

FILED³

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Missouri Public
Service Commission

Exhibit No.

Issue: Certificate of
Convenience and
Necessity

Witness: Brian P. Kirk

Type of Exhibit: Surrebuttal Testimony

Sponsoring Party: Trigen-Kansas City

Case No. HA-2006-0294

Date Testimony Prepared: April 27, 2006

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

SURREBUTTAL TESTIMONY

OF

BRIAN P. KIRK

TRIGEN-KANSAS CITY ENERGY CORP.

NP

Exhibit No. 2
Case No(s). HA-2006-0294
Date 5-15-06 **Rptr** XF

TABLE OF CONTENTS

SURREBUTTAL TESTIMONY OF BRIAN P. KIRK

Section	Testimony Reference
KCPL Rebuttal Testimony	2
Staff Rebuttal Testimony	4

HC Schedule BPK-1-S	Highly Confidential response to Staff Data Request No. 0019
HC Schedule BPK-2-S	Feasibility Study – Handwritten Notations

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
SURREBUTTAL TESTIMONY OF BRIAN P. KIRK
ON BEHALF OF TRIGEN KANSAS CITY ENERGY CORP.
CASE NO. HA-2006-0294**

1 Q. Please state your name and business address.

2 A. My name is Brian P. Kirk and my business address is Trigen-Kansas City Energy
3 Corporation, 115 Grand Avenue, Kansas City, MO 64106.

4
5 Q. By whom are you employed and in what capacity?

6 A. I am employed by ThermalSource, LLC, a wholly owned subsidiary of Thermal North
7 America, Inc., and serve as Vice President & General Manager of Trigen-Kansas City
8 Energy Corporation (referred to in this document as "Trigen" or the "Company").

9
10 Q. Are you the same Brian Kirk that sponsored direct testimony in this same proceeding?

11 A. Yes.

12
13 Q. Have you reviewed the rebuttal testimony filed on behalf of Staff and Kansas City Power
14 & Light Company ("KCPL") in this proceeding?

15 A. Yes. I have reviewed the rebuttal testimonies of Staff witnesses Messrs. V. William
16 Harris and Alan J. Bax as well as KCPL witness Mr. David L. Wagner. My surrebuttal
17 testimony will briefly reply to the impact of Mr. Harris' recommendations and respond to
18 rebuttal testimony of KCPL witness Mr. Wagner.

KCPL REBUTTAL TESTIMONY

Q. What is the purpose of Mr. Wagner's rebuttal testimony¹?

A. Mr. Wagner states: "The purpose of my testimony is to confirm that KCPL is capable of providing economic electric service to generate steam heat to Truman Medical Center ("TMC"). I also explain that KCPL offers its customers a comprehensive energy consumption analysis, including electric heat."²

Q. Do you concur with Mr. Wagner that KCPL is capable of providing electric service to enable TMC to economically generate steam heat?

A. No. Mr. Wagner's rebuttal testimony offers no economic analyses comparing the relative costs to TMC of using electricity to self-generate steam versus purchasing district steam from Trigen. Based on a highly confidential economic analysis that I performed and Trigen produced in a highly confidential response to Staff Data Request No. 19, Trigen continues to believe that district steam service is a superior economic option for the provision of steam heating energy to TMC.

Q. Explain the basis for your contention that Trigen district energy service is more economical than KCPL electric service.

A. Overall, Mr. Wagner's rebuttal testimony was very general, simply referring to KCPL's ability to provide "...economic electric service to its customers..."³ for a number of uses. Unfortunately, this testimony did not respond directly to the question, which asked

¹ In Mr. Wagner's testimony, it is denominated as both direct and rebuttal testimony, but should have been simply denominated as rebuttal according to the procedural schedule.

² Wagner rebuttal, p. 2, lines 9-12.

³ Wagner rebuttal, p. 2, lines 17-18.

1 whether "...KCPL can provide economic electric service to generate steam heat to
2 TMC?" In the absence of a direct answer to the question or alternative analyses
3 illustrating KCPL's view of the relative economics of steam produced by electric energy
4 as compared to Trigen's district steam, Trigen is unable to respond directly to the basis
5 underlying Mr. Wagner's general assertion.

6
7 However, Trigen has modeled the steam requirements of TMC, as well as the cost of
8 serving the facility using each of the three energy options potentially available to produce
9 heating energy: electricity, natural gas and district steam. The table below summarizes
10 the approximate estimated relative costs to TMC under each of the available options for
11 provision of steam energy.

<u>Steam Energy Option</u>	<u>TMC's Cost/mlb</u>	<u>TMC's Annual Cost</u>
Electric Self-Production	**\$ /mlb**	**\$ **
Natural Gas Self-Production	**\$ /mlb**	**\$ **
Trigen District Steam Service	**\$ /mlb**	**\$ **

12
13 Source: Trigen's highly confidential response to Staff Data Request No. 0019.

14 It should also be noted that the Electric Self-Production costs are conservatively generous
15 to KCPL in that the amounts are exclusive of the capital costs necessary to purchase and
16 install electric boilers. Even using conservative estimates, Trigen estimates that district
17 steam heat is about 40% less costly to TMC than purchasing electricity to self-generate
18 steam. While this analysis shows Natural Gas Self-Production costs falling between
19 Electric Self-Production and Trigen Steam Service, the Natural Gas analysis was based

1 on a conservative annual commodity average unit price of \$8.19/mmbtu. [As of April 25,
2 2006, the commodity-only gas cost is currently \$9.6851/mmbtu.⁴]

3
4 For further information on the assumptions used to develop the above approximations,
5 refer to Trigen's Highly Confidential response to Staff Data Request No. 0019 (attached
6 as HC Schedule BPK-1-S).

7
8 **STAFF REBUTTAL TESTIMONY**

9 Q. Please identify and briefly reply to the impact of Mr. Harris' recommendations that is the
10 subject of your surrebuttal testimony.

11 A. Mr. Harris qualifies Staff's recommendation that the Commission conditionally approve
12 Trigen's Application by imposing two "hold harmless" conditions, one of which would
13 require TMC to finance the entire construction cost of the extension project.⁵ Obviously,
14 Trigen is unable to address TMC's willingness or resources to finance the entire
15 construction cost of the extension project. Assuming TMC were willing to provide a
16 construction advance in an amount equal to the construction cost estimate included in
17 Trigen's original feasibility study, I have edited a portion of the highly confidential
18 feasibility attached to my direct testimony, specifically page 3 of HC Schedule BPK-2, to
19 show the impact of this Staff condition. The handwritten notations set forth on HC
20 Schedule BPK-2-S (attached hereto) shows that the increase in the construction advance
21 would reduce Trigen's net construction costs to "zero," while gross margin would remain
22 unchanged.

⁴ NYMEX Natural Gas Futures; 18-month strip price; 4/25/06.

⁵ Harris rebuttal, p. 3, line 5, and p. 7, line 12, through p. 8, line 7.

1

2 Q. Does this conclude your prefled surrebuttal testimony?

3 A. Yes.

THIS SCHEDULE HAS BEEN DEEMED
HIGHLY CONFIDENTIAL
IN ITS ENTIRETY

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**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

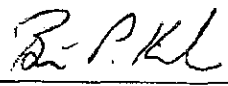
In the matter of the application of Trigen-)
Kansas City Energy Corporation for a)
Certificate of Public Convenience and)
Necessity authorizing it to construct, install,)
own, operate, control, manage and maintain)
a steam heat distribution system to provide)
steam heat service in Kansas City, Missouri,)
as an expansion of its existing certified area.)

Case No. HA-2006-0294

AFFIDAVIT OF BRIAN P. KIRK

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Brian P. Kirk, being of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form to be presented in the above case; that the answers in said Surrebuttal 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.



Brian P. Kirk

Subscribed and sworn to before me this 27 day of April, 2006.

BENJAMIN A. LABUS
Notary Public-Notary Seal
STATE OF MISSOURI
Commissioned in Jackson County
05688359
My Commission Expires March 29, 2009



Notary