

Exhibit No.: Gmo-31
Issue: Crossroads Management
Witness: Marvin L. Rollison
Type of Exhibit: Direct Testimony
Sponsoring Party: KCP&L Greater Missouri Operations Company
Case No.: ER-2010-0356
Date Testimony Prepared: December 15, 2010

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-0356

DIRECT TESTIMONY

OF

MARVIN L. ROLLISON

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
December 2010**

KCP&L Gmo
~~G1110~~ Exhibit No. 31
Date 2-15-11 Reporter TR
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DIRECT TESTIMONY

OF

MARVIN L. ROLLISON

Case No. ER-2010-0356

1 **Q: Please state your name and business address.**

2 A: My name is Marvin L Rollison My business address is 1200 Main, Kansas City,
3 Missouri 64105.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Kansas City Power & Light Company ("KCP&L") as Vice President
6 of Renewables and Gas Generation

7 **Q: What are your responsibilities?**

8 A: My responsibilities include managing the Supply Division's Gas Generation and
9 Renewable assets. Activities of the Gas Generation and Renewables Group include
10 O&M and capital budget planning, and managing all aspects of the operation and
11 maintenance of KCP&L Greater Missouri Operations Company's gas and oil-fired power
12 plants totaling 2200 MW of capacity, as well as our renewable energy plants comprised
13 of 67 wind turbines totaling 101 MW. Oversee operations at all gas and renewable
14 facilities to meet the peak demand of our customers, as directed by the system
15 dispatchers, and provide supervision to ensure safe, efficient, reliable generation of the
16 wind and peaking fleet.

17 **Q: Please describe your education, experience and employment history.**

18 A: I hold a Master of Business Administration from Rockhurst College and a Bachelor of
19 Science in Mechanical Engineering from the University of Missouri. Within KCP&L, I

1 have served in various areas including plant supervising engineering, plant
2 superintendent management, and power engineering starting in 1988.

3 **Q: Have you previously testified in a proceeding at the Missouri Public Service
4 Commission or before any other utility regulatory agency?**

5 A: No, I have not.

6 **Q: What is the purpose of your testimony?**

7 A: The purpose of my testimony is to describe the level of operation and maintenance
8 management for the Crossroads Energy Center which is located in Clarksdale
9 Mississippi.

10 **I. Operation and Maintenance of Crossroads Energy Center**

11 **Q: Could you describe how KCP&L Greater Missouri Operations manages Crossroads
12 Peaking facility?**

13 A: Primarily this is accomplished by utilizing the original Generation, Operations and
14 Maintenance Agreement between the Clarksdale Public Utilities Commission and MEP
15 Clarksdale Power, LLC which was signed on June 15, 2001 ("Generation Agreement").
16 Since that time, MEP Clarksdale Power, LLC ("MEP") merged into Aquila Mississippi
17 Holdings, which then merged into Aquila Gas Pipeline. In 2007, MEP and Aquila
18 Merchant Services (now MPS Merchant Services) assigned all of their rights and
19 obligations in all the Crossroads-related agreements to Aquila, Inc., now KCP&L Greater
20 Missouri Operations Company ("GMO").

21 **Q: What are the primary specifics to the Generation Agreement?**

22 A: The Generation Agreement permits GMO to receive the output of the plant in exchange
23 for payments that cover fixed and variable costs to produce the electrical output, as well

1 as to maintain and operate the facility. Some of the reimbursable costs include the costs
2 to comply with all laws and regulations, including environmental laws and codes. The
3 agreement also provides that GMO has the right to review and approve the annual
4 Operating Plan which constitutes a comprehensive and detailed plan for operating the
5 facility for coming two-year period. The Plan covers projected routine maintenance,
6 projected heat rate, and staffing plans to execute the Plan. In addition, GMO has the right
7 to review and approve the annual budget, any amendments to the annual budget, and the
8 right to attend quarterly budget meetings to review progress on the Operating Plan and
9 the annual budget. Any increases in excess of five percent in any major expense category
10 of the annual budget must be approved in advance and in writing by GMO in order to be
11 eligible for reimbursement. GMO also has the right to audit all of the costs, to dispute
12 plant's costs not adequately documented, and to inspect the facilities and relevant
13 documentation at any time.

14 **Q: Is there anything else in the Agreement that gives GMO managerial control?**

15 **A:** Yes. Within the agreement there are two programs that help GMO maintain good
16 managerial oversight. The first is the "Availability Incentive Bonus Fee" which is paid to
17 CPU for increased availability of the facility generation. Per the agreement, it is based on
18 (a) the On Peak Period which consists of sixteen (16) hours a day (6:00am to 10:00pm),
19 five days per week (Monday through Friday), excluding NERC Holidays, for each of the
20 following calendar months (or part thereof): January, February, April, May, June, July,
21 August, September, and December (Total On Peak Period is approximately 3,008 hours
22 per year) and (b) The Off Peak Period which includes all remaining annual hours (Total
23 Off Peak Period is approximately 5,752 hours per year). The second oversight

1 mechanism is the "Available Liquidated Damages" clause, which is paid to GMO as a
2 result of reduced availability. Both of these mechanisms have a formula that determines
3 the annual results.

4 **Q: Are there any other mechanisms to having the Crossroads Energy Facility well**
5 **managed?**

6 A: Yes. The Agreement has an indemnification provision. Per the Agreement, CPU agrees
7 to indemnify GMO for third-party claims related to death, personal injury and property
8 damage, including environmental contamination. As part of the Agreement, GMO is
9 obligated to reimburse CPE for costs incurred to comply with environmental laws, but
10 GMO is not obligated to reimburse CPU for costs and liability it incurs as a result of its
11 violation of environmental law(s) while operating the facility. CPU is also required to
12 carry insurance to cover the insurable risks associated with its indemnity obligations and
13 its obligations as operator of the facility.

14 **Q: Have there been any visits by GMO to Crossroads during the past several years?**

15 A: Yes. In the past several years the Combustion Turbine Manager, Director of Engineering,
16 Senior Director of Supply Services, Senior Engineer and I have made several trips to
17 Crossroads. These visits consisted of:

- 18 • Providing guidance during plant in-service criteria testing;
- 19 • Meeting with MPSC Staff to review the in-service results;
- 20 • Meeting with CPU staff on Capital and O&M Budgets;
- 21 • Meeting with CPU Board of Directors regarding the Generation Agreement;
- 22 • Reviewing insurance audit findings and setting up action plans in addressing audit
23 deficiencies;

- 1 • Audit of inventory;
- 2 • Engineering support on equipment failure analysis.
- 3 **Q: Does that conclude your testimony?**
- 4 **A: Yes, it does.**

