

Exhibit No.:
Issue: Crossroads; Depreciation
Witness: Burton L. Crawford
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Sponsoring Party: KCP&L Greater Missouri Operations Company
Case No.: ER-2016-0156
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2016-0156

SURREBUTTAL TESTIMONY

OF

BURTON L. CRAWFORD

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
September 2016**

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Case No. ER-2016-0156

1 **Q: Are you the same Burton L. Crawford who pre-filed direct and rebuttal testimony**
2 **in this matter on behalf of KCP&L Greater Missouri Operations Company**
3 **(“GMO” or the “Company”)?**

4 A: Yes.

5 **Q: What is the purpose of your surrebuttal testimony?**

6 A: I will respond to the rebuttal testimony of Mr. Cary Featherstone submitted in this
7 proceeding on behalf of the Staff of the Missouri Public Service Commission (“Staff”) as
8 it relates to Crossroads issues. I will also respond to the rebuttal testimony of Mr. Derick
9 Miles submitted in this proceeding on behalf of Staff as it relates to depreciation issues.

10 **I. CROSSROADS**

11 **Q: What is Staff’s primary issue with Crossroads in this proceeding?**

12 A: According to Staff witness Cary Featherstone, “The problem with Crossroads relates
13 solely to the fact that the location of this generating facility causes the incurrence of
14 transmission costs.” (Featherstone Rebuttal, p. 14, ll. 20-21)

15 **Q: Does GMO incur transmission costs for Crossroads due to its location?**

16 A: In part. GMO does incur transmission costs for Crossroads, however it is due to the fact
17 that the facility is currently in a Regional Transmission Organization (“RTO”) other than
18 the Southwest Power Pool (“SPP”) rather than how far the Crossroads facility is from
19 GMO’s service territory and load. Crossroads is located within the Midcontinent

1 Independent System Operator (“MISO”) RTO. If Entergy had joined SPP as its RTO,
2 Crossroads would not incur transmission costs for regional through and out service.

3 **Q: Are you aware of any other generating facilities that incur transmission costs due to**
4 **their location in MISO?**

5 A: Yes. Empire’s Plum Point facility is located in MISO and incurs transmission service
6 costs. Crossroads and Plum Point pay the same rate under the MISO tariff for service.
7 Facilities inside MISO pay the same rate to reserve transmission service that exits the
8 MISO footprint. The distance from load served by the facility has no bearing on the rate
9 paid for transmission service. In fact, a generating facility in SPP could exist farther
10 away than Crossroads from GMO load and GMO would not pay transmission service
11 costs.

12 **Q: When Aquila was looking to add generating capacity to its supply portfolio in 2007**
13 **would it have located and built a generator in MISO?**

14 A: No. In 2007 Aquila looked at many options for adding generating resource including
15 building peaking capacity like that at Crossroads. It would have been located in GMO
16 service territory and as such would not have incurred transmission service costs.
17 However, since Crossroads was an available option, Aquila evaluated it along with self-
18 build options and options from other third parties. Even when including the higher cost
19 of transmission service for Crossroads, it was a lower total cost than the other options
20 evaluated.

1 **Q: Since Crossroads was outside of the SPP and would incur transmission costs to**
2 **serve GMO load, should GMO have excluded Crossroads from consideration?**

3 A: No. A supply option should not be dismissed simply due to one particular cost
4 component such as transmission being higher than other options. As the analysis
5 conducted in 2007 showed, Crossroads was the lowest cost option for adding generating
6 capacity to the GMO portfolio when evaluated on a total cost basis.

7 **Q: Would adding Crossroads to the GMO supply portfolio without transmission**
8 **service be a viable option for meeting GMO's needs?**

9 A: No. GMO needed to add capacity and the SPP rules require that capacity used to meet a
10 utility's capacity requirements must have firm transmission service. It is the firm
11 transmission service to GMO's retail load that makes the Crossroads capacity valuable.
12 Today, GMO continues to rely on this capacity to meet its obligations to SPP. Now that
13 Entergy has integrated into MISO, GMO is requesting to recover the related increase in
14 transmission service costs above the transmission service amount previously disallowed
15 by the Commission. The amount of transmission expense requested in this case is still
16 less than what was assumed for Crossroads in the 2007 analysis supporting the decision
17 to add Crossroads to the GMO supply portfolio.

18 **Q: When GMO added Crossroads to their supply portfolio in 2008, was there any**
19 **lower cost alternative available for adding generation?**

20 A: No. Adding generation in GMO's service territory, where no transmission service costs
21 would likely have been incurred, was more expensive from a total cost perspective than
22 adding Crossroads.

1 **Q: In his rebuttal testimony, Mr. Featherstone points to the historical and projected**
2 **energy production from Crossroads. (Featherstone Rebuttal, pp. 23-24) Is this**
3 **relevant to the prudence of the plant or transmission service?**

4 A: No. Crossroads is a “peaking” facility and as such is expected to run on a limited basis,
5 generally during periods of high retail customer demand. There are years when some
6 peaking facilities may not be required to run at all to meet customer energy needs. That
7 does not make them any less important to maintaining a reliable, economic supply
8 portfolio.

9 **Q: In his rebuttal testimony, Mr. Featherstone calculated the cost of transmission**
10 **service for Plum Point and Crossroads on a \$ per MWh produced basis.**
11 **(Featherstone Rebuttal, pp. 31-32) Is this relevant to the prudence of transmission**
12 **service?**

13 A: No. Transmission service is reserved based on the capacity needed, not on energy use.
14 Both Plum Point and Crossroads are charged for service based on the same rate per MW
15 of capacity. There is no difference.

16 **Q: In his rebuttal testimony, Mr. Featherstone lists “several reasons why Empire has**
17 **obtained rate recovery of Plum Point transmission costs” (Featherstone Rebuttal, p.**
18 **29, l. 22-23) as compared to Crossroads. Do you agree with his rationale?**

19 A: No.

20 **Q: Please explain.**

21 A: The first point Mr. Featherstone raises is the original intended use of the generating
22 facility, whether or not it was intended for regulated or merchant service. I do not believe
23 that a facility’ original intended use should have any bearing on cost recovery. If the

1 lowest cost option for retail customers is to purchase a merchant facility and place it in
2 regulated service, the fact that it was originally intended as a merchant facility should not
3 impact the ability of a utility to recover costs associated with that facility. The fact that
4 Raccoon Creek and Goose Creek were originally merchant plants should have no bearing
5 on the prudence of their use for retail service. Nor should it make a difference for
6 Crossroads.

7 The second point raised by Mr. Featherstone is that Crossroads gets used less than
8 Plum Point. As discussed earlier, Crossroads is a peaking facility. Its actual and
9 projected production levels have no bearing on its prudence. GMO has several peaking
10 facilities that produce limited amounts of energy most years. This is exactly what you
11 would expect for peaking plants. If they were operated as base load units, the cost to
12 serve retail customers would increase.

13 The third point raised by Mr. Featherstone is that “Crossroads’ transmission costs
14 are substantial as a peaking unit” as compared to Plum Point. (Featherstone Rebuttal, p.
15 30, l. 12) As discussed earlier, both facilities pay the same rate. The MISO tariff makes
16 no distinction as to how frequently a generator runs.

17 The fourth point raised by Mr. Featherstone is that Plum Point is located in the
18 same state as the customers it serves. Plum Point would pay the same amount for
19 transmission service no matter what part of the MISO territory it resided in. The fact that
20 it is located in a state with Empire retail customers is not what makes Plum Point
21 transmission a prudent expense nor what determines its transmission service cost.
22 Empire could have no customers in the state where Plum Point is located and it would not

1 make any difference either on the cost Empire would pay for that transmission service or
2 on the prudence of the siting of Plum Point.

3 The fifth point raised by Mr. Featherstone again makes the distinction of Plum
4 Point as a base load unit and Crossroads is a peaking unit. The basis of a prudency
5 decision should be based on the utility's need and the cost to meet that need, not the
6 difference between a base load plant and a peaking plant.

7 The final point raised by Mr. Featherstone is that Empire is small and therefore
8 must partner with others in large scale projects. As a result they have less say in where
9 such plants are built. He also states that Plum Point is well outside Empire's service
10 territory and that "those circumstances were well known at the time of decisional-
11 prudence reviews by regulators. There were no such decisional reviews conducted for
12 Crossroads." (Featherstone Rebuttal, p. 30, l. 27-29) Presumably the prudence of Plum
13 Point was reviewed during the proceeding where it was allowed into Empire's retail rates
14 just as the prudency of Crossroads was reviewed when Crossroads was place in GMO's
15 retail rates. These particular arguments raised by Mr. Featherstone do not support why
16 GMO should be treated any differently than Empire.

17 II. DEPRECIATION

18 **Q: In Staff witness Derick Miles' rebuttal testimony, he recommends that current**
19 **depreciation rates be maintained while GMO has proposed changes to reflect the**
20 **future likely retirements of Sibley Units 1 and 2 and Lake Road Unit 4/6. Why has**
21 **Staff made this recommendation?**

22 **A:** Staff is concerned that these facilities may not be retired as assumed in GMO's
23 depreciation analysis.

1 **Q: Do you believe these generating facilities will be retired as assumed in GMO's**
2 **depreciation analysis?**

3 A: I believe these facilities will be retired in the year assumed in the analysis or even earlier.

4 **Q: Why?**

5 A: GMO's prior Integrated Resource Plans ("IRP") have shown that it is not economic to
6 invest in the environmental controls expected to be required to continue operating these
7 plants long term. As a result, GMO decided to announce in January 2015 that it will no
8 longer burn coal at these stations by December 31, 2019. This is a decision that was
9 made by executive management and approved by the Great Plains Energy Incorporated
10 Board of Directors.

11 In addition, as part of GMO's IRP process the conversion of Sibley 1 and 2 from
12 coal to natural gas has also been shown to be uneconomic.

13 **Q: Why do you believe that these units may be retired even earlier than assumed?**

14 A: There are a number of factors that could result in these units retiring earlier than the dates
15 assumed. For example, if a unit was to experience an unexpected equipment failure such
16 that it was not economic to repair and return the unit to service given its limited
17 remaining life, the unit would be retired earlier than planned. There is also some
18 uncertainty on the timing of what would be the next significant environmental controls
19 investment required to continue operations. As a result of EPA's Effluent Limitation
20 Guidelines, additional controls could be needed as early as November 2018. It would be
21 uneconomic to make such an investment and the units would be retired at that time.
22 There are other factors such as wholesale market conditions and the need for the energy
23 produced by these facilities that could drive an earlier retirement.

1 **Q: In his rebuttal testimony, Mr. Miles points to the fact that the controls for Sibley**
2 **Unit 1 and Unit 2 were in the process of being updated in 2016 presumably as**
3 **evidence that these plants may operate beyond 2019. (Miles Rebuttal, p.2, ll. 13-14)**
4 **Should the fact that the controls were updated in 2016 be taken as indication that**
5 **the Units will operate beyond 2019?**

6 A: Not at all. Prior to the update, Sibley Unit 1 and Unit 2 controls were Windows XP
7 based. Since Windows XP is no longer supported, this opened the Units' controls to
8 potential cyber attacks. Given this, GMO decided to update the controls system. The
9 cost of this update was approximately \$360,000.

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

11 A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri Operations)
Company's Request for Authority to Implement) Case No. ER-2016-0156
A General Rate Increase for Electric Service)

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 Director, 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 eight (8) pages, 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
Burton L. Crawford

Subscribed and sworn before me this 2nd day of September, 2016.

Nicole A. Wehry
Notary Public

My commission expires: Feb 4 2019

