Exhibit No.:
Issue: Fuel, Purchased Power, Crossroads Energy Center, Ralph Green, AECI Allocation, Off-system Sales Margins
Witness: Burton L. Crawford
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: KCP&L Greater Missouri Operations Company
Case No.: ER-2012-0175
Date Testimony Prepared: September 12, 2012

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2012-0175

REBUTTAL TESTIMONY

OF

BURTON L. CRAWFORD

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
September 2012

"[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.

REBUTTAL TESTIMONY

OF

BURTON L. CRAWFORD

Case No. ER-2012-0175

Q: Please state your name and business address.

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

Q: Are you the same Burton L. Crawford who prefiled Direct Testimony in this matter?

A: Yes.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to rebut issues related to the fuel and purchased power costs, off-system sales, Crossroads Energy Center, and the allocation of Ralph Green and the firm purchased capacity costs in the Commission Staff's ("Staff") direct case filing.

CROSSROADS ENERGY CENTER

Q: What value has Staff placed on Crossroads in their cost of service?

A: Staff has included Crossroads in GMO's rate base at a net value of approximately $38.3 million. This equates to about $128/kW of installed capacity.

Q: What value would GMO place on Crossroads?

A: As of March 31, 2012 GMO values Crossroads at a net value of approximately $82.7 million. This equates to about $276/kW of installed capacity.

Q: Why is there a difference between Staff and GMO's valuation for this plant?

A: Staff has included Crossroads at a valuation based on the Commission's Order in GMO's last general rate proceeding, Case No. ER-2010-0356. GMO's valuation reflects the cost of the facility as recorded on its books and records.

Q: What other indication does the Company have concerning the fair market value of the Crossroads facility?

A: In order to determine the fair market value for financial statement reporting in accordance with Statement of Financial Accounting Standard ("SFAS") 141, Business Combinations, Great Plains Energy Incorporated ("GPE") retained the services of PricewaterhouseCoopers ("PwC"). In PwC's November 3, 2008 report to GPE, PwC's fair value estimate for Crossroads was **[redacted]**. This is above the approximately $117 million net book value that GMO recorded on its books as a result of the Aquila acquisition.

Q: During the acquisition process, did GPE estimate a lower value on Crossroads?

A: Yes. As described in Staff's Cost of Service Report at page 78, the GPE and Aquila joint proxy statement filed with the U.S. Securities and Exchange Commission on May 8, 2007 stated that a "preliminary internal analysis" indicated a fair estimate for the value of the plant was approximately $51.6 million. This equates to about $172/kW installed.

Q: Why was the joint proxy statement's preliminary estimate lower than what was subsequently recorded on the Company's books?

A: At the time the estimate was prepared, there was a significant amount of uncertainty about the ultimate disposition of the Crossroads facility. As such, the estimate was based on dismantling the plant and selling it as scrap. Uncertainty surrounding this asset was

reflected in the proxy statement at page 175 (quoted in the Staff Report at page 79) that the adjusted value could "be materially affected by changes in fair value prior to closing of the merger." On page 168 the joint proxy statement advised: "Final determinations of fair value may differ materially from those presented herein."

Q: Why was the addition of the Crossroads Energy Center a prudent choice for GMO?

A: In March 2007, GMO issued an RFP for supply resources. The RFP was very broad, seeking renewable resources, conventional peaking, base load, and intermediate capacity and energy. In addition, the RFP requested a variety of proposal types including equity participation, EPC (engineering, procurement and construction), generating equipment only and PPAs (purchased power agreements).

GMO received several responses to this RFP representing a range of options from non-affiliated entities as well as self-build options. The self-build options included base load, intermediate, and base load capacity alternatives. After screening the options, GMO conducted a 20-year analysis to determine a preferred resource plan. This analysis concluded that the Crossroads Energy Center would result in the lowest 20-year net present value of revenue requirement (NPVRR). The results of this analysis and selection of the preferred plan were presented to the Staff in October 2007. The presentation is included with this testimony as Schedule BLC2010-9 (HC).

Q: Did GMO receive any non-affiliated offers for long-term capacity and energy similar to the Crossroads facility?

A: Yes. GMO received an offer for four GE 7EA combustion turbines (CT), the same number of GE 7EA CTs as installed at Crossroads.

Q: How did the installed cost from the non-affiliated offer compare to the Crossroads offer?

A: The offer from the non-affiliated party was **[redacted]** excluding the cost for land, water, transmission interconnection, step-up transformer, and several other items. The Crossroads offer was for $383/kW which included all costs.

Q: Did GMO consider and document the cost of having GMO as the regulated electrical corporation provide the goods or services for itself?

A: Yes. The engineering group of GMO submitted bids to the RFP for self-building a variety of generating plant options, including one similar to Crossroads.

Q: Did GMO consider self-build options using market surplus equipment?

A: Yes. A vendor offered surplus equipment. Self-building with this equipment was considered. It was determined that the surplus equipment did not offer a significant price difference over the new equipment from the manufacturer.

Q: How did the cost of Crossroads compare to the self-build options?

A: Crossroads was determined to be a lower cost option than self-building. The cost of the self-build option came in at $637 per kW installed cost for four GE 7EA CTs while the offer price for Crossroads was $383 per kW.

Q: Please summarize the various value estimates for the capacity discussed above.

A: The following table summarizes the various capacity valuations discussed above.

Time Period	Alternative	Cost per kW	Notes
March 2007	GMO Self Build	$637	
March 2007	3rd Party Build	** [redacted] **	Did not include land, water, transmission interconnection, step-up transformer, other
Nov. 2008	PwC Crossroads Fair Value	$403	
March 2007	Crossroads Net Book	$383	
Dec. 2010	MPSC Crossroads Value	$206	Based on Illinois turbine sales
May 2007	GPE/Aquila Joint Proxy Statement	$172	Based on scrap value ($51.6 million)

Q: What observations would you make concerning this information?

A: At the time GMO was looking to add capacity to its system, the cost of Crossroads at net book value was less than the available alternatives. Despite this fact, the Commission decided that the plant value was closer to scrap value.

Q: Has the Crossroads facility provided value to GMO customers?

A: Absolutely. The facility provides firm capacity to GMO and has been used many times during the hot summer of 2012 to meet customer peak demands. For 2012, the plant has run 45 days and has had a 100% starting reliability record (through 8/31/12). During the month of July, Crossroads set an all-time generation record.

Q: Do you agree with Staff's assertion that if GMO had built generation in or near the GMO service area, it would incur no transmission cost?

A: Yes, but such a claim oversimplifies and mischaracterizes the Crossroads decision.

Q: Do you agree that Staff's view provides a reasonable basis on which to exclude the cost of transmission for the Crossroads facility from the Company's cost of service?

A: No. While the cost of electric transmission for Crossroads is currently higher than it would be if the plant were located in the GMO area, these costs were included in the evaluation of the facility when determining that Crossroads was the lowest cost plan for

GMO. In addition, the cost of transmission needs to be considered in the context of the total cost to provide service from the facility. As pointed out in my Direct Testimony at pages 11-14, the cost of firm gas transportation is significantly less than it would have been had the plant been built in the GMO service area. It would not be reasonable for GMO's retail customers to enjoy the benefits of lower firm gas transportation costs at the Crossroads location, while at the same time avoid the cost of firm electric transmission that brings them the less expensive gas.

Staff's cost of service in this case reflects the low cost of a distressed asset sale of combustion turbines in Illinois, the low cost of firm gas transportation for turbines at Crossroads, and no electric transmission costs for Crossroads. So effectively this is like having used turbines from Illinois, located in the GMO service area, enjoying the benefits of firm gas transportation at the Crossroads location. Such a facility can't exist.

The following table compares the annual revenue requirement for (a) Crossroads based on the Company's valuation of the plant as of March 31, 2012, (b) Crossroads based on Staff's hypothetical case as of March 31, 2012, (c) Crossroads if located in Illinois (Goose Creek/Raccoon Creek), and (d) the estimated cost if a 300 MW facility had been built in the GMO service area, based on GMO's evaluation of capacity additions at the time Crossroads was being evaluated.

Cost Component	Crossroads – GMO Case	Crossroads – Staff Case	Goose Creek/Raccoon Creek	300 MW Plant at a GMO Site
Plant (inc. depreciation)	$14.9	$6.5	$6.5	$28.5
Electric Transmission	$5.2	$0	$9.7	$0
Firm Gas Transportation	$0.352	$0.353	$8.8 - $9.1	$4.6 - $10.2
Annual Revenue Requirement	$20.5	$6.9	$25.0 – 25.3	$33.1 - $38.7

The electric transmission costs for Crossroads are based on the actual cost of transmission service for the facility. The electric transmission costs for Goose Creek/Raccoon Creek are based on the MISO tariff rate for electric transmission service from Illinois. The Crossroads firm gas transportation costs are based on the actual cost of gas transportation for the facility. The firm gas transportation costs for Goose Creek/Raccoon Creek and the 300 MW plant at a GMO site are based on the estimated cost of firm gas transportation to those facilities. Support for these gas costs can be found in the testimony of Company witness Mr. Wm. Edward Blunk.

Q: Do you have any observations about these costs?

A: Yes. They show that Crossroads was the cheapest, realistic option. If the company were to have purchased Goose Creek/Raccoon Creek for regulated service in Missouri at the price they were sold for, the current annual revenue requirement would have been $25.0-$25.3 million per year. If the company were to have built a new plant in the GMO service area to avoid electric transmission charges, the current annual revenue requirement would have been $33.1-$38.7 million per year. Both of these options would be more expensive than what GMO has requested for Crossroads cost recovery.

If the Commission were to decide in this case that the value of Crossroads needs to be based on the sale of Goose Creek and Raccoon Creek, at a minimum, the Commission should allow the Company to recover the transmission costs associated with the plant. It is the transmission service that makes access to this existing facility (and its low firm gas costs) possible. The cost of transmission from Goose Creek/Raccoon Creek (assuming transmission could have even been obtained) would have been higher than Crossroads transmission.

OFF-SYSTEM SALES

Q: Does Staff have any issues with GMO's off-system sales?

A: Yes. In the Staff's Cost of Service Report at pages 106-109, Staff expresses concern over the negative margins experienced by the Company over the last few years.

Q: Can you explain the reason behind the negative margins?

A: Yes. The negative margins are being driven by Purchases for Resale transactions.

Q: What are Purchases for Resale?

A: At a high level, these transactions represent GMO wholesale sales that are supplied by purchased power as compared to wholesale sales supplied by GMO owned generation.

Q: Please provide more detail.

A: In the process of reliably serving native load customers, GMO purchases energy in the wholesale market. These purchases may occur on an hourly, day-ahead, or longer term basis. During actual operations, a portion of these purchases are sold back into the wholesale market. On average, the cost of these purchases is greater then the revenue received from the sale. The majority of GMO's wholesale sales is based on selling

energy that was sourced from a purchase. The intent of these purchases is to serve native load. The energy is not purchased with the intent to sell it back to the wholesale market. Since GMO has little excess energy to sell, the losses on the purchases for resale exceed the off-system sales margins made from GMO owned resources.

Q: Does KCP&L experience similar transactions?

A: Yes. Many of these Purchases for Resale transactions occur at a loss for KCP&L as well. However, since KCP&L has the ability to make significantly more off-system sales than GMO, the losses on these transactions for KCP&L are not as apparent as they are for GMO.

FUEL AND PURCHASED POWER

Q: Does the Company have any issues with Staff's fuel and purchased power modeling in this case?

A: Yes. There are potential issues related to treatment of border customers and the Western Area Power Administration (WAPA). Staff and GMO have been in discussions to address these issues and anticipate having them resolved prior to the true-up modeling efforts in this case.

CAPACITY ALLOCATION

Q: Does the Company have any issues with Staff's capacity allocation between MPS and L&P in this case?

A: Yes. Staff proposed to assign the Ralph Green generating facility to L&P. This assignment is unnecessary.

Q: Why has Staff proposed to assign what has historically been an MPS facility to L&P?

A: Per Staff's cost of service report at page 126, this reassignment "will minimize the rate impact on GMO's customers in its L&P rate district of the assignment of capacity and energy, while making up for GMO's shortfall in capacity for L&P that results by following the practice of relying on the historical ownership of capacity…"

Q: Why does the Company believe this is unnecessary?

A: During 2012, GMO was an estimated 61 MW short of meeting its reserve obligations. As such, GMO entered into a 61 MW capacity contract. Based on the historical assignment of generating resources between MPS and L&P, L&P was 61 MW short of meeting its share of reserve obligations. Since L&P was short, the Company assigned the 61 MW capacity purchase to L&P.

The revenue requirement for Ralph Green is greater than the cost of the 61 MW contract. As such, the assignment of Ralph Green to L&P increases L&P's revenue requirement more than it would be based on the historical assignment to MPS. Therefore, assigning the 61 MW contract to L&P minimizes the rate impact on L&P while meeting their share of the reserve obligation.

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 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 Director, Energy Resource Management.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of KC&PL Greater Missouri Operations Company consisting of ten (10) 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.

Burton L. Crawford

Subscribed and sworn before me this 12th day of September, 2012.

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

SCHEDULE BLC-9
THIS DOCUMENT CONTAINS HIGHLY CONFIDENTIAL INFORMATION NOT AVAILABLE TO THE PUBLIC