Exhibit No.:

GMO-231

Issues:

Spot Market Prices

Witness:

Erin L. Maloney MO PSC Staff

Sponsoring Party: Type of Exhibit:

Rebuttal Testimony

File No.:

ER-2010-0356

Date Testimony Prepared:

December 15, 2010

MISSOURI PUBLIC SERVICE COMMISSION UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

ERIN L. MALONEY

KCP&L GREATER MISSOURI OPERATIONS COMPANY

FILE NO. ER-2010-0356

Jefferson City, Missouri December 2010

Staff Exhibit No. GMO-23/
Date 1/18/11 Reporter LMB
File No. ER-2010-0356

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of KCP&L Greater Missouri)	
Operations Company for Approval	í	File No. ER-2010-0356
to Make Certain Changes in its)	
Charges for Electric Service)	
AFFIDAVIT C	E FDIN I	MALONEV

STATE OF MISSOURI)
) s:
COUNTY OF COLE)

Erin L. Maloney, of lawful age, on her oath states: that she has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of _____ pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal 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 15th day of December, 2010.

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

Commission Expires: October 03, 201 Commission Number: 10942086 Notary Public

1 **REBUTTAL TESTIMONY** 2 3 **OF** 5 **ERIN L. MALONEY** 6 7 KCP&L GREATER MISSOURI OPERATIONS COMPANY 8 9 FILE NO. ER-2010-0356 10 11 12 Q. Please state your name and business address. 13 Α. My name is Erin L. Maloney. My business address is, P.O. Box 360, Jefferson 14 City, Missouri, 65102. 15 Q. Are you the same Erin L. Maloney who contributed to the Missouri Public Service Commission Staff's (Staff) Cost of Service Report (Staff Report) filed on November 16 17 17, 2010? 18 Yes. Α. 19 What is the purpose of your rebuttal testimony? Q. 20 The purpose of this testimony is to respond to the Direct Testimony of KCP&L Α. 21 Greater Missouri Operations Company (Company) witness Burton L. Crawford regarding the 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. How does Staff's methodology differ from the Company's? 24 Q. 25 Α. The main difference is the use of historical data as opposed to forecasted data. 26 Staff used the historical weather adjusted loads and a truncated normal distribution of 27 historical market prices for both the Company and Kansas City Power & Light Company to 28 develop a set of spot market prices that reflect prices in the region. The Company used

Rebuttal Testimony of Erin L. Maloney

forecasted loads and forecasted fuel prices as well as a host of other forecasted inputs to develop their prices.

- 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 including actual fuel prices, transmission constraints and other 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. The Company's resulting forecast is as Mr. Crawford states on page 4, line 11, of his direct testimony "...only as good as the input assumptions." 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 rebuttal testimony?
 - A. Yes.