Exhibit No.:	____________
Issue(s):	Off-System Sales
Witness/Type of Exhibit:	Meisenheimer/Rebuttal
Sponsoring Party:	Public Counsel
Case No.:	ER-2009-0089

REBUTTAL TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of the Office of the Public Counsel

Kansas City Power & Light Company

CASE NO. ER-2009-0089

March 11, 2009

NP

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power and Light Company for Approval to Make Certain Changes in its Charges for Electric Service To Continue the Implementation of Its Regulatory Plan.	)))))	**ER-2009-0089**

AFFIDAVIT OF BARBARA A. MEISENHEIMER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Barbara A. Meisenheimer, of lawful age and being first duly sworn, deposes and states:

1. My name is Barbara A. Meisenheimer. I am Chief Utility Economist for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Barbara A. Meisenheimer

Subscribed and sworn to me this 11th day of March 2009.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

KENDELLE R. SEIDNER
My Commission Expires
February 4, 2011
Cole County
Commission #07004782

Kendelle R. Seidner
Notary Public

My Commission expires February 4, 2011.

KCPL
Revenue Requirement

ER-2009-0089

Rebuttal Testimony
of
Barbara Meisenheimer

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel, P. O. 2230, Jefferson City, Missouri 65102. I am also an adjunct instructor for William Woods University.

Q. HAVE YOU TESTIFIED PREVIOUSLY IN THIS CASE?

A. Yes, I filed direct testimony on class cost of service and rate design issues on February 25, 2009.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my rebuttal testimony is to present Public Counsel's response to the Staff and Company positions on the level of non-firm off-system sales margin revenue. My testimony will compare the level of non-firm off-system sales margin revenue produced by the RealTime™ production cost model to the levels proposed by the Missouri Public Commission Staff (Staff) and Kansas City Power and & Light Company (KCPL or Company). I will also discuss my concerns with the Company and Staff methods for determining an appropriate non-firm off-system sales margin.

Q. HAS THE STAFF RELIED ON THE REALTIME™ MODEL IN THIS CASE?

A. Yes. The Staff used the RealTime™ model in this case to determine variable fuel cost.

Q. HAS THE STAFF RELIED ON THE REALTIME™ MODEL TO DETERMINE NON-FIRM OFF-SYSTEM SALES IN PREVIOUS CASES?

A. Yes. The Staff used the RealTime™ model in previous rate cases to determine non-Firm off-system. Most recently, the Staff contracted with Michael Rahrer of The Emelar Group, the developer of the RealTime™ model, to determine pre-adjustment non-firm off-system sales margin revenue in Case No. ER-2008-0318.

Q. WHAT IS YOUR EXPERIENCE WITH THE REALTIME™ MODEL?

A. I have worked with Michael Rahrer of The Emelar Group and the RealTime™ model in a number of electric rate cases since June 2006. In 2006, Public Counsel originally contracted with The Emelar Group to lease the RealTime™ model, to receive training on the use of the model and for enhancements to be made to the model that would generate reports and files that would allow Public Counsel to develop a production capacity cost allocator for use in class cost of service studies. For this case, Public Counsel contracted with Michael Rahrer of The Emelar Group to visit our offices and to assist in running the RealTime™ model using primarily the input files prepared by the Staff for the Staff's fuel cost run.

Q. WHAT TYPES OF INFORMATION ARE USED AS INPUTS INTO THE REALTIME™ MODEL?

A. The inputs into the RealTime™ model include characteristics of system load and generation facilities, parameters related to operations and maintenance, fuel sources, historic fuel expenses and historic market prices.

Q. WHAT MODIFICATIONS DID PUBLIC COUNSEL MAKE TO THE STAFF'S INPUTS AND MODEL RUN?

A. The Staff's inputs included aggregate load data which I disaggregated into customer classes. This modification had no substantive impact on the model results. Public Counsel's second modification was to conduct runs of the model using a model function that conducts off-system sales when production is not constrained and the revenue generated from a non-firm off-system sale exceeds the cost of the sale. The non-firm off-system sales margin was derived by summing the expected revenue of these off-system sales for each hour of the year in one model run and then subtracting the sum of the expected cost of these off-system sales for each hour of the year generated in a second model run.

Q. WHAT LEVEL OF MARGIN ON NON-FIRM OFF-SYSTEM SALES WAS PRODUCED BY THE MODEL RUNS?

A. The RealTime™ model generated $127,322,440 as the total company margin on non-firm off-system sales which is significantly greater than the margin on non-firm off-system sales proposed by the Company and by the Staff in this case.

Q. HOW DID THE STAFF DEVELOP ITS LEVEL OF NON-FIRM OFF-SYSTEM SALES MARGIN IN THIS CASE?

A. The Staff developed a historic measure of the margin on non-firm off-system sales and then made two adjustments. The first appears to simply adjust the historic measure of the margin on non-firm off-system sales to equal the Company's proposed margin on non-firm off-system sales which is set at the lower quartile of a probability distribution for non-firm off-system developed in Company witness Schnitzer's direct testimony. The Staff's second adjustment corrects the margin to account for off-system sales made "below the line."

Q. DOES PUBLIC COUNSEL SUPPORT EITHER THE COMPANY OR STAFF METHOD FOR DETERMINING THE MARGIN ON NON-FIRM OFF-SYSTEM SALES?

A. No. As in previous cases, Public Counsel continues to have significant concerns with the Company's method. With the exception of the Staff's second adjustment which corrects the margin to account for off-system sales made "below the line" Public Counsel does not support the method used by Staff. Ryan Kind addresses Public Counsel's support for the "below the line" adjustment in his rebuttal testimony in this case.

Q. PLEASE DISCUSS YOUR PRIMARY CONCERNS WITH THE COMPANY'S METHOD FOR ESTIMATING NON-FIRM OFF-SYSTEM SALES MARGINS.

A. The Company's proposal is to establish the level of off-system sales margin at the 25th percentile of a derived distribution of off-system sales margins. This distribution is developed using many of the same general factors that are used in the REALTIME™ model to predict the margin level of off-system sales. Examples of these general factors include estimated resource and product market prices, characteristics of load and generation, and parameters related to operations and maintenance. However, the Company relies heavily on forward looking measures of these factors that seem to be more volatile and result in predictions that vary substantially from historic measures. A good example of this is that the Company's method in this case produces a mean, or average expected margin of approximately **$_____** and a median value of approximately **$____**. Both of these values are substantially above the Company's historic performance;

Non-Firm Off-System Sales Margin

2004	**$__________**
2005	**$__________**
2006	**$__________**
2007	**$__________**
2008	**$__________**

The Company's projections of mean and median appear to be more affected by volatility in the modeled resource and energy markets than historic off-system sales are affected by actual resource and the wholesale energy prices. Therefore, I believe the RealTime™ model run with Staff's inputs will produce a better predictor of non-firm off-system sales margins.

An additional concern is that setting the non-firm off-system sales margin at the lower quartile of the distribution is too low a benchmark. The Company faces little if any financial penalty for performing at a level well below the average or expected level of non-firm off-system sales margins which diminishes the Company's incentive to achieve maximum non-firm off system sales. In 2007 and 2008, following implementation of the Company's method, non-firm off-system sales declined, closing out each year just above the 25th percentile.

Q. YOU STATED THAT THE ACTUAL 2007 AND 2008 NON-FIRM OFF-SYSTEM SALES MARGINS WERE JUST ABOVE THE 25TH PERCENTILE ESTABLISHED IN THE PREVIOUS RATE CASE BY THE COMPANY'S MODEL. DOES THIS IMPLY THAT THE MODEL IS A GOOD PREDICTOR OF OFF-SYSTEM SALES MARGINS?

A. No. The model predicts that the actual margin on off-system sales is likely to be significantly higher that the 25th percentile.

Q. PLEASE COMPARE THE STAFF AND COMPANY MARGINS ON NON-FIRM OFF-SYSTEM SALES TO THE LEVEL YOU PROPOSE BASED ON MODIFICATION OF THE STAFF REALTIME™ RUN.

A. The following table summarizes the parties' non-firm off-system sales margin recommendations based on the Staff's 56.64% allocation to the MO Jurisdiction;

	OPC	Staff	Company
Total Company	$127,322,440	**$_______**	**$_______**
MO Jurisdictional (x 56.64%)	$72,115,430	**$_______**	**$_______**
Adj To Match KCPL (+)		**$_______**	
Adj For Below Line OSS (+)	**$_______**	**$_______**	
Non-Firm OSS Recommendation	**$_______**	**$_______**	**$_______**

NP

Q. WILL YOU BE PROVIDING AN UPDATED ESTIMATE OF THE NON-FIRM OFF-SYSTEM SALES MARGIN AS PART OF THE UPDATE PROCESS IN THIS CASE?

A. I will review additional information as it becomes available and may file and update.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.