

Exhibit No.:
Issue(s): Relief Requested in Aquila Acquisition
Witness: Ted Robertson
Type of Exhibit: Surrebuttal
Sponsoring Party: Public Counsel
Case No.: EO-2005-0156
Date Testimony Prepared: June 27, 2005

SURREBUTTAL TESTIMONY

OF

TED ROBERTSON

Submitted on Behalf of
the Office of the Public Counsel

AQUILA, INC.

Case No. EO-2005-0156

June 27, 2005

Exhibit No. 12
Case No(s). EO-2005-0156
Date 8-21-05 Rptr xf

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

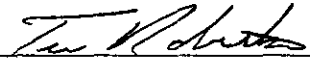
In the Matter of the Application of Aquila,)
Inc., for Authority to Acquire, Sell and Lease)
Back Three Natural Gas-Fired Combustion)
Turbine Power Generation Units and) Case No. EO-2005-0156
Related Improvements to be Installed and)
Operated in the City of Peculiar, Missouri)

AFFIDAVIT OF TED ROBERTSON

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Ted Robertson, of lawful age and being first duly sworn, deposes and states:


1. My name is Ted Robertson. I am a Public Utility Accountant for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony consisting of pages 1 through 5.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.



Ted Robertson, C.P.A.
Public Utility Accountant III

Subscribed and sworn to me this 27th day of June 2005.

KATHLEEN HARRISON
Notary Public - State of Missouri
County of Cole
My Commission Expires Jan. 31, 2006



Kathleen Harrison
Notary Public

My commission expires January 31, 2006.

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**SURREBUTTAL TESTIMONY
OF
TED ROBERTSON**

**AQUILA INC.
CASE NO. EO-2005-0156**

9 **I. INTRODUCTION**

10 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

11 A. Ted Robertson, PO Box 2230, Jefferson City, Missouri 65102-2230.

12
13 Q. ARE YOU THE SAME TED ROBERTSON WHO HAS PREVIOUSLY FILED
14 TESTIMONY IN THIS CASE?

15 A. Yes.

16
17 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

18 A. The purpose of this testimony is to address the rebuttal testimony of MPSC Staff witness,
19 Mr. Cary G. Featherstone, regarding the determination of a value for the combustion
20 turbines, and related equipment, should the Commission choose to grant the Company's
21 Application request for a determination of the reasonableness of the transfer price.

22
23 **II. EQUIPMENT VALUE**

1 Q. DOES MR. FEATHERSTONE BELIEVE THAT THE VALUE OF THE EQUIPMENT
2 SHOULD BE DETERMINED IN THIS CASE?

3 A. No. On page five, lines 13-15, of his testimony, Mr. Featherstone states that the
4 Commission should not determine the value the combustion turbines in this case. He
5 reiterates that position on page 31, lines 20-23, wherein he states:

6
7 Staff does not believe that the value for this equipment can be determined
8 at this time and that it cannot be determined until all the costs and relevant
9 circumstances are evaluated relating to the South Harper facility are
10 examined in total in the rate case filed on May 24, 2005.
11
12

13 Q. IF THE COMMISSION WERE TO MAKE A DETERMINATION OF THE VALUE OF
14 THE EQUIPMENT IN THIS CASE, WHAT IS MR. FEATHERSTONE'S POSITION
15 REGARDING ITS VALUE?

16 A. On page 31, lines 23-26, he states:

17
18 ...the best cost for the three Siemens turbines and related equipment
19 (transformers and breakers) is not the Beck recommendation but an offer
20 made in August 2002 to KCPL of \$66,760,000 for the three Siemens
21 turbines. This amount sets the market value of these units, not the Beck
22 estimate.
23
24

25 He adds, beginning on page 32, line 23:

1
2 If the Commission believes that a determination of the values for these
3 generating units in this case is desired, then the maximum costs for the
4 three turbines should be for what Aquila offered them to KCPL and Black
5 & Veatch. The KCPL offer was \$69 million including the transformers and
6 breakers. Because the warranty has expired, the value for it should reduce
7 the KCPL offer by \$2.2 million to \$66.8 million for these units.
8
9

10 Q. DOES MR. FEATHERSTONE STATE THAT THE TRUE MARKET VALUE OF THE
11 EQUIPMENT MAY BE LESS THAN THE KCPL OFFER?

12 A. Yes. Beginning on page 34, line 18, he states:
13

14 Q. Does KCPL set the market price for these units?
15

16 A. It comes close but one must remember, Aquila Merchant was
17 unsuccessful selling these units to not only KCPL but also to Black
18 & Veatch; that firm did not respond to the offer of two of the three
19 units. One could argue that even the KCPL price, including the
20 transformers and breakers did not set the true market value of these
21 generating units since Aquila had to store the units for over two
22 and one-half years until a decision was made in the January 2004
23 to use them for MPS' capacity needs.
24
25

26 Q. DOES THE PUBLIC COUNSEL AGREE THAT THE KCPL OFFER IS THE BEST
27 REPRESENTATION OF THE MARKET VALUE OF THE EQUIPMENT?

28 A. No. Public Counsel believes that the KCPL offer is too high a cost at which to value the
29 transfer of the equipment to the Missouri regulated utility. It's my belief that the price

1 published in the Gas Turbine World ("GTW") 2003 Handbook accurately represents the
2 value of similar CTs during the timeframe that the Company would have let RFPs for
3 peaking generation to be installed in mid-2005. Public Counsel's position is supported by
4 the fact that we are aware of actual bids and offers, occurring for similar combustion
5 turbines in that timeframe and later, wherein the costs quoted were significantly below
6 the GTW price (i.e., shows that the pricing had dropped since the conclusion of the
7 seller's market I described in my rebuttal testimony). Thus, I believe, the GTW price to
8 be a reasonable and accurate cost at which to begin the valuation of the combustion
9 turbines in the event that the Commission decides to make such a determination.
10

11 Q. SHOULD ANY OF BECK'S COST ADJUSTMENTS BE MADE TO THE GTW
12 HANDBOOK PUBLISHED PRICE IN ORDER TO MORE FAIRLY REPRESENT THE
13 FACTS IN THE CURRENT SITUATION?

14 A. Yes. Public Counsel believes it reasonable that certain of Beck's costs adjustments
15 dealing with the exhaust stack deletion, the expired warranty, the TFA costs,
16 transportation, and quite possibly the multiunit discount should be applied to the GTW
17 Handbook pricing in order to better represent the current value of the combustion
18 turbines. (Beck's adjustments are shown on the Schedule TJR-2 attached to my rebuttal
19 testimony) Factoring in the cost of the Beck adjustments would decrease the total pricing
20 for the three turbines by approximately \$1.5M.

1

2

Q. WHAT IS THE APPROPRIATE VALUE FOR THE TRANSFORMER AND
GENERATOR BREAKERS?

3

4

A. The values for the associated transformers and generator breakers should not exceed
\$1,638,000 and \$744,750, respectively. The \$1,638,000 and \$744,750 includes the
transformers and generator breakers actual purchase prices plus freight costs.

5

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7

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Q. WHAT IS THE MORE REASONABLE REPRESENTATION OF THE TRUE
MARKET VALUE OF THE EQUIPMENT?

9

10

A. The Public Counsel firmly believes that the Commission should not provide a
determination of the value of the equipment in this case; however, should the
Commission decide otherwise; a more reasonable representation of the market value for
all the equipment is approximately \$60.6M. It represents the sum of the values for the
combustion turbines, transformers, generator breakers, and associated balance of plant in
total (i.e., GTW 2003 Handbook price of \$19.9M per combustion turbine, less R. W.
Beck adjustments of \$1.5M, plus transformers and generator breakers costs of \$1,638,000
and \$744,750, respectively).

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Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

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A. Yes, it does.