

Exhibit No:

Issue:

Witness: Paul N. Mahlberg

Type of Exhibit: Rebuttal Testimony

Sponsoring Party: City of Independence,  
Missouri

Case No: EM-2007-0374

Date Testimony Prepared: October 11, 2007

**BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO: EM-2007-0374**

**REBUTTAL TESTIMONY OF**

**PAUL N. MAHLBERG**

**ON BEHALF OF**

**THE CITY OF INDEPENDENCE, MISSOURI**

**REBUTTAL TESTIMONY  
OF  
PAUL N. MAHLBERG  
CASE NO: EM-2007-0374**

1   **Q.     Please state your name and business address.**

2   **A.**My name is Paul N. Mahlberg. My business address is 21500 East Truman Road,  
3           Independence, Missouri, 64056.

4

5   **Q.     By whom and in what capacity are you employed?**

6   **A.**I am employed by the City of Independence, Missouri ("City") as Planning and  
7           Rates Supervisor for the Power & Light Department.

8

9   **Q.     What are your responsibilities?**

10  **A.**My responsibilities include power supply resource planning, power contract  
11           administration, fuel planning and procurement, fuel contract administration, cost-  
12           of-service, retail rate development, transmission service procurement, and  
13           strategic planning. In addition, I serve as the City's representative on the Markets  
14           and Operations Policy Committee for the Southwest Power Pool ("SPP").

15

16  **Q.     Please describe your education, experience and employment history.**

17  **A.**I graduated from Iowa State University in 1988 with a Bachelor of Science  
18           degree in Electrical Engineering. I began my career with the City in January 1996  
19           as a Senior Planning Engineer working on resource planning, wholesale and retail  
20           rate activities, and contract administration. I was promoted to my current position

1 of Planning & Rates Supervisor in October 2001. Prior to working for the City,  
2 from 1988 to 1996, I held several positions at R.W. Beck, an engineering  
3 consulting firm.

4  
5 **Q. Have you previously testified in a proceeding at the Missouri Public Service**  
6 **Commission (“MPSC” or “Commission”) or before any other regulatory**  
7 **body?**

8 **A.** No.

9

10 **Q. What is the purpose of your testimony?**

11 **A.** The purpose of my testimony is to provide certain factual background regarding  
12 the City’s electric system, including its dependence on the transmission systems  
13 of Kansas City Power & Light Company (“KCP&L”) and Aquila, Inc. (“Aquila”)  
14 (together, “Companies”) to import power, and to explain the City’s concern about  
15 the Applicants’ failure to provide the Commission and parties with sufficient  
16 information to reasonably evaluate the impact of the proposed merger on retail  
17 rates.

18

19 **Q. Please briefly describe the City’s system.**

20 **A.** The City owns and operates a municipal electric utility. It was established in 1901  
21 to provide the residents and businesses of Independence, Missouri with safe,  
22 reliable and affordable electric service. The City maintains and operates 12  
23 generating units, 15 major substations, 22 miles of 161 kilovolt and 45 miles of 69

1 kilovolt transmission lines, and more than 750 miles of distribution power lines.  
2 The City's all-time one-hour peak demand is 315 megawatts ("MW") which  
3 occurred on August 21, 2003. The City's annual energy requirements for calendar  
4 year 2006 consisted of 1,150,000 megawatt-hours. As of October 1, 2007, the  
5 City serves more than 56,000 customers. The City has direct physical  
6 interconnections with both KCP&L and Aquila, and one interconnection with  
7 Associated Electric Cooperative, Inc. ("AECI").  
8

9 **Q. Please briefly describe the City's power supply arrangements.**

10 **A.** Some of the electricity required to meet customer demand is generated by the  
11 City, but the City acquires much of the power and energy needed to meet its  
12 customers' demand from resources and suppliers that are outside of the City. For  
13 calendar year 2006, the City generated approximately one-third of its energy  
14 requirements from City-owned resources with the other two-thirds provided from  
15 resources not owned by the City.  
16

17 **Q. Please describe the arrangements the City has with other suppliers.**

18 **A.** The City has Municipal Participation Agreements ("MPA") with both KCP&L  
19 and Aquila and one with AECI. These agreements provide for the interconnection  
20 of the parties' electrical systems and contain several service schedules for buying  
21 and selling wholesale power. The City's MPA with KCP&L includes the City's  
22 purchase of 90 megawatts of base load power and energy from Montrose, a large,  
23 base load, coal-fired unit owned by KCP&L. This purchase provides for nearly

1 60 percent of the City's energy requirements each year. KCP&L and Aquila,  
2 along with certain other participants, are currently developing Iatan 2. The  
3 Missouri Joint Municipal Electric Utility Commission ("MJMEUC"), of which  
4 the City is a member, is among the parties that have an ownership interest in Iatan  
5 2, and the City has contracted with MJMEUC to acquire 50 MW of the Iatan 2  
6 capacity and associated energy. This unit is expected to begin commercial  
7 operation in 2010. In addition, the City has contracted for a share (approximately  
8 55 MW) of Omaha Public Power District's Nebraska City 2 unit. This unit is  
9 currently under construction and is expected to begin commercial operation in  
10 2009.

11  
12 **Q. How would the merger of KCPL and Aquila affect the City's ability to**  
13 **procure power from outside sources?**

14 **A.** The city is a transmission dependent utility. Apart from the one interconnection  
15 point with AECL, its only interconnections are with KCP&L and Aquila, and  
16 hence it is largely dependent upon these two companies for importing power.  
17 Therefore, the City is concerned about the merger's impact on transmission and  
18 interconnection service and availability, and has raised its concerns in the merger  
19 proceeding pending before the Federal Energy Regulatory Commission  
20 ("FERC").

1    **Q.     Does the City take retail service from either KCPL or Aquila?**

2    **A.**    Yes. The City is a retail customer of KCP&L. KCP&L provides retail electric  
3           service to the City's water treatment plant and several sewer pumping stations, all  
4           of which are located outside of the City's corporate limits. KCP&L also provides  
5           electric service to one large retail customer located within the City (the Federal  
6           Government's Lake City Army Ammunitions Plant). KCP&L has a franchise  
7           from the City allowing and governing KCP&L's service to this large customer. In  
8           addition, the City has border customer agreements with both KCP&L and Aquila  
9           which provide for electric service to retail customers located along the service  
10          territory boundaries.

11

12   **Q.     Would the merger effect retail rates paid by the City?**

13   **A.**    Independence expressed concern about the lack of information in its protests  
14          before the MPSC and FERC, and it has issued data requests to the Companies.  
15          The Companies confirmed in their responses to certain of these requests that they  
16          have not studied the impact of the proposed on merger on existing Available  
17          Transmission Capacity, nor have they studied the effect of the merger on the  
18          Companies' ability to sustain sufficient transmission capacity over the next 5 to  
19          10 years. (See responses to Independence Request Nos. 2-3 and 2-4; see also  
20          response to Independence Request No. 2-6, all of which are attached hereto). The  
21          extent of transmission constraints and required upgrades affect both operations  
22          (with cost implications) and direct costs, all of which would affect rates.  
23          Additionally, although the Companies' testimony in places implies that they

1 intended to have Aquila participate in SPP, the Companies have since disclosed  
2 that they have now applied to this Commission for authorization for Aquila to join  
3 the Midwest ISO. (see response to Independence Request No. 2-9, attached  
4 hereto). As discussed in Mr. Mark Volpe's testimony, the costs associated with  
5 participating in the Midwest ISO are very different than the costs associated with  
6 participating in SPP.

7

8 **Q. What information do you believe is still lacking?**

9 **A.** Despite the Companies' recent application to the MPSC seeking approval for  
10 Aquila to join the Midwest ISO, significant questions remain about the  
11 Companies' plans for regional transmission organization ("RTO") participation.  
12 These decisions can have significant cost implications because the rates and  
13 charges applicable to transmission customers differ depending upon which RTO a  
14 company is a member. These costs will eventually be passed on to the retail  
15 customer. These issues are more fully explained in the testimony of Mark J.  
16 Volpe, filed on behalf of the City. As Mr. Volpe explains, the costs to be borne  
17 by the Applicants and hence their customers will be very different depending on  
18 whether Aquila joins SPP or remains in the Midwest ISO. And, even if it were  
19 now assumed that Aquila will participate in the Midwest ISO, the Companies  
20 have not provided any evaluation of the cost impacts and resulting rate impacts  
21 that will flow from that participation, or from having KCP&L in SPP and Aquila  
22 in the Midwest ISO.

23

1   **Q.     What other information is lacking?**

2   **A.**The Companies' supplemental testimony confirms their plans to jointly dispatch  
3           generation, yet cost impacts are not considered in any of the submitted analyses.  
4

5   **Q.     Why is this information important?**

6   **A.**First, use of each other's resources has cost implications that are very different  
7           from the costs that will be incurred if each company continues to acquire power  
8           supply elsewhere. Second, joint dispatch will produce production costs that differ  
9           from dispatch on an individual company basis. Third, in order to jointly dispatch  
10          units, each company would have to designate the other company's generation as a  
11          Designated Network Resource, yet they do not and cannot know what  
12          transmission upgrades would be required to enable them to take such transmission  
13          service, and thus they do not know the costs associated with such upgrades.  
14          These costs will affect the Companies' retail rates.

15  
16          Similarly, the Companies' testimony is vague as to whether they intend to move  
17          Aquila to SPP (contrary to their later application to the MPSC for Aquila to join  
18          the Midwest ISO), and includes no analysis of the costs and benefits of Aquila's  
19          participation in SPP as compared to the Midwest ISO. Finally, KCP&L is  
20          seeking to buy a financially troubled company (Aquila), and while they speak to  
21          the good they think they can do for Aquila and its customers, they do not  
22          adequately explain how this benefits KCPL and its customers. KCP&L customers



1           should not experience increased rates without adequate justification or protection,  
2           neither of which is presented.

3

4   **Q.     What action do you recommend the Commission take in order to protect**  
5   **consumers?**

6   **A.**Before the Commission makes a decision, it should require the Companies to  
7           better support their application and provide full information on the cost impacts of  
8           the merger. To do so, the Companies will need to provide the analysis of the  
9           impacts of that decision. They should also be required to provide analyses of the  
10          impacts of joint generation dispatch and the impacts of Aquila's participation in  
11          the Midwest ISO as compared to SPP. With those cost impacts in hand, the  
12          Companies should then address the resulting impacts on rates and operations.  
13          Without such information, a decision on the merger application that is fully  
14          informed and supported by evidence cannot be made.

15

16   **Q.     Does this conclude your testimony?**

17   **A.**Yes.



**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

**In the Matter of the Joint )  
Application of Great Plains Energy )  
Inc., Kansas City Power & Light )  
Company, and Aquila, Inc. for )  
Approval of the Merger of Aquila, )  
Inc. with a Subsidiary of Great )  
Plains Energy Inc. and for Other )  
Related Relief )**

Case No. EM-2007-0374

**AFFIDAVIT OF PAUL N. MAHLBERG**

**STATE OF MISSOURI )**

**COUNTY OF JACKSON )**

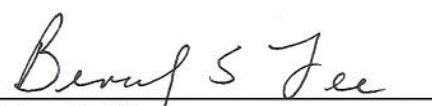
Paul N. Mahlberg, being first duly sworn on his oath, states:

1. My name is Paul N. Mahlberg. I am the Planning and Rates Supervisor for the Power & Light Department for the City of Independence, Missouri. My business address is 21500 East Truman Road, Independence, Missouri, 64056. My business telephone number is (816) 325-7492.

2. I certify that the foregoing Testimony was prepared by me or under my direct supervision and that such Testimony is true and correct to the best of my knowledge and belief.

  
Paul N. Mahlberg

Subscribed to and sworn to me this 11<sup>th</sup> day of October 2007.

  
Notary Public

My Commission expires: 12/11/09



BEVERLY S. LEE  
My Commission Expires  
December 11, 2009  
Jackson County  
Commission #05550566

DATA REQUEST– Set Independence\_20070920

Case: EM-2007-0374

Date of Response: 09/28/2007

Information Provided By:

Requested by: Robbins Alan

Question No. : 2-3

Please provide all studies, analyses or other documents prepared by Applicants or on their behalf with respect to the effect of the proposed merger on the existing available transmission capacity of each member's respective systems. If no such studies have been conducted, please explain why not.

Response:

No studies have been prepared. A consolidated generation dispatch order would need to be determined to calculate ATC levels on the transmission systems.

**AQUILA RESPONSE:**

No specific transmission studies were conducted since available transmission capacity is determined on a pool wide basis by the Southwest Power Pool and such information is available on the Southwest Power Pool web site at [www.spp.org](http://www.spp.org).

**ATTACHMENTS:** None

**ANSWERED BY:** David Macey

**DATE ANSWERED:** September 26, 2007

DATA REQUEST– Set Independence\_20070920

Case: EM-2007-0374

Date of Response: 09/28/2007

Information Provided By:

Requested by: Robbins Alan

Question No. : 2-4

Please provide all studies, analyses or other documents prepared by Applicants or on their behalf with respect to the effect of the proposed merger on Applicants' ability to sustain sufficient transmission capacity to meet anticipated load growth for a 5 and 10 year planning horizon. If no such studies have been conducted, please explain why not.

Response:

No studies have been prepared. A consolidated generation dispatch order would need to be determined to calculate ATC levels on the transmission systems.

**AQUILA RESPONSE:**

No merger specific studies were conducted since long range transmission planning is conducted on a regional basis by the Southwest Power Pool and the results of such studies are used to create the Southwest Power Pool Expansion Plan that is available on the Southwest Power Pool web site at [www.spp.org](http://www.spp.org).

**ATTACHMENTS:** None

**ANSWERED BY:** David Macey

**DATE ANSWERED:** September 26, 2007

DATA REQUEST– Set Independence\_20070920

Case: EM-2007-0374

Date of Response: 09/28/2007

Information Provided By:

Requested by: Robbins Alan

Question No. : 2-6

Please provide all documents prepared by Applicants or on their behalf pertaining to any transmission system improvements or upgrades that are being considered as a result of the proposed merger. If no such transmission projects are planned, please explain why not.

Response:

A review of budgeted KCPL and Aquila transmission projects was performed to assess potential synergies of the combined transmission systems. Most projects were related to serving local load resulting in no efficient combination or elimination of projects.

**AQUILA RESPONSE:**

Aquila is without sufficient information or knowledge to respond to the planned or anticipated changes for the merged utilities.

**ATTACHMENTS:** None

**ANSWERED BY:** Gary Clemens

**DATE ANSWERED:** 9/21/07

DATA REQUEST– Set Independence\_20070920

Case: EM-2007-0374

Date of Response: 09/28/2007

Information Provided By:

Requested by: Robbins Alan

Question No.: 2-9

Please clarify whether Aquila, Inc. will become a member of SPP or the Midwest Independent Transmission System Operator, Inc. (“Midwest ISO”) following the merger. If no decision has been made regarding Aquila’s RTO participation, please explain why not.

Response:

**AQUILA RESPONSE:**

Aquila has filed with the Missouri Public Service Commission, in Docket EO-2008-0046, for approval to become a member of MISO.

**ATTACHMENTS:** None

**ANSWERED BY:** Dennis Odell

**DATE ANSWERED:** September 26, 2007

Please refer to the Aquila response.

Prepared by: Todd Fridley, KCPL – Transmission Services