

Exhibit No.: \_\_\_\_\_  
Issue: Iatan Project History and Prudence  
Witness: Chris B. Giles  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: The Empire District Electric Company  
Case No.: ER-2011-0004  
Date Testimony Prepared: April, 2011

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. ER-2011-0004**

**REBUTTAL TESTIMONY**

**OF**

**CHRIS B. GILES**

**ON BEHALF OF**

**THE EMPIRE DISTRICT ELECTRIC COMPANY**

**\*\*\* \_\_\_\_\_ \*\*** Designates **“Highly Confidential”** Information.  
**All Such Information Should be Treated Confidentially Pursuant to 4 CSR 240-2.135.**



1 Q. ARE THE QUESTIONS AND ANSWERS ATTACHED HERETO AS APPENDICES  
2 A-C ALSO RESPONSIVE TO THE CONSTRUCTION AUDIT AND PRUDENCE  
3 REVIEW – IATAN CONSTRUCTION PROJECT COSTS REPORTED AS OF  
4 OCTOBER 31, 2010, FILED BY STAFF IN THIS EMPIRE CASE ON FEBRUARY 24,  
5 2011 (“STAFF EMPIRE REPORT”)?

6 A. Yes.

7 Q. IF I ASKED YOU THESE SAME QUESTIONS TODAY, WOULD YOUR ANSWERS  
8 BE THE SAME?

9 A. Yes, and I hereby incorporate the attached pre-filed testimony into this rebuttal testimony  
10 being filed herein on behalf of The Empire District Electric Company (“Empire”) as if  
11 fully set forth below.

12 Q. DO YOU HAVE ANY OTHER TESTIMONY TO SPONSOR IN THIS PROCEEDING  
13 ON BEHALF OF EMPIRE?

14 A. Yes. The testimony attached hereto as Appendix D (direct testimony) and Appendix E  
15 (rebuttal testimony) was filed by Bill Downey on behalf of KCPL in Case No. ER-2010-  
16 0355 in relation to the Staff Report and Staff’s allegations of imprudence on the part of  
17 KCPL pertaining to Iatan 1, 2, and common plant. The pre-filed testimony attached  
18 hereto as Appendices D and E was admitted into evidence in said Case No. ER-2010-  
19 0355, and I believe this testimony is also responsive to the Staff Empire Report. The  
20 testimony attached hereto as Appendix F (rebuttal testimony) and Appendix G  
21 (surrebuttal testimony) was filed by Curtis Blanc on behalf of KCPL in Case No. ER-  
22 2010-0355 in relation to the Staff Report and Staff’s allegations of imprudence on the  
23 part of KCPL pertaining to Iatan 1, 2, and common plant. The pre-filed testimony

1 attached hereto as Appendices F and G was admitted into evidence in said Case No. ER-  
2 2010-0355, and I believe this testimony is also responsive to the Staff Empire Report. I  
3 have knowledge of the facts and opinions set forth in the pre-filed testimony attached  
4 hereto as Appendices D-G, and I hereby sponsor said testimony and incorporated the  
5 same herein as if fully set forth below.

6 Q. IS THE STAFF REPORT FROM CASE NO. ER-2010-0355 SIMILAR TO THE STAFF  
7 EMPIRE REPORT?

8 A. Yes, but there are some differences. In addition to formatting differences, it is my  
9 understanding that Staff introduced additional information in this Empire case about a  
10 few items that they recommended for disallowance. In fact, Empire issued Data Requests  
11 237 and 238 in which Empire asked Staff to clarify what differences existed between the  
12 reports.

13 Q. HOW DID STAFF RESPOND?

14 A. Both Data Request responses state that the following additional information was included  
15 in the Staff Empire Report:

- 16 • Page 16 – reference to Enerfab and Bonus Adjustment;
- 17 • Page 20-21 – these inappropriate charges were not specifically included and  
18 described in the Staff's KCPL filings;
- 19 • Pages 58-61 – Pullman adjustment description;
- 20 • Page 103 – 108 Enerfab adjustment;
- 21 • Page 109 – Iatan 2 Bonus Adjustment.

22  
23 Q. PLEASE IDENTIFY THE ADDITIONAL ENERFAB AND BONUS ADJUSTMENT  
24 ITEMS REFERENCED ON PAGE 16 OF THE STAFF EMPIRE REPORT.

25 A. The first two line items in the report are “Enerfab Start-up Trailer Cleaning Change Order  
26 Adjustment (7/09 through 8/10)” and “Iatan 2 Bonus Adjustment.” These two items are

1 discussed in greater detail on pages 103 – 109 of the report and will be addressed later in  
2 my testimony.

3 Q. PLEASE IDENTIFY THE ADDITIONAL “INAPPROPRIATE CHARGES”  
4 REFERENCED ON PAGES 20-21 OF THE STAFF EMPIRE REPORT.

5 A. On pages 20-21, Staff identifies 13 items associated with executive management expense  
6 reports that they allege are imprudent. These 13 items total approximately \$10,000 in  
7 expenses; based on these approximately \$10,000 worth of expenses, Staff proposes a  
8 generic \$100,000 adjustment to the Iatan 1 and Iatan 2 projects.

9 Q. PLEASE IDENTIFY THE ADDITIONAL “PULLMAN ADJUSTMENT”  
10 REFERENCED ON PAGES 58-61 OF THE STAFF EMPIRE REPORT.

11 A. Staff recommends disallowance of two change orders signed with Pullman. The first  
12 change order is associated with expenses that resulted from Pullman procuring a  
13 performance bond for the work they performed. The second change order is associated  
14 with labor expenses incurred by Pullman to add a second shift in order to complete their  
15 work in a timely manner.

16 Q. PLEASE IDENTIFY THE ADDITIONAL “ENERFAB ADJUSTMENT”  
17 REFERENCED ON PAGES 103-108 OF THE STAFF EMPIRE REPORT.

18 A. Staff alleges that change orders with Enerfab should be disallowed. They purport that the  
19 first set of change orders were not properly documented prior to execution and that the  
20 cost “appears excessive and unreasonable.” Once again they arbitrarily choose to  
21 disallow a portion of these change orders based on their allegation that the costs appear  
22 excessive. The other change order they describe, even though they don’t specifically

1 propose disallowance from my understanding of the testimony, is questioned because  
2 they allege it was not properly executed.

3 Q. PLEASE IDENTIFY THE ADDITIONAL "IATAN 2 BONUS ADJUSTMENT"  
4 REFERENCED ON PAGE 109 OF THE STAFF EMPIRE REPORT.

5 A. Staff alleges that a bonus paid to a KCPL executive who was hired to oversee "day-to-  
6 day operations of the Iatan Construction Project" should be disallowed.

7 Q. HOW DOES KCPL RESPOND TO STAFF'S NEW ALLEGATIONS AND  
8 PROPOSED DISALLOWANCES?

9 A. Each of these additional adjustments proposed by Staff relate to the same period of time  
10 covered by Staff's Construction Audit and Prudence Review in KCPL's Case No. ER-  
11 2010-355. In other words, they relate to events that occurred prior to June 30, 2010, and  
12 payments that were made prior to October 31, 2010. With its Report and Order issued on  
13 April 12, 2011 in Case No. ER-2010-0355, the Commission found that all of the costs  
14 incurred for the Iatan 1 and 2 projects, with the exception of those items specifically  
15 noted in said Report and Order, were prudently incurred.

16 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY AT THIS TIME?

17 A. Yes.

