

Exhibit No.: Gmo-8 (NP)
Issue: Crossroads
Witness: Wm. Edward Blunk
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: KCP&L Greater Missouri Operations Company
Case No.: ER-2010-0356
Date Testimony Prepared: December 15, 2010

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-0356

REBUTTAL TESTIMONY

OF

WM. EDWARD BLUNK

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
December 2010**

*** [REDACTED] *** Designates "Highly Confidential" Information
Has Been Removed
Pursuant To 4 CSR 240-2.135.

KCP&L
~~GMO~~ Exhibit No. Gmo
Date 2-15-11 Reporter TU
File No ER-2010-0356

REBUTTAL TESTIMONY

OF

WM. EDWARD BLUNK

Case No. ER-2010-0356

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

2 A: My name is Wm. Edward Blunk. My business address is 1200 Main Street, Kansas City,
3 Missouri, 64105.

4 **Q: Are you the same Wm. Edward Blunk who prefiled Direct Testimony in this**
5 **matter?**

6 A: Yes.

7 **Q: What is the purpose of your rebuttal testimony?**

8 A: My Rebuttal Testimony responds to Staff's assertion that the historical prices of natural
9 gas delivered to Crossroads have been higher than the natural gas prices delivered to
10 South Harper. I will also discuss how from a natural gas supply and transport perspective
11 Crossroads Units 1-4 give GMO greater system reliability than Staff's hypothetical South
12 Harper Units 4 and 5.

13 **Q: What is your understanding of Staff's position?**

14 A: It is Staff's position that Aquila should have built five 105 MW CTs at the South Harper
15 site, rather than the three it actually built. Because of that position, Staff removed the
16 costs associated with Crossroads and imputed the capital and running costs of two
17 hypothetical 105 MW CTs at the South Harper site.

18 **Q: What was Staff's justification for replacing the costs for Crossroads with**
19 **hypothetical costs for hypothetical units at South Harper?**

1 A: Staff delineated four reasons on page 92 of its Report. I will address Staff's second
2 reason, "historically the prices of natural gas delivered to Crossroads have been higher
3 than the natural gas prices delivered to South Harper." KCPL Witnesses Burton
4 Crawford and Marvin Rollison will address Staff's other reasons.

5 Q: **Is the price for natural gas delivered to Crossroads higher than the price for natural**
6 **gas delivered to South Harper?**

7 A: That answer depends on how you determine the price of natural gas. There are several
8 components to the delivered price of natural gas. Those components include: the
9 wellhead price of natural gas, reservation charges, commodity charges, fuel retention,
10 FERC's Annual Charge Adjustment, balancing fees and other tariff charges. In the first
11 10 months of 2010 Crossroads burned 297,923 MMBtus of natural gas and incurred
12 **** [REDACTED] **** of transportation related charges for an average transportation cost of
13 **** [REDACTED] ****. South Harper Units 1, 2, and 3 burned 688,741 MMBtus of natural
14 gas and incurred **** [REDACTED] **** of transportation related charges for an average
15 transportation cost of **** [REDACTED] ****. For the same 10 months of 2010 the average
16 commodity cost for natural gas shipped to Crossroads was **** [REDACTED] ****. The
17 average cost of natural gas purchased on Panhandle Eastern Pipeline Co. (PEPL) for
18 South Harper was **** [REDACTED] ****. If we add those commodity costs to the
19 transportation costs the average delivered price of natural gas to Crossroads was
20 **** [REDACTED] **** or about **** [REDACTED] **** less than the **** [REDACTED] **** for
21 South Harper Units 1, 2, and 3.

22 Q: **How do those differences compare to the prices for natural gas included in your**
23 **Direct Testimony?**

1 A: The projected prices I included in my Direct Testimony did not include all of the
2 transportation costs. As described in my Direct Testimony, the relatively fixed costs for
3 transporting natural gas such as reservation charges were included in GMO's COS as fuel
4 adders.

5 **Q: Is the cost of natural gas shipped to Crossroads always less than the cost of natural**
6 **gas shipped to South Harper?**

7 A: No. If we look at published first-of-month index prices for Texas Gas Transmission
8 Corp.-Zone SL (TXGT-SL), which is the typical pricing point for natural gas shipped to
9 Crossroads, and compared them to Southern Star Central Gas Pipeline Inc.--TX, OK, KS
10 (SSCGP) and Upper Midwest-Chicago City-Gates (CCG) the typical pricing points for
11 gas shipped to South Harper, we find that the monthly TXGT-SL prices are typically
12 higher than the monthly SSCGP prices but lower than monthly CCG prices.

13 **Q: Why is Chicago City-Gate a typical pricing point for natural gas shipped to South**
14 **Harper?**

15 A: GMO has queried SSCGP and PEPL to determine what would be necessary to provide
16 natural gas transportation for additional units at South Harper. The least expensive
17 option suggested was a combination of backhaul moves on PEPL like GMO already has
18 for the existing South Harper units. Half of the capacity would originate the natural gas
19 on Trunkline Gas Co. at East Louisiana, move it via Trunkline to PEPL's Bourbon
20 delivery point near Chicago and from there it moves backward on PEPL's mainline to
21 South Harper. (The natural gas does not really move backward. Instead it displaces
22 natural gas that would have otherwise flowed forward towards Chicago.) East Louisiana
23 gas is about the same price as TXGT-SL gas shipped to Crossroads. However, to move

1 the East Louisiana gas to South Harper there is an additional 3.3% for fuel retention
2 which makes natural gas shipped from East Louisiana to South Harper more expensive
3 than natural gas shipped to Crossroads. The other half of the capacity would originate the
4 natural gas at Natural Gas Pipeline Company's (NGPL) Moultrie County delivery point,
5 which while located in the Midcontinent zone is priced at Chicago City-Gate because of
6 its proximity to Chicago. Typically Chicago City-Gate gas is more expensive than East
7 Louisiana gas but less than East Louisiana plus the additional fuel retention.

8 **Q: Why doesn't the Company just ship natural gas to South Harper on SSCGP?**

9 A: SSCGP is fully subscribed. Consequently, transport is not always available. Using
10 released capacity and interruptible transport, the Company has been able to ship about
11 half of South Harper Units 1, 2 and 3's requirements on SSCGP. Since released capacity
12 is limited, there is no assurance that any of the incremental volume required for the
13 hypothetical South Harper Units 4 and 5 could be shipped using those resources. The
14 estimated pipeline reservation charges necessary to give the Company firm transport on
15 SSCGP are about ** [REDACTED] **. Using Staff's fuel requirements for the
16 hypothetical South Harper Units 4 and 5, that would equate to more than
17 ** [REDACTED] **. The all-in delivered cost of gas for Staff's hypothetical South Harper
18 Units 4 and 5 using firm transport on SSCGP would be expected to exceed
19 ** [REDACTED] **.

20 **Q: Why is the actual price GMO paid for natural gas shipped to Crossroads less than**
21 **the actual price of natural gas shipped to South Harper?**

22 A: One of the benefits of Crossroads over the hypothetical South Harper Units 4 and 5 is that
23 natural gas shipped to Crossroads typically comes from a different supply region than

1 natural gas shipped to South Harper. This allows the Company to take advantage of
2 short-term pricing disparities. With Crossroads in the portfolio, the Company can choose
3 to generate electricity from the region with the lower priced natural gas.

4 **Q: The commodity prices included in your Direct Testimony show South Harper**
5 **averaging about 18 cents less than Crossroads. Why do the prices in your Direct**
6 **Testimony differ from the actual values you are now reporting?**

7 **A:** Actual purchase decisions are made using daily prices. My Direct Testimony used
8 projected monthly prices. While prices for one pricing point may yield a monthly
9 average greater than another pricing point, it is sometimes possible to beat the monthly
10 average when you can “cherry-pick” between pricing points daily. From January 1, 2005
11 through November 30, 2010, there were 757 days when the Texas Gas Transmission
12 Zone SL pricing point for Crossroads was lower than Chicago City-Gate and 695 days
13 when TXGT-SL was lower than Trunkline East Louisiana. Moreover, there were 383
14 days when TXGT-SL was lower than both pricing points for PEPL’s firm service to
15 South Harper. The commodity prices included in my Direct Testimony were based on
16 CME Group’s (formerly NYMEX) futures contract prices for Henry Hub adjusted for
17 basis using CME Group’s ClearPort Basis Swap futures contracts. The futures contracts
18 represent monthly prices. Actual prices are able to take advantage of daily price
19 differences and can sometimes beat monthly index prices.

20 **Q: What special benefit does Crossroads bring to GMO’s fleet during those times when**
21 **the Company needs generation from both the existing South Harper units and**
22 **Crossroads?**

1 A: The times when the Company is most likely to need Crossroads and the existing South
2 Harper units simultaneously is to serve a summer peak. That summer peak would be
3 driven by weather affecting GMO's service territory or the west central part of Missouri.
4 That same weather pattern would be affecting the other utilities in the region pushing
5 them to use their peaking resources. In other words, GMO, KCPL, Empire District
6 Electric Co. (EDE), and Dogwood would all be drawing from the same natural gas
7 pipelines serving South Harper. There is no assurance that natural gas could be
8 transported to South Harper without firm transportation. Both Southern Star Central Gas
9 Pipeline and Panhandle Eastern Pipeline are fully subscribed and do not have forward
10 haul capacity available to serve any additional units at South Harper.

11 At those times when the Company must run both Crossroads and South Harper in
12 order to serve load, Crossroads offers a very important benefit over the hypothetical
13 South Harper Units 4 and 5: supply diversity. It is unlikely that the weather pattern
14 driving the peak load in west central Missouri will simultaneously be pushing load in
15 Mississippi to the same magnitude. In other words, while GMO, KCPL, EDE, Dogwood
16 and others are competing for west central Missouri's limited resources, Crossroads is on a
17 different pipeline and sufficiently removed from the local weather pattern that it would
18 not be affected. In other words, the probability of GMO satisfying load is greater.

19 **Q: From a gas supply perspective, how would you summarize the benefits of**
20 **Crossroads Units 1-4 over the hypothetical South Harper Units 4 and 5?**

21 A: Crossroads offers the Company the opportunity to "cherry-pick" between pricing regions.
22 Crossroads adds supply and transportation diversity, thereby increasing system reliability.
23 The hypothetical South Harper Units 4 and 5 do not offer these benefits.

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

2 A: Yes, it does.

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

In the Matter of the Application of KCP&L Greater)
Missouri Operations Company to Modify Its) Docket No. ER-2010-0356
Electric Tariffs to Effectuate a Rate Increase)

AFFIDAVIT OF WILLIAM EDWARD BLUNK

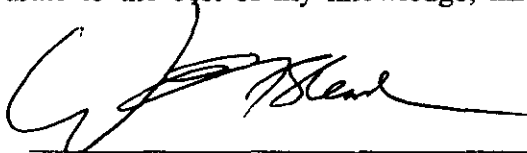
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

William Edward Blunk, appearing before me, affirms and states:

1. My name is William Edward Blunk. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Supply Planning Manager.

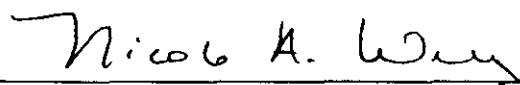
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of KCP&L Greater Missouri Operations Company consisting of Seven (7) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby affirm and state 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.



William Edward Blunk

Subscribed and affirmed before me this 15th day of December, 2010.



Notary Public

My commission expires: Feb. 4, 2011

