

Exhibit No.: 108NP  
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

Filed  
June 26, 2015  
Data Center  
Missouri Public  
Service Commission

**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.

KCP&L Exhibit No. 108-NP  
Date 6.15.15 Reporter AJ  
File No. ER-2014-0370

**SURREBUTTAL TESTIMONY**

**OF**

**JOHN R. CARLSON**

**Case No. ER-2014-0370**

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

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

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

5 A: Yes, I am.

6 **Q: What is the purpose of your Surrebuttal Testimony?**

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

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

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

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

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

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

10 In the IM, generation is sold to SPP for a price calculated at the specific generator  
11 settlement location, while load is purchased from SPP for a price calculated at the load  
12 settlement location. The prices and settlement locations are distinct. Analyzing  
13 generation and load data from a particular day in the IM will show how generation is no  
14 longer directly tied to load. For example, the charts below show the generation sold to  
15 and load purchased from the SPP on March 25, 2015 for the Hours Ending 3 and 10 (3:00  
16 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

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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

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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.

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

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

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

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

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

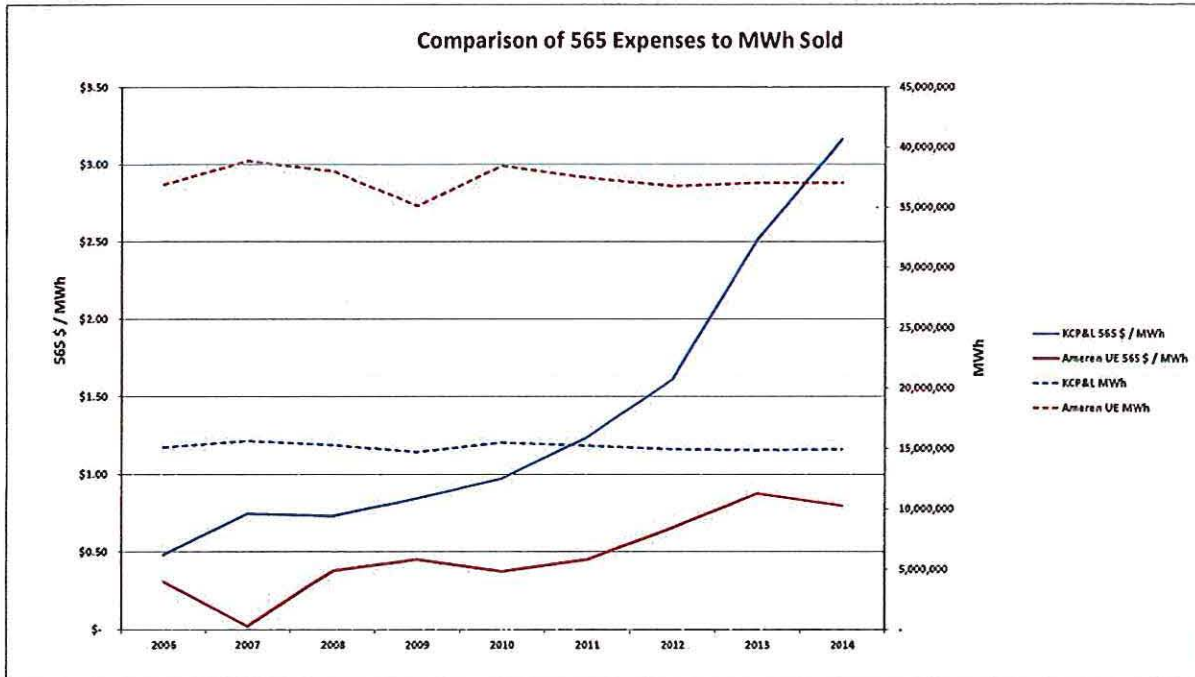
12 **Q: With regard to Table JRD-1 at page 9 in Mr. Dauphinais' Rebuttal Testimony, how**  
13 **would you classify SPP Schedule 11 charges incurred for Network Integration**  
14 **Transmission Service?**

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

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

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

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



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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.

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

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**A:** Starting in 2014, the actual Company expenses in Account 565 were \$47.2 million.

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Company projections for Account 565 expenses for 2015, 2016 and 2017 are \*\* [REDACTED] \*\*

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million, \*\* [REDACTED] \*\* million and \*\* [REDACTED] \*\* million respectively.

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**Q: Does that conclude your Surrebuttal Testimony?**

14

**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 ) Case No. ER-2014-0370  
A General Rate Increase for Electric Service )

AFFIDAVIT OF JOHN R. CARLSON

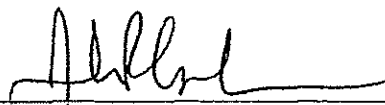
STATE OF MISSOURI )  
) ss  
COUNTY OF JACKSON )

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

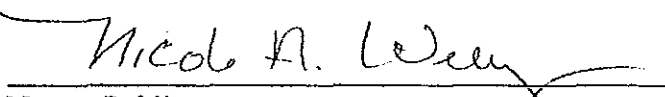
1. My name is John R. Carlson. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Originator, Supply Resources.

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 5<sup>th</sup> day of June, 2015.

  
\_\_\_\_\_  
Notary Public

My commission expires: Feb. 4 2019

