

Exhibit No.:
Issue: Off-System Sales
Margins
Witness: V. William Harris
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No: ER-2009-0090
Date Testimony Prepared: March 13, 2009

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

V. WILLIAM HARRIS, CPA, CIA

**Great Plains Energy, Incorporated
GREATER MISSOURI OPERATIONS COMPANY
GMO-MPS AND GMO-L&P ELECTRIC**

CASE NO. ER-2009-0090

*Jefferson City, Missouri
March 2009*

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1 in a MPS and L&P fuel adjustment clause (FAC) in this case. Mr. Rush stated that if those
2 off-system sales are included in the FAC, that would resolve the differences and if an
3 FAC is not agreed to then GMO would address differences in its surrebuttal filing.
4 Staff informed GMO that since no agreement on an FAC is currently in place that Staff would
5 be filing rebuttal on this issue.

6 Q. What are off-system sales margins?

7 A. Off-system sales (OSS) are sales of electricity made at times when utilities
8 have met all obligations to serve their native load customers and have excess energy to sell to
9 other utilities at non-regulated prices higher than the cost to serve their native load customers.
10 Margins (profits) are the gross revenues from each sale less the fuel and purchased power
11 expenses GMO incurs in that sale.

12 Q. What is GMO's position on the level of OSS margins to include in the revenue
13 requirement in this proceeding?

14 A. On page 6, lines 13 and 14, of his direct testimony, GMO witness
15 Tim M. Rush states, "An adjustment was made to exclude risk based sales from the
16 anticipated off-system sales margin included in this filing."

17 Q. How did GMO define and determine the amount of "risk based sales"
18 to exclude from its OSS margin in this filing?

19 A. In response to Staff Data Request No. 184, GMO defines "risk based trades"
20 as trades sourced from non-network resources but goes on to state "Sales from risk based
21 trading are not separated in the financial records/internal reports from other off-system sales
22 transactions." In response to Data Request No. 329, GMO states, "KCPL-GMO
23 (formerly Aquila-Networks) is unable to break apart Risk Based Trades
24 (this includes Q-Sales, Bilateral for Bilateral Sales) from Non-Risk Based Trades with the

1 exception of Virtual Transactions.” (Per GMO, virtual transactions use unique contracts not
2 used for other transactions.) In meetings with Staff, GMO has indicated that a level of 75% is
3 the percentage of OSS margins that were risk based sales/trades but has not revealed any
4 specific manner or methodology for determining that amount.

5 Q. Does Staff believe it is proper ratemaking treatment to exclude
6 these OSS margins in the determination of the revenue requirement in this proceeding?

7 A. No. It is inappropriate ratemaking treatment to exclude these OSS margins in
8 this proceeding because Missouri retail electric customers are paying for all costs associated
9 with the facilities needed to attain these OSS margins

10 Q. Do GMO’s historical off-system sales margins appear “risky”?

11 A. No. GMO’s total MPS and L&P actual off-system sales margins from 2000
12 through 2008 are reflected below:

<u>Year</u>	<u>Actual Dollars</u>	<u>Margin %</u>
2000	**_____**	**_____**
2001	**_____**	**_____**
2002	**_____**	**_____**
2003	**_____**	**_____**
2004	**_____**	**_____**
2005	**_____**	**_____**
2006	**_____**	**_____**
2007	**_____**	**_____**
2008	**_____**	**_____**

23 [GMO – MPS and L&P General Ledgers (2000 - MPS only)]

1 Attached as Highly Confidential Schedule VWH-1 are the actual off-system sales levels for
2 the period 2000 to 2008 for MPS and L&P. As can be seen, despite the different type of off-
3 system sales transactions that have occurred over the years on the GMO system, off-system
4 sales have occurred and should be included as part of the over all revenue requirement
5 calculation for the MPS and L&P rates.

6 While 2008 sales revenues decreased, Staff notes that since 2000 every annual
7 decrease is followed by an increase the next year. Staff also notes that margin (profit)
8 percentages have increased each of the last two years and have remained in double digits
9 every year since 2000. These historical off-system sales margins can not be characterized as
10 risky, certainly not in the manner for which Staff believes they should be used.

11 Q. Does this conclude your rebuttal testimony?

12 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

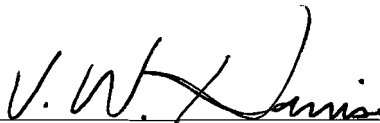
OF THE STATE OF MISSOURI

In the Matter of the Application of KCP&L)
Greater Missouri Operations Company for) Case No. ER-2009-0090
Approval to Make Certain Changes in its)
Charges for Electric Service.)
)

AFFIDAVIT OF V. WILLIAM HARRIS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

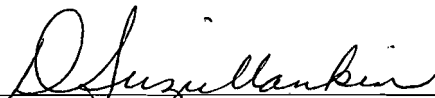
V. William Harris, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 4 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has 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.



V. William Harris

Subscribed and sworn to before me this 13th day of March, 2009.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071



Notary Public

SCHEDULE VWH-1

HAS BEEN DEEMED

HIGHLY CONFIDENTIAL

IN ITS ENTIRETY