

Exhibit No.:

Issues: St. Joseph Light &
Power
Integration

Witness: Carl A. Huslig

Sponsoring Party: Missouri Public
Service

Case No.: ER-2001-672

Before the Public Service Commission
of the State of Missouri

FILED³
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Missouri Public
Service Commission

Rebuttal Testimony

of

Carl A. Huslig

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**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
REBUTTAL TESTIMONY OF CARL A. HUSLIG
ON BEHALF OF MISSOURI PUBLIC SERVICE,
A DIVISION OF UTILICORP UNITED INC.
CASE NO. ER-2001-672**

1 Q. Please state your name and business address.

2 A. My name is Carl A. Huslig. I am the Director of Transmission Business Services for
3 UtiliCorp United Inc. ("UtiliCorp") located at 20 W. Ninth Street, Kansas City, MO
4 64105.

5 Q. Briefly describe your educational history and employment history.

6 A. I received my B.S. in Electrical Engineering in 1991 from Kansas State
7 University. I began work at WestPlains Energy – Kansas in June of 1991 as an
8 Engineer 1. In June of 1994, I transferred to WestPlains Energy – Colorado to
9 become the distribution engineer for Pueblo, Colorado. Before leaving
10 WestPlains Energy – Colorado in June of 2001, I served as Team Leader
11 Engineering, System Planner for WestPlains Energy, and Director of
12 Transmission Operations. In June of 2001, I accepted the Director of
13 Transmission Business Operations for UtiliCorp in Kansas City, Missouri.

14 Q. What is the purpose of your rebuttal testimony in this case involving UtiliCorp's
15 request to increase the electric rates for its Missouri Public Service ("MPS")
16 operating division?

17 A. My testimony will address Office of the Public Counsel ("OPC") integration issue
18 as stated in OPC witness Russell W. Trippensee direct testimony in this case and

1 to give the status of full integration of MPS with the recently merged St. Joseph
2 Light & Power ("SJLP") division.

3 **I. INTEGRATION**

4 Q. What is the current transmission system arrangement between MPS and SJLP?

5 A. No direct physical interconnect between MPS and SJLP exists. A map of the
6 existing transmission systems of MPS and SJLP is attached as Schedule CAH-1.

7 Q. How are the MPS and SJLP transmission systems being interconnected to
8 approximate the benefits of joint dispatch?

9 A. MPS has arranged to purchase 150 MW of transmission service from Associated
10 Electric Cooperative ("AEC") that has physical facilities between SJLP and MPS.
11 This transmission service is bi-directional in nature. The initial term of the
12 transmission service agreement is 3 years beginning on June 15th, 2001 at a cost
13 of \$165,000 per month. Following the initial term of the agreement (3 years),
14 MPS can terminate the agreement with 30 days notice. At any time during the
15 agreement (including the initial period), MPS can request a reduction in the
16 amount of transmission service (with at least 30 days notice) effective January 1
17 of the upcoming year.

18 Q. Is this interim agreement the same as having a fully integrated transmission
19 system?

20 A. No. MPS and SJLP are only integrated for up to 150 MW. This amount does not
21 reserve enough transmission for MPS to serve all of the SJLP division's entire
22 native load with MPS generation, especially in the summer months. The 150 MW

1 number was determined by the available AEC capacity, which is less than what
2 would be needed to fully integrate the transmission system. UtiliCorp Power
3 Supply would have preferred this number to be at least 300 MW.

4 Q. What other transmission functions are not integrated?

5 A. Presently, and for the immediate future, the SJLP and MPS transmission functions
6 are being dispatched from the Lee's Summit System Operations Center, the MPS
7 distribution functions are dispatched out of the various MPS Service Centers and
8 the SJLP distribution functions are dispatched out of the SJLP Transmission and
9 Distribution Center. The exact timeline for the full integration of these functions
10 has not yet been established because the final plan has not been presented to upper
11 management for approval. The future distribution dispatch functions for both
12 SJLP and MPS distribution systems will ultimately be converted to and operated
13 by the existing transmission Supervisory Control and Data Acquisition
14 ("SCADA") software and hardware platform and supported by the transmission
15 SCADA group to centralize all dispatching functions on one platform.
16 The Right-Of-Way functions for the distribution and transmission systems are
17 not yet fully integrated. SJLP's personnel in St. Joseph continue to provide the
18 documents, permits, and easements as needed. The ultimate plan is to relocate
19 that function and related documents to Raytown and UtiliCorp. Due to higher
20 priority engineering work, no timetable has been established as yet for full
21 integration.
22 The SJLP and MPS transmission line, system protection and telecommunication
23 groups have not yet standardized construction standards, material standards,
24 maintenance procedures and maintenance timelines or maintenance testing

1 procedures/equipment. This full integration has been slowed due to heavy
2 workload and the unexpected departure of several SJLP engineers.

3 Q. What is your conclusion as to the status of the integration of the two operating
4 divisions?

5 A. My conclusion is that the two systems are not yet fully integrated for the reasons
6 stated above.

7 **II. OPTIONS**

8 Q. Please describe the current options for fully integrating the two transmission
9 systems.

10 A. The first option under study is the renewal of the transmission service agreement
11 with AEC after the initial period. The second option under study is the leasing of
12 a line from Kansas City Power & Light Company ("KCPL"). The third option
13 being evaluated is the actual construction of a physical interconnect owned and
14 operated by UtiliCorp.

15 Q. Please describe the renewal option.

16 A. As I said earlier, the initial term of the transmission service agreement between
17 MPS and AEC is three years and it is to remain in effect from year-to-year
18 thereafter subject to cancellation by AEC or termination by UtiliCorp.

19 Q. Please describe the KCPL option.

20 A. KCPL owns a 161 kV transmission line approximately thirty two (32) miles in
21 length, extending from the KCPL Nashua Substation to the north line of Section
22 31, Township 57 North, Range 35 West in Buchanan County, Missouri near the
23 SJLP Lake Road Substation. UtiliCorp owns the remaining ½ mile section of this

1 line into the Lake Road Substation. Both KCPL and UtiliCorp would upgrade
2 their sections of the Nashua Substation to Lake Road Substation to at least 300
3 MVA capability. MPS would then lease the upgraded 161 kV line from KCPL
4 for 20 years. MPS offered to purchase this 161 kV line from KCPL but KCPL
5 would not sell it. Since MPS owns a Nashua Substation located beside KCPL's
6 Nashua Substation, transmission service between KCPL's and MPS's Nashua
7 Substations was part of the lease costs. MPS would retain operational control
8 over the line during the term of the lease. The projected date for the completion
9 of the necessary transmission upgrades was December 31, 2003.

10 Q. Please describe the construction option.

11 A. The system planning department performed a SJLP Interconnection Study to
12 determine a preferred build option. The preferred option was the construction of a
13 345/161 kV substation (Iatan East) on the St. Joseph – Iatan 345 kV line and
14 extending a 161 kV double circuit transmission line down to the Platte City –
15 Stranger Creek 161 kV line.

16 Q. Please describe the economic analysis performed by MPS.

17 A. For option 1, the monthly transmission service rate, for the initial period only, was
18 \$1.10 per kW month. This equates to a monthly cash outlay of \$165,000 (150
19 MW * 1.10 * 1000) to AEC or a \$1,998,000 yearly cash outlay. The 30 year net
20 present value for the AEC option was \$14,764,668. However, complete
21 operational flexibility as discussed above is lacking due to the constraints of the
22 interconnection and the terms of the contract. The 30 year net present value of the
23 KCPL lease option was \$15,625,685. The 30 year net present value of the

1 construct option was \$12,135,479. Based on this evaluation, the build option was
2 chosen.

3 Q. Please describe plans for construction.

4 A. The MPS engineering group contacted Black and Veatch to design the 345/161
5 kV East Iatan Substation. The right-of-way group is acquiring property along the
6 161 kV transmission line route. Danford, L.C. is designing the transmission line.
7 The projected in-service date is June 30, 2003.

8 Q. Is the construction option still the best option?

9 A. No. The possibility of receiving network service from a proposed Regional
10 Transmission Organization ("RTO") may be a more attractive option and is
11 currently under evaluation.

12 **III. RTO ACTIVITIES**

13 Q. Please describe UtiliCorp's RTO activities with respect to its Missouri operations.

14 A. On February 28, 2001, UtiliCorp, on behalf of its MPS, SJLP and WestPlains
15 Energy-Kansas divisions, executed the Agreement of Transmission Facilities
16 Owners to Organize the Midwest Independent Transmission System Operator,
17 Inc., a Delaware Non-stock Corporation. UtiliCorp has thus committed to join the
18 Midwest Independent System Operator ("MISO").

19 Q. Has the Federal Energy Regulatory Commission ("FERC") issued any opinions
20 about MISO?

21 A. Yes. FERC issued Opinion No. 453 on October 11, 2001. This opinion stated,
22 "The Commission recognizes that a great amount of work and negotiation went
23 into the voluntary attempt to organize the Midwest ISO. We recognize that

1 efforts to mitigate cost shifts, including the negotiated revenue distribution, were
2 essential to the process of reaching a voluntary consensus among the great
3 number of participants in those negotiations, and that rejecting the proposed
4 conditions on use of network service to serve bundled retail load will upset that
5 negotiated revenue distribution. Finally, we recognize that the conditions that
6 Consumers opposes only exist during the transition period. On this basis, we
7 hereby approve the transition conditions on use of network service to serve
8 bundled retail load.”

9 Q. Please describe what this means to UtiliCorp, in your opinion.

10 A. Prior to this FERC opinion, all bundled retail load had a transition period (six to
11 seven years) before MISO network service was available. Without MISO
12 network service, UtiliCorp would have had to construct its own transmission line
13 as described above so that joint dispatch could be economically performed and the
14 two systems would be physically integrated. MISO is targeting early 2002 to
15 become fully operational. They have also announced a merger with the
16 Southwest Power Pool (“SPP”) RTO group. Merger details are still being
17 developed but the goal is to have the “new company” in place by March 31st,
18 2002 and one Open Access Transmission Tariff (OATT) by the end of 2002. The
19 “new company” will include KCPL, MPS and SJLP. Thus, electrically all three
20 companies will function as one network under MISO. As soon as the OATT from
21 the “new company” is approved and implemented, MPS and SJLP will be able to
22 request MISO network service for their bundled retail load. MPS and SJLP have
23 had preliminary discussions with the MISO staff on the network service issue and
24 received positive feedback. If this request is accepted, MPS and SJLP will not be

1 required to construct a transmission line, since the cost of the MISO network
2 service option will almost certainly be the least cost option.

3 Q. When would the MISO network service option be available to allow full
4 integration of the MPS and SJLP transmission systems?

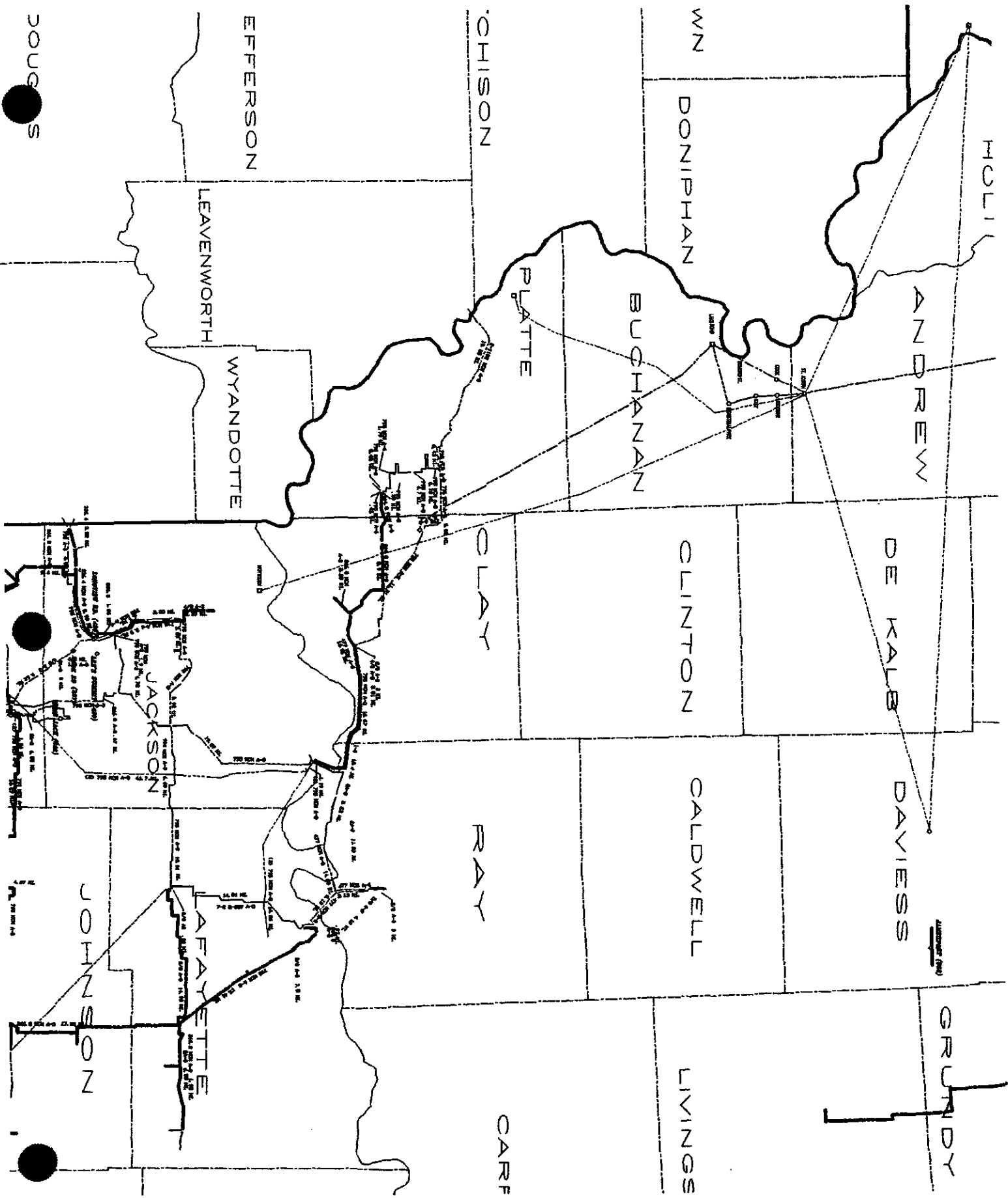
5 A. Not before the end of 2002 when the MISO/SPP merger is complete and the "new
6 company's" OATT is filed and approved at FERC.

7 Q. Do you know whether FERC decisions regarding FERC Order No. 2000
8 mandating the formation of RTO's and jurisdictional utilities joining are final?

9 A. It is my understanding it is not final. Several state agencies, including the
10 Missouri Public Service Commission and the Kansas Corporation Commission
11 have intervened in some fashion in order to ensure that jurisdictional customers
12 are well served by the new rules and regulations governing RTO's. At this time,
13 it is uncertain when the FERC decisions can be considered final. It is also
14 uncertain whether the recent Enron situation could delay FERC's impetus to
15 aggressively pursue policies that would support deregulated electric markets
16 while Congress and FERC conduct investigations.

17 Q. Does this conclude your rebuttal testimony at this time?

18 A. Yes.



In the matter of Missouri Public Service)
of Kansas City, Missouri, for authority)
to file tariffs increasing electric rates)
for service provided to customers in the)
Missouri Public Service area)

County of Jackson)
)
State of Missouri) ss

Carl A. Huslig, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Rebuttal Testimony of Carl A. Huslig;" 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.

Subscribed and sworn to before me this 7th day of January, 2002.

8-20-2004

