

Exhibit No.:
Issue: Jeffrey Energy Center AQCS
Witness: F. Dana Crawford
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Sponsoring Party: KCP&L Greater Missouri
Operations Company
Case No.: ER-2009-0090
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2009-0090

REBUTTAL TESTIMONY

OF

F. DANA CRAWFORD

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
March 2009**

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Case No. ER-2009-0090

1 **Q: Are you the same F. Dana Crawford who submitted Direct Testimony in this case on**
2 **behalf of KCP&L Greater Missouri Operations Company (“GMO” or the**
3 **“Company”)?**

4 A: Yes, I am.

5 **Q: What is the purpose of your Rebuttal Testimony?**

6 A: The purpose of my testimony is to rebut the direct testimony of Cary Featherstone, of the
7 Staff of the Missouri Public Service Commission concerning his proposal for the
8 Commission either (i) to limit the amount of costs the Company can include in this case
9 concerning the Company’s investment in air quality control system (“AQCS”) equipment
10 at the Jeffrey Energy Center and/or (ii) to defer making a prudence determination on that
11 project. Although Mr. Featherstone’s proposal appears to apply equally to the
12 Company’s investment in AQCS equipment at Sibley 3 and Iatan 1, my rebuttal
13 testimony is limited to the AQCS project at the Jeffrey Energy Center. Company witness
14 Terry Hedrick will speak to the Company’s investments at Sibley 3 and Brent Davis will
15 speak to the Iatan 1 project. In addition, Chris Giles testifies to the appropriateness of the
16 Commission deferring a prudence determination on such significant plant investments.

17 **Q: What does Mr. Featherstone recommend concerning the Company’s request to**
18 **include in rate base in this case its investment in AQCS equipment at the Jeffrey**
19 **Energy Center?**

1 A: Citing the magnitude of the Company’s construction projects, Mr. Featherstone explains
2 that “Staff will not be able to complete and present the results of construction cost
3 reviews for any of these projects in these rate cases” either now or as part of the true-up
4 procedures in this case. He therefore recommends “the Commission either, (1) to the
5 extent the costs of that project exceed KCPL’s and GMO’s definitive estimate, make that
6 portion of GMO’s rates interim subject to refund or (2) expressly state in its Report and
7 Order in this case that it is not deciding for the purpose of setting rates in this case the
8 issue whether the construction costs of the Iatan 1, Sibley and Jeffrey Energy Center
9 projects were prudently incurred and that it will take up the matter of the prudence of
10 those costs in future rate cases, if a party properly raises the issue before the Commission
11 in those cases.” Featherstone Direct, p. 33.

12 **Q: Do you agree with Mr. Featherstone’s proposal either to limit the amount of costs**
13 **the Company can include in this case concerning its investment at the Jeffrey**
14 **Energy Center and/or to postpone the Commission’s determination of whether the**
15 **costs incurred by GMO for the project were prudent?**

16 A: No. As I explained in my Direct Testimony, the AQCS project at the Jeffrey Energy
17 Center involves rebuilding three flue gas desulphurization systems (“Scrubbers”), one for
18 each of the three 720 MW coal-fired units at the site. The Company anticipated seeking
19 to reflect in its rates as part of this case the cost associated with all three rebuilt
20 Scrubbers. Work on the unit 1 Scrubber has been completed. It is fully operational and
21 used for service. Work on the unit 3 Scrubber has likewise been completed. It is also
22 fully operational and used for service. It is not clear at this time, however, whether the
23 unit 2 Scrubber will become fully operational and used for service by the true-up date in

1 this proceeding. Nevertheless, given Staff's involvement with the project and the amount
2 of information that Staff has requested and received concerning the project, I do not
3 believe it is appropriate for either the Commission to limit the level of costs to be
4 included in this case or for the Staff to defer its prudence review.

5 **Q: You noted that Staff has been involved with the Jeffrey Energy Center AQCS**
6 **projects. Please explain.**

7 A: Members of the Utility Operations Division visited the Jeffrey Energy Center on
8 November 20, 2008. Their visit included an extensive tour of the project.

9 **Q: During their site visit, did the Utility Operations Division Staff ask questions?**

10 A: Yes. They asked, and GMO and Westar Energy ("Westar") representatives answered
11 questions regarding the project, including questions about schedule, cost, construction,
12 and engineering issues. As I explained in my Direct Testimony, Westar owns 84% of the
13 Jeffrey Energy Center and leases 8%. GMO owns the remaining 8%.

14 **Q: Did the Utility Operations Division Staff request any documentation during their**
15 **visit?**

16 A: Yes. The Utility Operations Division Staff requested documents that we provided
17 subsequent to their visit.

18 **Q: Was there ever any information requested by the Utility Operations Division Staff**
19 **during these visits that the Company refused to provide?**

20 A: No.

21 **Q: Did the Utility Operations Division Staff have any other involvement with the**
22 **project?**

1 A: Yes, they did. The Utility Operations Division Staff developed the in-service criteria for
2 the project, and they have requested and received information concerning the project's
3 satisfaction of those criteria. In addition, they have requested and received extensive
4 background data and cash flow documents concerning the project.

5 **Q: Do you understand the in-service criteria the Company has agreed to with Staff for**
6 **the AQCS equipment to require the equipment to demonstrate compliance with all**
7 **of the performance guarantees included in the underlying contracts related to the**
8 **procurement, construction, and/or installation of the equipment?**

9 A: No, I do not. The Commission has not applied in-service criteria in that manner because
10 it would be unworkable to do so.

11 **Q: Why would it be unworkable to tie in-service criteria to contractual performance**
12 **guarantees?**

13 A: There are probably a variety of reasons, but an obvious one that comes to mind is that the
14 timing would not work. It is not uncommon for contractual guarantees to be tied to
15 months or even years of equipment performance. If the Commission used satisfaction of
16 such performance guarantees as in-service criteria, it would take months if not years after
17 completion of the equipment to satisfy the in-service criteria and include the plant in
18 rates. That is not how in-service criteria are written and that is not how the Commission
19 has interpreted them.

20 **Q: Could you provide an example of how the Commission typically handles contractual**
21 **performance guarantees that require a significant amount of time to satisfy?**

22 A: Yes, the in-service criteria for the Jeffrey Energy Center AQCS equipment presents a
23 good example. One of the criteria is to demonstrate that "Equipment successfully meets

1 operational control guarantees. (Note: Some operational contract guarantee verification
2 periods may extend beyond the duration of the schedule for a rate case. These guarantees
3 will be evaluated for applicability.)” In looking at whether such guarantees are
4 applicable, the Commission typically looks to whether the equipment is doing what it was
5 designed to do, whether it be generating power or removing sulfur dioxide or nitrous
6 oxides from flue gas. Ultimately, the Commission has to determine whether the
7 equipment at issue is “fully operational and used for service.” That is the appropriate
8 test.

9 **Q: Please describe GMO’s oversight of the Jeffrey Energy Center AQCS projects.**

10 A: As I have noted, GMO owns 8% of the Jeffrey Energy Center. Although GMO has
11 diligently monitored the projects in its capacity as a joint owner and a member of the
12 Operating Committee, ultimately Westar is in charge of the project. GMO has actively
13 participated in joint owner meetings at which cost and schedule issues concerning the
14 project are routinely a topic of discussion. Moreover, GMO has diligently reviewed
15 invoices received from Westar concerning GMO’s allocated cost of the project.

16 **Q: Does Mr. Featherstone provide any evidence in his Direct Testimony that either**
17 **Westar has not prudently managed the Jeffrey Energy Center AQCS projects or**
18 **that GMO has not diligently reviewed costs allocated to it as a joint owner?**

19 A: No, he does not. He merely suggests that the Company be held to the “definitive
20 estimate” of the project and/or that a prudence determination be postponed until a
21 subsequent rate case. Such courses of action would only be appropriate if there was
22 serious doubt about either Westar’s prudent management of the project or GMO’s
23 monitoring of the costs allocated to it as a joint owner.

1 **Q: Do you have any reason to believe that Westar has not prudently managed Jeffrey**
2 **Energy Center AQCS projects?**

3 A: No, I do not.

4 **Q: Do you believe GMO has diligently reviewed the costs it has incurred concerning the**
5 **Jeffrey Energy Center AQCS projects?**

6 A: Yes, I do.

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

8 A: Yes, it does.

