

Exhibit No.:

Issues: Resource Planning,
Annualized Fuel & PP
And Fuel Prices for
Generation

Witness: Jerry G. Boehm

Sponsoring Party: Aquila Networks-L&P

Case No.: HR-2005-0450

FILED²

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**Missouri Public
Service Commission**

Before the Public Service Commission
of the State of Missouri

Rebuttal Testimony

of

Jerry G. Boehm

Exhibit No. 1009
Case No(s) HR-2005-0450
Date 1-05-05 Rptr RF

**TABLE OF CONTENTS OF
REBUTTAL TESTIMONY OF JERRY G. BOEHM
AQUILA, INC. D/B/A AQUILA NETWORKS-MPS AND AQUILA NETWORKS-L&P
CASE NO. ER-2005-0436**

RESOURCE PLANNING.....	2
TERMINATION OF C.W. MINING CONTRACT.....	3
SOUTH HARPER PEAKING FACILITY.....	4

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
REBUTTAL TESTIMONY OF JERRY G. BOEHM
ON BEHALF OF AQUILA, INC.
D/B/A AQUILA NETWORKS-L&P
CASE NO. HR-2005-0450**

1 Q. Please state your name and business address.

2 A. My name is Jerry G. Boehm. My business address is 10750 East 350 Highway, Kansas
3 City, Missouri, 64138.

4 Q. Are you the same Jerry G. Boehm who submitted direct testimony in this case on behalf
5 of Aquila Inc, ("Aquila") before the Missouri Public Service Commission
6 ("Commission")?

7 A. Yes.

8 Q. What is the purpose of your rebuttal testimony?

9 A. The purpose of my rebuttal testimony is to address the direct testimony of Commission
10 Staff ("Staff") witnesses Lena M. Mantle and Graham Vesely. My rebuttal will also
11 address the direct testimony of Calpine Central witness, Michael C. Blaha.

12 Q. How is your rebuttal testimony organized?

13 A. I will address concerns with the following subjects:

- 14 - Staff witness Lena M. Mantle Testimony – Resource Planning
15 - Staff Witness Graham Vesely – Termination of C. W. Mining Contract
16 - Calpine Central, L.P., witness Michael C. Blaha Testimony – Harper ("South
17 Harper") Peaking Facility

1 **RESOURCE PLANNING**

2 **Rebuttal of Staff Witness Lena M. Mantle**

3 Q. Do you agree with Staff expressing concern that Aquila may become overly dependent
4 upon purchase power agreements ("PPA"), and that Aquila should have built five
5 combustion turbines?

6 A. No.

7 Q. Please explain.

8 A. Under the current Missouri Electric (Aquila Networks MPS and L&P) resource plan, the
9 2006 Total System Capacity is forecasted at 2,123 MW (2,128 net 5 MW of sales). This
10 plan will be met with 81.4% (1,733 MW) of existing generation capacity, 18.6% (395
11 MW) of capacity purchases. The 395 MW of capacity purchases have been prudently
12 acquired including 175 MW of capacity contracts from NPPD at coal-based pricing and
13 20 MW of wind generation from the Gray County Wind Farm. The remaining capacity
14 purchase of 200 MW will actually fill the need for capacity reserves and will, therefore,
15 not represent an over-dependence on PPAs. This resource plan is heavily reliant on
16 owned generation, which should provide stability for Missouri consumers while also
17 taking advantage of a 'buyers' market for PPAs.

18 Q. Do you believe Staff has the means to adequately analyze Aquila's resource plans?

19 A. No. Given the volatility with the current gas prices and the resulting impact on the
20 purchased power market, Staff needs a resource planning model like MIDAS GOLD to
21 thoroughly review and analyze the resource plans. Just as Staff uses RealTime to input

1 our basic data bases and support their case, they need to use MIDAS GOLD to gauge the
2 impact of the gas prices and the related purchased power market on existing and proposed
3 resources. Staff has the necessary skills and capabilities to work with MIDAS GOLD, and
4 a more prudent review could be accomplished if both the previous and updated factors
5 could be included in their analyses. The widespread use of MIDAS GOLD in analyzing
6 resource plans and the resulting 'Buy vs. Build' decisions at other utilities (KCPL,
7 Empire, Ameren) further substantiates the need for Staff to become proficient with the
8 MIDAS GOLD model.

9 **TERMINATION OF C.W. MINING CONTRACT**

10 **Rebuttal of Staff Witness Graham Vesely**

11 Q. Please describe the situation proposed by Mr. Vesely.

12 A. Mr. Vesely is proposing that coal costs from a supplier who is no longer providing coal
13 should be included in the rate base.

14 Q. Do you agree with Mr. Vesely's proposal?

15 A. No.

16 Q. Do you agree with the recommendations of Staff that the "bottom of the IEC built into
17 permanent rates be calculated using the price that Aquila would be paying for high-Btu
18 coal if the C.W. Mining contract were still in effect according to its original terms"?
19 (Case No. ER-2005-0436, Direct Testimony of Graham A. Vesely, Pg. 14, Ln. 9).

20 A. No. Costs under the C. W. Mining contract do not reflect actual costs that Aquila will
21 incur in the period for which these rates will be in effect. Both Aquila and Staff have

1 recognized that the C. W. Mining replacement costs are higher, but that alone cannot be a
2 reason to deny inclusion of the replacement costs in rates.

3 Q. What reason does Staff provide for excluding actual costs while including terminated C.
4 W. Mining costs?

5 A. Mr. Vesely states that the C.W. Mining costs represent a "more normal cost of business"
6 to Aquila than the "prices it is actually paying". I disagree with any assumptions that this
7 is an acceptable reason for disallowance. The actual costs are the known and measurable
8 costs of fuel and are a component of the normal cost of business. The C. W. Mining costs
9 represent a scenario which no longer exists.

10 Q. Aquila is pursuing legal action against C. W. Mining. How does Aquila propose to
11 account for any damages paid to Aquila as a result of this process?

12 A. First, we have to acknowledge that the process itself may take considerable time and has
13 no guaranteed or measurable outcome. We also believe that any damages awarded should
14 benefit customers. Because the outcome of this process is not now measurable there is
15 currently nothing to be included in proposed rates. However, Aquila witness Andrew
16 Korte will address possible solutions for handling awarded damages so as to allow
17 customers benefit from any such damages received.

18 **SOUTH HARPER PEAKING FACILITY**

19 **Rebuttal of Calpine Witness Michael C. Blaha**

20 Q. Do you agree with the assumptions provided by Michael C Blaha, on behalf of
21 Calpine Central, L.P., in regards to the South Harper Peaking Facility?

1 A. No. The presumption that South Harper is not cost effective and should have been
2 supplanted with market purchases is not only incorrect but is based upon numerous
3 speculative and highly debatable assumptions. It also directly conflicts with Staff witness
4 Lena Mantle's opinion given in direct testimony – ...“it is the position of the Staff that
5 Aquila should have built five combustion turbines (CTs).” (CASE NO. ER-2005-0436,
6 Direct Testimony of Lena M. Mantle, Pg 2, Ln 17)

7 Q. Do you agree with Mr. Blaha's analysis methods used to support his claims?

8 A. No. Mr. Blaha's analysis method may be useful to provide a rough estimate of the value
9 of a resource but it lacks the refinement needed to determine if a resource will be a
10 benefit to the loads and resources for which it is applied. Specifically, his analysis
11 compares the isolated operations of a combined cycle unit with those of a CT. It does not
12 take into account dispatchability or unit run times. His greatest omission is that he
13 doesn't test the Aries units' performance under expected hourly load and market
14 conditions. To do this Mr. Blaha would need to run a multi-unit production costing
15 program that simulates the hourly dispatch of the Aquila Networks – MO system for at
16 least one year. Had he performed this important test he may have discovered the Aries
17 characteristic of having a lower heat rate would be outweighed by its inability to quick
18 start and its higher costs incurred for operating under daily short run time periods.

19 Q. Do you agree with Michael C Blaha's assertion on behalf of Calpine Central, L.P., that
20 Aquila did not provide any significant feedback to Calpine's proposals?

21 A. No. In evaluating the decision of whether to replace the Aries contract with owned
22 generation, PPAs, or some combination of both, we did a prudent review of the

1 costs/benefits of all scenarios. This review included not only the tangible costs, but also
2 other factors such as the credit worthiness of potential counterparties. While examining
3 offers for PPAs, we were in constant communication with Calpine to the extent
4 permissible given that it is a competitive bidding process and some information must
5 remain confidential.

6 Q. Does this conclude your rebuttal testimony?


7 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

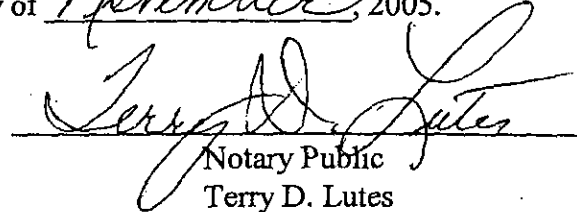
County of Jackson)
)
State of Missouri) ss

AFFIDAVIT OF JERRY G. BOEHM

Jerry G. Boehm, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Rebuttal Testimony of Jerry G. Boehm;" that said testimony was prepared by him and under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge, information, and belief.


Jerry G. Boehm

Subscribed and sworn to before me this 15th day of September, 2005.


Notary Public
Terry D. Lutes

My Commission expires:

8-20-2008



TERRY D. LUTES
Jackson County
My Commission Expires
August 20, 2008