KCP&L-232

Exhibit No.:

Issues:

Spot Market Prices

Witness:

Erin L. Maloney

Sponsoring Party:

MO PSC Staff

Type of Exhibit:

Surrebuttal Testimony

Case No.:

ER-2010-0355

Date Testimony Prepared:

January 5, 2011

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

ERIN L. MALONEY

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2010-0355

Jefferson City, Missouri January 2011

Staff Exhibit No. KCPal Z3Z

Date 1/18/11 Reporter LmB

File No. Ex 2010-0355

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)	File No.: ER-2010-0355
Charges for Electric Service to Continue)	
the Implementation of Its Regulatory Plan)	

AFFIDAVIT OF ERIN L. MALONEY

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Erin L. Maloney, of lawful age, on her oath states: that she has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of _____ pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.

Erin L. Maloney

Subscribed and sworn to before me this $\frac{44k}{4}$ day of January, 2011.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 03, 2014
Commission: Number: 10942086

Notary Public

1 SURREBUTTAL TESTIMONY 3 **OF** 4 5 6 ERIN L. MALONEY 7 KANSAS CITY POWER & LIGHT COMPANY 8 9 CASE NO. ER-2010-0355 10 11 12 Q. Please state your name and business address. 13 A. My name is Erin L. Maloney. My business address is, P.O. Box 360, Jefferson 14 City, Missouri, 65102. 15 Are you the same Erin L. Maloney who contributed to the Missouri Public Q. Service Commission Staff's (Staff) Cost of Service Report (Staff Report) filed on November 16 17 10, 2010? 18 A. Yes. 19 Q. What is the purpose of your Surrebuttal Testimony? 20. The purpose of this testimony is to respond to the Rebuttal Testimony of A. Kansas City Power & Light (Company) witness Burton L. Crawford regarding the 21 22 development of spot market power prices and to recommend that Staff's methodology be used 23 to determine spot market prices in this case. 24 Q. How does Staff's methodology differ from the Company's? 25 A. The main difference is the use of historical data as opposed to forecasted data. Staff used the historical weather adjusted loads and a truncated normal distribution of 26 27 historical market prices for both the Company and KCP&L Greater Missouri Operations 28 Company to develop a set of spot market prices that reflect prices in the region. The

Surrebuttal Testimony of Erin L. Maloney

Company used forecasted loads and forecasted fuel prices, as well as a host of other forecasted inputs.

- Q. Why does Staff believe that an analysis based on historical test year data is a better approach then an analysis based on forecasted data?
- A. Fundamental to Staff's approach to the ratemaking process is the idea that analyses based on historical test year data provide the best prediction of what may occur in the future. The spot market prices developed by Staff reflect the conditions of the power market as it existed in the test year, with adjustments made for known and measurable changes. Examples of these known and measureable changes include actual fuel prices, transmission constraints and other related factors. The Company is attempting to simulate these conditions with their price model using forecasted loads, fuel prices, transmission constraints, as well as other forecasted inputs. Each forecasted input introduces another level of possible inaccuracy. The use of historical data eliminates the introduction of these inaccuracies while still reflecting historical market conditions and, hence, is a more accurate and reliable method for determining spot market prices.
 - Q. What is your recommendation?
- A. The Commission should adopt Staff's methodology for determining spot market prices.
 - Q. Does this conclude your Surrebuttal Testimony?
 - A. Yes.