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Witness: Burton L. Crawford
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: KCP&L Greater Missouri
Operations Company
Case No.: ER-2009-0090
Date Testimony Prepared: April 9, 2009

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2009-0090

SURREBUTTAL TESTIMONY

OF

BURTON L. CRAWFORD

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
April 2009**

***** [REDACTED] *** Designates "Highly Confidential" Information
Has Been Removed. Certain Schedules Attached
To This Testimony Also Contain
Confidential Information and Have Been Removed
Pursuant To 4 CSR 240-2.135.**

SURREBUTTAL TESTIMONY

OF

BURTON L. CRAWFORD

Case No. ER-2009-0090

1 **Q: Please state your name and business address.**

2 A: My name is Burton L. Crawford. My business address is 1201 Walnut, Kansas City,
3 Missouri 64106.

4 **Q: Are you the same Burton L. Crawford who submitted Rebuttal testimony in this**
5 **case on behalf of KCP&L Greater Missouri Operations Company (“GMO” or the**
6 **“Company”) on or about March 13, 2009?**

7 A: Yes, I am.

8 **Q: What is the purpose of your Surrebuttal Testimony?**

9 A: I am responding to claims made by Staff witness Mr. Chuck Hyneman concerning the
10 addition of the Crossroads Energy Center (“Crossroads”) to the GMO rate base. I will
11 also respond to the proposal put forth by Dogwood Energy witness Mr. Robert Janssen.

12 **Q: Do you agree with Staff Witness Mr. Hyneman’s claim that the cost of Aquila’s**
13 **alleged imprudent capacity planning decisions is \$11 million in annual revenue**
14 **requirements (Hyneman Rebuttal, p. 12, lines 12-13)?**

15 A: No. Even if one were to assume for a moment that the Company’s actions in 2004-05
16 were imprudent, Mr. Hyneman has ignored the fact that the Company’s preferred plan to
17 add some level of base load capacity resulted in an attractive base load contract with the

1 Nebraska Public Power District (“NPPD”) that has saved (and continues to save) millions
2 of dollars in annual purchased power expense.

3 **Q: Can you quantify these savings?**

4 A: Yes. The value of these savings can be estimated by calculating the value of the base
5 load energy purchased under the NPPD contract less the contract cost for the energy,
6 capacity and transmission.

7 **Q: Have you estimated this value?**

8 A: Yes. I have calculated the value of the actual energy received by GMO in 2007 and 2008
9 under the NPPD contract based on the actual marginal hourly cost for GMO for 2007 and
10 2008. The marginal cost conservatively reflects reflect what the cost to the Company
11 would have been if additional energy was needed either from purchased power or owned
12 generation. I then subtracted the price paid to NPPD for the energy, fixed demand
13 payment and transmission costs. This results in the net amount of purchased power and
14 fuel savings related to the NPPD contract. Schedule BLC-2 (HC) shows the quantity of
15 energy purchased under the NPPD contract over the past two years, the value of that
16 energy based on the GMO hourly marginal cost, the NPPD contract cost for the energy,
17 capacity, transmission costs, and the net value of this energy to GMO. These results
18 indicate that the estimated cost savings from this contract over the last two years has
19 averaged over ** [REDACTED] ** per year.

20 **Q: Does Staff’s preferred plan based on non-existent CTs reflect these benefits?**

21 A: No. Staff’s preferred plan would not have experienced these savings nor does Staff’s
22 proposed remedy to GMO’s alleged imprudence reflect these benefits.

23 **Q: Have GMO customers benefited from GMO's preferred plan?**

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1 A: Yes. GMO's 2004 preferred plan resulted in the baseload contract with NPPD. While
2 the Company's revenue requirements concerning purchased power and fuel expense have
3 been settled in at least the last two rate cases, the benefits of reduced purchased power
4 and fuel expense related to this contract has been a consideration in reaching agreement
5 on the Company's revenue requirement.

6 **Q: Is it reasonable for GMO to be penalized approximately \$11 million per year as
7 Staff has proposed for not building two additional CTs at South Harper?**

8 A: No. As more fully discussed in my Rebuttal Testimony, the decision to pursue the
9 Company's preferred plan in 2004 was prudent. As proposed, Staff would penalize the
10 Company for years to come for what was a prudent decision while at the same time
11 claiming the real benefits derived from the Company's preferred plan that Staff claims
12 was imprudent.

13 **Q: Do you agree with Mr. Hyneman's characterization that the Company imprudently
14 failed to use the principles of least-cost planning?**

15 A: No. The Company employed the principles of least-cost planning. In fact, the basis for
16 Staff's preference for the five CT plan was based on the Company's analysis that utilized
17 the principles of least-cost planning. However, as described more fully in my Rebuttal
18 Testimony in this case, part of prudent planning requires an analysis of the performance
19 of the alternative plans available under future uncertainties. The Company performed
20 such an analysis and determined the preferred plan included three CTs and a system
21 participation based purchased power agreement that would include some level of base
22 load capacity.

1 **Q: Mr. Hyneman claims that the “least cost option for GMO’s required capacity today**
2 **is not South Harper and Crossroads, but the MPS Prudent CT site, including MPS**
3 **Prudent CTs 4 and 5, plus a 100 MW PPA” (Hyneman Rebuttal, p. 8, lines 5-7). Do**
4 **you agree?**

5 A: Certainly not. As more fully discussed in my Rebuttal Testimony in this case, the
6 selection of Crossroads was based on the thorough analysis of several alternative resource
7 plans, both third party and self-build options, that demonstrated that the Crossroads plan
8 resulted in the lowest 20-year net present value of revenue requirements. To assert that
9 non-existent CTs are even a viable option today is beyond a stretch. It is simply not an
10 option.

11 **Q: Was the five CT plan an option?**

12 A: Five years ago it was an option. But as stated in my Rebuttal Testimony, in the
13 Company’s view the three CT plan was preferred.

14 **Q: Do you agree with Mr. Hyneman’s assertion that Aquila “refused” to protect**
15 **Aquila’s rate payers (Hyneman Rebuttal, p.8, Line 5)?**

16 A: No. GMO’s decision to add additional base load capacity as part of its preferred plan
17 was prudent. By the inclusion of additional base load capacity into GMO’s resource mix,
18 GMO diversified their supply portfolio, thus mitigating customers risk associated with
19 gas-fired peaking capacity. There have been clear benefits to the addition of the base
20 load capacity contract. The NPPD contract has mitigated customer costs related to high
21 gas prices. This is reflected in Schedule BLC-2 (HC) that shows the actual contract costs
22 relative to the GMO’s marginal cost of energy which is driven in part by gas prices in this
23 region and in part by GMO’s gas-fired resources.

1 **Q: Do you agree with Mr. Hyneman's assertion that Great Plains Energy Incorporated**
2 **("GPE") appears to be "significantly overstating the value of the Crossroads plant**
3 **that it is proposing to include in GMO's rate base" (Hyneman Rebuttal, p.15, lines**
4 **15-16)?**

5 A: No, I do not. As discussed in my Rebuttal Testimony, it has been demonstrated that the
6 Crossroads option was the lowest cost alternative for GMO based on a competitive
7 bidding process.

8 **Q: Mr. Hyneman points to the \$51.6 million fair market value determination for**
9 **Crossroads reported by GPE in various SEC filings related to the Aquila**
10 **acquisition. Is this value relevant in determining the value of Crossroads for rate**
11 **base purposes?**

12 A: No, it is not. This estimate was developed for SEC reporting requirements as part of the
13 Aquila acquisition and was based on the projected net proceeds from dismantling the
14 plant and selling the turbines. It had nothing to do with the value of Crossroads to GMO
15 as a fully operational generating facility.

16 **Q: Based on the Missouri Affiliate Transaction rules, could Crossroads have been**
17 **valued at more than the price it was offered at in the March 2007 RFP?**

18 A: Yes. Per the affiliate transaction rules, assets are to be transferred at the lower of the cost
19 for the utility to provide the service for itself or the fair market price. The price offered
20 for Crossroads was less than the cost for the utility to provide the service itself as
21 reflected in the self-build options analyzed. It was also less than the competitive bids
22 received for similar service. Therefore, according to the affiliate transaction rules, GMO

1 could have justified paying more than the net book value offer price and still paid less
2 than the lower of cost or market.

3 One third-party offered four GE 7EA combustion turbines (“CTs”), the same number of
4 turbines and model as installed at Crossroads, for ** [REDACTED] **. This offer was not for a
5 completed site, but only for the CTs. Based on the self-build options, it would have cost
6 an additional \$335/kw for a fully operational and interconnected facility, for a total
7 installed cost of ** [REDACTED] **. The self-build option for a fully functional facility with
8 four GE 7EA CTs was ** [REDACTED] **. The Crossroads offer was for ** [REDACTED] ** not
9 including the cost of long-term transmission. Including the estimated cost of long-term
10 transmission, this costs increases to ** [REDACTED] **, still well below the cost for GMO to
11 provide the service itself or the fair market price. Based on the costs to self-provide,
12 Crossroads could have been valued at over ** [REDACTED] ** more than the offer price and
13 still met the affiliate transaction rule requirements.

14 As discussed in my Rebuttal Testimony, other third-party offers and self-build options
15 were analyzed as well. Crossroads was found to be the lowest cost option from a 20-year
16 net present value of revenue requirements basis taking into consideration all costs,
17 including transmission.

18 **Q: At pp. 9-12, Mr. Hyneman describes Staff’s calculation of the costs of the so-called**
19 **“Prudent CT Site” in the 2005 and 2007 rate cases. Did the Company agree with**
20 **these calculations?**

21 **A:** No. Those rate cases were generally settled and the Commission did not approve Staff’s
22 calculations.

23 **Q: Has Staff underestimated the cost of the so-called “Prudent CT Site”**

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1 A: Yes. Staff has failed to include the cost of major maintenance for the two additional non-
2 existent CTs. The incremental cost of major maintenance is approximately \$1.464
3 million per year based on the major maintenance accruals for the three existing South
4 Harper CTs. In addition, the plant value imputed by Staff based on the existing South
5 Harper CTs appears to be understated. A review of Staff's workpapers in this case shows
6 the "Prudent" CTs imputed by Staff to be approximately \$2.8 million each below the
7 actual South Harper CTs book value.

8 **Q: Has Staff underestimated the costs associated with the imputed 100 MW PPA?**

9 A: Yes. Staff has included \$800,000 in their revenue requirement for the imputed 100 MW
10 PPA. This is substantially less than the cost would be to obtain a 100 MW capacity only
11 PPA. GMO received several capacity offers in response to its September 2008 request
12 for proposals ("RFP") for the summer of 2009. The lowest offer was ** [REDACTED]
13 [REDACTED]** for June through September 2009. At this offer price, the cost of a 100 MW
14 PPA would be ** [REDACTED]** for the summer.

15 **Q: Has any other party to this case addressed the issue of placing Crossroads in the**
16 **GMO rate base?**

17 A: Yes. Dogwood Energy, LLC ("Dogwood") witness Mr. Robert Janssen has offered what
18 he terms a "better alternative" to address the Crossroads issue.

19 **Q: What alternative has Mr. Janssen proposed?**

20 A: Mr. Janssen has proposed that the Commission consider the offers Dogwood or any other
21 party made to GMO's September 2008 RFP as an alternative to Staff's proxy peaker
22 methodology.

23 **Q: Is this a reasonable request?**

1 A: No. The offers made in response to a 2008 RFP are irrelevant to the decisions made in
2 2007 regarding the long-term resource needs of GMO. As discussed more fully in my
3 Rebuttal Testimony in this case, the 2007 preferred plan was selected after careful
4 consideration of several alternatives including third party offers and self-build options.
5 The addition of Crossroads to the GMO rate base was the lowest cost option. The
6 response to a September 2008 RFP was obviously not an option in 2007.

7 **Q: Are there any other reasons why this is an unreasonable request?**

8 A: Yes. Not only were the 2008 Dogwood offers not available in 2007, Dogwood submitted
9 offers in 2007 that were analyzed as part of the decision to include Crossroads in the
10 GMO rate base.

11 **Q: How did the offers available in 2007 from Dogwood compare to the Crossroads
12 offer?**

13 A: The analysis performed by the Company in 2007 demonstrated that the Dogwood offer to
14 sell a portion of the Dogwood facility to GMO would result in higher costs for GMO
15 ratepayers compared to the Crossroads offer. For the Dogwood alternative to break-even
16 on a 20-year net present value basis with the Crossroads offer, the Dogwood offer would
17 needed to have been ****[REDACTED]****. The actual offer from Dogwood was ****[REDACTED]**
18 **[REDACTED]****.

19 **Q: Mr. Jansen raises an issue concerning the potential loss of favorable property tax
20 treatment that Crossroads currently receives. Should this be a concern?**

21 A: No, it should not. GMO currently receives favorable property tax treatment for the
22 Crossroads facility based on the current ownership structure. This structure and

1 favorable tax treatment are fully expected to continue for many years as GMO has no
2 current plans to exercise the purchase option.

3 **Q: Does that conclude your testimony?**

4 **A:** Yes, it does.

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

In the Matter of the Application of KCP&L Greater Missouri Operations Company to Modify Its Electric Tariffs to Effectuate a Rate Increase)) Case No. ER-2009-0090)

AFFIDAVIT OF BURTON L. CRAWFORD

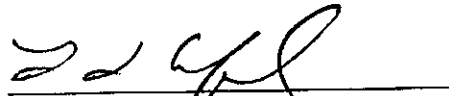
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Burton L. Crawford, being first duly sworn on his oath, states:

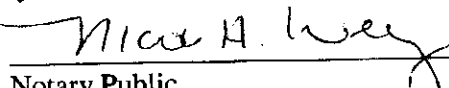
1. My name is Burton L. Crawford. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Manager, Energy Resource Management.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of KCP&L Greater Missouri Operations Company consisting of nine (9) pages and Schedule(s) 3LC 2 through _____, having been prepared in written form for introduction into evidence in the above-captioned docket.

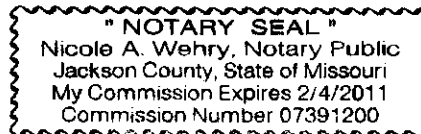
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.


Burton L. Crawford

Subscribed and sworn before me this 9th day of ~~March~~ ^{April} 2009.


Notary Public

My commission expires: Feb 4, 2011



SCHEDULE BLC-2

**THIS DOCUMENT CONTAINS
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