

Exhibit No.:

Issues: Resource Planning

Witness: Jerry G. Boehm

Sponsoring Party: Aquila Networks-MPS

Case No.: EA-2006-0309

FILED³

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Missouri Public
Service Commission

Before the Public Service Commission
of the State of Missouri

Surrebuttal Testimony

of

Jerry G. Boehm

Exhibit No. 4
Case No(s) EA-2006-0309
Date 4-26-06 Rptr KF

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
SURREBUTTAL TESTIMONY OF JERRY G. BOEHM
ON BEHALF OF AQUILA, INC.
D/B/A AQUILA NETWORKS-MPS
CASE NO. EA-2006-0309**

1 Q. Please state your name and business address.

2 A. My name is Jerry G. Boehm. My business address is 10750 East 350
3 Highway, Kansas City, Missouri, 64138.

4 Q. Are you the same Jerry G. Boehm who submitted direct testimony in this case
5 on behalf of Aquila Inc, ("Aquila") before the Missouri Public Service
6 Commission ("Commission")?

7 A. Yes.

8 Q. What is the purpose of your testimony?

9 A. I am responding to rebuttal testimony filed by StopAquila.org witness Harold
10 R. Stanley. I will specifically address Mr. Stanley's comments made in the
11 section of his testimony titled "Future"

12 Q. What overall response do you have to this portion of Mr. Stanley's testimony?

13 A. Mr. Stanley's testimony shows a lack of understanding of certain general
14 principles of resource planning. He also confuses the timeline of Aquila's
15 decision process.

16 Q. How does Mr. Stanley misunderstand the principles of resource planning?

17 A. He does this in his testimony in a number of ways listed below:

18 1- He confuses the study estimated costs with site evaluation estimated
19 costs

- 1 2 – He confuses resource planning options with site selection options
- 2 3 – He mistakenly applies a specific cost variance of one resource
- 3 option to general cost of another resource option
- 4 4- He mistakenly believes that Aquila based its decision to build South
- 5 Harper solely on the results of analysis of another plant (Camp
- 6 Branch).
- 7 5- He mistakenly concludes that cost alone is the basis for decision
- 8 making when building a power plant.
- 9 Q. How does Mr. Stanley confuse the study estimated costs with site evaluation
- 10 estimated costs?
- 11 A. When he compares Schedule JGB-2 of my direct testimony with Schedule
- 12 CR-2 of Aquila witness Chris Rogers's direct testimony. Schedule JGB-2 is a
- 13 listing of the difference in the present value of fixed and variable costs
- 14 associated with resource planning options as determined through resource
- 15 planning simulations. Schedule CR-2 contains, among other information, the
- 16 difference in site selection costs for self build options.
- 17 Q. Are these costs different?
- 18 A. Yes. The resource planning options are derived from the baseline or average
- 19 estimated costs for a **number** of different options. Site evaluation estimated
- 20 costs contain variances in cost for **one** resource option.
- 21 Q. Does this affect the analysis?
- 22 A. Yes. Each of those costs groups have relevance in planning and building
- 23 resources but not to each other. That is why stated I that Mr. Stanley confuses

1 resource planning options with site selection options. Some options shown in
2 Schedule JGB-2 are labeled as "CBEC" and "Five 501D5A CT's". Both
3 options are self-build options and share the same average estimated cost basis.
4 Mr. Stanley mistakenly assumes that CBEC contains costs specific to Camp
5 Branch and does not apply to other self-build options like South Harper. All
6 other options in the studies are recognized as baseline estimates and may also
7 have variance in the final cost. Schedule JGB-2 was an excerpt from
8 presentations to Staff. As the presenter to the Staff I recognized that the Staff
9 were aware that **all** of the resource planning options are baseline estimates and
10 that any single resource option may have a variance when compared to refined
11 cost estimations. Mr. Stanley wrongly proposes to compare a refined
12 estimate from one option to the baseline estimates of the other options. It is
13 surprising that Mr. Stanley fails to recognize the bias in comparing the cost
14 difference between a baseline estimate and a refined cost estimate when he
15 cites in his own testimony that, as an engineer, he recognizes a possible day-
16 to-day variance in his own present-day project of \$250,000.

17 Q. Is cost alone the basis for decision making when building a power plant?

18 A. No. While cost is a primary driver in the decision, the process of resource
19 planning requires prudence in recognizing the difficult to monetize
20 components like degree of control, flexibility, and reliability.

21 Q. Does Mr. Stanley rely solely on cost?

22 A. Yes. After making an incorrect cost comparison Mr. Stanley states "Schedule
23 JGB-2 is therefore inaccurate at best in justifying South Harper" (Harold R.

1 Stanley Rebuttal; Page 17, line 15). He implies that cost alone should
2 provide the justification for our resource planning decisions.

3 Q. How do you respond?

4 A. To comply with his method would be a mistake.

5 Q. Why?

6 A. The self-build component of Aquila's resulting decision gave Aquila full
7 dispatch control over South Harper, and the flexibility to respond to favorable
8 market conditions. Considering Calpine's recent financial reorganization it
9 also mitigates performance risk (reliability).

10 Q. Does Mr. Stanley confuse the timeline of Aquila's decision process?

11 A. Yes. Mr. Stanley's erroneous comparison of resource options to site selection
12 options continues to make no sense considering the timetable of events. The
13 decision to self-build generation occurred in January of 2004 and Mr.
14 Rogers's site estimations were developed in July 2004. Ignoring the fact that
15 the estimations were an invalid comparison, Mr. Stanley attempts to fault
16 Aquila for not using information that did not exist.


17 Q. Does this conclude your testimony?

18 A. Yes


In the matter of the Application of Aquila, Inc. for Permission and Approval and a Certificate of Public Convenience and Necessity authorizing it to acquire, construct, install, own, operate, maintain, and otherwise control and manage electrical production and related facilities in unincorporated areas of Cass County, Missouri near the town of Peculiar.

County of Jackson)
)
State of Missouri) ss

Jerry G. Boehm, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Surrebuttal Testimony of Jerry G. Boehm;" that said testimony was prepared by him and 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.


Jerry G. Boehm

Subscribed and sworn to before me this 17 day of April, 2006.


Notary Public
Terry D. Lutes

8-20-2008



TERRY D. LUTES
Jackson County
My Commission Expires
AUGUST 20, 2008