

Exhibit No.:
Issue: Generation O&M
Witness: Terry S. Hedrick
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2010-0355
Date Testimony Prepared: January 5, 2011

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-0355

SURREBUTTAL TESTIMONY

OF

TERRY S. HEDRICK

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
January 2011**

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Case No. ER-2010-0355

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

2 A: My name is Terry S. Hedrick. My business address is 1200 Main Street, Kansas City,
3 Missouri, 64105.

4 **Q: Are you the same Terry S. Hedrick who prefiled rebuttal testimony in this matter?**

5 A: Yes.

6 **Q: What is the purpose of your surrebuttal testimony?**

7 A: The purpose of my testimony is to rebut the rebuttal testimony of MPSC Staff witness
8 Karen Lyons concerning steam production maintenance expense normalization
9 (Company adjustment CS-42). Ms. Lyons is proposing the use of a two-year (2008-
10 2009) average using actual in-year dollars for steam production maintenance expenses
11 (accounts 510-514), excluding KCP&L labor, rather than a seven-year indexed average
12 proposed by the Company. Ms. Lyons is proposing \$27,186,949 for production
13 maintenance accounts 510-514 normalization. The Company's proposal for maintenance
14 normalization of these accounts is \$29,070,883 (updated for know and measureable
15 changes to 12/31/10). The difference between these two proposals is \$1,883,934.

16 **Q: Why does Staff's proposal not reflect the Company's annualized maintenance**
17 **expense?**

18 A: The principal behind normalizing test year amounts is so they are representative of
19 ongoing maintenance expense. Staff's use of a two-year average of actual costs ignores

1 the reality that turbine maintenance is scheduled roughly every seven years. As such,
2 Staff proposal, if adopted, will not accurately reflect KCP&L's costs to serve its
3 customers.

4 **Q: Can you explain why the Company is proposing the use of a seven-year average?**

5 A: Major boiler and turbine overhauls occur on a periodic cycle that may occur every two to
6 seven years, depending on the type of maintenance. The Company currently schedules
7 steam turbine overhauls roughly every seven years. The industry continues to investigate
8 methods of lengthening the cycle for steam turbine overhauls. Scheduled turbine
9 overhauls normally add several million dollars or more over the amount of costs
10 experienced in a non-overhaul period. The Company recommends index averaging over
11 a seven-year period to capture the longest maintenance cycle.

12 **Q: Can you explain why the Company is proposing the use of an indexed average?**

13 A: Yes. The Company is proposing the use of steam account expenses for years 2003-2009.
14 When proposing the use of multi-year historical averaging, all years should be indexed to
15 like-year dollars to match the test year and account for market pricing fluctuations. The
16 Company is proposing that all years are indexed to 2009 dollars by the use of the Handy-
17 Whitman index.

18 **Q: Can you provide more detail about the Handy-Whitman index and why it is
19 appropriate for the Company to use it for multi-year index averaging?**

20 A: Company witness John Weisensee in his surrebuttal testimony talks to the
21 appropriateness of using the Handy-Whitman index.

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

23 A: Yes, it does.

