

Exhibit No.:
Issue: Iatan Project Construction
Disallowances
Witness: Charles R. Hyneman
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
File No.: ER-2011-0004
Date Testimony Prepared: April 28, 2011

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

CHARLES R. HYNEMAN

THE EMPIRE DISTRICT ELECTRIC COMPANY

FILE NO. ER-2011-0004

Jefferson City, Missouri
April 2011

** Denotes Highly Confidential Information **

PR

Surrebuttal Testimony of
Charles R. Hyneman

1 A. Yes. Based on the guidance provided by the Commission in its Report and
2 Order in File No. ER-2010-0355 (“KCPL Iatan Order”), the Staff has revised its
3 recommended Iatan plant disallowances. The Staff’s revised recommendation is that the
4 Commission disallow (1) costs associated with those plant adjustments specifically ordered by
5 the Commission in the KCPL Iatan Order, and (2) costs associated with Staff’s recommended
6 Iatan adjustments in this Empire case that were not proposed in the Kansas City Power &
7 Light Company (“KCPL”) case. In addition, the Staff agrees with the individual Iatan
8 disallowances discussed by Empire witness Karen Heady in her rebuttal testimony, as
9 described at page 10, lines 14 through 23, and included in her Schedule KLH-1,
10 Amounts Recovered from Joint Owner Billing. In her testimony, Ms Heady describes certain
11 construction costs billed to Empire by KCPL for Iatan in which Empire disagreed should be
12 charged to its ratepayers. Since these costs were ultimately not charged to Empire’s
13 Iatan plant balances, no Staff adjustment is necessary. ** _____
14 _____

15 **

16 Q. What specific Iatan disallowance adjustments is Staff recommending in the
17 Empire case that it did not propose in its KCPL recommendation?

18 A. These adjustments are described at pages 103 through 109 of the Staff’s
19 February 24, 2011 Construction Audit and Prudence Review Iatan Construction Project for
20 Costs Reported as of October 31, 2010 (“Staff’s Empire Iatan Report”). These adjustments
21 are the Enerfab adjustment ** _____ ** and the
22 Iatan 2 Executive Bonus ** _____ **

1 Q. Which of Staff's proposed Iatan plant disallowances did the Commission
2 accept in its KCPL Iatan Order?

3 A. In the KCPL Iatan Order, the Commission ruled that the "costs for construction
4 resurfacing, campus relocation for the Iatan 2 Turbine Building, the WSI change order, and
5 the temporary auxiliary boiler shall be excluded from rate base." The dollar amounts of these
6 individual adjustments can be found on Staff Schedule 1 HC attached to its Iatan Report filed
7 in this proceeding. The dollar amounts of these adjustments are shown below:

8 Highly Confidential in its entirety.

9 **

10 **

11 **EMPIRE WITNESS RICARDO KOLSTER**

12 Q. What does Mr. Kolster describe as the purpose for his rebuttal testimony?

13 A. Mr. Kolster testifies that he reviewed the Staff's Empire Iatan Report and he is
14 providing testimony to rebut the Staff's assessment of fault on the part of Empire due to the
15 alleged failures on the part of KCPL regarding the Iatan 1 and Iatan 2 construction projects.

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1 Mr. Kolster also states that his testimony is intended to assist the Commission in its
2 assessment of issues related to disallowances suggested by the Staff to the extent these are
3 based on actions by KCPL, and provide rebuttal testimony regarding claims related to
4 KCPL's alleged actions, as well as claims related to Empire.

5 Q. Does Mr. Kolster admit that Empire is bound by the terms and conditions of its
6 Regulatory Plan, including the provision that if any party (including the Staff) proposes any
7 disallowance of Iatan 1 or Iatan 2 costs, then Empire would not seek to avoid such
8 disallowance by asserting Empire did not control KCPL's expenditures?

9 A. Yes.

10 Q. Does Staff agree with the various limitations and qualifications Empire claims
11 throughout Mr. Kolster's testimony regarding charging inappropriate or imprudent
12 expenditures to ratepayers?

13 A. No. In general Mr. Kolster misstates the scope and standard of review of
14 Empire's prudence. Staff also disagrees with Empire's assessment that "there is in place a cost
15 and control system that identifies and explains cost overruns above the definitive estimate
16 during the construction period of Iatan 2 and the environmental enhancements at Iatan I."

17 Q. Did Staff ignore the fact that Empire was in an ownership agreement
18 with KCPL, as stated by Mr. Kolster at page 5, lines 13?

19 A. No. However, Mr. Kolster seems to be stating that Empire's participation in
20 an ownership agreement on Iatan 2 somehow relieves it of its responsibility under its
21 Regulatory Plan. The Staff is not ignoring anything. What agreements Empire enters into is
22 Empire's business. The Staff does have an opinion that Empire must fulfill the terms and

1 conditions of its Regulatory Plan commitment to the Commission, regardless of any other
2 agreements with other entities to which it enters.

3 **EMPIRE WITNESS CHRIS GILES**

4 Q. Does Staff generally agree with the testimony of Mr. Giles?

5 A. No. However, Staff will limit this testimony to rebuttal of Mr. Giles testimony
6 that pertains to live issues under Staff's revised Iatan recommendation.

7 Q. Is it true that the Commission affirmatively found all Iatan expenditures not
8 specifically disallowed in KCPL to be prudently incurred, as alleged by Mr. Giles at page 5 of
9 his rebuttal testimony?

10 A. No. Staff does not agree in this instance that a Commission finding that
11 imprudence was not established to indicate an affirmative finding of prudence.

12 Q. What does the Commission need to include in its Report and Order to
13 effectuate Staff's recommendation on Iatan plant adjustments?

14 A. The Commission should order that Empire make adjustments to its Iatan
15 Project plant balances as reflected in the Staff's revised position. These adjustments are the
16 same adjustments accepted by the Commission in KCPL's rate case, File No. ER-2010-0355.
17 In addition the Commission should order the Staff's Empire-specific Iatan plant adjustments
18 referred to as the Enerfab adjustment and the Iatan 2 Executive Bonus adjustment.

19 Q. Does this conclude your surrebuttal testimony?

20 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

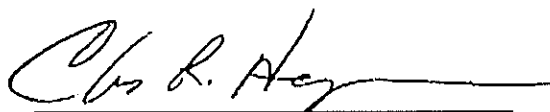
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric)
Company of Joplin, Missouri for Authority to) File No. ER-2011-0004
File Tariffs Increasing Rates for Electric)
Service Provided to Customers in the Missouri)
Service Area of the Company)

AFFIDAVIT OF CHARLES R. HYNEMAN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Charles R. Hyneman, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 5 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.



Charles R. Hyneman

Subscribed and sworn to before me this 27th day of April, 2011.



Notary Public

