 2006

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**TRUE-UP DIRECT TESTIMONY**

**OF**

**CHARLES R. HYNEMAN**

**FILED<sup>2</sup>**

NOV 17 2006

Missouri Public  
Service Commission

**KANSAS CITY POWER AND LIGHT COMPANY**

**CASE NO. ER-2006-0314**

Jefferson City, Missouri  
November 2006

Staff Exhibit No. 157  
Case No(s). ER-2006-0314  
Date 11/16/06 Rptr MV

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

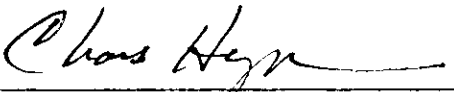
In the Matter of the Application of Kansas City )  
Power & Light Company for Approval to Make )  
Certain Changes in its Charges for Electric Service )  
to Begin the Implementation of Its Regulatory Plan. )

Case No. ER-2006-0314

AFFIDAVIT OF CHARLES HYNEMAN

STATE OF MISSOURI        )  
                                  )       ss.  
COUNTY OF COLE        )

Charles Hyneman, of lawful age, on his oath states: that he has participated in the preparation of the foregoing True-Up Direct Testimony in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the foregoing True-Up Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
Charles Hyneman

Subscribed and sworn to before me this 1<sup>st</sup> day of November 2006.





ASHLEY M. HARRISON  
My Commission Expires  
August 31, 2010  
Cole County  
Commission #06998978

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**TABLE OF CONTENTS**  
**CHARLES R. HYNEMAN**  
**KANSAS CITY POWER AND LIGHT COMPANY**  
**CASE NO. ER-2006-0314**

FUEL EXPENSE .....	2
COAL PRICES .....	4
NATURAL GAS PRICES .....	4
NUCLEAR FUEL PRICES .....	4
FUEL OIL PRICES .....	5
PURCHASED POWER - ENERGY CHARGES.....	5
FUEL INVENTORY .....	5

**TRUE-UP DIRECT TESTIMONY**  
**OF**  
**CHARLES R. HYNEMAN**  
**KANSAS CITY POWER & LIGHT COMPANY**  
**CASE NO. ER-2006-0314**

Q. Please state your name and business address.

A. Charles R. Hyneman, Fletcher Daniels Office Building, 615 East 13<sup>th</sup> Street,  
Room G8, Kansas City, Missouri, 64106.

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

A. I am a Regulatory Auditor with the Missouri Public Service Commission  
(Commission).

Q. Are you the same Charles R. Hyneman who filed direct and surrebuttal  
testimony in this case?

A. Yes.

Q. With reference to Case No. ER-2006-0314, what is the purpose of your true-up  
direct testimony?

A. The purpose of this testimony is to update the Staff's recommended level of  
Kansas City Power & Light Company's (KCPL) fuel expense and fuel inventory levels from  
the June 30, 2006, updated test year to the September 30, 2006, true-up date.

Q. Are the methodologies used by the Staff in calculating its recommended true-  
up fuel prices and fuel inventories the same as it used in its direct filing?

A. Yes.

1 Q. What true-up adjustments to the Staff's Accounting Schedules are you  
2 sponsoring?

3 A. I am sponsoring the following adjustments which appear on Accounting  
4 Schedule 10, Adjustments to the Income Statement:

5	Fuel Expense (coal)	S-9.3
6	Fuel Expense (nuclear)	S-19.1
7	Fuel Expense (natural gas)	S-30.2
8	Purchase Power Energy	S-35.1

9 Q. What rate base components are you sponsoring?

10 A. I am sponsoring the following fuel and fuel-related inventories that should be  
11 included in KCPL's rate base. These investments, listed below, are reflected on Staff  
12 Accounting Schedule 2, Rate Base:

13	Coal Inventory
14	Nuclear Fuel Inventory
15	Oil Inventory
16	Limestone Inventory

17 **FUEL EXPENSE**

18 Q. What was your responsibility in this case with regard to the determination of  
19 the Staff's recommended level of fuel expense used in its true-up filing?

20 A. I determined September 30, 2006, levels of commodity and transportation  
21 costs for coal, nuclear fuel, natural gas and fuel oil used to produce electricity. Staff witness  
22 Leon C. Bender, of the Commission's Energy Department, input the fuel prices I provided to  
23 him into the RealTime™ production cost model (fuel model) to calculate the "variable" fuel  
24 and purchase power cost to meet normalized native load. The Staff's fuel model calculates  
25 the variable portion of overall fuel and purchased power expense. For further explanation of  
26 the fuel model see Staff witness Bender's direct testimony in this case.

1           Q.     Please explain how you calculated the Staff's recommended true-up level of  
2 fuel prices in this case.

3           A.     I reviewed KCPL's most recent invoices from its fuel suppliers for coal and oil.  
4 I also reviewed natural gas, nuclear fuel and fuel oil purchases as reflected in KCPL's fuel  
5 reports. I reviewed KCPL's workpapers and had discussions with KCPL's fuel representatives  
6 concerning the amount of fuel-related costs ("fuel adders") included in fuel expense.

7           Q.     How did the Staff use fuel prices in determining the total annualized fuel  
8 expense?

9           A.     I provided Staff witness Bender with the various fuel prices for coal, natural  
10 gas, oil and nuclear fuel. Mr. Bender used these fuel prices as an input into the Staff's fuel  
11 model, which then calculates the level of normalized net system fuel and purchased power  
12 expense exclusive of purchased power demand charges. I subsequently added those cost items  
13 to the model's calculated fuel and purchased power expense. I then added KCPL's  
14 September 30, 2006, cost of fuel-related items that are not included in the Staff's fuel run.  
15 The fuel adder costs that were updated consist primarily of leasing and other miscellaneous  
16 costs for unit trains and natural gas transportation charges.

17          Q.     Was there a significant difference between the amount of fuel adder costs  
18 included in the Staff's direct filing and the amount included in its true-up filing?

19          A.     Yes. The Staff's direct filing included KCPL's cost of leasing the unit train  
20 cars it acquired in 2006. KCPL has subsequently decided to purchase these train cars. While  
21 the Staff has included KCPL's ownership costs of these unit trains in its true-up direct filing, it  
22 has not performed a detailed analysis of the lease or buy decision made by KCPL. The Staff

1 reserves the right to review the appropriateness of KCPL's decision to purchase instead of  
2 lease these unit train cars in a future rate case.

3 **COAL PRICES**

4 Q. How did the Staff determine the cost of coal used at KCPL's plants?

5 A. KCPL provided the Staff with the invoices it received from its coal suppliers in  
6 September 2006 and a worksheet showing the number of tons of coal under contract with each  
7 coal mine. The Staff also reviewed invoices and contract documents from the railroads that  
8 transport coal for KCPL. The Staff used these latest-known coal commodity and  
9 transportation prices as the coal price input to its fuel model.

10 **NATURAL GAS PRICES**

11 Q. How did the Staff update its proposed level of natural gas prices?

12 A. The Staff's natural gas price input to its fuel model is based on the actual cost  
13 to KCPL's of its natural gas purchases over the 18-month period from April 2005 through  
14 September 2006. This pricing data was obtained from KCPL in response to Data Request  
15 No. 439.

16 **NUCLEAR FUEL PRICES**

17 Q. Did the Staff update its recommended level of nuclear fuel prices?

18 A. No. In its direct filing, the Staff used an average of the nuclear fuel prices  
19 incurred in the 12 months ended June 30, 2006, as the input to the fuel model. The Staff

1 determined that this average price is representative the costs incurred by KCPL at  
2 September 30, 2006.

3 **FUEL OIL PRICES**

4 Q. What price did the Staff include in its fuel model for fuel oil?

5 A. Because KCPL did not receive any oil shipments in September 2006, the Staff  
6 used the prices paid by KCPL for the shipments of fuel oil received in August 2006 as the fuel  
7 model input.

8 **PURCHASED POWER - ENERGY CHARGES**

9 Q. Please explain adjustment S-35.1.

10 A. This calculation is described in the True-Up Direct testimony of Staff  
11 witness Bender.

12 **FUEL INVENTORY**

13 Q. How did the Staff develop the true-up level of coal inventory included in  
14 Accounting Schedule 1, Rate Base?

15 A. The Staff used the fuel model to calculate the annual amount of coal used by  
16 each plant to meet the normalized native load. Added to this amount is the tons of coal used  
17 for off-system sales. For each unit, I divided the annual tons burned by 365 days to calculate  
18 an average daily burn. I then multiplied this average daily burn by an appropriate number of  
19 days of inventory for each unit. Added to this amount is a level of basemat inventory to  
20 calculate a total inventory level in tons. The Staff multiplied the total tonnage of inventory



1 for each unit by the true-up delivered coal prices for that unit. This dollar amount was  
2 multiplied by the Staff's energy jurisdictional factor with the result being the amount that is  
3 reflected as Fuel Inventory-Coal on Accounting Schedule 2, Rate Base.

4 Q. How did the Staff develop the true-up nuclear fuel inventory amount shown on  
5 Accounting Schedule 1, Rate Base?

6 A. This amount reflects a 13-month average of KCPL's nuclear fuel  
7 accounts 120.220, 120.330, 120.440 and 120.561.

8 Q. How did the Staff develop the true-up level of oil inventory included in  
9 Accounting Schedule 1, Rate Base?

10 A. The Staff used an average of 13 months ended September 30, 2006, inventory  
11 quantities for all oil burning plants. For all plants except Wolf Creek and Northeast, the Staff  
12 multiplied this average inventory level by the Staff's true-up oil price included in its fuel  
13 model to calculate a dollar value for oil inventory. For the Wolf Creek and Northeast units,  
14 which burn small amounts of oil, the average inventory price was used.

15 Q. How did the Staff develop the true-up lime and limestone inventory included  
16 in Accounting Schedule 1, Rate Base?

17 A. The Staff used an average of 13 months ended September 30, 2006, inventory  
18 quantities multiplied by the September 30, 2006, ending inventory price. Limestone is used  
19 as a fuel additive in the production of electricity at some of KCPL's coal burning plants.

20 Q. Does this conclude your testimony?

21 A. Yes, it does.