

Exhibit No.:  
Issue: Off-System Sales  
Witness: Burton L. Crawford  
Type of Exhibit: True-Up Direct Testimony  
Sponsoring Party: KCP&L Greater Missouri Operations Company  
Case No.: ER-2012-0175  
Date Testimony Prepared: November 13, 2012

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2012-0175**

**TRUE-UP REBUTTAL TESTIMONY**

**OF**

**BURTON L. CRAWFORD**

**ON BEHALF OF**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri  
November 2012**

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

**TRUE-UP REBUTTAL TESTIMONY**

**OF**

**BURTON L. CRAWFORD**

**Case No. ER-2012-0175**

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

2 A: My name is Burton L. Crawford. My business address is 1200 Main, Kansas City,  
3 Missouri 64105.

4 **Q: Are you the same Burton L. Crawford who pre-filed Direct, Rebuttal and**  
5 **Surrebuttal Testimony in this matter?**

6 A: Yes, I am.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of KCP&L Greater Missouri Operations Company (“GMO” or  
9 the “Company”) and its St. Joseph Light & Power (“L&P”) and Missouri Public Service  
10 (“MPS”) service territories.

11 **Q: What is the purpose of your True-Up Direct Testimony?**

12 A: The purpose of my testimony is to rebut GMO off-system sales related issues raised by  
13 Staff witness Mr. V. William Harris.

14 **Q: Mr. Harris claims that GMO has negative off-system margins because “KCPL**  
15 **(acting as GMO’s ‘agent’) has the opportunity to realize retail profit margin on**  
16 **purchases it makes for GMO while passing the costs of the purchases on to GMO”**  
17 **(Harris True-up Direct, page 2). Do you agree?**

18 A: No.

1 **Q: What is the reason for the GMO reported off-system sales margin losses?**

2 A: As explained in my Rebuttal Testimony in this case, GMO experiences these losses as a  
3 result of purchasing energy to reliably service GMO retail load. There are times when  
4 GMO has excess purchased energy that is sold back to the wholesale market, i.e.,  
5 Purchases for Resale (“PFR”). These sales can occur at a loss. While it would be ideal if  
6 GMO could purchase the exact quantity of energy needed to meet its load obligations at  
7 the exact time it is needed, real operations do not work this way. In many cases, energy  
8 purchases are made on a day-ahead basis or even months in advance. In real time  
9 operations, some of this energy is sold back to the wholesale market at the prevailing  
10 market price. These transactions would occur whether or not KCP&L acted as an agent  
11 for GMO.

12 Schedule BLC-11 is a summary of off-system sales data taken from the GMO  
13 Post Analysis process that determines what source (purchased power or GMO  
14 generation) provided the energy sold into the wholesale market. This summary shows  
15 that of the 488,802 MWh of off-system sales made through September 2012, 382,902  
16 MWh (or about 78%) was sourced from purchased power. The average cost of this  
17 purchased power that was ultimately re-sold was \$30.65 per MWh. The average sale  
18 price received for all off-system sales was \$21.55 per MWh. If the purchased power  
19 were sold at the average price received for all off-system sales, this is a loss of \$9.10 per  
20 MWh. This equates to approximately \$3.5 million. These losses are incurred in part by  
21 the sale of a portion of a block of power when the entire block is not needed for retail  
22 load during low load periods.

1 **Q: Are these purchases made with the intent to resell the energy at a profit?**

2 A: No. These purchases were made by GMO to fulfill its obligation to reliably serve retail  
3 load and were not made with the specific intent to resell at a profit.

4 **Q: Does KCP&L face similar circumstances in the process of reliably serving  
5 KCP&L's retail customers?**

6 A: Yes. KCP&L experiences these PFR transactions as well.

7 **Q: Does KCP&L experience losses on their PFR transactions?**

8 A: Yes. KCP&L experiences losses on these transactions as well. KCP&L annual losses on  
9 Purchases for Resale have been as high as \$3.5 million over the last two years.

10 **Q: Mr. Harris claims that "Staff refuted the 'purchased power driven' argument in  
11 demonstrating in surrebuttal testimony that the percentage of OSS from purchases  
12 has actually decreased significantly since the profitable Aquila years ..." (Harris,  
13 True-Up Direct p. 3). Is the decline in PFR transactions proof that GMO's negative  
14 margins are not PFR driven?**

15 A: No. The drop in GMO's margins is driven in part by the decline in off-system sales  
16 transactions that were made from purchased power. As explained by Company witness  
17 Wm. Edward Blunk, \*\*

18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]

1 [REDACTED]\*\* (Blunk, Surrebuttal, p. 8). When these transactions stopped,  
2 so did the margins associated with them.

3 **Q: Does that conclude your testimony?**

4 **A:** Yes, it does.

**HIGHLY CONFIDENTIAL**



GMO Total	Purchases Supporting OSS		Average	Total Off-System Sales		Avg. Sales	Gen Based	Gen Based	Average PFR	Implied
	MWh	\$	Purchase Price \$/MWh	MWh	\$	Price	Sales MWh	Gen Based Sales %	Margin Based on Avg. Sales Price	Loss on PFR
Jan-12	37,724	\$ 1,006,680	\$ 26.69	44,938	967,521.84	\$21.53	7,214	16.1%	(\$5.16)	(\$194,477)
Feb-12	35,420	\$ 1,076,548	\$ 30.39	39,924	732,245.43	\$18.34	4,504	11.3%	(\$12.05)	(\$426,911)
Mar-12	34,088	\$ 905,497	\$ 26.56	40,739	666,510.07	\$16.36	6,651	16.3%	(\$10.20)	(\$347,800)
Apr-12	28,812	\$ 755,189	\$ 26.21	33,869	570,850.63	\$16.85	5,057	14.9%	(\$9.36)	(\$269,573)
May-12	37,810	\$ 1,054,515	\$ 27.89	56,424	1,395,997.19	\$24.74	18,614	33.0%	(\$3.15)	(\$119,054)
Jun-12	50,309	\$ 1,465,253	\$ 29.12	72,615	1,494,220.01	\$20.58	22,306	30.7%	(\$8.55)	(\$430,028)
Jul-12	43,396	\$ 1,786,770	\$ 41.17	54,459	1,646,963.22	\$30.24	11,063	20.3%	(\$10.93)	(\$474,374)
Aug-12	63,655	\$ 2,284,358	\$ 35.89	75,407	1,750,574.48	\$23.21	11,752	15.6%	(\$12.67)	(\$806,606)
Sep-12	51,689	\$ 1,400,932	\$ 27.10	70,428	1,307,935.18	\$18.57	18,739	26.6%	(\$8.53)	(\$441,005)
<b>Total</b>	<b>382,902</b>	<b>\$ 11,735,742</b>	<b>\$ 30.65</b>	<b>488,802</b>	<b>10,532,818</b>	<b>\$21.55</b>	<b>105,900</b>	<b>21.7%</b>	<b>(\$9.10)</b>	<b>(\$3,509,828)</b>