

Exhibit No.:
Issue: Off-System Sales Adjustments
Witness: Burton L. Crawford
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2009-0089
Date Testimony Prepared: March 11, 2009

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2009-0089

REBUTTAL TESTIMONY

OF

BURTON L. CRAWFORD

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
March 2009**

REBUTTAL TESTIMONY

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BURTON L. CRAWFORD

Case No. ER-2009-0089

1 **Q: Are you the same Burton L. Crawford who submitted Direct Testimony in this case**
2 **on behalf of Kansas City Power & Light Company (“KCP&L”) on or about**
3 **September 5, 2008?**

4 A: Yes, I am.

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

6 A: The purpose of my testimony is to rebut issues related to the lack of off-system sales
7 adjustments in the Commission Staff’s (“Staff”) direct case filing. These issues include
8 SPP line loss charges and Purchases for Resale.

9 **Q: Has Staff failed to recognize prudently incurred costs related to KCP&L’s off-**
10 **system sales transactions?**

11 A: Yes. Staff failed to recognize costs associated with the Southwest Power Pool (“SPP”)
12 line loss charges and failed to recognize Purchases for Resale transactions in their cost of
13 service. Failure to recognize these costs results in understating KCP&L’s cost to serve its
14 retail customers.

15 **Q: Please describe the SPP line losses that Staff did not include in their cost of service.**

16 A: As described in my Direct Testimony, SPP line loss charges are assessed by SPP on off-
17 system sales made by KCP&L, as well as other SPP transmission customers. SPP uses

1 the revenue from these line loss charges to compensate SPP transmission owners for the
2 loss of energy that occurs when transmitting energy through the transmission network.

3 **Q: Are these SPP line loss charges to KCP&L a result of KCP&L's membership in the**
4 **SPP RTO?**

5 A: Yes. These line loss charges are assessed to KCP&L and other SPP transmission
6 customers.

7 **Q: Does KCP&L have any control over incurring these costs?**

8 A: No. To the extent that KCP&L makes off-system sales, these costs will be assessed by
9 SPP per the FERC-approved SPP regional transmission tariff.

10 **Q: Is it appropriate to include SPP line loss charges in the costs to serve KCP&L's**
11 **retail customers?**

12 A: Definitely. KCP&L's retail customers receive the net benefits of KCP&L's off-system
13 sales and should therefore incur all costs associated with making these sales.

14 **Q: What amount of SPP line loss charges has KCP&L proposed in this case?**

15 A: In my Direct Testimony, I included \$2,035,923 in net SPP line loss charges. This was the
16 2007 test year actual SPP line loss expense incurred by KCP&L, net of the SPP line loss
17 revenue KCP&L received during this same time period. At the time of the true-up filing
18 in this case, KCP&L will propose to include the actual net SPP line loss charges for the
19 prior 12 months as an expense in determining the off-system sales margin.

20 **Q: In this case, KCP&L proposes to include off-system sales margins at the 25th**
21 **percentile as a credit to retail customers. Furthermore, KCP&L proposes to return**
22 **any actual margins over the 25th percentile to retail customers. Would the actual**

1 **net SPP line loss charges be used in determining the actual off-system sales**
2 **margins?**

3 A: Yes. The actual net SPP line loss charges would be included in calculating the actual off-
4 system sales margin when determining any future off-system sales margin-related
5 regulatory liability stemming from this case.

6 **Q: Please describe the Purchases for Resale that Staff failed to include.**

7 A: At a high level, these Purchases for Resale (“PFR”) transactions represent KCP&L off-
8 system sales that are supplied by purchased power as compared to KCP&L off-system
9 sales that are supplied by KCP&L-owned generation. The majority of these PFR
10 transactions are related to KCP&L’s participation in the SPP Energy Imbalance Services
11 market. Additional detail on these transactions is included in my Direct Testimony in
12 this case.

13 **Q: Is it appropriate to include PFR transactions in the cost of serving KCP&L’s retail**
14 **customers?**

15 A: Yes. Since these transactions are a result of ensuring that adequate and reliable energy is
16 available in real-time operations to meet KCP&L’s energy obligations, these off-system
17 sales transactions should be included in the cost of service.

18 **Q: What amount of PFR transactions does KCP&L propose to include in this case?**

19 A: At the time of the true-up in this case, KCP&L will propose to include the actual net PFR
20 revenue from the prior 12 months as an adjustment to the off-system sales margins at the
21 25th percentile.

1 **Q: How does KCP&L propose to treat actual PFR transactions when determining any**
2 **future regulatory liability related to actual off-system sales margin that exceed the**
3 **25th percentile?**

4 A: KCP&L proposes to include these wholesale transactions in the determination of the
5 actual off-system sales margins for the purposes of determining any regulatory liability
6 from exceeding the 25th percentile.

7 **Q: Does KCP&L propose to make any adjustments to the actual PFR transactions at**
8 **the true-up for this case?**

9 A: Yes. In the true-up filing for this case, KCP&L plans to adjust the previous 12 months of
10 actual PFR transactions to reflect purchased power savings for retail load that are not
11 reflected in the Company's retail customer purchased power normalization.

12 **Q: Please explain the adjustment.**

13 A: In order to explain this proposed adjustment, I must first explain how PFR transactions
14 can result in purchased power savings when serving retail customers.

15 A portion of the PFR transactions is the result of making day-ahead energy
16 purchases for a 16-hour block of time and subsequently selling a portion of the 16-hour
17 block purchase in the hourly market for the hours that KCP&L does not need the power
18 to meet its load obligations. This results in purchased power that is later sold, hence
19 creating a Purchase for Resale transaction.

20 When compared to the hourly market, there will be some hours when the actual
21 hourly market price is below the block price paid (typically during low load periods when
22 the block purchase is not needed to meet load) and some hours when the actual hourly
23 market price is above the block price paid (typically during high load periods when the

1 block purchase is needed to serve KCP&L load obligations). Since the hours where the
2 block purchase is not needed to meet KCP&L load obligations can be during low-load,
3 low-price periods, the partial sale of the block purchase in the hourly market can occur at
4 a loss. However in the higher load, higher priced periods when the block purchase is
5 used to meet KCP&L load obligations, KCP&L is avoiding higher cost hourly purchases.

6 Since the model process used to normalize purchased power expense does not
7 directly reflect the purchased power savings during the peak hours and potential losses
8 during the lower load periods, this proposed adjustment to actual PFR is needed to reflect
9 the purchased power savings, while the remaining PFR reflects any losses during the
10 lower load hours.

11 Thus, in the true-up filing, KCP&L proposes to adjust the actual PFR results by
12 the amount of actual retail purchased power savings resulting from any day-ahead
13 purchases.

14 **Q: How does this adjustment to PFR compare to Staff's Direct filing?**

15 A: As discussed earlier, Staff's Direct filing does not reflect any PFR transactions and, as
16 such, Staff has understated KCP&L's cost of service related to off-system sales.

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

18 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) Case No. ER-2009-0089
Continue the Implementation of Its Regulatory Plan)

AFFIDAVIT OF BURTON L. CRAWFORD

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Burton L. Crawford, being first duly sworn on his oath, states:

1. My name is Burton L. Crawford. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Manager, Energy Resource Management.

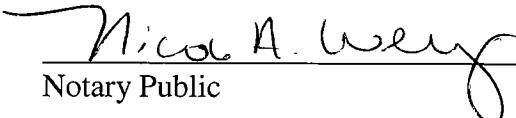
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Kansas City Power & Light Company consisting of five (S) pages and Schedule(s) _____ through _____, all of which having been prepared in written form for introduction into evidence in the above-captioned 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.



Burton L. Crawford

Subscribed and sworn before me this 10th day of March 2009.



Notary Public

My commission expires: Feb. 4, 2011

