

**Exhibit No.:**

**Issue(s):**

\_\_\_\_\_  
Off-System Sales/  
Rate Design

**Witness/Type of Exhibit:** Meisenheimer/Surrebuttal

**Sponsoring Party:**

Public Counsel

**Case No.:**

ER-2009-0089

**SURREBUTTAL 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

April 7, 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:

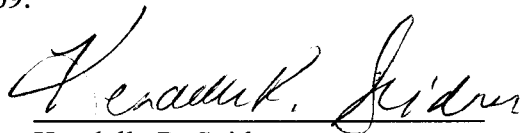
1. My name is Barbara A. Meisenheimer. I am Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

  
**Barbara A. Meisenheimer**

Subscribed and sworn to me this 7<sup>th</sup> day of April 2009.



**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**

**Surrebuttal Testimony  
of  
Barbara Meisenheimer**

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

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

5 **Q. HAVE YOU TESTIFIED PREVIOUSLY IN THIS CASE?**

6 A. Yes, I filed direct testimony on class cost of service and rate design issues on  
7 February 25, 2009, and rebuttal testimony on revenue requirement on March 11,  
8 2009.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. The purpose of my revenue requirement surrebuttal testimony is to present Public  
11 Counsel's updated RealTime<sup>TM</sup> model results based on Staff witness Dr. Michael  
12 Proctor's rebuttal testimony regarding natural gas and electric market prices  
13 through February 28, 2009. I will also present the results of the RealTime<sup>TM</sup>  
14 model using the updated natural gas and electric market prices, updated through  
15 February 24, 2009, that underlie the Company's rebuttal testimony. Finally, I will  
16 respond to the parties rebuttal testimony regarding rate design.

1 **Q. PLEASE SUMMARIZE YOUR USE OF THE REALTIME<sup>TM</sup> MODEL IN REBUTTAL**  
2 **TESTIMONY TO DETERMINE THE MARGIN ON NON-FIRM OFF SYSTEM SALES.**

3 A. The RealTime<sup>TM</sup> model uses economic dispatch to conduct off-system sales when  
4 production is not constrained and the revenue generated from a non-firm off-  
5 system sale exceeds the cost of the sale. As described in my revenue requirement  
6 rebuttal testimony, I relied primarily on Staff data, updated through September 30,  
7 2008, as inputs into the RealTime<sup>TM</sup> production cost model in order to estimate  
8 the level of non-firm off-system that should be adopted for purposes of  
9 determining revenue requirement in this case. While there are many inputs into  
10 the RealTime<sup>TM</sup> model two key determinants of the model are the price of natural  
11 gas which represents a cost of production in the model and the hourly wholesale  
12 electric market price which represents the per unit revenue that could be generated  
13 from an off-system sale.

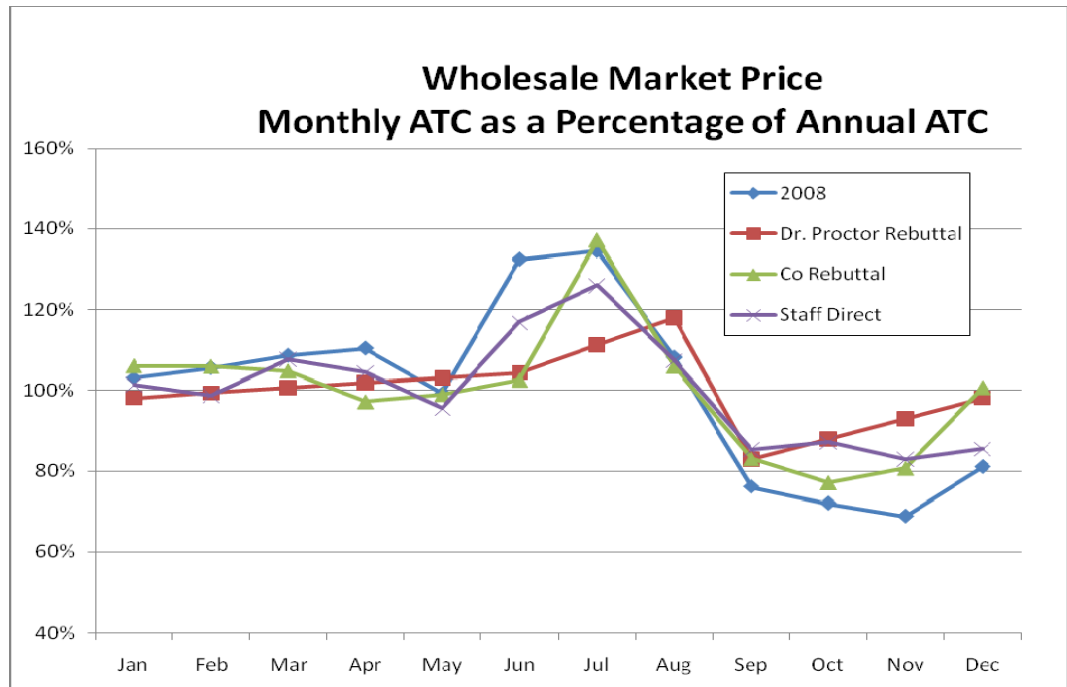
14 **Q. HOW MIGHT ELECTRIC MARKET PRICES AND NATURAL GAS PRICES AFFECT THE**  
15 **REALTIME<sup>TM</sup> MODEL RESULTS?**

16 A. In isolation, a reduction in the price of natural gas would likely reduce the cost of  
17 making some off-system sales resulting in a higher off-system sales margin. In  
18 isolation, a reduction in wholesale electric prices would have the opposite effect.  
19 Lower electric market prices can reduce the total company off-system sales  
20 margin by reducing the volume of off-system sales dispatched by the model and  
21 by reducing the profit margin on sales that are dispatched.

22

1 **Q. WHAT MODIFICATIONS DID YOU MAKE TO THE FIRST REALTIME™ MODEL**  
2 **SIMULATIONS PRESENTED IN THIS TESTIMONY?**

3 A. For the first RealTime™ model simulation, I adjusted the hourly wholesale prices  
4 developed in the direct testimony workpapers of Staff witness Dan Beck to mirror  
5 the monthly and annual market prices developed by Dr. Michael Proctor for  
6 rebuttal testimony. Dr. Proctor's testimony proposes an around-the-clock (ATC)  
7 electric market price of **\*\*\$\_\_\_\_\_\*\*** per MWh based on updated market  
8 information as of February 28, 2009. This modification resulted in a **\*\*\$\_\_\_\_\_\*\***  
9 per MWh reduction to the ATC electric market price represented in the  
10 RealTime™ fuel run presented in Staff's direct testimony.



11  
12 Also consistent with Dr. Proctor's recommendation, I did not alter the  
13 natural gas price of **\*\*\$\_\_\_\_\_\*\*** per MMBtu used previously in the RealTime™  
14 model simulation.

1 **Q. WHAT MODIFICATIONS DID YOU MAKE TO THE SECOND REALTIME™ MODEL**  
 2 **SIMULATIONS PRESENTED IN THIS TESTIMONY?**

3 A. In the second RealTime™ model simulation, I used forward looking natural gas  
 4 and hourly wholesale prices provided by the Company. The Company's hourly  
 5 wholesale prices produced an annual around-the-clock ATC electric market price  
 6 of **\*\*\$\_\_\_\_\_\*\***. I also used a natural gas price of **\*\*\$\_\_\_\_\_\*\*** per MMBtu which  
 7 is a simple average of the October through March delivered natural gas prices  
 8 predicted by the Company.

9 **Q. WHAT LEVEL OF MARGIN ON NON-FIRM OFF-SYSTEM SALES WERE PRODUCED BY**  
 10 **THE MODEL SIMULATIONS?**

11 A. The RealTime™ model generated the margin on non-firm off-system sales shown  
 12 below. The table also shows the portion of non-firm off-system sales that would  
 13 be allocated to the Missouri Jurisdiction assuming the 57.3% jurisdictional  
 14 allocation factor referenced in the rebuttal testimony of Staff witness Cary  
 15 Featherstone.

Non-Firm Off-System Sales Margin	RealTime™ based on Staff inputs	RealTime™ based on Company inputs
Total Company	<b>**\$_____**</b>	<b>**_____**</b>
MO Jurisdictional (x 57.3%)	<b>**\$_____**</b>	<b>**\$_____**</b>
Adj For Below Line OSS (+)	<b>**\$_____**</b>	<b>**\$_____**</b>
Non-Firm OSS	<b>**\$_____**</b>	<b>**\$_____**</b>

**NP**

1 **Q. HOW DO THE RESULTS DIFFER FROM THE RESULTS OBTAINED IN YOUR DIRECT**  
 2 **TESTIMONY?**

3 A. The updated model simulations result in significantly lower off-system sales  
 4 margins than were presented in my direct testimony. However, it is important to  
 5 note that the RealTime™ model using either set of updated inputs produces a  
 6 significantly higher level of expected non-firm off-system sales margin than the  
 7 Company model.

Expected Non-Firm Off-System Sales Margin	RealTime™ based on Staff inputs	RealTime™ based on Company inputs	Company Study Result
Total Company	**\$_____**	**\$_____**	**\$_____**
MO Jurisdictional (x 57.3%)	**\$_____**	**\$_____**	**\$_____**
Adj For Below Line OSS (+)	**\$_____**	**\$_____**	
Non-Firm OSS	**\$_____**	**\$_____**	**\$_____**

8 **Q. HOW DOES THE COMPANY’S PROPOSED 25<sup>TH</sup> PERCENTILE OF NON-FIRM OFF-**  
 9 **SYSTEM SALES MARGINS COMPARE TO THE EXPECTED RESULTS SHOWN ABOVE?**

10 A. The Company proposes to establish the level of total company off-system sales  
 11 margin at the 25th percentile which it estimates at \*\*\$\_\_\_\_\_\*\*. This would  
 12 produce a Missouri Jurisdictional off-system sales margin of only  
 13 \*\*\$\_\_\_\_\_\*\*.

**NP**

1 **Q. WHAT ARE YOUR CONCLUSIONS REGARDING THE METHOD OF ESTABLISHING A**  
2 **NON-FIRM OFF-SYSTEM SALES MARGIN?**

3 A. I agree with Dr. Proctor that the Company's method is overly sensitive to  
4 volatility in the forward looking resource and energy markets. Dr. Proctor's  
5 method of developing prices based on historic measures updated for known and  
6 measurable changes is preferable and should be adopted in this case. I also  
7 encourage the Commission to reject the Company proposal to establish the level  
8 of non-firm off-system sales at the 25<sup>th</sup> percentile because this level is  
9 unreasonably low and, as I discussed in rebuttal testimony, diminishes the  
10 Company's incentive to perform at a level that can be reasonably expected based  
11 on the models presented in this case.

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

14 A. I will review additional information as it becomes available and may file a true-up  
15 update.

16 **Q. PLEASE RESPOND TO THE REBUTTAL TESTIMONY OF COMPANY WITNESS TIM**  
17 **RUSH.**

18 A. In direct testimony, I indicated that Public Counsel would be satisfied to have any  
19 increase in revenue requirement implemented on an equal percentage basis  
20 consistent with the Stipulation from Case No. EO-2005-0329. However, if the



1 Commission determines that rate design changes should result from this case, then  
2 Public Counsel generally supports the Company's position on the changes that  
3 should and should not occur. The Industrials' proposal to adjust Large Power  
4 rates by disproportionately increasing the early energy blocks and fixed charges  
5 should be rejected based on the Company's evidence of the potential for  
6 significant bill impacts and rate switching. I agree with Mr. Rush that the Staff  
7 proposal to increase all electric rates by 10% would result in certain energy block  
8 rates exceeding the corresponding general service rate. The Company proposal to  
9 increase the separately-metered space heating rates winter energy charges by 5%  
10 for the Small General Service, Medium General Service and Large General  
11 Service tariff appears to move rates moderately toward cost. Public Counsel  
12 would not oppose increasing the separately-metered space heating rates winter  
13 energy charges by 5% provided that an offsetting reduction is made to other rates  
14 paid by the same customer class.

15 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

16 A. Yes.