

Exhibit No.:
Issue: Power Market Prices
Witness: Burton L. Crawford
Type of Exhibit: True-Up Rebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2016-0285
Date Testimony Prepared: March 10, 2017

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2016-0285

TRUE-UP REBUTTAL TESTIMONY

OF

BURTON L. CRAWFORD

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
March 2017

KCP&L Exhibit No. 171
Rate 3-16-17 Reporter XF
File No. ER-2016-0285

TRUE-UP REBUTTAL TESTIMONY

OF

BURTON L. CRAWFORD

Case No. ER-2016-0285

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

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

4 **Q: Are you the same Burton L. Crawford who pre-filed Direct, Rebuttal, and**
5 **Surrebuttal Testimony in this matter?**

6 A: Yes, I am.

7 **Q: What is the purpose of your True-Up Rebuttal Testimony?**

8 A: The purpose of my testimony is to discuss the power market prices used in Staff's
9 determination of non-firm off-system sales revenues and non-firm purchased power
10 expense in the true-up case.

11 **Q: Did Staff update its market prices in its True-Up?**

12 A: No. According to p. 1 of Staff witness Charles T. Poston's True-Up Direct Testimony,
13 Staff's production cost model was only changed to reflect the December 31, 2016 true up
14 date and updated for energy purchased from the Osborne wind farm.

15 **Q: Did the Company update its market prices in its True-Up?**

16 A: Yes, as explained below.

17 **Q: Please describe how the Staff determined their market prices?**

18 A: Staff based their market prices on the Southwest Power Pool ("SPP") Integrated
19 Marketplace ("IM") Day Ahead market prices from March 2014 through July 2016 (Staff

1 Report Revenue Requirement Cost of Service, p. 86). Staff recognized that these average
2 prices were much higher than the prices in 2015 and 2016. Therefore, they decided to
3 adjust these average prices downward to reflect this price decline.

4 **Q: Why were the market prices for 2014 much higher than 2015 and 2016?**

5 A: The SPP IM began on March 1, 2014. The IM introduced a centralized unit commitment
6 process and the SPP took responsibility as the consolidated Balancing Authority to
7 manage the dispatch of units within its footprint. On March 2 and 3, much of the SPP
8 footprint (along with other areas in the Midwest US) experienced an extreme winter
9 weather event. SPP and Market Participants were operating in a new market, which
10 added to operational challenges. Much higher than normal load than is typical for the
11 early March timeframe was experienced during the event. Capacity shortage conditions
12 were evident in the new market due to: gas curtailments, forced outages of resources
13 (including frozen wind turbines), and units already on planned maintenance as part of the
14 spring season. In the summer and fall of 2014 the SPP footprint experienced delayed rail
15 deliveries of coal. Market participants raised their offer price on coal units to reflect the
16 opportunity cost of scarce fuel, reduced output limits, and initiated outages to preserve
17 coal. All of those circumstances combined to push 2014 prices higher than would have
18 been expected under normal circumstances. In fact, the July through December 2014
19 average price at KCPL Hub was 20% higher than the July through December 2016
20 average price.

21 **Q: Was Staff's downward adjustment to their average market prices sufficient to**
22 **reflect a normalized test-year period?**

23 A: No.

1 **Q: How do Staff's adjusted average prices compare to the actual market prices for**
2 **2015 and 2016?**

3 A: The Staff's adjusted average market price was \$21.08 per MWhr. The average Day
4 Ahead market price for KCPL Hub for the entire 2016 test year was \$20.31 and the
5 average for 2015 – 2016 was \$20.73. Staff's adjusted average market price is being
6 skewed to the high side by their inclusion of actual March through December 2014
7 market prices of \$29.94 per MWhr. Given that 2014 market prices were considerably
8 higher than the more recent 2015 and 2016 actual market prices, Staff's market prices are
9 not representative of a normalized test-year period.

10 **Q: What were the market prices used by the Company in their True-up case?**

11 A: The Company's average market price updated for the True-up case was \$20.58 per
12 MWhr. These market prices were generated by the use of MIDAS™ model as described
13 in my direct testimony for this case, as it has for all of the recent Company rate cases. In
14 fact, in the 2010 Rate Case, the Commission determined that it was appropriate to use the
15 MIDAS™ model to determine spot market prices and that the MIDAS™ model was
16 superior to the use of historical data because the model considers a vast amount of
17 information, both historical and projected.¹ Therefore, the Company recommends that
18 the Company's market prices should be adopted for the True-up case.

¹ *In the Matter of the Application of Kansas City Power & Light Company for Approval to Make Certain Changes in its Charges for Electric Service to Continue the Implementation of the Regulatory Plan*, File No. ER-2010-0355, Report and Order, April 12, 2011, p. 150.

1 **Q: What would be the impact of adopting the Company's market prices in Staff's Cost**
2 **of Service?**

3 A: The estimated impact on net system cost to serve native load would increase by
4 approximately \$3.2 million on a total Company basis. This is the net of reduction in non-
5 firm off-system sales revenues of \$3.3 million and decreased non-firm purchased power
6 expense of \$0.1 million.

7 **Q: Does that conclude your True-Up Rebuttal Testimony?**

8 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-2016-0285

AFFIDAVIT OF BURTON L. CRAWFORD

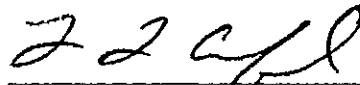
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

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.

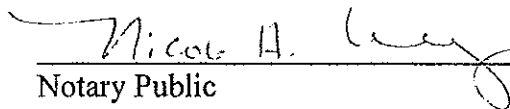
2. Attached hereto and made a part hereof for all purposes is my True-Up Rebuttal Testimony on behalf of Kansas City Power & Light Company consisting of five (5) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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 10th day of March 2017.



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
