

Exhibit No.:

Issues: Iatan Construction Audit and Prudence Review

Witness: Charles R. Hyneman

Sponsoring Party: MoPSC Staff

Type of Exhibit: True-Up Direct Testimony

File Nos.: ER-2010-0355 and ER-2010-0356

Date Testimony Prepared: February 22, 2011

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

TRUE-UP DIRECT TESTIMONY

OF

CHARLES R. HYNEMAN

KANSAS CITY POWER & LIGHT COMPANY
FILE NO. ER-2010-0355

and

KCP&L Greater Missouri Operations Company
FILE NO. ER-2010-0356

KCPL308NF

Staff KCP&L 297A
Exhibit No. ER-2010-0356-N
Date 3/3/11 Reporter JNB
File No. ER-2010-0355 A
ER-2010-0356

Jefferson City, Missouri
February 2011

** Denotes Highly Confidential Information **

NP

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2 **CHARLES R. HYNEMAN**

3 **KANSAS CITY POWER & LIGHT COMPANY**

4 **File NO. ER-2010-0355**

5 **and**

6 **KCP&L Greater Missouri Operations Company**

7 **File No. ER-2010-0356**

8 EXECUTIVE SUMMARY 1

9 IATAN UNIT 2 ALSTOM SETTLEMENT 3

10 IATAN PROJECT COMMON PLANT COSTS 8

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12

True-Up Direct Testimony of
Charles R. Hyneman

1 *Nonunanimous Stipulation and Agreement, Setting Procedural Schedule and Clarifying*
2 *Order Regarding Construction and Prudence Audit.*

3 This testimony explains and supports the Staff's proposed adjustments to the
4 Iatan Project (Iatan 1 AQCS, Iatan 2 and Iatan Common Plant) based on Staff's audit of
5 Iatan Project costs during the period June 30, 2010 through October 31, 2010. The
6 adjustments on Schedule 1 attached to this testimony reflect expenditures KCPL made and
7 charged to the Iatan Project that the Staff has found 1) to be inappropriate, unreasonable,
8 imprudent, or provide no benefit to Missouri ratepayers, or 2) were incorrectly charged to
9 one project segment (Iatan 1 AQCS, Iatan 2 or Common Plant) and should more
10 appropriately be reflected in a different project segment.

11 Finally, this testimony addressed the Staff's updated calculation on the Iatan
12 Common Plant.

13 Q. Are you sponsoring any adjustments to KCPL's books and records for
14 purposes of determining an appropriate revenue requirement for KCPL?

15 A. Yes. I am sponsoring Adjustments to Iatan 1 Production Plant accounts 311
16 and 312. I am also sponsoring adjustments to Iatan Common Plant. These adjustments can
17 be found on Staff Accounting Schedule 3.

18 Q. Are the adjustments that are listed on Schedule 1 in the Staff's
19 November 2010 Iatan Report also included on the true-up Schedule 1 attached to this
20 testimony?

21 A. Yes.

22 Q. What changes were made to Staff's adjustments?

True-Up Direct Testimony of
Charles R. Hyneman

1 A. Most of the adjustments listed on Schedule 1 in the Staff's November 2010
2 Iatan Report did not change. Except for the adjustments that are specifically described in this
3 testimony, the adjustments listed on Schedule 1 in the Staff's November 2010 Iatan Report
4 were simply updated for the period July 1, 2010 through October 31, 2010 using the same
5 adjustment methodology described in the Staff's November 2010 Iatan Report.

6 **IATAN UNIT 2 ALSTOM SETTLEMENT**

7 Q. Please describe the Staff's proposed adjustments that have changed based
8 on information obtained after the June 30, 2010 cutoff date for the Staff's November 2010
9 Iatan Report.

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True-Up Direct Testimony of
Charles R. Hyneman

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Q. Please explain the Staff's proposed Iatan 2 Alstom Settlement and Foregone Liquidated Damages Adjustment.

A. **

True-Up Direct Testimony of
Charles R. Hyneman

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True-Up Direct Testimony of
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14 *The following chart is deemed Highly Confidential in its entirety.*

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True-Up Direct Testimony of
Charles R. Hyneman

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16 **IATAN PROJECT COMMON PLANT COSTS**
17 Q. Does Staff have any adjustments to Iatan Common Plant for the true-up period
18 July 1, 2010 to October 31, 2010?
19 A. ** _____
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True-Up Direct Testimony of
Charles R. Hyneman

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True-Up Direct Testimony of
Charles R. Hyneman

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15 **SPEARVILLE 2 WIND PROJECT**

16 Q. Has KCPL added any generation since June 30, 2010 other than Iatan 2?

17 A. Yes. In December 2010 KCPL completed the installation in western Kansas of
18 32 wind turbines rated to generate 1.5 megawatts each for a total of 48 megawatts of wind
19 generated capacity. Installation of these wind turbines included the use of property rights in
20 Ford County, Kansas that KCPL had acquired for adding wind generation. Today this facility is
21 known as Spearville 2. It adjoins KCPL's 100.5 megawatt Spearville 1 wind turbine generating
22 facility which was installed in September 2006.



True-Up Direct Testimony of
Charles R. Hyneman

1 Q. Did KCPL identify the construction of Spearville 2 in its direct testimony it filed
2 June 4, 2010?

3 A. No. When KCPL filed its direct case on June 4, 2010, the Company indicated it
4 planned to enter into a purchased power agreement for additional wind generated power, but
5 that it did not plan to own the assets used to generate that power. At the time KCPL owned, but
6 had not installed, 32 wind turbine generators, rated at 1.5 megawatts each, it had in storage near
7 Spearville, Kansas. On May 28, 2010, shortly before it filed its general rate increase case,
8 KCPL applied to the Commission for authority to sell the 32 wind turbines and related
9 transmission rights to a third party vendor who was to install and operate the wind turbines and
10 sell the output from them to the Company through a purchased power agreement. The
11 Commission designated this case as File No. EO-2010-0353.

12 Q. What was Staff's response to the Company's application to increase the wind
13 generation in its portfolio through a purchased power agreement?

14 A. Staff opposed the Company's request and recommended the Commission deny
15 it. Staff indicated to the Company that Staff preferred for KCPL to own and operate the wind
16 turbines in the same way it owned and operated Spearville 1 (then k/n/a Spearville). During
17 discussions with KCPL in File No. EO-2010-0353, the Company agreed to install at its
18 Spearville wind farm the 32 wind turbines it was storing near Spearville. The total rated output
19 of these 32 wind turbines is 48 megawatts.

20 Q. Did KCPL incur any costs for Spearville 2 that it is not seeking to recover
21 in rates?

22 A. ** _____
23 _____

True-Up Direct Testimony of
Charles R. Hyneman

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Q. Has KCPL included the termination payments in the Spearville 2 Wind Project?

A. No. The Company has stated the \$7.5 million termination payment is not in its Spearville 2 plant balances as of December 31, 2010 (KCPL response to Staff Data Request No. 663). KCPL further stated in a January 1, 2011 e-mail response to a Staff inquiry, a response from KCPL's witness John Weisensee, that KCPL does not plan to seek recovery of the \$7.5 million termination payment in this or any future rate case. In particular, Mr. Weisensee stated the following regarding this termination payment:

On the \$7.5 million payment- the Company's position has been that we are not seeking recovery of this cost, in this case or any other. That is why we excluded the cost from our recoverable expenses in adjustment CS-11 (and did not propose a regulatory asset to amortize over a number of years).

John

Q. Are you proposing to adjust the level of cost for legal services that KCPL has charged to the Spearville 2 Wind Project?

A. Yes. I reviewed KCPL's Cost Report ("K Report") for the Spearville 2 Wind Project for actual costs incurred as of December 31, 2010. **

True-Up Direct Testimony of
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12 Q. Does this conclude your true-up direct testimony?
13 A. Yes, it does.

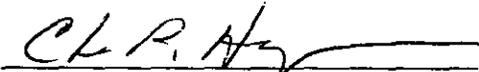
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of)
Kansas City Power & Light Company for)
Approval to Make Certain Changes in its) File No. ER-2010-0355
Charges for Electric Service to Continue the)
Implementation of Its Regulatory Plan)

AFFIDAVIT OF CHARLES R. HYNEMAN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Charles R. Hyneman, of lawful age, on his oath states: that he has participated in the preparation of the foregoing True-Up Direct Testimony in question and answer form, consisting of 16 pages to be presented in the above case; that the answers in the foregoing True-Up Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.



Charles R. Hyneman

Subscribed and sworn to before me this 22nd day of February, 2011.

NIKKI SENN Notary Public - Notary Seal State of Missouri Commissioned for Osage County My Commission Expires: October 01, 2011 Commission Number: 07287016



Notary Public

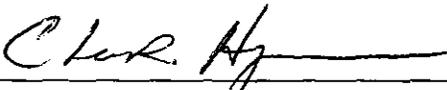
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of KCP&L)
Greater Missouri Operations Company for)
Approval to Make Certain Changes in its) File No. ER-2010-0356
Charges for Electric Service)

AFFIDAVIT OF CHARLES R. HYNEMAN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Charles R. Hyneman, of lawful age, on his oath states: that he has participated in the preparation of the foregoing True-Up Direct Testimony in question and answer form, consisting of 16 pages to be presented in the above case; that the answers in the foregoing True-Up Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.



Charles R. Hyneman

Subscribed and sworn to before me this 22nd day of February, 2011.





Notary Public

SCHEDULE 1

HAS BEEN DEEMED

HIGHLY CONFIDENTIAL

IN ITS ENTIRETY

SCHEDULE 2

HAS BEEN DEEMED

HIGHLY CONFIDENTIAL

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SCHEDULE 7

HAS BEEN DEEMED

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SCHEDULE 8

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