

Exhibit No.:  
Issue: Fuel Expense  
Witness: Wm Edward Blunk  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: Kansas City Power & Light Company  
Case No.: ER-2006-0314  
Date Testimony Prepared: October 6, 2006

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2006-0314**

**FILED<sup>3</sup>**

**NOV 13 2006**

**SURREBUTTAL TESTIMONY**

**Missouri Public  
Service Commission**

**OF**

**WM. EDWARD BLUNK**

**ON BEHALF OF**

**KANSAS CITY POWER & LIGHT COMPANY**

**Kansas City, Missouri  
October 2006**

**KCP&L** Exhibit No. 14  
Case No(s). ER-2006-0314  
Date 10-16-06 Rptr XF

**SURREBUTTAL TESTIMONY**

**OF**

**WM. EDWARD BLUNK**

**Case No. ER-2006-0314**

1 **Q: Please state your name and business address.**

2 A: My name is Wm. Edward Blunk. My business address is 1201 Walnut, Kansas City,  
3 Missouri 64106-2124.

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

5 A: I am employed by Kansas City Power & Light Company ("KCPL") as Supervisor, Fuel  
6 Planning.

7 **Q. Are you the same Wm. Edward Blunk who pre-filed direct and rebuttal testimony**  
8 **in this proceeding?**

—9 A. Yes, I am.

10 **Q. What is the purpose of your surrebuttal testimony?**

11 A. My surrebuttal testimony responds to the Office of Public Counsel's ("OPC") witness  
12 Ryan Kind's rebuttal testimony regarding the treatment of premiums for coal with less  
13 sulfur than specified in the various contracts for such coal pursuant to the Regulatory  
14 Plan Stipulation and Agreement approved by the Commission in Case No. EO-2005-  
15 0329.

16 **Q. What is your understanding of OPC's recommendation regarding the treatment of**  
17 **premiums for coal with less sulfur than specified in the various contracts for such**  
18 **coal?**

1 A. First, as I read OPC's rebuttal testimony, it asserts that the coal sulfur premium provision  
2 of the Stipulation and Agreement extends through the end of 2007. Second, while OPC  
3 expresses that it is appropriate to adjust Account 254 for coal sulfur premiums, it assumes  
4 the \$400,000 annual limit should be spread over twelve months commencing with the  
5 effective date of the order approving the Stipulation and Agreement. That is, the  
6 \$400,000 annual limit is effectively twelve consecutive monthly limits of \$33,333.33.

7 **Q. What does the Regulatory Plan Stipulation and Agreement approved by the**  
8 **Commission in Case No. EO-2005-0329 state regarding coal sulfur premiums?**

9 A. The relevant portion of the Stipulation and Agreement appears on pages 9 and 10 of that  
10 agreement and states:

11 KCPL currently purchases coal from vendors under contracts that indicate  
12 nominal sulfur content. To the extent that coal supplied has a lower sulfur  
13 content than specified in the contract, KCPL may pay a premium over the  
14 contract price. The opportunity to burn coal with lower sulfur content is  
15 both advantageous to the environment and reduces the number of  
16 SO<sub>2</sub> emission allowances that must be used. To the extent that KCPL pays  
17 premiums for lower sulfur coal up until January 1, 2007, it will determine  
18 the portion of such premiums that apply to retail sales and will record the  
19 proportionate cost of such premiums in Account 254. But in no event will  
20 the charges to the Missouri jurisdictional portion of Account 254 for these  
21 premiums exceed \$400,000 annually. The portion of premiums applicable  
22 to retail will be determined monthly based on the system-wide percentage  
23 of MWh's from coal generation used for retail sales versus wholesale sales  
24 as computed by the hourly energy costing model. This system-wide  
25 percentage will be applied to premiums invoiced during the same period.  
26

27 **Q. Does this provision of the Stipulation and Agreement apply to coal sulfur premiums**  
28 **through the end of 2007?**

29 A. No. The Stipulation and Agreement says, "To the extent that KCPL pays premiums for  
30 lower sulfur coal **up until January 1, 2007**, it will determine the portion of such  
31 premiums that apply to retail sales and will record the proportionate cost of such

1 premiums in Account 254.” (emphasis added) “Until” means up to a time but not after  
2 such time. In other words, this provision of the Stipulation and Agreement expires at  
3 midnight January 1, 2007. It is not applicable to any coal premiums incurred in 2007.

4 **Q. Why do you disagree with OPC’s assertion that the \$400,000 annual limit should be**  
5 **spread over twelve months?**

6 A. The Stipulation and Agreement states, “**The portion of premiums applicable to retail**  
7 **will be determined monthly** based on the system-wide percentage of MWh’s from coal  
8 generation used for retail sales versus wholesale sales as computed by the hourly energy  
9 costing model. This system-wide percentage will be applied to premiums invoiced  
10 during the same period.” (emphasis added) It does not state that the \$400,000 annual  
11 limit will be apportioned monthly.

12 **Q. How has KCPL applied the coal sulfur premium provision of the Stipulation and**  
-13 **Agreement?**

14 A. Beginning in August 2005, KCPL determined the portion of coal generation associated  
15 with retail sales and recorded that portion of coal sulfur premiums in Account 254.  
16 KCPL reached the annual limit the following month. Then beginning in January 2006,  
17 KCPL again determined the portion of coal generation associated with retail sales and  
18 recorded that portion of coal sulfur premiums in Account 254. KCPL reached the annual  
19 limit for 2006 in February 2006.

20 **Q. What is your understanding of Missouri Public Services Commission Staff’s**  
21 **recommendation regarding premiums KCPL pays its coal suppliers for coal with less**  
22 **sulfur?**

1 A. Staff is proposing that KCPL be required to charge all of its coal SO<sub>2</sub> (i.e., sulfur)  
2 premiums against the regulatory liability after January 1, 2007.

3 **Q. Do you believe Staff's recommendation is consistent with the provisions of the**  
4 **Stipulation and Agreement?**

5 A. Yes. Staff's recommendation is consistent with my view that the coal sulfur premium  
6 provision of the Stipulation and Agreement is not effective for 2007. It is also consistent  
7 with my view that "annually" does not imply pro-rata distribution over twelve months.

8 **Q. Do you agree with Staff's recommendation to record all of KCPL's coal sulfur**  
9 **premiums in Account 254, Regulatory Liability?**

10 A. Yes, KCPL agrees that it is appropriate to record all of the Company's coal sulfur  
11 premiums in Account 254, Regulatory Liability.

12 **Q. Does that conclude your testimony?**

13 A. Yes, it does.

