

Exhibit No.:

Issues: Contract Pricing,
Insurance Proceeds,
Hawthorn Outage

Witness: Giles

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Case No.: EC-99-553

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Service Commission

REBUTTAL TESTIMONY

OF

CHRIS B. GILES

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

NP

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1 Q. **PLEASE STATE YOUR NAME, BUSINESS AFFILIATION AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Chris B. Giles. I am employed by Kansas City Power & Light
4 Company (KCPL or Company), and currently serve as Director of Regulatory
5 Services. My business address is 1201 Walnut, Kansas City, Missouri.

6 Q. **PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
7 **EXPERIENCE.**

8 A. I graduated from the University of Missouri at Kansas City in 1974 with a B.A. in
9 Economics and in 1981 with an M.B.A. with concentrations in accounting and
10 quantitative analysis. I was first employed by KCPL in 1975 as an Economic
11 Research Analyst in the Rates and Regulation Department. I held positions as
12 supervisor and manager of various rate functions until 1988 when I was
13 promoted to Director of Marketing. In January 1993, I returned to the rate area
14 as Director Regulatory Affairs.

15 Q. **WOULD YOU PLEASE DESCRIBE YOUR CURRENT DUTIES AT KCPL?**

16 A. My responsibilities include all aspects of regulatory activities including cost of
17 service, rate design, revenue requirements, and tariff administration. I have
18 previously testified before both the Missouri and Kansas Commissions on
19 numerous issues regarding rates and regulation.

20 Q. **WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

21 A. GST alleges they have been overcharged under the terms of the Special
22 Contract with KCPL. (Carver testimony, page 7, line 10; Smith testimony, page
23 2, line 2.) In fact, this is not the case. GST confuses provisions of the Special

1 Contract with the protections inherent in tariff rate schedules. The purpose of my
2 testimony is to demonstrate this fact and that GST has been billed correctly
3 under the Special Contract. To do so, I will: (1) describe the costs included in
4 tariff rate schedule prices versus special contracts and explain why the outage of
5 Hawthorn 5 will impact customers served under tariff rate schedules differently
6 than contract customers, such as GST; (2) explain the difference between fixed
7 and variable pricing and why it is a central issue of GST's confusion regarding
8 the terms of the Special Contract; (3) compare GST's bills for electric service
9 under the Special Contract to bills under applicable tariff rate schedules which
10 quantifies the difference between fixed and variable pricing; (4) address the
11 issue of insurance proceeds for replacement power contained in Mr. Steven C.
12 Carver's testimony; and (5) address GST's testimony regarding the Hawthorn
13 explosion.

14 **Q. HOW LONG HAS KCPL HAD A SPECIAL CONTRACT WITH GST?**

15 **A.** Some form of contract or agreement for curtailment and/or price has been in
16 effect with GST and its predecessor-in-interest, Armco Steel, since at least 1978.
17 Pricing provisions during this time frame have taken various forms including tariff
18 prices. Under terms of the current Special Contract, GST's price is, for the most
19 part, based on KCPL's incremental cost.

1 Q. WHEN DID YOU FIRST BECOME AWARE THAT GST CONFUSED
2 PROVISIONS OF THE SPECIAL CONTRACT WITH THE PROTECTIONS
3 INHERENT IN TARIFF RATE SCHEDULES?

4 A. In early 1999, GST filed to intervene and requested a hearing on a Stipulation
5 and Agreement regarding KCPL's earnings in Case No. ER-99-313. GST's initial
6 pleadings in that case evidenced a concern that, as a special contract customer,
7 GST would not share in the 3.2 percent reduction in that case. This was the first
8 instance, to my recollection, that GST indicated it should receive the benefits of a
9 reduction in tariff prices, although the Special Contract had already resulted in
10 average savings to GST per kwh of _____ percent below the tariff rate
11 schedules. Subsequently in that case, and then in this case, GST raised the
12 issue of reliability, maintenance practices and the effectiveness of the operation
13 of KCPL's generation and distribution system. GST's allegations are totally
14 without merit as will be shown in the testimony of Ms. Monica Eldridge regarding
15 KCPL's maintenance and operations statistics, and Mr. Mike Bier, regarding
16 KCPL's response to GST's distribution reliability concerns. This case is about
17 price. It is about the risks and rewards of variable or incremental cost pricing
18 under the Special Contract vs. cost-based tariff pricing which is largely fixed.
19 GST would like to enjoy the benefits of a variable price-based contract when
20 prices are low and have all the protections of a cost-based tariff with fixed prices
21 when prices are high. Alternatively, GST would actually prefer a substantially
22 lower than tariff fixed price with no risk to GST of variations in price.

1 Q. **WHY DID GST NOT RECEIVE THE RATE REDUCTION IN CASE NO.**
2 **ER-99-313?**

3 A. It would not make any economic sense to tie increases or decreases in tariff rate
4 schedules to a contract that is not specifically tied to the tariff prices.

5 Q. **PLEASE PROVIDE AN EXAMPLE OF WHY IT MAKES NO ECONOMIC**
6 **SENSE TO TIE INCREASES OR DECREASES IN TARIFF PRICES TO A**
7 **CONTRACT.**

8 A. The Special Contract between GST and KCPL is a good example. The Special
9 Contract provides that each kwh will be priced based on KCPL's hourly
10 incremental cost plus a small fixed adder. In addition, a fixed demand charge for
11 that portion of the load that is firm and a fixed delivery charge are applicable.
12 These are the provisions of the Special Contract as negotiated and agreed to by
13 KCPL and GST. No other increases or decreases are identified or contemplated
14 under the Special Contract. Thus, the Special Contract has very little relevance
15 to total system cost of service which may be increasing or decreasing which
16 may, in turn, cause a change in tariff prices. For example, if KCPL's costs for
17 insurance increase, no portion of these costs can be passed to GST. If KCPL
18 builds additional generation facilities, no capital or fixed costs of these facilities
19 can be passed to GST. If KCPL's fixed operation and maintenance costs
20 increase, these costs cannot be passed to GST. Incremental cost is defined in
21 the Special Contract as fuel plus variable operations and maintenance expense
22 including purchased power. See Special Contract, §1.10, a copy of which is
23 attached hereto as Schedule CBG-1. Increases or decreases in costs of labor,

1 debt, equity, indirect taxes, systems upgrades, etc. are all considered when
2 determining whether an increase or decrease in tariff prices is necessary.
3 Obviously a contract which did not include or contemplate such costs as a
4 component of its overall structure will not be affected by changes in these costs.
5 The Special Contract is what it is. A clear distinction must be maintained
6 between total system cost of service based prices and special contract prices.

7 **Q. HOW HAS THE LOSS OF HAWTHORN 5 IMPACTED THE PRICES CHARGED**
8 **TO TARIFF RATE SCHEDULE CUSTOMERS?**

9 A. It has not. Several months prior to the Hawthorn accident, KCPL entered into a
10 Stipulation and Agreement in Case No. ER-99-313 with the Commission Staff
11 and other parties in which KCPL reduced its tariff rates by 3.2 percent
12 (Agreement). The Agreement includes a rate moratorium. Under this provision,
13 neither the Commission Staff, Office of the Public Counsel nor KCPL can
14 propose a general rate increase or decrease that would become effective prior to
15 March 1, 2002. At the time of the boiler explosion, the Commission had yet to
16 approve the Agreement. KCPL did not attempt to modify the Agreement as a
17 result of the Hawthorn 5 boiler explosion. Subsequently, the Commission
18 approved the Stipulation and Agreement on April 13, 1999, and KCPL is
19 currently operating under that Agreement. While there is a material adverse
20 effect clause in the Agreement that would allow KCPL to file a request for a rate
21 increase, any such request must take into account all components of KCPL's
22 total system cost of service, including cost of capital, fuel costs, labor costs,
23 taxes, depreciation, O&M, insurance, depreciation, purchases and sales of

1 power, etc. Unlike the GST special contract, these costs are not fixed for tariff
2 rate schedule customers. Thus, all costs must be considered. Decreases in
3 costs in some areas may mitigate increases in costs in other areas.

4 **Q. HAS KCPL REQUESTED ANY CHANGE IN TARIFF RATE SCHEDULE**
5 **PRICES AS A RESULT OF THE HAWTHORN 5 EXPLOSION?**

6 **A.** KCPL has not requested any regulatory relief as a result of the Hawthorn 5 boiler
7 explosion, even though earnings have declined as a result of the loss of
8 Hawthorn 5. The important point is that, even if KCPL did request an emergency
9 rate increase, accounting authority order or other regulatory relief to maintain its
10 financial integrity, this action would have no impact or relevance to the prices
11 charged GST under the Special Contract.

12 **Q. PLEASE EXPLAIN THE DIFFERENCE BETWEEN WHAT YOU REFER TO AS**
13 **FIXED TARIFF RATE SCHEDULE PRICES AND VARIABLE PRICES.**

14 **A.** Tariff rate schedule prices such as the Large Power Service Schedule (LPS) are
15 not fixed in the sense that they never change. They may change due to rate
16 design or restructuring changes, or they may change as a result of general rate
17 increases or decreases. The average price per kwh/month or kwh/year may also
18 vary depending on load factor and demand levels. However, the tariff rate
19 schedule prices are fixed in the sense that, given a consistent load factor and
20 demand level, the average annual price per kwh is stable and does not vary at
21 all in relation to KCPL's incremental or variable costs. Under the terms of its
22 Special Contract, GST may take service under any available rate schedule. The
23 most economical schedule for GST is the LPS schedule. Service under the LPS

1 schedule together with the Peak Load Curtailment Credit Rider (PLCC) for
2 interruptible service is the fixed tariff rate schedule applicable to GST. By
3 contrast, under the terms of its Special Contract, GST receives hourly
4 incremental cost based pricing. This allows it to make decisions regarding usage
5 levels based upon hourly prices. No particular usage characteristic makes a
6 customer on this type pricing unique. In fact, other customers are billed under
7 similar terms either on a variable price tariff or contract. The willingness of
8 customers to accept the risks and rewards of such variable pricing in order to
9 achieve substantial benefits to their operations (*i.e.*, long-term savings) is the
10 unique characteristic they share. Most large customers billed under the LPS
11 schedule pay an average of 3.6 to 4.0 cents per kwh annually. Should the LPS
12 customer opt to have all or a portion of load available for curtailment, the
13 average price per kwh is lower due to the credit for curtailment under the PLCC
14 schedule. The credit would depend on the amount of load designated as firm
15 and the total load expected to be on during on peak summer hours.

16 **Q. ON PAGE 2 OF ITS PETITION, GST STATES IT IS A "SPECIAL CONTRACT**
17 **CUSTOMER" BECAUSE NO TARIFF IS ADEQUATE FOR GST'S UNIQUE**
18 **LOAD AND USAGE CHARACTERISTICS. DO YOU AGREE WITH THIS**
19 **STATEMENT?**

20 **A.** No, the LPS schedule is applicable and available to GST. As I stated previously,
21 the willingness of customers such as GST to accept the risks and rewards of
22 variable pricing is the only unique characteristic they share.

1 Q. HAS GST PROVIDED ANY TESTIMONY IN SUPPORT OF THE STATEMENT,
2 "NO TARIFF IS ADEQUATE FOR GST'S USAGE CHARACTERISTICS"?

3 A. No, none whatsoever.

4 Q. HAVE YOU QUANTIFIED THE DIFFERENCE BETWEEN FIXED PRICES
5 APPLICABLE TO GST UNDER THE LPS TARIFF WITH THE VARIABLE
6 PRICES OF THE SPECIAL CONTRACT?

7 A. Yes, Schedule CBG-2 shows the amount billed GST under the Special Contract
8 compared to the LPS schedule or its predecessor with the PLCC curtailment
9 credit in effect at the time from 1994 through 1999. Schedule CBG-2, page 2 is
10 a bar chart which shows these amounts.

11 Q. WHAT IS THE DIFFERENCE BETWEEN FIXED TARIFF PRICING AND
12 SPECIAL CONTRACT PRICING FOR GST?

13 A. _____
14 _____ respectively, for the years 1994 through 1999. GST total savings
15 under the Special Contract compared to the LPS with PLCC credit for the years
16 1994 through 1999 is _____.

17 Q. DID KCPL INCREASE THE PLCC CREDIT IN 1999?

18 A. Yes. KCPL increased the curtailment credit in 1999 from \$16 per kw summer
19 season to \$35 per kw summer season.

20 Q. HOW DOES THIS INCREASE IN THE PLCC IMPACT THE COMPARISON OF
21 GST CONTRACT BILLING VERSUS TARIFF RATE SCHEDULES?

22 A. Even with this significant increase in the curtailment credit and the higher
23 incremental hourly prices paid by GST under the Special Contract, GST paid

1 _____ less in 1999 under the Special Contract than the LPS tariff
2 combined with curtailment credit of \$35 per summer season. Schedule CBG-4
3 shows the average monthly cents per kwh and average annual cents per kwh for
4 GST under the Special Contract, under the applicable tariff, and under the
5 applicable tariff combined with curtailment credit. The average annual cents per
6 kwh under the Special Contract for the years 1995 through 1999 was _____
7 _____
8 _____.

9 **Q. YOU PREVIOUSLY STATED THAT TARIFF RATE SCHEDULE PRICES ARE**
10 **LARGELY FIXED COMPARED TO THE VARIABLE PRICES UNDER THE**
11 **SPECIAL CONTRACT. HAVE YOU PERFORMED ANY ANALYSIS TO**
12 **DEMONSTRATE THIS?**

13 **A.** Yes, Schedule CBG-5 is a bar chart of average annual cents per kwh under the
14 applicable tariff compared to the average annual cents per kwh under the
15 Special Contract for the years 1995 through 1999. The stable tariff prices versus
16 the fluctuating contract prices can be seen clearly from this graph. It is also clear
17 that the annual prices under the Special Contract are significantly lower than
18 prices under the tariff. Schedule CBG-5 demonstrates the long-term benefits of
19 lower overall prices that GST has accepted in exchange for the risk of shorter
20 term fluctuations in prices attributable to market prices, generation unit
21 availability, fuel prices or other factors.
22
23

1 Q. GST ALLEGES THAT IT HAS BEEN OVERCHARGED BECAUSE THE
2 ENERGY NORMALLY AVAILABLE FROM HAWTHORN 5 HAS BEEN
3 REPLACED WITH HIGHER COSTS PURCHASES OR HIGHER COST
4 GENERATION. DO YOU AGREE WITH THIS ALLEGATION?

5 A. I do not agree with GST's allegation that it has been overcharged. GST and
6 KCPL agreed to the terms and conditions contained in the Special Contract. The
7 Special Contract does not contain any provisions for the adjustment of the
8 incremental price for generation unit outages, fuel prices, market prices,
9 construction of new generation, or any other factors. The Special Contract has
10 an implicit price cap because GST can return to tariff rate schedule prices at any
11 time. Even if the Commission found in this case or a subsequent case that
12 KCPL was imprudently operating its system, which I do not believe to be the
13 case, KCPL did not overcharge under the Special Contract. GST seeks to have
14 the Commission determine that Hawthorn 5 should be included in KCPL's
15 incremental cost, even though the Special Contract does not so provide, and this
16 was never the intention of GST or KCPL. Such a determination could not be
17 made without negating the entire Special Contract. For example, when
18 Hawthorn 5 is rebuilt and comes back on line (now scheduled for the summer of
19 2001) GST's price for energy will not increase. The current plans call for the unit
20 to be approximately 70 MW larger in capacity and potentially more efficient and
21 with greater availability than the old plant. The cost to rebuild Hawthorn 5 is
22 expected to exceed the insurance proceeds by approximately _____
23 Under the Special Contract, GST will benefit from the additional energy available

1 from a larger unit and potentially lower incremental costs due to increased
2 efficiency and availability. However, GST will pay no additional amount related
3 to the additional capital costs of the new unit. If KCPL adopted GST's logic in
4 this case, KCPL should be able to argue that GST's contract price should be
5 increased to reflect these additional fixed capital costs. Perhaps GST would
6 then argue that it should be billed as though old Hawthorn 5 still existed.
7 However, all these arguments must be rejected under the Special Contract which
8 specifically states that all prices are fixed other than the prices related to
9 incremental cost.

10 Q. **ON PAGE 3 OF ITS PETITION, GST STATES, "GST DID NOT AGREE TO**
11 **ASSUME THE . . . IMPACTS OF . . . THE FAILURE OF KCPL TO MAKE**
12 **EVERY REASONABLE EFFORT TO PROVIDE POWER AT THE LOWEST**
13 **COST REASONABLY POSSIBLE, OR THE EXTRAORDINARY RISK OF**
14 **PAYING FOR SUBSTANTIAL AND CONTINUING (INDEFINITE) CAPACITY**
15 **SHORTAGES." HOW DOES KCPL DETERMINE THE TYPE AND SIZE OF**
16 **CAPACITY ADDITIONS?**

17 A. KCPL uses a sophisticated modeling process consistent with the Commission's
18 Electric Resource Planning Rules. This process takes into account risk analysis,
19 uncertainties of fuel prices, environmental regulations, load forecasts and other
20 factors. The Company meets with the Staff and Office of Public Counsel on a
21 regular basis to update them on the status and plans for capacity additions.

1 Q. ARE THERE OTHER OPPORTUNITIES TO REVIEW KCPL'S CAPACITY
2 PLANS OR ACTUAL OPERATING RESULTS OF EXISTING PLANTS
3 INCLUDING AVAILABILITY AND LEVEL OF MAINTENANCE COSTS?

4 A. Yes, actual operations would be reviewed by the Commission's Staff in earnings
5 reviews.

6 Q. HAS KCPL UNDERGONE EARNINGS REVIEWS SINCE THE TIME THE
7 CURRENT CONTRACT WITH GST HAS BEEN IN PLACE?

8 A. KCPL has undergone two earnings reviews by the MPSC and one by the KCC
9 since the current contract with GST has been in effect.

10 Q. HAS ANY ENTITY OTHER THAN GST COMPLAINED OF KCPL'S
11 MAINTENANCE PRACTICES OR RELIABILITY OF ITS GENERATING UNITS
12 IN ANY PLANNING PROCEEDINGS RELATED TO KCPL'S CORPORATE
13 PLANS OR EARNINGS REVIEWS?

14 A. No, only GST.

15 Q. HAVE YOU REVIEWED THE TESTIMONY OF MR. STEVEN C. CARVER
16 FILED IN THIS PROCEEDING ON BEHALF OF GST?

17 A. Yes, I have reviewed Mr. Carver's testimony.

18 Q. MR. CARVER'S TESTIMONY STATES THAT GST HAS BEEN
19 OVERCHARGED FOR THE COST OF REPLACEMENT POWER UNDER THE
20 INCREMENTAL COST ELEMENTS OF THE CONTRACT. DO YOU AGREE?

21 A. I do not agree with Mr. Carver's testimony. Mr. Carver argues that GST's
22 incremental cost should be adjusted or corrected as a billing error for insurance
23 proceeds received by KCPL for replacement power costs and other cost

1 reductions (e.g., O&M savings). Mr. Carver does not understand the terms of
2 the Special Contract between GST and KCPL. In addition, Mr. Carver further
3 confuses the issue by using examples of embedded cost-based utility regulation
4 (applicable to tariff rate schedules) to support his erroneous conclusions and
5 recommendations.

6 Q. **PLEASE EXPLAIN WHAT YOU MEAN.**

7 A. First of all it is helpful to break down the Special Contract into its components.
8 As I stated previously, GST is billed a monthly delivery system charge, a fixed
9 demand charge for firm load and a fixed adder to the incremental or variable
10 energy cost. Each of these fixed components (demand charge, delivery charge,
11 adder) was negotiated and agreed to by the parties. They remain constant over
12 the term of the 10-year agreement. These charges do not represent any
13 particular item or component of the total system cost of service used to develop
14 regulated tariff rate schedules. The incremental energy charge is based on
15 KCPL's incremental fuel and variable O&M and/or purchases of energy. The
16 model used to price GST is based on the concept that GST receives the next
17 block price of power after all other retail and firm wholesale customers load is
18 met.

19 Based on Mr. Carver's testimony, one is to presume that GST has paid
20 insurance premiums for replacement power. This rationale is absurd. One could
21 just as well presume that included in the demand charge, the delivery system
22 charge, or the adder to incremental cost are the fully embedded costs that are
23 built into the tariff rate schedules of all other customers. Obviously, this is not

1 the case because GST's Special Contract does not reflect a tariff rate schedule.
2 In fact, as Schedule CBG-2 indicates, the tariff rate applicable to GST is
3 substantially higher than the price under the Special Contract. No specific costs
4 can be attributed to the Special Contract's fixed prices that are based on total
5 system costs, such as those included in the tariff rate schedule.

6 Regardless of whether any portion of insurance premiums are included in
7 the fixed portion of the contract charges, GST is not entitled to any insurance
8 benefits under any provision of the Special Contract. KCPL has already incurred
9 replacement power costs significantly in excess of the \$5 million insurance
10 coverage and will continue to incur additional replacement power costs. The
11 parties did not include any provision in the Special Contract to adjust
12 incremental pricing for insurance proceeds.

13 Even if there were some mechanism in the Special Contract to calculate
14 incremental costs and allocate a portion of those costs to insurance proceeds,
15 GST would likely receive no benefit from the insurance. Under the block pricing
16 mechanism, all retail and firm wholesale customer loads are first met prior to
17 establishing the price for GST. Any benefit from the insurance proceeds would
18 have flowed through the incremental blocks of retail and wholesale customers
19 long before it ever impacted the incremental price charged to GST. As an
20 example, GST's share of the \$5 million in insurance proceeds under the total
21 system cost of service would equal about \$225,000. (Ratio of GST kwh to total
22 system kwh * \$5 million) The remainder of the \$5 million would be allocated to
23 retail and firm wholesale customers. This amount (\$225,000) is the maximum

1 GST could expect to benefit if shared proportionately with other customers.
2 However, GST does not share costs proportionately with other customers. GST
3 receives the highest price block after all other customer loads are met. Thus, the
4 amount incremental to GST would be less than \$225,000. In other words,
5 \$5,000,000 spread over the incremental costs of the next unit in dispatch order
6 after Hawthorn 5 for each hour of the 2 ½ year duration of the outage would
7 have minimal impact on the incremental cost to GST. In any event, one cannot
8 presume that adjustments can or should be made to the Special Contract unless
9 the contract specifically provides for such adjustments. To do so amounts to a
10 unilateral alteration of the Special Contract.

11 Mr. Carver believes that GST should be compensated for reduction in
12 O&M cost. The Hawthorn outage impacts fixed O&M costs. GST is not entitled
13 to any benefit of reduced fixed O&M costs under the terms of the Special
14 Contract. Likewise, KCPL cannot change the terms of the Special Contract to
15 charge GST for any increases in fixed O&M costs or increases in insurance
16 premiums. Under Mr. Carver's argument that O&M and insurance benefits
17 should flow to GST, every item of cost is subject to review and revision just as in
18 a total system cost-of-service rate case to set tariff rate schedules. The Special
19 Contract does not contemplate such adjustments. GST would correctly object if
20 KCPL attempted to increase any of the fixed components of the Special
21 Contract. GST wants the benefits of the Special Contract when the prices are
22 low, but now demands the security and protection of total system cost-of-service
23 regulation under the tariff when prices are higher. GST cannot have it both

1 ways. The Special Contract is the contract and the cost-of-service-based rate
2 schedules are available to GST at any time.

3 **Q. MR. CARVER STATES THAT AN ADVERSE DECISION TO GST'S REQUEST**
4 **TO RECOVER KCPL'S INSURANCE PROCEEDS RELATED TO**
5 **REPLACEMENT POWER COSTS WOULD EFFECTIVELY ALLOW KCPL TO**
6 **DOUBLE RECOVER A PORTION OF THE INCREASED COST OF**
7 **REPLACEMENT POWER. DO YOU AGREE WITH THIS TESTIMONY?**

8 **A.** No. KCPL cannot double recover the cost of replacement power. As I stated
9 previously, KCPL's costs of replacement power already have significantly
10 exceeded the amount of insurance proceeds received in that regard.
11 Replacement power costs will continue to be incurred in the future. At any time
12 replacement power costs are recovered from tariff rate schedule customers
13 these costs would be offset by the applicable insurance proceeds as Mr. Carver
14 indicates is standard regulatory accounting procedures. In fact, it is not KCPL
15 but GST that proposes a double recovery. GST claims it should be entitled to
16 both lower prices as though H-5 was still operating and also receive insurance
17 proceeds paid to KCPL because of the H-5 outage.

18 **Q. HAVE YOU REVIEWED GST'S TESTIMONY REGARDING THE HAWTHORN 5**
19 **EXPLOSION?**

20 **A.** Yes I have. That testimony is irrelevant to the issues in this case for several
21 reasons.
22
23

1 **Q. PLEASE ELABORATE.**

2 A. It has never been disputed that GST has paid higher prices because of the
3 Hawthorn outage. The relief that GST requests in its Complaint, however, is not
4 based upon the causes of the Hawthorn explosion. In its Complaint, in
5 Paragraph 28 for example, GST requests relief before the conclusion of the
6 Hawthorn investigation and regardless of the investigation's outcome. The
7 Commission recognized this in its Order of June 1, 1999, when it stated that the
8 investigation of the Hawthorn explosion would be conducted in a separate case -
9 - not in this case. Paragraph 27 of the Complaint illustrates that GST's argument
10 is simply that, without Hawthorn 5 operational, its rates are not just and
11 reasonable.

12 **Q. DOES GST'S TESTIMONY PROVIDE ENOUGH INFORMATION FOR THE**
13 **COMMISSION TO ADDRESS THE HAWTHORN EXPLOSION?**

14 A. No it does not. As the Commission is aware, the report regarding the explosion
15 has not been completed. Mr. Ward admits that he doesn't know what caused
16 the explosion and doesn't consider the cause of the explosion to be important.
17 The following quotes from his testimony illustrate this.

- 18 • "I do not know if KCPL or the Crawford Investigators have (sic) pin-
19 pointed the exact chain of events, but the incident definitely was
20 avoidable," (page 16, lines 12-13)
- 21 • "Hawthorn 5 was an accident waiting to happen --" (page 19, line 5)

- 1 • "(I)t appears that a KCPL employee inadvertently opened the gas valves
2 to the boiler, or a short in the BMS had the same effect." (page 16, lines 5-
3 6).

4 Words like "appear," "apparent" and "apparently" are frequently used by Mr.
5 Ward and underscore the speculative nature of his testimony regarding this
6 issue.

7 **Q. DOESN'T MR. WARD'S TESTIMONY REGARDING THE EXPLOSION RELY**
8 **ON THE DEPOSITION OF HAWTHORN PLANT MANAGER JAMES TEANEY?**

9 A. Yes. What Mr. Ward doesn't mention, though, is that Mr. Teaney told GST's
10 attorneys during his deposition that he was not involved in the investigation of
11 the explosion and did not receive reports regarding the investigation. Mr.
12 Teaney's testimony regarding this issue is on pages 84 and 85 of his deposition.

13 **Q. DOES MR. WARD CITE ANY OTHER SOURCES FOR HIS SPECULATION?**

14 A. Yes. He references eyewitness accounts of some, but not all, KCPL employees
15 who were present at the plant when the explosion occurred as well as readings
16 showing that gas entered the boiler prior to the explosion.

17 **Q. WHAT ARE YOUR COMMENTS REGARDING THESE SOURCES?**

18 A. Eyewitness accounts are an important but small portion of a massive amount of
19 information currently being analyzed in the investigation. However, selective
20 quotes from selected eyewitness accounts, considered in isolation, cannot be
21 considered determinative. As for the gas readings, KCPL announced within two

1 weeks after the explosion that the immediate cause was an accumulation of gas
2 in the firebox. Mr. Ward's testimony about this point is not new information.

3 **Q. DOES GST'S CONTRACT WITH KCPL PROVIDE FOR PRICING**
4 **ADJUSTMENTS TO REFLECT UNIT OUTAGES?**

5 A. As I have already discussed, it does not. GST's prices are very low when all of
6 KCPL's baseload generation is operating. GST's prices are higher when a
7 baseload unit is off-line for any reason. This again illustrates that GST's
8 testimony regarding the Hawthorn 5 explosion is irrelevant to the issues in this
9 case.

10 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

11 A. Yes it does.

AFFIDAVIT

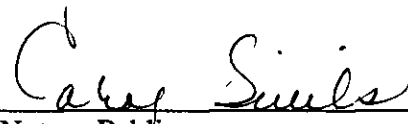
STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

On the 24th day of February, 2000, before me appeared Chris B. Giles, to me personally known, who, being by me first duly sworn, states that he is the Director of Regulatory Affairs for Kansas City Power & Light Company, and that he has participated in the preparation of the foregoing written testimony, in question and answer form, and believes that the statements therein are true and correct to the best of his knowledge, information and belief.



CHRIS B. GILES

Subscribed and sworn to before me this 24th day of February, 2000.



Notary Public

My Commission Expires:

