Exhibit No.:
Issue: Off-System Sales
Witness: Michael M. Schnitzer
Type of Exhibit: True-Up Direct Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2010-0355
Date Testimony Prepared: February 22, 2011

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2010-0355

TRUE-UP DIRECT TESTIMONY

OF

MICHAEL M. SCHNITZER

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
February 2011

"[redacted]**" Designates "Highly Confidential" Information Has Been Removed.**
Certain Schedules Attached To This Testimony Designated ("HC") Have Been Removed
Pursuant to 4 CSR 240-2.135.

TRUE-UP DIRECT TESTIMONY

OF

MICHAEL M. SCHNITZER

Case No. ER-2010-0355

Q: Please state your name and business address.

A: My name is Michael M. Schnitzer. My business address is 30 Monument Square, Concord, Massachusetts 01742.

Q: Are you the same Michael M. Schnitzer who prefiled Direct Testimony in this matter?

A: Yes.

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

A: My True-Up Direct Testimony has two purposes. First, I provide an update, as of the true-up date, to the prospective calculation of Off-System Contribution Margin (or "Margin") for KCPL for the period May 1, 2011 to April 30, 2012 ("Revised 2011-12 Period"), as originally provided for the 2011-2012 Period in my Direct Testimony.[1] Second, I briefly address the impact of the inclusion of Iatan 2 in the KCPL generating portfolio on my prospective analysis and the change in market conditions between 2009 and 2010.

Q: What are the results of your updated analysis?

A: The updated distribution of potential Off-System Contribution Margin outcomes has a median value of **[redacted]**, with a 25th percentile value of **[redacted]**.

[1] My Direct Testimony in this 2010 Rate Case addressed the probability distribution of Margin for the period April 1, 2011 to March 31, 2012.

Q: Have these results changed since your Direct Testimony?

A: Yes, the median has declined from ** [redacted] ** to ** [redacted] ** and the 25th percentile has declined from ** [redacted] ** to ** [redacted] **. A comparison of the probability distributions is shown in Schedule MMS2010-6.

Q: Are there any changes from the Direct Testimony analysis to the True-Up analysis?

A: Yes. In addition to the change in the forecast period noted above, there are a number of changes in the underlying analysis, the net effect of which is to decrease the median and the 25th percentile. These changes are shown graphically in Schedule MMS2010-7 for the Median and in Schedule MMS2010-8 for the 25th percentile. I note that the proportionate decline in the 25th percentile value is less than the decline in the median value. This is to be expected as the probability distribution narrows as we get closer to the forecast period (i.e., we are closer to the beginning of the Revised 2011-12 Period now, than to the beginning of the 2011-12 Period when the Direct Testimony analysis was performed).

Q: What is the impact on Off-System Sales of adding Iatan 2 to the KCPL generation portfolio?

A: As I noted in Schedule MMS2010-5 of my Direct Testimony in this case, the Coal / Nuclear Capacity of the KCPL generation portfolio increased by 472 MW from the 2009 Rate Case.

Q: Does this make it more likely that KCPL will make additional off-system sales?

A: In our model, the additional capacity from Iatan 2 will likely increase the volume of energy dispatched economically from KCPL's baseload resources. Other things being equal, it is more likely that KCPL will make a higher volume of off-system sales than it

would without the addition of Iatan 2 because there are additional MWs to sell. As I noted at pp. 18-19 of my Direct Testimony the addition of Iatan 2 alone accounted for approximately ** [redacted] ** of the increased value of the 25th percentile from the 2009 Rate Case.

Q: Is the additional Margin associated with the addition of Iatan 2 certain or guaranteed?

A: No. There is no guarantee that the actually realized Margin will increase, even though other things being equal, Margin should increase. Like any asset in KCPL's generation portfolio, Iatan 2 is subject to the risk of forced outage and to price risk on the sale of its output (or of the output of other units freed up for sale by adding Iatan 2). The volume of off-system sales KCPL is able to make, and the Margin produced by those sales, will remain uncertain, even with the addition of Iatan 2. The component of any realized off-system Margin that may be attributable to Iatan 2 will also be uncertain. In fact, the potential volatility in off-system margin (as measured in dollar terms) actually increases with an increase in available capacity for sale, other things being equal.

Q: Does the addition of Iatan 2 increase the probability that KCPL will reach the 25th percentile in your probability distribution and reduce risk to the Company?

A: No. The prospective probabilistic distribution of Margin already accounts for the increase in available capacity from the addition of Iatan 2. The likelihood that off-system sales margin will fall short of the 25th percentile is, by definition, 25 percent. Likewise, the likelihood that off-system sales margin will exceed the 25th percentile is 75 percent. The dollar value of the 25th percentile may change depending on what resources or price expectations are used in the model, but the likelihood of exceeding the 25th percentile

does not. If the Commission were to set the offset to revenue requirements for off-system sales margin at the 25th percentile, then ratepayers get the benefit of the increased capacity from Iatan 2 in that offset. Relative to the 2009 rate case, there is more to sell, but that doesn't decrease the risk to the Company of not being able to reach the 25th percentile.

Q: How have power market conditions changed in 2009 and 2010?

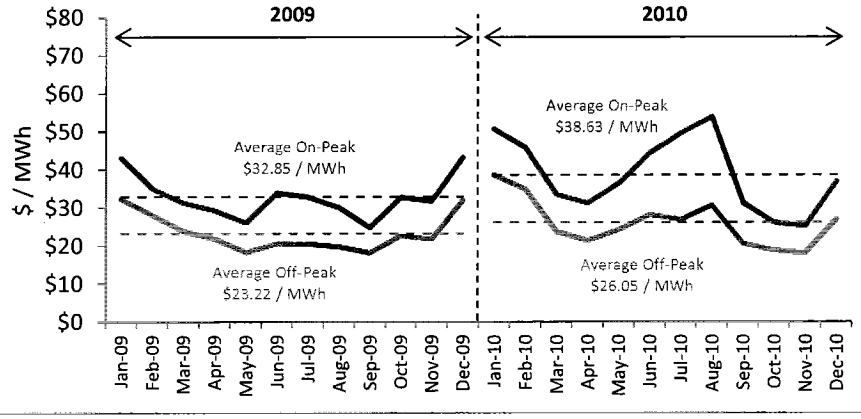
A: As I noted at pp. 10-14 of my Direct Testimony, the 2008 financial crisis corresponded to an increase in energy price volatility and a sharp decline in prices beginning in fall 2008 and continuing through 2009. This accounted for the sharp decline in the forecast 25th percentile value for Margin from my Direct Testimony in the 2009 Rate case to only ** [redacted] ** in my Rebuttal Testimony. In 2010, forward prices in the power market began to recover from the sharp decline that began in 2008. This is reflected in the ** [redacted] ** increase resulting from SPP-N Energy Prices shown in Figure 8 at p. 19 of my Direct Testimony. Since the filing of my Direct Testimony, those prices have moderated as reflected in the graphs shown in Schedule MMS2010-7 for the Median and in Schedule MMS2010-8 for the 25th percentile.

Q: Is this trajectory in power prices reflected in the actual off-system sales margin KCPL made in 2009 and 2010?

A: Not directly. My analyses are based on the forward price of power. The non-firm off-system sales made by KCPL are based on the realized spot prices for excess energy sold into SPP North, as shown in Figure 1 on p. 5 of my Direct Testimony. SPP-North spot prices increased in 2010 over 2009 as shown in Figure 1 below. On average the 2010 on-peak price in 2010 was $38.63/MWh compared to $32.85/MWh in 2009. The

corresponding off-peak prices were on average $26.05/MWh in 2010 and $23.22/MWh in 2009. All other things being equal, KCPL's actual realized margins in 2010 should have been greater than in 2009 if they were able to make an equal volume of off-system sales at higher realized power prices.

Figure 1
SPP-North Monthly Average Spot Prices
Day-Ahead Broker Quotes from Megawatt-Daily (2009-2010)



Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power & Light Company to Modify Its Tariff to Continue the Implementation of Its Regulatory Plan	)))	Case No. ER-2010-0355

AFFIDAVIT OF MICHAEL M. SCHNITZER

COMMONWEALTH OF MASSACHUSETTS)
) **ss**
COUNTY OF MIDDLESEX)

Michael M. Schnitzer, being first duly sworn on his oath, states:

1. My name is Michael M. Schnitzer. I work in Concord, Massachusetts, and I am employed by The NorthBridge Group, Inc. as a Director.

2. Attached hereto and made a part hereof for all purposes is my True-Up Direct Testimony on behalf of Kansas City Power & Light Company consisting of Five (5) pages and Schedules MMS2010- 6 through MMS2010- 8, all of which 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 swear and 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.

Michael M. Schnitzer

Subscribed and sworn before me this 22nd day of February 2011.

Notary Public

My commission expires: June 21, 2013

SCHEDULES MMS2010-6 THROUGH MMS2010-8

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