Exhibit No.:
Issue: Off-System Sales Margins
Witness: Ryan A. Bresette
Type of Exhibit: True-Up Rebuttal 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

RYAN A. BRESETTE

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
November 2012

TRUE-UP REBUTTAL TESTIMONY

OF

RYAN A. BRESETTE

Case No. ER-2012-0175

Q: Please state your name and business address.

A: My name is Ryan A. Bresette. My business address is 1200 Main, Kansas City, Missouri 64105.

Q: By whom and in what capacity are you employed?

A: I am employed by Kansas City Power & Light Company ("KCP&L") as Assistant Controller.

Q: Are you the same Ryan A. Bresette who pre-filed Rebuttal Testimony in this matter?

A: Yes, I am.

Q: On whose behalf are you testifying?

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

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

A: My testimony combined with the True-Up Rebuttal Testimony of Company witness W. Edward Blunk refutes the True-Up Direct Testimony of Staff witness V. William Harris that asserts that KCP&L has the opportunity to keep the "prime" piece of purchased power and pass through the less desirable part to GMO. Mr. Harris has wrongly accused Great Plains Energy ("GPE") of manipulating the allocation of purchased power between

KCP&L and GMO to maximize GPE profits. In addition, Mr. Harris continues to be concerned about GMO's negative off-system sales ("OSS") margins.

Q: On page 3, lines 7–11, Mr. Harris states that Staff continues to search for explanations of why GMO consistently has negative OSS margins. Does the Company follow a prescribed method of calculating OSS margins?

A: Yes, it does. Not only does GMO follow a prescribed method of calculating OSS margins, but GMO is following a Commission order based on Staff's methodology on how to calculate OSS margins. In Case No. ER-2009-0090, GMO, Staff, Office of the Public Counsel, Missouri Department of Natural Resources and Dogwood Energy, LLC entered into a Non-Unanimous Stipulation and Agreement ("2009 GMO Stipulation") on May 22, 2009 that, among other items, defined the calculation of OSS margins. The Commission approved the 2009 GMO Stipulation in an order issued June 10, 2009.

Q: Where does the 2009 GMO Stipulation discuss the calculation of OSS margins?

A: The OSS margins are discussed in Section 11, entitled: "Allocation of off-system sales and Staff's methodology for fuel and purchased power allocations between MPS and L&P." Paragraph 11 states: "The methodology set out in attached Schedule 3, which includes Staff's methodology described at pages 75-80 of the *Staff Report, Cost of Service* filed in Case No. ER-2009-0090 on February 13, 2009 in the section labeled 5. *Allocation of Fuel and Purchased Power Costs*, shall be used to allocate off-system sales, fuel expenses and purchased power expenses between MPS and L&P."

Q: What does Schedule 3 contain?

A: Schedule 3, included as Schedule RAB-1, is a comprehensive, step-by-step methodology that is designed to calculate OSS margins hourly and assign purchased power costs to

MPS and L&P, as well as to further distinguish purchased power and generation resources between native load and wholesale margin sourcing. The methodology is broken down into four key steps.

Q: Since Staff's methodology was agreed to in Case No. ER-2009-0090, has Staff or any party proposed a change to the calculation of GMO's OSS margins or the allocation between MPS and L&P?

A: I am not aware of any proposed recommendations. I am only aware that Mr. Harris has expressed concern in this case about GMO having negative OSS margins. However, I am perplexed that Staff witness Harris now complains about negative OSS margins resulting from the methodology that Staff developed in the 2009 GMO Stipulation to calculate the allocation of fuel and purchased power expense, as well as OSS margins for MPS and L&P, and that GMO and KCP&L have followed since that stipulation was approved.

Q: Was GMO involved in the discussions to develop the 2009 methodology to calculate OSS margins?

A: Yes. GMO participated in several conference calls and calculated examples of how Staff's methodology would work.

Q: In his True-Up Direct Testimony at page 4, Mr. Harris alleges that KCP&L has the "opportunity to keep the 'prime' piece of the power and pass the less desirable part on to GMO, who in turn remains unharmed through FAC recovery." Does KCP&L have a defined methodology of how it assigns the costs of purchased power between KCP&L and GMO?

A: Yes. Company witness Wm. Edward Blunk describes in his True-Up Rebuttal Testimony the defined methodology of how purchased power is priced per MWh between KCP&L and GMO.

Q: Does KCP&L make a profit from the agency transactions it makes for GMO, as Mr. Harris asserts?

A: No. KCP&L does not make a profit on the transactions in which KCP&L is acting as GMO's agent in the market. As described in Mr. Blunk's True-Up Rebuttal Testimony, KCP&L averages the prices of all purchased power transactions in determining the price sold to GMO. As a result of this averaging, an immaterial amount of profit or loss typically remains on KCP&L's financial statements. As KCP&L has shown in responses to Staff Data Request 399 in Case No. ER-2012-0174, the residual amounts for 2010, 2011 and the eight months ending August 31, 2012 are gains of $10,454, $29,384 and $25,986, respectively.

Q: Have KCP&L and GMO performed any analysis regarding the price of purchased power between them?

A: Yes. On pages 5-7 of my Surrebuttal Testimony in KCP&L's pending rate case, Case No. ER-2012-0174, I provided an analysis of the 2011 purchased power transactions for KCP&L and GMO utilizing FERC Form 1. From that Surrebuttal Testimony on page 6, I have included rows 3-6 of the table regarding 2011 purchased power transactions.

	2011 OSS	MWh's	Price Per MWh
3.	KCP&L OSS to GMO (including agent sales)	2,072,967	$35.77
4.	KCP&L OSS to GMO from KCP&L assets	596,118	$29.86
5.	KCP&L purchases on behalf of GMO	1,476,849	$38.15
6.	KCP&L purchases for KCP&L	1,108,945	$38.95

Q: Please describe the rows in the table.

A: Row 3 represents the average price of KCP&L sales to GMO (including agent sales) at an average price of $35.77. Rows 4 and 5 split out Row 3 between sales sourced from KCP&L's assets (Row 4) and the agent sales or KCP&L purchases on behalf of GMO (Row 5). Row 6 represents the KCP&L purchases for KCP&L.

Q: Does this information refute Mr. Harris's allegations?

A: Yes. Mr. Harris asserted that KCP&L has the opportunity to keep the "prime" piece of the power and pass through the less desirable on to GMO. As the above information shows, the power that KCP&L bought for GMO was at an average price of $38.15 and the average price of the power KCP&L bought to serve its own load obligations was $38.95. In 2011 KCP&L paid a higher price per MWh than GMO from third parties. In addition, KCP&L sold GMO power sourced from KCP&L's assets at an average price of $29.86. KCP&L did not keep the "prime" piece of power for itself.

Q: Has the Company performed any other analysis?

A: Yes. As shown in Schedule RAB-2, in 2010 KCP&L paid an average price of $45.77/MWh for purchased power, while GMO paid an average price of $41.10/MWh to KCP&L for power that KCP&L bought on behalf of GMO. Also, for the nine months ending September 30, 2012, KCP&L paid an average price of $36.68 and GMO paid an average price of $32.37/MWh to KCP&L for power that KCP&L bought on behalf of GMO.

Q: What is the fundamental mistake Mr. Harris makes in his assumptions and analysis?

A: Based on his Rebuttal Testimony in KCP&L's Case No. ER-2012-0174, Mr. Harris does not properly account for inter-company transactions. In calculating average prices, Mr. Harris excludes inter-company transactions in one calculation and then includes inter-company transactions in another calculation. Then, he attempts to analyze the two calculations as if they were an "apples to apples" comparison, which they are not, and arrives at a false and misleading conclusion.

Q: What conclusion do you reach in reviewing purchased power prices from 2010 to date?

A: There is no basis for Mr. Harris's accusation that KCP&L keeps the "prime" piece of the power for itself. As stated above, and as confirmed by publicly available documents and sources, KCP&L has not allocated more expensive power to GMO in an effort to maximize GPE profits. KCP&L has consistently allocated purchased power between KCP&L and GMO in an ethical, non-discriminatory method.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement General Rate Increase for Electric Service	)))	Case No. ER-2012-0175

AFFIDAVIT OF RYAN A. BRESETTE

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

Ryan A. Bresette, being first duly sworn on his oath, states:

1. My name is Ryan A. Bresette. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Assistant Controller.

2. Attached hereto and made a part hereof for all purposes is my True-Up Rebuttal Testimony on behalf of KCP&L Greater Missouri Operations Company consisting of Six (6) 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 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.

Ryan A. Bresette
Ryan A. Bresette

Subscribed and sworn before me this 13th day of November, 2012.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2015

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2015
Commission Number: 11391200

KCP&L GREATER MISSOURI OPERATIONS COMPANY
For Its Operations serving the territories it formerly served as Aquila Networks-MPS ("MPS") and as Aquila Networks-L&P (L&P)

BALANCING METHODOLOGY

Jurisdictional Identification: KCP&L Greater Missouri Operations Company ("GMO")
For All Territories It Formerly Served as L&P and MPS

HOURLY BALANCING METHODOLOGY:

The purpose of the hourly balancing methodology is to assign purchased power costs to MPS and L&P as well as to further distinguish purchased power and generation resources between native load and wholesale margin sourcing. The methodology can be broken down to 4 key steps as follows:

Step 1:

Identify the hourly load requirement of MPS and L&P control areas individually. Load requirement can be broken down to generation and interchange net load. Any auxiliary or plant usage (e.g., negative net generation) is added to the respective division's load requirement.

Step 2:

Assign coal generation and firm contract resources to the divisions.

- Coal generation and firm contracts will be split into 4 groups - MPS minimum load, MPS generation & firm contracts, L&P minimum loads, and L&P generation and firm contracts.
- Within these 4 subgroupings, all resources are sorted from least expensive cost per MWh to most expensive cost per MWh.
- The MPS load requirement (identified in Step 1) is reduced first by resources in the MPS minimum load grouping and then the MPS generation & firm contract grouping until the load requirement is reduced to 0 MWh or all MPS resources are used. Assignment is made from within the subgroups based on pricing with lowest cost resource assigned first, then the next lowest price resource, and so on until all resources are assigned.
- The L&P load requirement (identified in Step 1) is reduced first by resources in the L&P minimum load grouping and then the L&P generation & firm contract grouping until the load requirement is reduced to 0 MWh or all L&P resources are used. Assignment is made from within the subgroups based on pricing with lowest cost resource assigned first, then the next lowest price resource, and so on until all resources are assigned.

- Any resources unused at the end of Step 2 are moved to Step 3 as a resource.
- Generation imbalances with the Southwest Power Pool ("SPP") Energy Imbalance Market ("EIM") are included in Step 2 if from coal generation and are assigned based on price within the generation & firm contracts subgroupings.

Step 3:

Assign non-firm purchased power and non-coal generation to the divisions. Non-coal generation includes any SPP EIM imbalance on a non-coal generating unit. Non-firm purchased power includes any SPP EIM hourly purchase.

- Calculate an open load allocation percentage for MPS and L&P based on each division's open load requirement at the end of Step 2.
- Sort all available resources (non-firm purchased power, non-coal generation, and coal generation or firm purchased power not assigned in Step 2 from least expensive cost per MWh to most expensive cost per MWh.
- Beginning with the least expensive resource, assign each resource to MPS and L&P based on the open load requirement percentage. Each division will receive the allocation percentage of each resource until the load requirement is 0 MWh.

This step will create a potential for replacement power between the two divisions if coal or firm contract resources from one division are utilized by the other division. For example, if L&P is assigned Sibley coal generation in Step 3, L&P may be required to replace the Sibley power before participating in an off-system sale opportunity. Replacement power is handled in Step 4.

Step 4:

Allocate off-system sales between MPS and L&P and assign resources for supplying the sale. Off-system sales include any SPP EIM hourly sales.

Off-system sales activity will be divided into two (2) subgroups: committed sales and non-firm sales. The committed sales grouping is sourced before the non-firm sales grouping.

Currently, GMO has only 1 committed sale – WAPA SWAP contract. The WAPA contract is with counterparty TEA. MPS provides the power to TEA customers and in exchange power is supplied to Black Hills Corporate (formerly the Aquila Division West Plains Energy Colorado). The MPS sale is assigned a resource based on the least expensive resource available at the beginning of Step 4. The revenue from WAPA is calculated outside the balancing routine and is based on a contractual price which includes a FERC fuel clause component. The revenue and cost are recorded in PeopleSoft accounts specifically assigned to

track the WAPA SWAP margin (revenue is account 447035 and cost is account 555035).

After committed sales are sourced, non-firm off-system sales are sourced from the remaining resources. The sale is assigned to MPS or L&P based on the resources available. All generation (coal, gas or oil generation) and firm purchased power is assigned to the division where the asset resides. Non-firm purchased power is allocated between MPS and L&P based on the hour's load requirement after any resource replacement has been assigned.

The hour's load requirement allocation is the percentage of each division's load requirement (identified in Step 1) over the total system load requirement for the hour. This allocation percentage would look only at the system generation and net interchange load for the hour and ignore any net auxiliary.

Replacement power occurs when coal generation or firm contract MWhs are assigned from one division to the other in Step 3 or in Step 4 for a committed sale. Before the load requirement allocation is assigned to non-firm purchased power in Step 4, an equal amount of step 4 non-firm purchased power resources is assigned to the Division giving up the resource in Step 3 or 4 (committed sale) equal to the **cost** of the Step 3 or 4 assigned resources. After the replacement cost is assigned in Step 4 non-firm sales (thereby providing the giving Division opportunity at the related sale), any remaining non-firm purchased power is allocated between MPS and L&P based on the load requirement allocation percentage.

Once all resources are assigned to MPS and L&P, a corresponding number of each sale's MWhs for the hour are assigned to the respective divisions.

The resources in Step 4 are assigned based on cost with the least expensive resource assigned first and each resource thereafter assigned based on the Step 4 rules with the next least expensive resource assigned until all resources are assigned.

Kansas City Power & Light Greater Missouri Operations
Case No. ER-2012-0175
Purchased Power Analysis

YEAR	TOTAL KCPL Purchases			KCP&L purchases for KCP&L			KCP&L purchases on behalf of GMO**(A)**		
	MW	$	$/MW	MW	$	$/MW	MW	$	$/MW
2010	2,537,182	110,087,379	43.39	1,244,906	56,976,666	45.77	1,292,276	53,110,713	41.10
2011 **(B)**	2,585,794	99,537,688	38.49	1,108,945	43,192,161	38.95	1,476,849	56,345,527	38.15
2012 **(C)**	1,241,726	43,125,303	34.73	680,475	24,956,660	36.68	561,251	18,168,643	32.37

(A) Total from KCP&L FERC Form No. 1 pages 326-327 labeled Elimination of Inter-co Transactions

(B) Also ties to data provided in DR 0062 case ER-2012-0174

(C) Data for January through September provided in DR0062R case ER-2012-0174