**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Proposed Charges Related to the Fuel Adjustment Clause of The Empire District Electric Company	)))	**Case No. EO-2009-0349**

MOTION TO REJECT TARIFFS

COME NOW, Praxair, Inc. and Explorer Pipeline Company ("Industrial Intervenors") and for their Motion to Reject Tariffs respectfully state as follows:

1. On April 1, 2009, The Empire District Electric Company ("Empire") filed proposed rate schedules to increase rates by $1.92 million associated with an alleged undercollection of fuel and purchased power expense for the period of September 2008 through February 2009. As indicated in the testimony of Mr. Keith accompanying the rate schedules, the increase in fuel and purchased power costs was driven, in part, by "a reduction in coal plant availability."[1] Specifically, Mr. Keith references an outage at Iatan 1 that "lasted approximately two months longer than originally planned."[2] According to Mr. Keith, "[t]his has reduced the planned production from this unit, and the power requirements were replaced with additional purchases or increased generation from Empire's other units."

2. A large portion of the extended outage at the Iatan 1 plant was not the result of prudent utility operating practices. As evidence in the recent KCP&L rate proceeding indicates, the outage for the completion of the Iatan 1 AQCS was originally scheduled to run from September 19, 2008 through November 14, 2008.[3] In July of 2008, the Iatan 1

[1] Keith Direct Testimony at page 7.
[2] *Id.*
[3] Davis Rebuttal, Case No. ER-2009-0089, at page 3.

outage was delayed and extended to accommodate additional outage complexities. As such, the outage was rescheduled to last from October 18, 2008 through December 30, 2009.[4] During the outage, brittle cracks were discovered in the economizer casing.[5] The repairs of the economizer casing cracks caused the outage to be further extended to between January 25 and January 30, 2009.[6] As a result of "extremely cold weather", the actual breaker close date was achieved on February 2, 2009.[7]

3. Subsequent to the initial breaker close date, however, certain events occurred which caused the outage to be unnecessarily extended. As Mr. Davis testified in the KCPL rate proceeding:

> On February 2, 2009, after the unit had been fired on coal, KCP&L Operations rolled the turbine to 3600 rpm, synchronized to the grid, achieved 50 MW, and tripped on turbine vibration on #4 bearing. On February 4, 2009, KCP&L Operations re-established oil and coal fire, synchronized to the grid, achieved 100 MW, and tripped on vibration on #2 bearing. Immediately following the trip, a severe vibration event occurred resulting in bearings #1 thru #4 exceeding 20 mils vibration. Upon returning to turning gear operation, eccentricity was in the 9 to 10 mil range (normally 2 to 3 mils) and did not improve. This value was excessive and precluded restarting the unit. The eccentricity measures the bow in the high-pressure turbine rotor. This new high-pressure turbine was installed by General Electric ("GE") during the Unit 1 outage.[8]

The impact of the inflated eccentricity measures were immediate and material.

> On February 5, 2009, KCP&L Operations performed various checks with the turbine assembled to determine the condition of the high-pressure rotor. On February 6, 2009, KCP&L Operations with assistance from GE determined the high-pressure turbine would need to be disassembled and inspected, which GE began the following day. On February 9, 2009, the high-pressure rotor was exposed and was determined to be permanently bowed in the N-1 packing area near the front of the turbine. Considerable damage to the stationary components, including the shaft and blade packing, was discovered. No damage was noted to blades or buckets. On February

[4] *Id.* at page 5.
[5] *Id.* at page 7.
[6] *Id.* at page 8.
[7] *Id.*
[8] *Id.* at page 9.

> 10, 2009, GE removed the high-pressure rotor and shipped it to a GE repair facility in Chicago, where it was received the following day.[9]

Ultimately, the outage was extended and the KCP&L true-up date by which it was required to demonstrate that the unit had met all applicable in-service criteria was postponed.

4. While Mr. Davis provides a considerable number of facts, he omits several facts that, at a minimum, raise questions as to the prudency of the KCPL start-up practices utilized at Iatan 1. During a conference call held on February 27, Mr. Davis indicated that, at the time the unit was being brought back to service, the turbine was being heated and then loaded at a rate that represented the suggested upper limits. This rapid pace of heating and loading resulted in a differential expansion which caused both an axial and a radial rub. Interestingly, while visual and audible alarms exist to warn of the differential expansion, Mr. Davis admitted that KCPL operational personnel failed to properly acknowledge or respond to the differential expansion alarms. Recognizing that the proper response to such an alarm is to trip the unit, KCPL's failure to properly acknowledge and respond to the differential expansion alarm likely led to unnecessary turbine damage and the protracted outage that was experienced.

5. Section 386.266 addresses the Commission's authority to grant a fuel adjustment clause. Subsection 1 of that statute clearly indicates that the periodic adjustment mechanism is only designed to pass through "prudently incurred" fuel and purchased power costs.

> Subject to the requirements of this section, any electrical corporation may make an application to the commission to approve rate schedules authorizing an interim energy charge, or periodic rate adjustments outside of general rate proceedings to reflect increases and decreases ***<u>in its prudently incurred fuel and purchased-power costs</u>***, including transportation.

[9] *Id.* at pages 9-10.

The increased costs associated with fuel and purchased power designed to replace the generation of Iatan 1 while it was unavailable due to imprudent operating practices were not prudently incurred. As such, given the clear dictates of Section 386.266.1, such costs should not be reflected through the periodic adjustment mechanism.

6. The increased costs of fuel and purchased power to replace the generation otherwise available to Empire from Iatan 1 are not calculated in Empire's tariff filing. Recognizing that Iatan 1 is Empire's baseload and low cost generating source, the replacement of the power from that unit would be much higher than it would have been had Iatan been available. While ratepayers may reasonably be expected to pay increased costs associated with items outside the utility's control, ratepayers should not be expected to pay increased costs when those costs are caused by the utility's negligence. And even though Empire may not have been directly responsible for the causal Iatan 1 delays, as a joint owner of the plant, with KCPL as managing partner, KCPL's imprudent operational practices are attributable to Empire. For this reason, the Commission should reject Empire's fuel adjustment tariffs and direct Empire to file new tariff sheets which isolate ratepayers from the increased costs associated with the extended outage at Iatan 1.

WHEREFORE, the Industrial Intervenors respectfully request that the Commission reject Empire's fuel adjustment rate schedules.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by email, facsimile or First Class United States Mail to all parties by their attorneys of record as provided by the Secretary of the Commission.

David L. Woodsmall

Dated: May 15, 2009