

Exhibit No.:
Issue: Fuel
Witness: Timothy M. Nelson
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: KCP&L Greater Missouri
Operations Company
Case No.: HR-2009-0092
Date Testimony Prepared: March 13, 2009

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: HR-2009-0092

REBUTTAL TESTIMONY

OF

TIMOTHY M. NELSON

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
March 2009**

***** [REDACTED] *** Designates "Highly Confidential" Information
Has Been Removed
Pursuant to 4 CSR 240-2.135.**

REBUTTAL TESTIMONY

OF

TIMOTHY M. NELSON

Case No. HR-2009-0092

1 **Q: Are you the same Timothy M. Nelson who submitted Direct Testimony in this case**
2 **on behalf of KCP&L Greater Missouri Operations Company (“GMO” or the**
3 **“Company”) on or about September 5, 2008?**

4 A: Yes, I am.

5 **Q: What is the purpose of your Rebuttal Testimony?**

6 A: My Rebuttal Testimony responds to the Missouri Public Service Commission Staff’s
7 (“Staff”) level of net generation for Lake Road Units 1, 2, and 3 (also referred to as the
8 900 lb. electric turbines) used in Staff’s RealTime® steam model and the amount of coal
9 mmBtu allocated to the electric and steam sales divisions.

10 **Q: What is your understanding of Staff’s source for the Unit 1, 2, and 3 net generation**
11 **used in the steam model?**

12 A: The net generation of Unit 1, 2, and 3 is an output from Staff’s RealTime® electric
13 model.

14 **Q: Do you have any concerns with Staff’s level of net generation for Lake Road Units 1,**
15 **2, and 3?**

16 A: Yes. Staff’s total net generation for Lake Road Units 1, 2, and 3 is too low compared
17 with the test year. This results in an under allocation of coal mmBtu to the electric
18 division and overstates the coal mmBtu available to the steam division.

1 **Q: What is the expected level of coal mmBtu's that would be allocated to Lake Road**
2 **Units 1, 2, and 3?**

3 A: In the test year 207,861 mmBtu of coal were allocated to the 900 lb electric turbines.
4 This is compared to Staff's run which allocated only 32,106 mmBtu of coal to the electric
5 division. This is a difference of 175,755 mmBtu.

6 **Q: If this coal fuel were properly allocated to the electric division, what would be the**
7 **impact to the steam division?**

8 A: If this coal fuel was not available to the steam division, it would have to be replaced by
9 natural gas. This would raise the cost of supplying the steam to the industrial steam
10 customers because natural gas is generally more expensive than coal.

11 **Q: How much does this understate the cost of supplying the steam for the steam**
12 **division?**

13 A: The exact amount would vary depending on the relative costs of the fuels. The larger the
14 difference in cost of natural gas fuel over coal fuel, the larger the impact. To illustrate
15 this, using GMO's September updated filing provided to Staff, the impact of 175,000
16 mmBtu being sourced by gas instead of coal would increase costs by approximately
17 **** [REDACTED] ****. This is based on the average fuel costs at Lake Road during the 12-
18 month period ending September 2008. Using GMO's direct filing, the impact of 175,000
19 mmBtu being sourced by gas instead of coal would increase costs by approximately
20 **** [REDACTED] ****.

1 **Q: What is the coal standard?**

2 A: The coal standard is a defined minimum amount of coal mmBtu in the Quarterly Cost
3 Adjustment Rider of the steam tariff. There is a coal minimum for each 3, 6, 9, and 12-
4 month period. The coal minimum for the 12-month period is 2,184,104 mmBtu.

5 **Q: Has this level of coal production ever been achieved?**

6 A: No, this level of coal generation has not been achieved in any 12-month period. I have
7 reviewed the data from 1995 through 2008 and during this period this level of coal
8 production for steam has not been achieved. Included in the Table 1 below are the data
9 from 2001 through 2008. The highest calendar year was 2007 with 2,032,663 mmBtu
10 and the highest consecutive 12-month period was 2,172,036 mmBtu.

Coal mmBtu Allocated to Steam Sales	
PSC Staff model	2,312,765
2001 Actual	1,640,881
2002 Actual	1,630,448
2003 Actual	1,652,493
2004 Actual	1,837,706
2005 Actual	1,959,617
2006 Actual	2,013,181
2007 Actual	2,032,663
2008 Actual	1,778,687
Highest consecutive 12-months*	2,172,036
* 12-month period ending Sept. 2008	

11 **Table 1**

12 **Q: How many mmBtu of coal does Staff's model allocate to the steam division?**

13 A: In Staff's model 2,312,765 mmBtu of coal are allocated to steam sales. This is even
14 higher than the coal standard which has been demonstrated to be too high.

1 **Q: It appears that the coal standard cannot be achieved. What is the reason the coal**
2 **standard cannot be met?**

3 A: Company witness Tim Rush addressed this issue in his Direct Testimony beginning on
4 page 8, line 11.

5 **Q: What would be a reasonable expectation for the maximum amount of coal mmBtu**
6 **that could be achieved for steam in a typical 12-month period?**

7 A: In a typical year, the maximum amount of coal mmBtu allocated to the steam division, as
8 modeled in the company's direct filing, would be 2,117,217 mmBtu.

9 **Q: Does this conclude your testimony?**

10 A: Yes, it does.

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

In the Matter of the Application of Aquila, Inc.)
KCP&L Greater Missouri Operations Company to) Case No. HR-2009-0092
Modify Its Steam Tariffs to Effectuate a Rate Increase)

AFFIDAVIT OF TIMOTHY M. NELSON

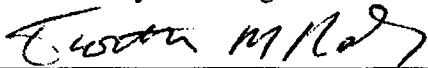
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Timothy M. Nelson, appearing before me, affirms and states:

1. My name is Timothy M. Nelson. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Resource Planning Engineer.

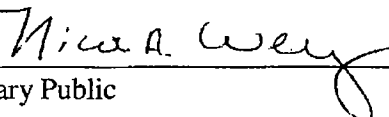
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of KCP&L Greater Missouri Operations Company consisting of four (4) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.



Timothy M. Nelson

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



Notary Public

My commission expires: Feb 4, 2011

