

Exhibit No.:  
Issue: Sibley Unit 3 SCR  
Witness: Terry S. Hedrick  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: KCP&L Greater Missouri  
Operations Company  
Case No.: ER-2009-0090  
Date Testimony Prepared: March 13, 2009

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2009-0090**

**REBUTTAL TESTIMONY**

**OF**

**TERRY S. HEDRICK**

**ON BEHALF OF**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri  
March 2009**

**REBUTTAL TESTIMONY**

**OF**

**TERRY S. HEDRICK**

**Case No. ER-2009-0090**

1 **Q: Are you the same Terry S. Hedrick who submitted Direct Testimony in this case on**  
2 **behalf of KCP&L Greater Missouri Operations Company (“GMO” or the**  
3 **“Company”) on or about September 5, 2008?**

4 **A:** Yes, I am.

5 **Q. What is the purpose of your Rebuttal Testimony?**

6 **A.** The purpose of my testimony is to rebut the direct testimony of Cary Featherstone, of the  
7 Staff of the Missouri Public Service Commission concerning his proposal for the  
8 Commission either (i) to limit the amount of costs the Company can include in this case  
9 concerning the Company’s investment in air quality control system (“AQCS”) equipment  
10 at Sibley unit 3 and/or (ii) to defer making a prudence determination on that project.  
11 Although Mr. Featherstone’s proposal appears to apply equally to the Company’s  
12 investment in AQCS equipment at Iatan 1 and the Jeffrey Energy Center, my rebuttal  
13 testimony is limited to the AQCS project at Sibley unit 3. Company witness Brent Davis  
14 will speak to the Company’s investments at Iatan 1 and Dana Crawford will speak to the  
15 Jeffrey Energy Center project. In addition, Chris Giles testifies to the appropriateness of  
16 the Commission deferring a prudence determination on such significant plant  
17 investments.

1 **Q: What does Mr. Featherstone recommend concerning the Company's request to**  
2 **include in rate base in this case its investment in AQCS equipment at Sibley unit 3?**

3 A: Citing the magnitude of the Company's construction projects, Mr. Featherstone explains  
4 that "Staff will not be able to complete and present the results of construction cost  
5 reviews for any of these projects in these rate cases" either now or as part of the true-up  
6 procedures in this case. He therefore recommends "the Commission either, (1) to the  
7 extent the costs of that project exceed KCPL's and GMO's definitive estimate, make that  
8 portion of GMO's rates interim subject to refund or (2) expressly state in its Report and  
9 Order in this case that it is not deciding for the purpose of setting rates in this case the  
10 issue whether the construction costs of the Iatan 1, Sibley and Jeffrey Energy Center  
11 projects were prudently incurred and that it will take up the matter of the prudence of  
12 those costs in future rate cases, if a party properly raises the issue before the Commission  
13 in those cases." Featherstone Direct, p. 33.

14 **Q: Do you agree with Mr. Featherstone's proposal either to limit the amount of costs**  
15 **the Company can include in this rate case concerning its investment at Sibley Unit 3**  
16 **and/or to postpone the Commission's determination of whether the costs incurred**  
17 **by GMO for the project were prudent?**

18 A: No. As I explained in my Direct Testimony, the AQCS project at Sibley unit 3 involves  
19 the addition of a selective catalytic reduction system ("SCR"). The Company seeks to  
20 reflect in its rates as part of this case the cost associated with that investment. Work on  
21 the Sibley 3 SCR has been completed. It is fully operational and used for service. Given  
22 Staff's involvement with the project and the amount of information that Staff has  
23 requested and received concerning the project, I do not believe it is appropriate for either

1 the Commission to limit the level of costs to be included in this case or for the Staff to  
2 defer its prudence review.

3 **Q: You noted that Staff has been involved with the Sibley 3 SCR project. Please**  
4 **explain.**

5 A: Members of the Utility Operations Division made three site visits to Sibley on October 3,  
6 November 11, 2008, and January 15, 2009 to witness the construction and completion of  
7 the project. Their visits included an extensive tour of the project.

8 **Q: During their site visit, did the Utility Operations Division Staff ask questions?**

9 A: Yes. They asked, and GMO representatives answered questions regarding the project,  
10 including questions about schedule, cost, construction, and engineering issues.

11 **Q: Did the Utility Operations Division Staff request any documentation during their**  
12 **visit?**

13 A: Yes. The Utility Operations Division Staff requested documents that we provided  
14 subsequent to their visits.

15 **Q: Was there ever any information requested by the Utility Operations Division Staff**  
16 **during these visits that the Company refused to provide?**

17 A: No.

18 **Q: Did the Utility Operations Division Staff have any other involvement with the**  
19 **project?**

20 A: Yes, they did. The Utility Operations Division Staff developed the in-service criteria for  
21 the project, and they have requested and received information concerning the project's  
22 satisfaction of those criteria. In addition, they have requested and received extensive  
23 background data and cash flow documents concerning the project.

1 **Q: Do you understand the in-service criteria the Company has agreed to with Staff for**  
2 **the AQCS equipment to require the equipment to demonstrate compliance with all**  
3 **of the performance guarantees included in the underlying contracts related to the**  
4 **procurement, construction, and/or installation of the equipment?**

5 A: No, I do not. The Commission has not applied in-service criteria in that manner because  
6 it would be unworkable to do so.

7 **Q: Why would it be unworkable to tie in-service criteria to contractual performance**  
8 **guarantees?**

9 A: There are probably a variety of reasons, but an obvious one that comes to mind is that the  
10 timing would not work. It is not uncommon for contractual guarantees to be tied to  
11 months or even years of equipment performance. If the Commission used satisfaction of  
12 such performance guarantees as in-service criteria, it would take months if not years after  
13 completion of the equipment to satisfy the in-service criteria and include the plant in  
14 rates. That is not how in-service criteria are written and that is not how the Commission  
15 has interpreted them.

16 **Q: Could you provide an example of how the Commission typically handles contractual**  
17 **performance guarantees that require a significant amount of time to satisfy?**

18 A: Yes, the in-service criteria for the Sibley 3 AQCS equipment presents a good example.  
19 One of the criteria is to demonstrate that “Equipment successfully meets operational  
20 control guarantees. (Note: Some operational contract guarantee verification periods may  
21 extend beyond the duration of the schedule for a rate case. These guarantees will be  
22 evaluated for applicability.)” In looking at whether such guarantees are applicable, the  
23 Commission typically looks to whether the equipment is doing what it was designed to

1 do, whether it be generating power or removing sulfur dioxide or nitrous oxides from flue  
2 gas. Ultimately, the Commission has to determine whether the equipment at issue is  
3 “fully operational and used for service.” That is the appropriate test.

4 **Q: Does Mr. Featherstone provide any evidence in his Direct Testimony that GMO has**  
5 **not prudently managed the Sibley 3 SCR project?**

6 A: No, he does not. He merely suggests that the Company be held to the “definitive  
7 estimate” of the project and/or that a prudence determination be postponed until a  
8 subsequent rate case. Such courses of action would only be appropriate if there was  
9 serious doubt about GMO’s prudent management of the project.

10 **Q: Do you have any reason to believe that GMO has not prudently managed the Sibley**  
11 **3 SCR project?**

12 A: No, I do not.

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

14 A. Yes, it does.

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

In the Matter of the Application of Aquila, Inc. dba        )  
KCP&L Greater Missouri Operations Company to        ) Case No. ER-2009-0090  
Modify Its Electric Tariffs to Effectuate a Rate Increase )

**AFFIDAVIT OF TERRY S. HEDRICK**

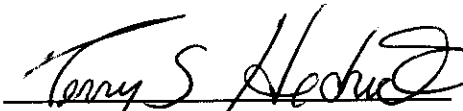
STATE OF MISSOURI    )  
                                  ) ss  
COUNTY OF JACKSON )

Terry S. Hedrick, being first duly sworn on his oath, states:

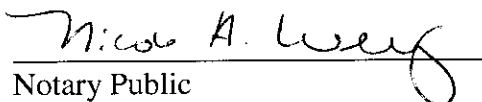
1. My name is Terry S. Hedrick. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Manager of Plant Engineering.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of KCP&L Greater Missouri Operations Company consisting of five (5) pages and Schedule(s) \_\_\_\_\_ through \_\_\_\_\_, all of which having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Terry S. Hedrick

Subscribed and sworn before me this 13<sup>th</sup> day of March 2009.

  
\_\_\_\_\_  
Notary Public

My commission expires: Feb 4 2011

