

Exhibit No.:
Issue: Planning Prudence and Rates
Witness: Bruce Biewald
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Sponsoring Party: Sierra Club
Case No.: ER-2012-0174
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2012-0174

**Surrebuttal Testimony of
Bruce E. Biewald**

**On Behalf of
Sierra Club**

October 8, 2012

Exhibit No. 926

1 **Q. Please state your name and occupation.**

2 A. My name is Bruce Edward Biewald. I am the founder and Chief Executive Officer of
3 Synapse Energy Economics, 485 Massachusetts Avenue, Cambridge, MA 02139.

4 **Q. Are you the same Bruce E. Biewald who prepared direct testimony, dated August 2,**
5 **2012 in this docket?**

6 A. Yes.

7 **Q. Have you reviewed KCP&L's rebuttal testimony?**

8 A. Yes, I've reviewed the sections of KCP&L September 5, 2012 rebuttal filing that address
9 resource planning issues and my direct testimony. These sections include Mr. Rush's
10 rebuttal testimony, page 16 line 11 through page 18 line 7; and Mr. Crawford's
11 testimony, page 15 line 1 through line 21.

12 **Q. What is the purpose of your surrebuttal testimony?**

13 A. I respond to the rebuttal testimony of several KCP&L witnesses regarding prudent
14 planning for any decisions pertaining to the retirement or retrofit of the LaCygne and
15 Montrose generating stations.

16 **Q. Are you aware that the Missouri Commission does not pre-approve utility**
17 **investments?**

18 A. Yes. KCP&L witness Tim Rush points out that Missouri Commission does not pre-
19 approve recovery of utility investments on page 16, line 16 of his rebuttal prefiled
20 testimony. I am aware of this, and was aware of it when I wrote my direct testimony in
21 this docket. I am not asking that the Missouri Commission either grant or deny pre-
22 approval of any investments at this time. I do believe that it would be useful, especially
23 in light of the significantly changed conditions in natural gas prices and energy markets
24 since KCP&L began its \$1.23 billion LaCygne retrofit project, for the Missouri
25 Commission to indicate that it intends to take a close look at the prudence of KCP&L
26 emission control investments. I think that the Commission should begin to define what
27 will be required in order for it to make an appropriately informed decision about
28 prudence and rate recovery in the eventual rate case proceeding in which the Company

1 requests inclusion of the investments in rates. The Commission could, for example,
2 identify the types of information will be required from the Company to document its
3 project management and its ongoing planning decisions with regard to the investments. It
4 would also be helpful for the Commission to clarify that the prudence standard it intends
5 to apply will include evaluation of planning prudence at the time of the initial decision to
6 proceed with the project as well as the decisions to continue with the project during
7 procurement and construction, as market conditions (and expectations of future market
8 conditions) were changing. This is not the same as pre-approving the project, but it
9 would assist the Company and interested stakeholders in ensuring that KCP&L does not
10 create a situation where either ratepayers or company shareholders would be
11 unnecessarily at risk for uneconomic investments in aging coal units.

12 **Q. Mr. Rush points out that the Company has met with Missouri Commission staff to**
13 **discuss “project progress” and has provided monthly project updates (page 17). Do**
14 **you think that informal meetings with staff are helpful and appropriate? What**
15 **about monthly reports?**

16 A. Occasional meetings with Commission staff could be helpful in some ways, but there are
17 some problems that need to be avoided. Most importantly, the meetings should be
18 noticed, open and include other parties. A complete record including attendance and
19 minutes should also be made available. Input from stakeholders such as consumer
20 advocates, large customers, and environmental organizations could be helpful toward
21 reasonable consideration of relevant issues, such as the costs and economic risks of the
22 Company proceeding with its retrofits. Leaving interested parties out could leave
23 valuable perspectives or information out of the discussion. There is also the potential for
24 conversations between just the Company and the Commission staff about such an
25 important matter to create an impression of a lack of openness and transparency
26 regarding the spending of well over \$1 billion of potential ratepayer money.

27 It is important that anything that happens at an informal non-noticed meeting not be
28 allowed to generate an impression or claim that staff or the Commission or anyone else in
29 attendance in any way approved, acquiesced to, or ratified any action of the Company.

1 **Q. Mr. Crawford pointed out that the planning for LaCygne and Montrose retrofits as**
2 **compared to retirement are being addressed in the KCP&L IRP process. Is that**
3 **your understanding?**

4 A. To a limited extent, yes. The KCP&L IRP process is underway in file number EO-2012-
5 0323. My Company, Synapse Energy Economics, assisted with the preparation of the
6 Sierra Club's IRP comments, which were filed on September 6, 2012 and are attached as
7 Schedule BEB-5. It is my understanding that the parties are now in the middle of a 60-
8 day process in which the parties can attempt to reach agreement on any deficiencies
9 identified in the IRP and that, if agreement is not reached, any party may request that the
10 Commission hold a hearing on the IRP. That 60-day period ends on November 5, 2012.

11 Synapse's work with Sierra Club uncovered a number of IRP deficiencies, which I will
12 summarize briefly. KCP&L, in its IRP, did not select the plan with the lowest NPVRR,
13 and failed to sufficiently justify choosing a more expensive plan. KCP&L also relied
14 upon out of date projections for natural gas prices. Compared to current gas price
15 projections, the price projections relied upon by the Company in its IRP are high. This
16 tends to incorrectly favor the continued operation of existing coal units over their
17 retirement. Additionally, and in part a consequence of inflated natural gas price
18 projections, KCP&L made unreasonable assumptions about the quantity of off-system
19 sales revenues KCP&L would generate in future years. A proper analysis of coal unit
20 retrofits compared with retirement should be done, with up to date projections for fuel
21 and electricity market prices.

22 In addition to the modeling deficiencies in KCP&L's IRP, there are timing considerations
23 with the retrofit vs. retire decisions. The timing of the IRP process isn't well coordinated
24 with the decision making timeframe involving the proposed LaCygne and Montrose
25 retrofits. Any requests for a hearing on the IRP would not be made until November, and
26 then it would likely take a number of months for the parties to exchange pre-hearing
27 testimony and prepare for hearing, and for the Commission to issue a ruling after such
28 hearing. Giving the scale of the retrofits being considered, completion by the required
29 dates in 2015 would appear to require significant work (and additional investment that
30 may be imprudent to incur) in the near future, before the IRP process is complete.

1 Moreover, KCP&L has already itself contended that the proposed LaCygne and Montrose
2 retrofits should be considered by the Commission in this proceeding, such as by
3 presenting evidence regarding the proposed retrofits in the direct testimony of Burton L.
4 Crawford, pages 19 and 20, in support of the company's request for an Interim Energy
5 Charge to recover shortfalls in Off-System Sales.

6 **Q. Do you have a recommendation with regard to the planning for KCP&L's emission**
7 **control investments?**

8 A. Yes. I recommend that either the issue of emissions control investments compared with
9 retirement of the existing coal units be prioritized within the IRP, and examined on an
10 accelerated schedule, or that a separate process be initiated to examine the emission
11 control investments in an inclusive, transparent, comprehensive, and timely manner.

12 **Q. Does that conclude your surrebuttal testimony?**

13 A. Yes.