

GMO-231

Exhibit No.:
Issues: Spot Market Prices
Witness: Erin L. Maloney
Sponsoring Party: MO PSC Staff
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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-231
Date 1/18/11 Reporter LMR
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Q. Please state your name and business address.

A. My name is Erin L. Maloney. My business address is, P.O. Box 360, Jefferson City, Missouri, 65102.

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 17, 2010?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of this testimony is to respond to the Direct Testimony of KCP&L Greater Missouri Operations Company (Company) witness Burton L. Crawford regarding the development of spot market power prices and to recommend that Staff's methodology be used to determine spot market prices in this case.

Q. How does Staff's methodology differ from the Company's?

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 historical market prices for both the Company and Kansas City Power & Light Company to develop a set of spot market prices that reflect prices in the region. The Company used

Rebuttal Testimony of
Erin L. Maloney

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

3 Q. Why does Staff believe that an analysis based on historical test year data is a
4 better approach than an analysis based on forecasted data?

5 A. Fundamental to Staff's approach to the ratemaking process is the idea that
6 analyses based on historical test year data provide the best prediction of what may occur in
7 the future. The spot market prices developed by Staff reflect the conditions of the power
8 market as it existed in the test year with adjustments made for known and measurable changes
9 including actual fuel prices, transmission constraints and other factors. The Company is
10 attempting to simulate these conditions with their price model using forecasted loads, fuel
11 prices, transmission constraints, as well as other forecasted inputs. The Company's resulting
12 forecast is as Mr. Crawford states on page 4, line 11, of his direct testimony "...only as good
13 as the input assumptions." Each forecasted input introduces another level of possible
14 inaccuracy. The use of historical data eliminates the introduction of these inaccuracies while
15 still reflecting historical market conditions and hence is a more accurate and reliable method
16 for determining spot market prices.

17 Q. What is your recommendation?

18 A. The Commission should adopt Staff's methodology for determining spot
19 market prices.

20 Q. Does this conclude your rebuttal testimony?

21 A. Yes.