

Exhibit No.:  
Issue: Downtown Steam Service Plan  
Witness/Type of Exhibits: Albert P. Mauro  
Sponsoring Party: Intervenor's Boatmen's First  
National Bank of Kansas City,  
et al.  
Case No.: HO-86-139

DIRECT TESTIMONY OF

ALBERT P. MAURO

ON BEHALF OF

INTERVENORS BOATMEN'S FIRST NATIONAL BANK OF  
KANSAS CITY, et al.

CASE NO. HO-86-139

FILED  
FEB 23 1987  
PUBLIC SERVICE COMMISSION

OFFICIAL CASE FILE  
PUBLIC SERVICE COMMISSION

Exhibit No. 48  
Date 4-10-87 Case No. HO-86-139  
Reporter Bjoro

Direct testimony  
of  
Albert P. Mauro  
Kansas City Southern Industries, Inc.  
Case No. HO-86-139

Q. Please state your name and business address.

A. Albert P. Mauro  
Kansas City Southern Industries, Inc.  
301 West 11th Street  
Kansas City, Missouri 64105

Q. By whom are you employed and in what capacity?

A. I am employed by Kansas City Southern Industries, Inc. ("KCSI"). My title is Vice President and Secretary, and my duties include maintaining records of the company, attending all meetings of the Board of Directors, acting as stock transfer agent, communicating with shareholders, distributing dividends, maintaining shareholder records, administering benefit plans, being responsible for investor relations, filings before federal regulatory commissions and the New York Stock Exchange, administering matching gift and charitable giving programs and performing such other duties as may be assigned me by the Chairman of the Board and the Board of Directors.

Q. In what capacity are you testifying in this proceeding?

A. I am testifying as representative of a group of Intervenor's comprised of Boatmen's First National Bank of Kansas City, Kansas City Southern Industries, Inc., Cathedral of the Immaculate Conception, Denson One Hour Optical, Inc., The Ashley Building Partnership, Gailoyd Enterprises Corp., John A. Marshall Co., Safety Federal Savings and Loan Association, MIMA Properties, Centerre Bank of Kansas City, Missouri and Performing Arts Foundation/Folly Theatre, Inc. For convenience, hereafter I will refer to this group simply as the "Intervenor's".

Q. Have you previously testified before regulatory commissions?

A. No.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony is for the purpose of speaking on behalf of the Intervenor's described above in support of KCP&L's steam heat conversion plan.

Q. These proceedings before the Public Service Commission also involve KCP&L's proposed rate structure for existing steam customers under the proposed conversion plan. What is the position of the Intervenor's on this issue?

A. As I understand the proposal, KCP&L is seeking a rate increase that would provide it with increased annual steam

revenues of \$5,871,000, to be phased in over a four-year period commencing in 1987 (22% per year). This is a significant increase, even when phased in as proposed, especially when compared to increases in utility rates over the last several years, and, our support for the proposed conversion plan does not extend to the proposed rate increases.

Q. Are all Intervenor's described above steam heat customers of KCP&L?

A. Yes.

Q. How many square feet of usable space does this group of Intervenor's utilize?

A. Well in excess of one million square feet.

Q. How much did the Intervenor's pay during calendar year 1985 to KCP&L for steam heat?

A. \$255,859.00

Q. Have you reviewed the Downtown Steam System Conversion Study prepared by KCP&L?

A. Yes.

Q. What other information have you reviewed relative to the proposed conversion plan?

A. The bulk of the information we have reviewed has come from KCP&L and includes correspondence from KCP&L relative to the conversion plan (July 19, 1985), informational releases relative to the plan, the testimony submitted by KCP&L and the energy audit conducted by Energy Masters Corporation for KCP&L.

Q. Have the Intervenors attended any meetings conducted by KCP&L relative to the proposed conversion?

A. Yes. Intervenors were present at meetings in June, 1985; March, 1986; and September, 1986.

Q. Based upon your review of information disseminated to date, explain your understanding of the proposed conversion plan.

A. Essentially, existing steam heat customers have been segregated into eleven groups (phases). The plan calls for the conversion of steam heat customers, who so elect, to on-site systems commencing with Phase 1 customers in 1987 (if approved) and concluding with Phase 11 customers in

1990. Customers may choose between electric steam boilers or all-electric heating equipment. The on-site equipment will be installed by KCP&L at its cost (except that if the customer chooses electric heating equipment and it is more expensive than the steam boiler the customer must reimburse KCP&L for the difference). KCP&L will own the equipment so installed, and the customer will pay the applicable steam rate for steam boiler equipment and electric space heating rates for electric heating equipment (with all customers to be charged under the electric rates after December 31, 1995). The equipment passes to the customer as of December 31, 1995, but any customer may purchase the equipment at its then depreciated value at any time.

Q. Are you and the other Intervenors in favor of the proposed conversion plan?

A. Yes.

Q. Was a study of energy requirements done for KCSI by KCP&L?

A. Yes.

Q. What was the recommendation?

A. The recommendation of Energy Masters, the consultant retained by KCP&L, was that we have installed one low pressure electric resistance steam boiler plant consisting of two 518 KW boilers.

Q. According to the recommendation, what capital outlay would be required for this equipment and installation?

A. \$166,381.

Q. Was such a study conducted for all of the Intervenors?

A. To my knowledge, yes.

Q. What is your attitude toward KCP&L's proposal to bear the expense of installing the on-site electric steam boilers or all-electric heating equipment?

A. We are currently steam customers of KCP&L. If the central steam system is to be phased out, we must seek alternative heating systems. The required capital expenditure necessitated by the installation of an alternative system on premises is very high and could conceivably create a hardship for steam customers. Under these circumstances, we regard the KCP&L proposal as equitable and fair to us and to KCP&L.

We receive the on-site system, and KCP&L closes its central steam facility, which we understand to have been a financially losing proposition for KCP&L.

Q. Are the steam heat customers obligated to convert to one of the two alternatives proposed by KCP&L?

A. No.

Q. What are your concerns in the event that the conversion plan is not approved?

A. I am concerned that, if current trends continue, further steam customer decline is likely with the end result being that fewer customers will be paying more for each pound of steam used. Additionally, I am concerned that the current steam system will continue to deteriorate creating problems with delivery and disruption.

Q. Have you considered gas as an alternative to the conversion plan.

A. Yes.

Q. What are your concerns with gas as an alternative?



A. As a potential customer, my concerns are twofold. First of all, although utility rates have generally risen locally over the last several years, natural gas is certainly currently competitively priced. However, based upon information currently available, and recognizing that experts may disagree, there is some indication that a glut exists for natural gas at this time. Natural gas is readily available, and the rates appear to be reflective of this. Should the glut end, although there is uncertainty as to when this might occur, I am concerned as to what effect this might have on rates. Secondly, should the glut end, I am concerned as to the effect this might have on availability of gas.

Q. Have you reviewed KCP&L's steam supply options?

A. Yes.

Q. Would you explain for us why you regard the proposed conversion plan superior to the other options?

A. By way of a preliminary, I would note that my comments in this regard are derived from a review of KCP&L testimony and exhibits in these proceedings. As to Option 1, continuing the present operation, the biggest drawback would appear to be the continuing high cost of operation and maintenance.

As to Option 2, replacing existing coal-fired boilers with new coal-fired boilers, there appears to be a very high cost in terms of the new boilers.

Option 3, electrode boilers, involves not only a high fuel cost but also a high capital cost in terms of the new equipment.

Option 4 involves continuing the present operation except for the installation of small central station electrode boilers. According to information supplied by KCP&L, this entails added energy costs and additional fixed capital costs.

Another option discussed in the KCP&L conversion study is the refuse-derived fuel facility option. We concur with the conclusions of KCP&L that such an operation is not desirable.

Q. Is there any concern known to you as to the scheduling of the conversion by KCP&L?

A. I have no information from within our group of Intervenorors suggesting a problem with the proposed schedule although other affected property owners might be concerned. Certainly,

if this is the case, the public hearing now scheduled for March 30, 1987 offers these individuals a perfect forum to raise this issue.

Q. Have you experienced problems with the delivery of steam under the current system?

A. Disruption in service has not to date created any major problems that I am aware of. However, as I indicated above, I am concerned about major disruptions if the current system is retained and further deterioration occurs.

Q. Has the current system of steam delivery caused other inconveniences?

A. Anyone who is familiar with the downtown area of Kansas City, Missouri realizes that streets and sidewalks are frequently dug up for repairs necessitated by the steam pipes. This is not only frequently inconvenient in terms of traffic flow but also presents a potentially dangerous situation.

Q. Does this conclude your testimony?

A. Yes.

AFFIDAVIT

STATE OF MISSOURI                     )  
  )  
COUNTY OF JACKSON                 )     ss.

Albert P. Mauro, being first duly sworn, on his oath states: that he has participated in the preparation of the foregoing written testimony, in question and answer form, consisting of 10 pages, to be presented to the Public Service Commission of the State of Missouri in Case No. HO-86-139; that the answers therein contained were given by him; that he has knowledge of the matters set forth in said answers; and that such answers are true to the best of his knowledge and belief.

Albert P. Mauro  
Albert P. Mauro

Subscribed and sworn to before me this 20th day of February, 1987.

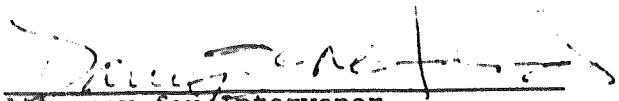
John A. Vering III  
Notary Public

My Commission Expires:

9-16-1990

JOHN A. VERING III  
Notary Public - State of Missouri  
Commissioned in Jackson County  
My Commission Expires Sept. 16, 1990

Appropriate copies of the foregoing testimony was mailed to all parties of record, first class mail, postage prepaid, this 20th day of February, 1987.

  
\_\_\_\_\_  
Attorney for Intervenor  
Boatmen's First National Bank  
Of Kansas City, et al.