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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2012-0175

SURREBUTTAL TESTIMONY

OF

BURTON L. CRAWFORD

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
October 2012**

**Certain Schedules Attached To This Testimony Designated "Highly Confidential"
Have Been Removed
Pursuant To 4 CSR 240-2.135.**

GMO Exhibit No. 112 NP
Date 10-29-12 Reporter KKF
File No. ER-2012-0175

SURREBUTTAL TESTIMONY

OF

BURTON L. CRAWFORD

Case No. ER-2012-0175

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

2 A: My name is Burton L. Crawford. My business address is 1200 Main, Kansas City,
3 Missouri 64105.

4 **Q: Are you the same Burton L. Crawford who pre-filed Direct and Rebuttal Testimony**
5 **in this matter?**

6 A: Yes, I am.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of KCP&L Greater Missouri Operations Company (“GMO” or
9 the “Company”) for St. Joseph Light & Power (“L&P”) and Missouri Public Service
10 (“MPS”) territories.

11 **Q: What is the purpose of your Surrebuttal Testimony?**

12 A: The purpose of my testimony is to rebut issues related to the Crossroads Energy Center
13 (“Crossroads”) transmission service that were raised by the Missouri Public Service
14 Commission Staff (“Staff”) witness Mr. Cary G. Featherstone and valuation issues raised
15 by Staff witness Ms. Lena M. Mantle.

16 **Q: As support for the exclusion of transmission service costs for Crossroads, Mr.**
17 **Featherstone claims that, “all of KCPL’s and GMO’s generating facilities do not**
18 **need firm transmission service because, as a member of the Southwest Power Pool**
19 **(SPP) except for one power plant – Crossroads, all other generating units are able to**

1 **transport power to their retail customers without incurring firm transmission**
2 **costs.” (Featherstone Rebuttal, p. 35). Is this true?**

3 A: No. Every generating plant used to meet GMO’s SPP capacity requirements must have
4 firm transmission service. All Kansas City Power & Light Company (“KCP&L”) and
5 GMO nuclear, coal, gas and oil generating facilities have firm transmission service.

6 **Q: Do GMO retail customers somehow avoid incurring costs for firm transmission for**
7 **GMO generating resources located in SPP?**

8 A: No. GMO retail customers pay for firm transmission service mostly through paying for
9 the cost of GMO’s transmission system. These costs are embedded in GMO’s retail
10 rates.

11 **Q: Is GMO required to have firm transmission service for Crossroads?**

12 A: Yes, if it wants to count it as capacity. Like all GMO generating resources, firm
13 transmission service must be obtained in order for GMO to count the resource’s capacity
14 towards meeting its SPP capacity requirements. While GMO may be able to move
15 energy from a generating resource without firm transmission service (e.g., non-firm
16 service), it would have to use other resources to meet its capacity obligations.

17 **Q: Mr. Featherstone claims that “Since this Mississippi generating plant is located 525**
18 **miles away from GMO’s load centers, GMO has decided for the Crossroads facility**
19 **to have firm transmission to get power back to its retail customers in Missouri.”**
20 **(Featherstone Rebuttal, p. 36). Is this true?**

21 A: No. The fact that the plant is located in Mississippi has absolutely nothing to do with the
22 decision to get firm transmission service. The fact that:

- 1 (1) Generation used to meet capacity obligations in SPP must have firm transmission
2 service, and
- 3 (2) GMO must meet its capacity obligations in SPP, and
- 4 (3) The total cost of the Crossroads facility (including the cost of firm transmission
5 service) was the lowest cost option available to GMO for meeting its capacity
6 obligations. This is why the Company chose to obtain firm transmission service
7 for Crossroads. All other options were more expensive.

8 **Q: Is Crossroads the only generating facility that KCP&L and GMO make a direct**
9 **payment to another entity related to firm transmission service?**

10 A: No, it is not. KCP&L pays Westar Energy, Inc. (“Westar”) for transmission for Wolf
11 Creek. GMO pays Westar for transmission for the Jeffery Energy Center, and GMO pays
12 Nebraska Public Power District (“NPPD”) for transmission service for the Cooper
13 Nuclear power purchase agreement.

14 **Q: Mr. Featherstone claims that the Company and Mr. Crawford “fail to understand”**
15 **that due to a deliberate business decision by Aquila to place Crossroads in a**
16 **congested area that it would “ultimately be costly to transport power out of the**
17 **region.” (Featherstone Rebuttal, p. 37). Is the current cost of firm transmission**
18 **service based on transmission congestion from Crossroads?**

19 A: No. The firm transmission rate paid to Entergy Corporation (“Entergy”) is the same rate
20 that any transmission customer would pay for firm exports from the Entergy system. As
21 long as the transmission system has the capacity available for firm service, the price is the
22 same. This is a Federal Energy Regulatory Commission (“FERC”) approved rate for
23 service and has nothing to do with congestion.

1 **Q: In support for excluding the firm transmission costs for Crossroads from GMO’s**
2 **cost of service, Mr. Featherstone claims that “no regulated utility located in Kansas**
3 **City would build power plant facilities so far away from where customers needing**
4 **power are located....” (Featherstone Rebuttal p. 38). Do you agree with this**
5 **statement?**

6 **A:** Unless it was the lowest cost option for serving retail load, it is true that a regulated
7 utility would not likely build a generating facility distant from its load. However, this
8 concept has nothing to do with the issue at hand. In the case of Crossroads, the regulated
9 utility did not build this facility, it was already in place and was an option available for
10 consideration in 2007 when GMO was deciding to add generating resources. Crossroads
11 should not have been excluded from consideration simply because of its location. Since
12 the Company was able to procure firm transmission service and the total cost of service
13 for Crossroads was less than the available alternatives, it was chosen for supplying the
14 capacity and energy needs of the Company’s retail customers.

15 **Q: Staff witness Lena M. Mantle asserts that the 2007 analysis conducted by the**
16 **Company concerning capacity additions to the GMO supply portfolio does not**
17 **provide an appropriate basis for the valuation of Crossroads. (Mantle Rebuttal, p.**
18 **2). Do you agree?**

19 **A:** No, the 2007 analysis provides an appropriate basis for the determination.

20 **Q: Why does Staff assert that it is not an appropriate basis?**

21 **A:** Ms. Mantle provides two reasons: (1) an analysis done by the Company in 2010, and (2)
22 the fact that an analysis of alternative resource plans conducted by the Company in 2004

1 indicated that the least cost resource plan was to build five, not three combustion turbines
2 (“CT”) for service starting in 2005.

3 **Q: Do you agree with these reasons to exclude consideration of the Company’s 2007**
4 **analysis?**

5 **A:** No.

6 In regards to the first reason, the Company had a decision to make in 2007
7 regarding additional generating resources. While the study conducted in 2010 showed
8 that Crossroads was the lowest cost option for GMO, this study conducted in 2010 has
9 nothing to do with a decision made in 2007 to add Crossroads as part of its preferred
10 resource plan.

11 In regards to the second reason, the fact that resource plans analyzed in 2004
12 indicated that building five CTs instead of three CTs had a lower 20-year net present
13 value of revenue requirements (“NPVRR”) should not form the basis for rejecting the
14 2007 analysis as the difference in NPVRR was negligible. Staff would have the
15 Commission believe that since Staff believes that the 2004 decision to pursue the three
16 CT plan was imprudent, that the 2007 analysis is irrelevant.

17 As described by Ms. Mantle, the Company conducted a study in 2004 that
18 indicated that building five CTs at South Harper would be lower cost over a 20-year
19 period than building three CTs. While there is no dispute about this study or its results,
20 there is a dispute about what constitutes imprudence on the part of the Company. Staff
21 asserts the Company should have built five CTs, while the Company selected the plan to
22 build three CTs.

1 Given that the difference in cost between these two plans over a 20-year period
2 was small, it is difficult to understand why Staff has held that the Company was
3 imprudent for not building five CTs. Ms. Mantle refers to a meeting between the Staff
4 and Company on February 9, 2004 where the Company presented its analysis of
5 alternative resource plans. The presentation material from this meeting is included in
6 Schedule BLC-10 (HC). The 20-year NPVRR results are shown on page 19 of the
7 presentation. While the NPVRR difference between the plans is not stated numerically,
8 the difference appears to be about \$15 million out of more than \$2.6 billion. While not
9 the lowest cost plan, the Company had a reasonable basis to have selected the three CT
10 plan in they wanted to diversify their supply portfolio and wanted to include additional
11 base load and /or intermediate resources. Under the high gas price scenario analyzed, the
12 three CT plan was lower costs than the five CT plan.

13 This small difference in costs from the 2004 study should not be used as the basis
14 for excluding the 2007 analysis. The decision to add Crossroads as part of the
15 Company's preferred resource plan was made in 2007 based on the analysis done in
16 2007, and therefore is appropriate for the Commission's consideration.

17 **Q: Has Staff ever expressed an opinion on the amount of the difference in NPVRR**
18 **between the five CT plan and the three CT plan?**

19 **A:** Yes. During the hearings in Case No. ER-2010-0356, when presented with the results of
20 the study conducted in 2004 as presented at the February 9, 2004 meeting between the
21 Staff and Company (Tr. Vol. 38, pp. 4090-4091), Ms. Mantle stated that she could not
22 find those differences to be imprudent. Given this, it is difficult to understand how this

1 small difference in a 2004 study forms the basis for excluding from consideration an
2 analysis conducted in 2007 that specifically addresses adding capacity.

3 **Q: Are there any disputes over the 2007 analysis?**

4 A: No. The dispute has only been with how the study was used, not the study itself.

5 **Q: What are your conclusions?**

6 A: The Company's 2007 analysis is an appropriate basis for the Commission to rely on to set
7 the value of Crossroads as it was conducted at the time the decision was made to add
8 Crossroads to the GMO supply portfolio. The Company's 2010 analysis is irrelevant to
9 the 2007 decision. The Company's analysis and decision in 2004 to pursue a three CT
10 plan was prudent. The small difference in NPVRR is insufficient grounds to find the
11 Company's course of action imprudent or somehow forms the basis to exclude
12 consideration of the Company's 2007 analysis.

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

14 A: Yes, it does.

SCHEDULE BLC-10
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