Exhibit No.:
Issue: SPP Transmission Fees
Witness: John R. Carlson
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2014-0370
Date Testimony Prepared: June 5, 2015

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2014-0370

SURREBUTTAL TESTIMONY

OF

JOHN R. CARLSON

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
June 2015

"[redacted]**" Designates "Highly Confidential" Information Has Been Removed.**

SURREBUTTAL TESTIMONY

OF

JOHN R. CARLSON

Case No. ER-2014-0370

Q: Please state your name and business address.

A: My name is John R. Carlson. My business address is 1200 Main Street, Kansas City, Missouri 64105.

Q: Are you the same John R. Carlson who pre-filed Rebuttal Testimony in this matter?

A: Yes, I am.

Q: What is the purpose of your Surrebuttal Testimony?

A: My Surrebuttal Testimony will respond to the Rebuttal Testimony of the Missouri Industrial Energy Consumers and Office of the Public Counsel ("MIEC/OPC") witness James Dauphinais.

Q: Please describe how Kansas City Power & Light Company's ("KCP&L" or the "Company") generation and load are managed in the Southwest Power Pool, Inc. ("SPP") Integrated Marketplace ("IM") versus the previous SPP Energy Imbalance Service ("EIS") market?

A: As discussed in my Rebuttal Testimony, in the SPP IM KCP&L sells the power it generates to the market and purchases from the market the energy it sells to its retail customers. All Company generation is part of the SPP centralized unit commitment and dispatch process. Because KCP&L is on average a low-cost supplier of energy to the market, the SPP routinely commits and dispatches excess KCP&L generation (MW of energy above that necessary to meet KCP&L load) in order to supply the SPP region.

Under the EIS structure that was in effect before the IM was implemented in March of 2014, KCP&L would commit its generation units in an effort to meet its load obligations. Any excess generation would be sold off-system, if market and operating conditions allowed (e.g. interested counterparties and available transmission).

Q: Why is the distinction between the IM and the EIS structures important?

A: Because there is a misunderstanding by MIEC/OPC witness Dauphinais that in the IM currently in place KCP&L's generation still supplies its native load as it did in the EIS. That is simply not the case. There is no longer a direct link between KCP&L's generation and its load.

In the IM, generation is sold to SPP for a price calculated at the specific generator settlement location, while load is purchased from SPP for a price calculated at the load settlement location. The prices and settlement locations are distinct. Analyzing generation and load data from a particular day in the IM will show how generation is no longer directly tied to load. For example, the charts below show the generation sold to and load purchased from the SPP on March 25, 2015 for the Hours Ending 3 and 10 (3:00 a.m. and 10:00 a.m., respectively).

3/25/2015	Generation Sold to SPP			
	HE 3		HE 10	
Settlement Location	RT Gen (MWh)	RT Gen LMP ($/MWh)	RT Gen (MWh)	RT Gen LMP ($/MWh)
CIMARRON 2	65	$10.35	82	$3.17
HAWTHORN 5	431	$11.52	540	$24.14
IATAN 2 - KCPL	412	$11.28	484	$23.38
JEFFREY HYDRO 1	8	$10.39	9	$16.73
JEFFREY HYDRO 2	8	$10.39	8	$16.73
JOHNSON HYDRO 11	0	$10.66	9	$17.51
JOHNSON HYDRO 12	9	$10.66	9	$17.51
JOHNSON HYDRO 21	19	$10.68	18	$17.65
LACYGNE 2	276	$11.43	317	$24.31
MONTROSE 1	67	$11.55	98	$24.41
MONTROSE 2	73	$11.55	160	$24.41
SPEARVILLE	61	$10.54	79	$28.84
Total MW	1,429		1,813	
Weighted Ave LMP ($/MWh)		$11.31		$23.06

3/25/2015	Load Purchased from SPP			
	HE 3		HE 10	
Settlement Location	RT Load (MWh)	RT Load LMP ($/MWh)	RT Load (MWh)	RT Load LMP ($/MWh)
KCPL Load	1,290	$11.56	1,735	$24.37

Under the EIS, KCP&L would have chosen the least-cost options to serve its load and "stacked" the generating assets that were online according to the price at the asset. Stacking the generation refers to the prioritization of generation based on price and allocating all MW to load from the lowest cost option first before moving to the next highest priced asset. This same function is now handled by SPP with generating assets across the SPP market footprint.

Looking at the data for Hours Ending 3 and 10, the total generation that cleared in the SPP market was 1,429 MW and 1,813 MW, respectively, a sum of all the "RT Gen (MWh)," with RT meaning "real time". At those same hours the total load purchased from the SPP was 1,290 MW and 1,735 MW, respectively. Clearly, what was generated by the Company does not match what was required by its load.

Further detailing the disconnect, even if you take the weighted average energy price, shown as “Weighted Ave LMP ($/MWh)”, for all the generators in the “Generation Sold to SPP” chart, shown as $11.31/MWh, that does not equal the cleared energy price for load of $11.56/MWh shown in the “Load Purchased from SPP” chart. It is also important to note how the generation and load values for each of the hours differ. In both hours shown above SPP committed and dispatched more KCP&L generation than KCP&L purchased from SPP for its load, and the opposite could occur at any point in time. These differences occur all hours of the day, everyday, and are due to the centralized unit commitment and dispatch process run by the SPP for the entire SPP market footprint. There is no longer a direct link between KCP&L generation and load.

Q: Do you agree with Mr. Dauphinais when he says in his Rebuttal Testimony at page 7, lines 10-12, “… that the only transportation costs that can be included in an FAC are: (i) transportation costs for fuel and (ii) transportation costs for purchased power”?

A: Only if “transportation” includes transmission costs. As discussed in my Direct Testimony, the Commission ruled and the courts affirmed that “transportation” includes the transmission of electricity. Because KCP&L’s power to serve its native load is purchased from SPP and because the transportation of that energy to KCP&L load happens via the transmission system, then, yes, I agree with Mr. Dauphinais’ assertion that transportation costs for purchased power should be included in a fuel adjustment clause.

Q: Mr. Dauhpinais describes how a small portion of transmission expenses could be considered purchased power for network or retail, load. Do you agree with his assessment?

A: No. Mr. Dauphinais' argument is based on an analysis of the netting that occurs from an accounting perspective regarding generation sold to SPP and energy purchased from SPP. The true purchased power is not the net of the sales and purchases, but rather ***ALL*** of the purchases. Dauphinais' analysis is akin to homeowner's insurance. If you have a fire in your home, your insurance will cover the expenses required to return your home to the condition it was prior to the fire. From a net perspective the house has not changed, but there have definitely been expenses associated with the work. This netting issue is addressed in more detail in the Surrebuttal Testimony of KCP&L witness Ryan Bresette.

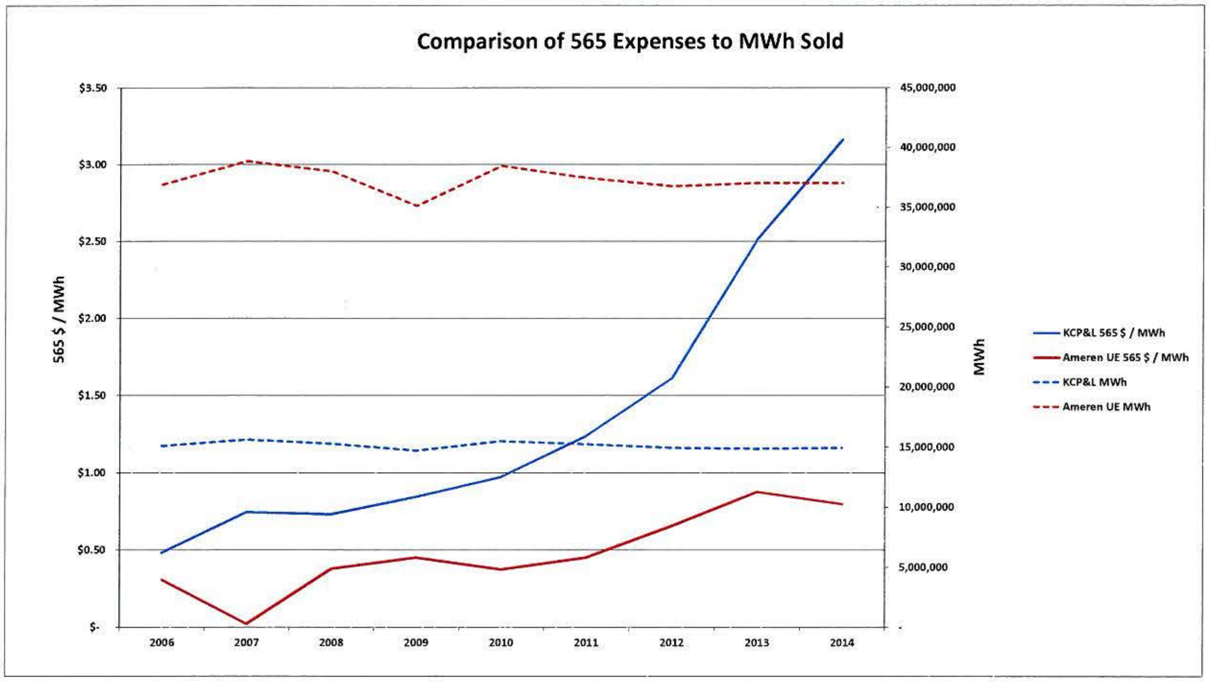
Q: With regard to Table JRD-1 at page 9 in Mr. Dauphinais' Rebuttal Testimony, how would you classify SPP Schedule 11 charges incurred for Network Integration Transmission Service?

A: SPP Schedule 11 charges should be classified under Mr. Dauphinais' "Transmission of Purchase Power" Function. As described previously in this testimony and in my Rebuttal Testimony, KCP&L purchases the energy for its native load from SPP. With the IM now in place, SPP is a fully functioning energy market where all generation throughout the SPP market footprint is part of the centralized unit commitment and dispatch process. Generation is dispatched by SPP to serve the entire SPP load and market participants purchase their load from the market on a daily basis. The link between generation and load on a company by company basis does not exist today.

Q: Is Mr. Dauphinais correct when he argues, at pages 15-16, that because Ameren Missouri ("Ameren UE") did not get its transmission expenses recovered in its FAC that neither should KCP&L?

A: No. The underlying assumption to this argument is that KCP&L and Ameren UE are similarly situated, which is incorrect. Yes, both the Midcontinent Independent System Operator, Inc. ("MISO") and SPP are energy markets that utilize a centralized unit commitment and dispatch process, where generation is sold to the market and load is purchased from the market on a daily basis. It is also true that in both markets transmission expansion is ongoing, with SPP in the middle of a large regional expansion of the transmission system.

However, looking at transmission expenses for Ameren UE and KCP&L on a per megawatt hour ("MWh") of retail load basis shows a big difference between KCP&L and Ameren UE. Using SNL's database of publicly available FERC Form 1 data, I took the annual MWh of "Sales to Ultimate Consumers", retail load, and the annual expenses charged to Account 565 for KCP&L and Ameren UE and calculated a total Account 565 expense per MWh of retail load for the years 2006 – 2014.



The right vertical axis shows the MWh of retail load, represented by the dashed lines, and the left vertical axis shows Account 565 expenses per MWh of retail load, represented by the solid lines. While the respective retail loads remain relatively flat, the Account 565 expenses per MWh of retail load rises dramatically for KCP&L starting in 2010, which was not the case for Ameren UE. KCP&L is in a different situation than Ameren UE in that respect.

Q: Building on your previous comments, what are the Company's expense projections for Account 565?

A: Starting in 2014, the actual Company expenses in Account 565 were $47.2 million. Company projections for Account 565 expenses for 2015, 2016 and 2017 are **[redacted]** million, **[redacted]** million and **[redacted]** million respectively.

Q: Does that conclude your Surrebuttal Testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service	)))	Case No. ER-2014-0370

AFFIDAVIT OF JOHN R. CARLSON

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

John R. Carlson, being first duly sworn on his oath, states:

1. My name is John R. Carlson. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Originator, Supply Resources.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Kansas City Power & Light Company consisting of Seven (7) 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.

John R. Carlson

Subscribed and sworn before me this 5th day of June, 2015.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2019

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2019
Commission Number: 14391200