

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

REBUTTAL TESTIMONY OF

BURTON L. CRAWFORD

**ON BEHALF OF
KANSAS CITY POWER & LIGHT COMPANY**

**IN THE MATTER OF THE APPLICATION OF
KANSAS CITY POWER & LIGHT COMPANY
TO MODIFY ITS TARIFFS TO BEGIN THE
IMPLEMENTATION OF ITS REGULATORY PLAN**

DOCKET NO. 06-KCPE-828-RTS

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

2 A: My name is Burton L. Crawford. 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 Manager,
6 Energy Resource Management.

7 **Q: Are you the same Burton L. Crawford who pre-filed direct testimony in this**
8 **case?**

9 A: Yes, I am.

10 **Q: What is the purpose of your testimony?**

11 A: The purpose of my testimony is to show that on a month-ahead, or short-term basis,
12 KCPL is able to produce projections of fuel expense, purchase power expense, and
13 wholesale margins that have a high enough level of accuracy and reasonableness to
14 be used for an Energy Cost Adjustment mechanism (“ECA”). This contrasts with the

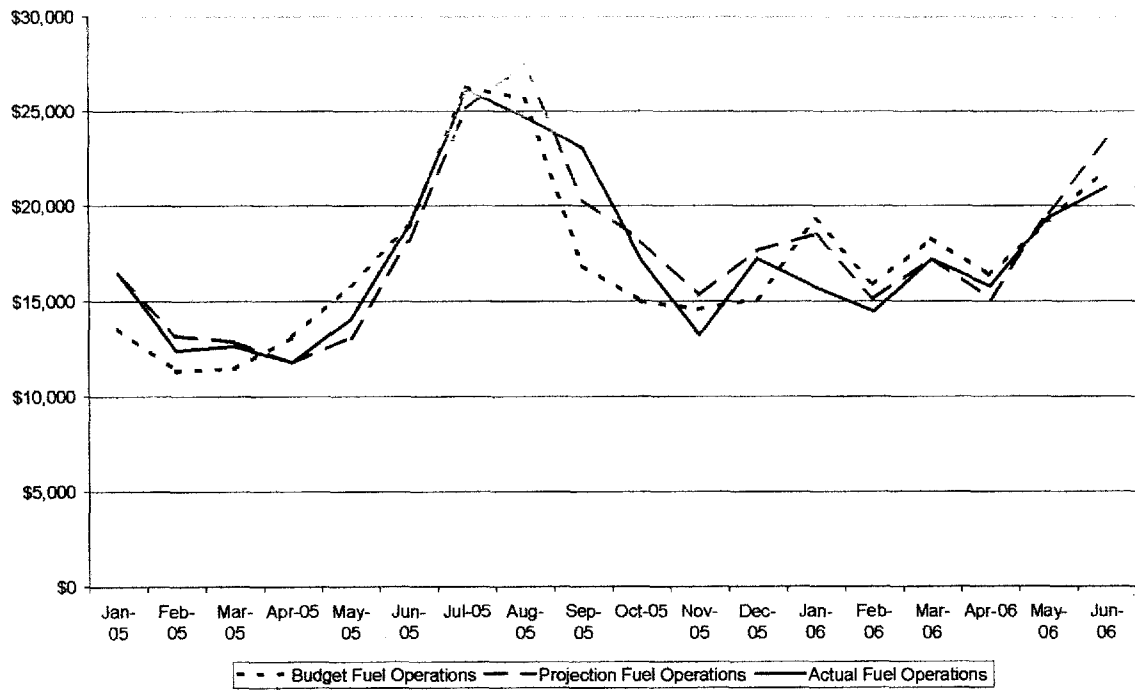
1 ECA methodology proposed by KCC Staff witness Larry W. Holloway.
2 Mr. Holloway recommends using projected fuel and purchased power costs, but using
3 historical wholesale margins from the previous November 1 to October 31 period.

4 **KCPL Projections for an ECA**

5 **Q: Does KCPL have the capability to provide plausible short-term projections of**
6 **fuel and purchased power to use for an ECA?**

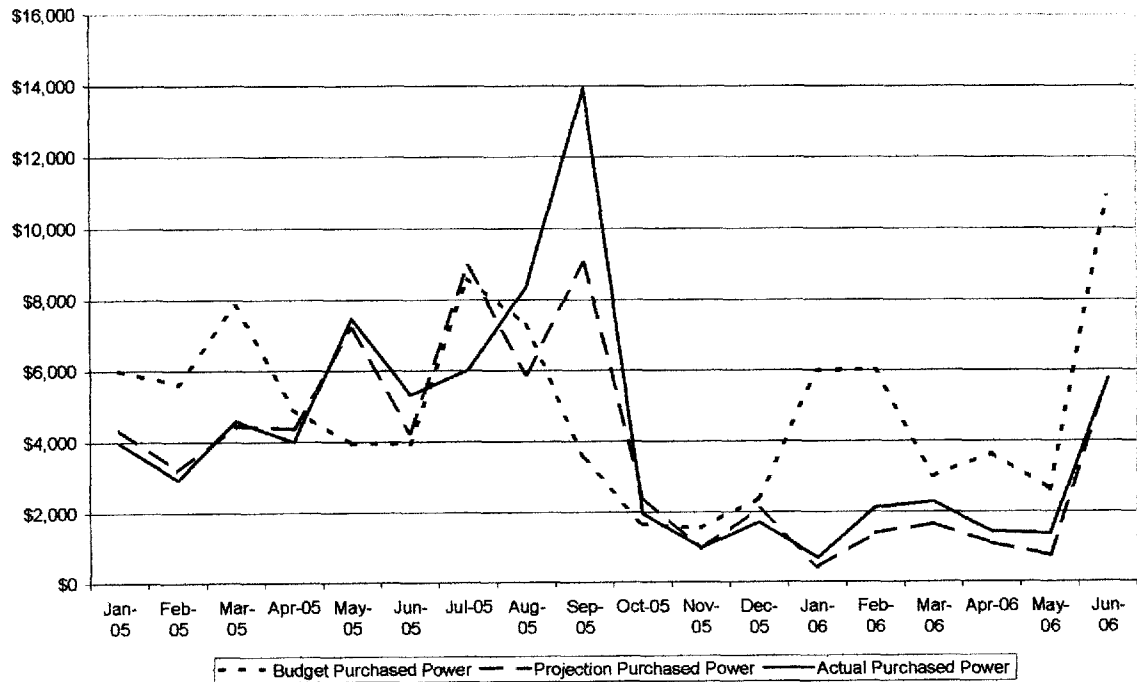
7 A: Yes. KCPL maintains a projection of the budget period that is produced using the
8 MIDAS model and the methodology that was described in my direct testimony in this
9 docket. These ongoing projections are updated from the budget based primarily on an
10 updated NYMEX forward curve for natural gas and KCPL's most current projection
11 of net system input and planned maintenance. This produces a reasonable projection
12 of KCPL's fuel and purchased power expense. The following charts present a
13 comparison of KCPL's budgeted, month forward, and actual fuel and purchased
14 power expense. KCPL provided the supporting data for these charts in response to
15 KCC Staff Data Request No. 306.

**Fuel Operations Expense
(Thousands)**



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**Purchases Expense
(Thousands)**



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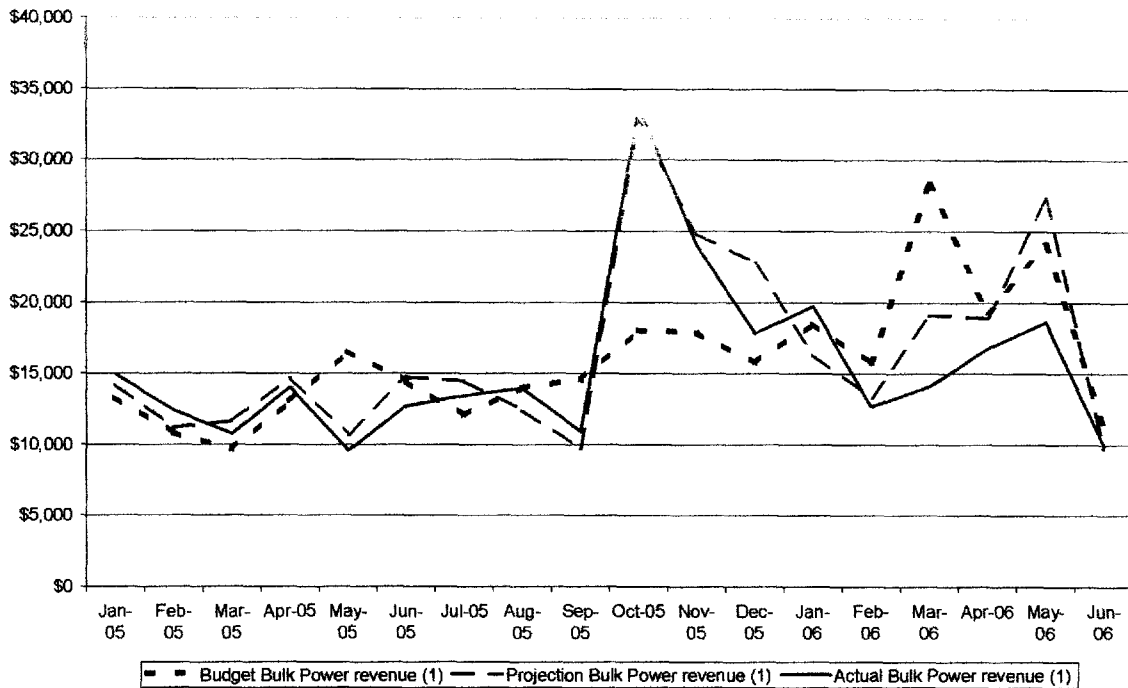
1 **Q: Would KCPL also be able to project wholesale margins?**

2 A: Yes. The MIDAS model projections would include the corresponding volumes and
3 revenues from off-system sales and the associated costs. So KCPL could also project
4 wholesale margins using the MIDAS model. These margins would be consistent with
5 the market prices forecasted and the energy available for wholesale, after serving firm
6 obligations.

7 **Q: Your direct testimony, and that of Michael Schnitzer, addressed the uncertainty**
8 **around wholesale margins. What does this suggest about KCPL's ability to**
9 **provide accurate projections for an ECA?**

10 A: As time approaches nearer to the period being projected, the level of uncertainty
11 decreases considerably. This is primarily because the observed volatility around
12 natural gas prices is usually much lower, in the short-term. By shifting to a month-
13 ahead, rather than a year-ahead, projection period, a great deal of uncertainty is
14 removed. The chart that follows illustrates KCPL's increased success at projecting
15 bulk power revenues for the month ahead, versus the original budget projection.

**Bulk Power Revenues
(Thousands)**



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The chart provided shows bulk power revenue, rather than margins, because KCPL does not currently project wholesale margins on a regular basis. However, the cost component is not terribly volatile. The bulk of KCPL's fuel costs are based on contracted coal prices. The portion related to natural gas expense is more volatile, but much smaller. Therefore, if the projected revenues are accurate then the accompanying margin calculations will also be accurate.

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Q: Why would using projected wholesale margins in an ECA be preferable to using historic margins?

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A: The fundamental concept behind incorporating an ECA into KCPL's retail rates is to recover actual fuel and purchased power expenses incurred while at the same time crediting retail customers with the margins collected on wholesale sales made from generating assets included in the retail rate base. Staff has proposed that the

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1 wholesale margins from the previous year (November 1 through October 31) be
2 credited to retail customers. This one-year lag in crediting customers is unnecessary
3 as KCPL can incorporate projected margins in the ECA. As can be seen from the
4 charts provided above, KCPL can reasonably project fuel costs, purchased power
5 costs and wholesale margins on a month-ahead basis to be factored into an ECA.
6 Using projected wholesale margins will more closely align the period in which the
7 margins were received with the period in which the margins are credited to retail
8 customers.

9 **Q: Does that conclude your testimony?**

10 **A:** Yes, it does.

