

KCP&L-232

Exhibit No.:
Issues: Spot Market Prices
Witness: Erin L. Maloney
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2010-0355
Date Testimony Prepared: January 5, 2011

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

ERIN L. MALONEY

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2010-0355

*Jefferson City, Missouri
January 2011*

Staff Exhibit No. KCP&L-232
Date 1/18/11 Reporter LMB
File No. ER-2010-0355

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SURREBUTTAL TESTIMONY

OF

ERIN L. MALONEY

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2010-0355

13 Q. Please state your name and business address.

14 A. My name is Erin L. Maloney. My business address is, P.O. Box 360, Jefferson
15 City, Missouri, 65102.

16 Q. Are you the same Erin L. Maloney who contributed to the Missouri Public
17 Service Commission Staff's (Staff) Cost of Service Report (Staff Report) filed on November
18 10, 2010?

19 A. Yes.

20 Q. What is the purpose of your Surrebuttal Testimony?

21 A. The purpose of this testimony is to respond to the Rebuttal Testimony of
22 Kansas City Power & Light (Company) witness Burton L. Crawford regarding the
23 development of spot market power prices and to recommend that Staff's methodology be used
24 to determine spot market prices in this case.

25 Q. How does Staff's methodology differ from the Company's?

26 A. The main difference is the use of historical data as opposed to forecasted data.
27 Staff used the historical weather adjusted loads and a truncated normal distribution of
28 historical market prices for both the Company and KCP&L Greater Missouri Operations
Company to develop a set of spot market prices that reflect prices in the region. The

Surrebuttal Testimony of
Erin L. Maloney

1 Company used forecasted loads and forecasted fuel prices, as well as a host of other
2 forecasted inputs.

3 Q. Why does Staff believe that an analysis based on historical test year data is a
4 better approach than an analysis based on forecasted data?

5 A. Fundamental to Staff's approach to the ratemaking process is the idea that
6 analyses based on historical test year data provide the best prediction of what may occur in
7 the future. The spot market prices developed by Staff reflect the conditions of the power
8 market as it existed in the test year, with adjustments made for known and measurable
9 changes. Examples of these known and measurable changes include actual fuel prices,
10 transmission constraints and other related factors. The Company is attempting to simulate
11 these conditions with their price model using forecasted loads, fuel prices, transmission
12 constraints, as well as other forecasted inputs. Each forecasted input introduces another level
13 of possible inaccuracy. The use of historical data eliminates the introduction of these
14 inaccuracies while still reflecting historical market conditions and, hence, is a more accurate
15 and reliable method for determining spot market prices.

16 Q. What is your recommendation?

17 A. The Commission should adopt Staff's methodology for determining spot
18 market prices.

19 Q. Does this conclude your Surrebuttal Testimony?

20 A. Yes.