

Exhibit No.:
Issues: Fuel & Purchased Power
Expense
Witness: Stephen L. Ferry
Type of Exhibit: Surrebuttal
Testimony
Sponsoring Party: St. Joseph Light
& Power Company
Case No.: EO-2000-845
Date Testimony Prepared: 10/17/00

ST. JOSEPH LIGHT & POWER COMPANY

CASE NO. EO-2000-845

FILED

OCT 17 2000

SURREBUTTAL TESTIMONY ^{Missouri Public}
Service Commission

OF

STEPHEN L. FERRY

JEFFERSON CITY, MISSOURI

OCTOBER 2000

SURREBUTTAL TESTIMONY

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ST. JOSEPH LIGHT & POWER COMPANY

CASE NO. EO-2000-845

Q. Please state your name and business address.

A. My name is Stephen L. Ferry. My business address is 520
Francis Street, St. Joseph, Missouri.

Q. Are you the same Stephen L. Ferry who has previously filed
direct testimony in this case?

A. Yes.

Purpose of this Surrebuttal Testimony

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of this surrebuttal testimony is to rebut the
testimonies of Missouri Public Service Commission Staff
(Staff) witness Tom Y. Lin and Office of Public Counsel (OPC)
witness Russell W. Trippensee regarding fuel and purchased
power expense associated with the Lake Road Unit 4/6 incident
of June 7, 2000 (Unit 4/6 incident) and subsequent forced-

1 outage.

2 Q. What is your disagreement with Mr. Lin?

3 A. On page 6 of his rebuttal testimony in this case, Mr. Lin
4 testifies that the level of Unit 4/6 generation calculated by
5 the Staff's production cost model is 107,946 MWH. This is
6 approximately 13% more generation than the Company has in its
7 calculation. Staff's production cost model appears to
8 exaggerate the amount of Unit 4/6 generation.

9 Q. Why do you say that Staff's production model appears to
10 exaggerate Unit 4/6 generation?

11 A. I say that it appears to exaggerate Unit 4/6 generation
12 because, due to the short time available to review the Staff's
13 production model and file this testimony, the Company was not
14 able to make a detailed review of all of the inputs to the
15 Staff's model. But clearly, Staff's calculated Unit 4/6
16 generation is more than 13% greater than the Company's
17 recommended level of 95,074 MWH in this case. Not only is the
18 107,946 MWH calculated by Staff's production model more than
19 the Company's recommended level, it's also nearly 10% more
20 than the 98,190 MWH calculated by the Company's production
21 cost model (Enpro) for the Company's 2000 budget. Using
22 different methods, the Company produced Unit 4/6 generation

1 results that were comparable, whereas Staff's amount of
2 generation is considerably more than either of the Company's
3 calculated results. Therefore, I contend that the Staff's
4 model appears to exaggerate the amount of Unit 4/6 generation.

5 Q. Do you agree with Mr. Lin's recommendation to accept the
6 Company's fuel and purchase power expense?

7 A. Yes. Not including transmission service, Mr. Lin calculated
8 the cost of incremental fuel and purchase power to be
9 \$4,013,202, which is more than 16% greater than the Company's
10 \$3,451,027. Reducing the Staff's expense by 13% to account
11 for 13% too much Unit 4/6 generation would still produce
12 expense greater than the Company's recommended expense of
13 \$3,451,027.

14
15 Q. What is your disagreement with Mr. Trippensee?

16 A. On pages 29 through 31 of his rebuttal testimony in this case,
17 Mr. Trippensee discusses the historical forced-outage hours of
18 Unit 4/6. On page 29 he lists the annual forced-outage hours
19 experienced by Unit 4/6 from 1995 through 1999, and then
20 states on page 30 that while the length of the forced-outage
21 experienced due to the Unit 4/6 incident exceeded the
22 normalized experience it should not mean that an AAO is

1 warranted. The implication is that other forced-outages have
2 been experienced by the unit, the Company didn't file AAOs for
3 those forced-outages, and should therefore not file an AAO for
4 the forced-outage associated with the Unit 4/6 incident.

5 Q. Do you agree with this conclusion?

6 A. No. The outage associated with the Unit 4/6 incident had a
7 much greater impact on SJLP expenses than any of the other
8 outages experienced from 1995 and on. For example, for all of
9 1995 Unit 4/6 was on forced-outage a total of 1,145 hours,
10 compared to the 1,473 hours of forced-outage just associated
11 with the Unit 4/6 incident in June of this year. The outage
12 hours associated with the Unit 4/6 incident of June 7, 2000,
13 are greater than those experienced in 1995, but the cost
14 associated with the Unit 4/6 incident is much greater.

15 Of the 1,145 forced-outage hours experienced in 1995,
16 only 189 hours occurred during the summer months (June, July
17 and August); whereas all of the 1,473 forced-outage hours
18 associated with the Unit 4/6 incident were in the summer.
19 Electrical loads in the summer are much higher and more costly
20 to serve than those occurring during the rest of the year. In
21 addition, wholesale energy costs were much lower in 1995 than
22 they were/are in 2000. As a result, the cost of replacement

1 energy associated with outages in 1995 was much less than that
2 associated with the Unit 4/6 incident.

3 Further, prior to 1997, Unit 4/6 burned Midwestern coal,
4 a much higher cost fuel than the Western coal it currently
5 burns. As a result, it was a higher cost unit prior to 1997
6 than it is today, and it didn't run as much as it does today.
7 And because the production cost of the unit was higher prior
8 to 1997 than it is today, the incremental cost of providing
9 replacement energy for it was less than it would have been had
10 it been burning Western coal.

11 Clearly, the replacement energy cost associated with the
12 Unit 4/6 incident is much greater than that associated with
13 any of the outages experienced by SJLP in many years.

14 Q. On page 28 of his rebuttal testimony in this case, Mr.
15 Trippensee states, "Forced outages caused by system failures
16 (whatever the cause) occur on a frequent basis, are also part
17 of the normal course of business for electric utilities, and
18 are recognized in the ratemaking process." Do the Company's
19 rates provide for forced-outages of the magnitude experienced
20 as a result of the Unit 4/6 incident?

21 A. No. I discuss this in my direct testimony in this case. In
22 my direct testimony (pages 9 - 10), I point out that the

1 forced-outage rates assumed in both the Company's and Staff's
2 fuel runs in the Company's last electric rate case (ER-99-247)
3 were too low to account for the magnitude of the outage
4 experienced as a result of the Unit 4/6 incident. Lake Road
5 Unit 4/6 experienced a 1,473 hour long forced-outage as a
6 result of the Unit 4/6 incident. It occurred during the
7 hottest time of the year. The incremental cost to replace its
8 energy was \$3.7 million. To state that the Company's rates are
9 adequate to recover this cost ignores hard facts.

10
11 Q. Do you have any other disagreements with Mr. Trippensee's
12 testimony?

13 A. Yes. On page 37 of his rebuttal testimony, Mr. Trippensee
14 concludes that the Company's estimate for incremental fuel and
15 purchased power has been overstated by \$272,000 to \$318,000
16 because the Company failed to include estimated forced-outage
17 hours.

18 Q. Do you agree with Mr. Trippensee's conclusion?

19 A. No. As I previously discussed in this testimony, both the
20 Staff's production cost model used for this case and the
21 Company's production cost model used for its 2000 budget
22 calculated Unit 4/6 generation to be greater than the amount

1 recommended by the Company in this case. In the production
2 cost model for its budget, the Company assumed a 3.2% forced-
3 outage rate, which produced 60 forced-outage hours during the
4 summer; and still arrived at a calculated amount of Unit 4/6
5 generation that was 3,116 MWH greater than that recommended by
6 the Company in this case. As a result, I contend that the
7 Company's recommended amount of expense for incremental fuel
8 and purchased power to replace Unit 4/6 is reasonable, and
9 need not be adjusted as Mr. Trippensee suggests.

10 In any event, the Company is not seeking approval for the
11 expenses at this time, but rather the deferral of them until
12 the next rate case. If Mr. Trippensee disagrees with the
13 amount of expense, he should argue it at that time.

14
15 Q. Does this conclude your surrebuttal testimony at this time?

16 A. Yes.

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

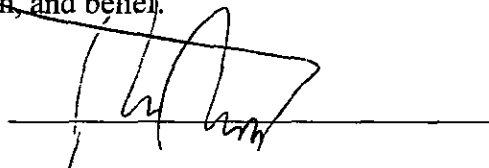
In the Matter of the Application of)
St. Joseph Light & Power Company for)
the issuance of an accounting order)
relating to its electrical operations.)

Case No. EO-2000-845

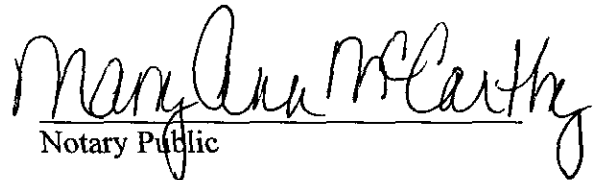
County of Buchanan)
State of Missouri)

AFFIDAVIT OF STEPHEN L. FERRY

Stephen L. Ferry, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Fuel and Purchased Power Expense"; that said testimony was prepared by him and/or 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.



Subscribed and sworn before me this 13th day of October, 2000.


Notary Public

My Commission expires:
MARY ANN MCCARTHY, NOTARY PUBLIC
STATE OF MISSOURI, BUCHANAN COUNTY
MY COMMISSION EXPIRES NOV. 6, 2002