

Exhibit No.:
Issues: *Fuel Expense*
Witness: *V. William Harris*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *ER-2009-0090*
Date Testimony Prepared: *April 9, 2009*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

V. WILLIAM HARRIS, CPA, CIA

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

CASE NO. ER-2009-0090

*Jefferson City, Missouri
April 2009*

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1 Q. What is the purpose of your surrebuttal testimony?

2 A. The purpose of my surrebuttal testimony is to discuss the rebuttal testimony of
3 GMO witness Wm. Edward Blunk on the issue of fuel expense.

4 **EXECUTIVE SUMMARY**

5 Q. Does Staff have any corrections or revisions to its direct-filed adjustments for
6 fuel expense?

7 A. Yes. Since filing its Cost of Service Report on February 13, 2009, Staff has
8 revised the methodology it used in determining natural gas prices to include in calculating
9 Staff's annualized fuel expense.

10 **FUEL EXPENSE**

11 Q. On page 1, lines 12 and 13, of his rebuttal testimony, GMO witness
12 Wm. Edward Blunk states "Staff recommended using a 24-month weighted average of
13 GMO's actual commodity cost of natural gas as the natural gas price in the cost of fuel."
14 Does Staff agree with Mr. Blunk's statement?

15 A. No. At the bottom of page 73 of its COS Report, Staff states "The natural gas
16 prices used as an input to the Staff's fuel model were calculated using the actual delivered
17 cost of natural gas for the 2007 test year."

18 Staff used the actual 2007 delivered costs of natural gas, by month, at each generation
19 plant that provides energy to GMO. Staff used the 12 monthly delivered costs at each plant to
20 determine an average delivered cost at each plant for the 2007 test year and then used these
21 annual average costs for each plant using natural gas as the natural gas prices to include in

1 determining the annualized fuel expense to include in this case. As previously stated,
2 Staff has revised its methodology. Staff now uses the 12 monthly delivered costs for natural
3 gas at each plant that utilizes natural gas, rather than the annual average cost for natural gas at
4 each plant that utilizes natural gas, as natural gas prices in determining its annualized fuel
5 expense. Staff will update the 12 monthly natural gas prices based on delivered costs at each
6 plant using natural gas through April 30, 2009 in its true-up filing based on the Commission's
7 March 18, 2009 Order Modifying Procedural Schedules For True-Up Proceedings And
8 Formally Adopting Test Year And Update Period in Case No. ER-2009-0090.

9 Q. Did Mr. Blunk express any concern with the Staff's use of average annual
10 costs as natural gas prices?

11 A. Yes. On page 1, lines 16 through 19, Mr. Blunk refers to a natural gas price
12 based on average annual costs as a "flat-lined" price and expresses a concern that using a
13 "flat-lined" price for natural gas for all 12 months while using electricity prices that vary by
14 month "will cause production cost models to consistently understate the Company's cost of
15 purchased power and fuel." Mr. Blunk also states on page 4, lines 5 through 7, of his rebuttal
16 testimony "We can be reasonably certain that using a flat-line natural gas price while varying
17 spot power prices will never overstate the Company's cost of service and will almost always
18 understate the Company's cost of service." Mr. Blunk goes on to state on lines 11 through 16
19 of page 4 of his rebuttal testimony that GMO "remodeled the generation fuel and non-firm
20 purchased power expense in the Company's Direct Filing and the September update" and that
21 using a "flat-line" price for natural gas results in an understated cost of service in each
22 instance.

1 Q. Does Staff agree with Mr. Blunk’s statements?

2 A. No. As previously stated, Staff has revised its methodology to reflect
3 12 monthly natural gas prices and has included them in its RealTime production cost - fuel
4 model in this case and the current GMO (steam heat rate case) Case No. HR-2009-0092.
5 After revising its natural gas pricing methodology, Staff became aware of an error in the
6 updated version (version 8.41) of the RealTime model Staff had been using in the current
7 KCPL and GMO rate cases and changed to the previous version (version 8.40) of the
8 RealTime model. (Staff’s recognition and addressing this error increases the GMO electric
9 and steam revenue requirement. Staff advised the Companies of this error when Staff
10 discovered it.) The result of changing from a “flat-line” natural gas price to 12 monthly
11 natural gas prices using each version of the RealTime cost production model is outlined
12 below:

ER-2009-0090 GMO Electric Rate Case			HR-2009-0092 GMO Steam Heat Rate Case		
Methodology	Real-Time version 8.41	Real-Time version 8.40	Methodology	Real-Time version 8.41	Real-Time version 8.40
1 annual price per plant	\$209,838,935	\$213,900,510	1 annual price per plant	\$10,842,125	\$11,115,640
12 monthly prices per plant	\$209,403,130	\$213,096,986	12 monthly prices per plant	\$10,825,704	\$11,023,445
Difference	(\$435,805)	(\$803,524)	Difference	(\$16,421)	(\$92,195)

13 Changing from an annual natural gas price to 12 monthly natural gas prices, results in
14 a lower fuel and non-firm purchased power expense in each version of the Staff’s RealTime
15 cost production model in this GMO electric rate case and in the GMO steam heat rate case,
16 contrary to Mr. Blunk’s statements.

1 Q. Did Staff revise its natural gas price methodology as a result of the
2 corresponding reduction in annualized fuel and non-firm purchased power expense shown
3 above?

4 A. No, but Staff did revise its natural gas price methodology. After much internal
5 discussion, Staff revised its methodology prior to receiving all the numbers shown in the table
6 above. Staff made the same revision in methodology in the current KCPL electric rate case,
7 KCPL Case No. ER-2009-0089, even though the change had the opposite result (an increase
8 of annualized fuel and purchased power expense using either version of the RealTime model).

9 Q. Mr. Blunk states on page 4, lines 17 through 21, of his rebuttal testimony that
10 Iatan 1, Sibley 3 and the Jeffrey Energy Center will require the use of new additives.
11 He goes on to state on lines 1 through 4 of page 5 of his rebuttal testimony that Staff has not
12 accounted for the use of new additives and that the “incremental cost will need to be
13 considered during the true-up process”. Does Staff agree with these statements?

14 A. Yes. Staff will reflect the appropriate costs of all additives in its true-up filing.

15 Q. Does this conclude your surrebuttal testimony?

16 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

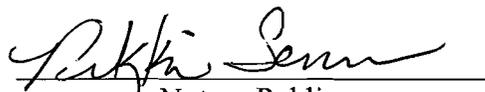
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

V. William Harris, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 5 pages to be presented in the above case; that the answers in the foregoing Surrebuttal 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 9th day of April, 2009.

NIKKI SENN
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: October 01, 2011
Commission Number: 07287016


Notary Public