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Issues: Construction Costs;
Amortization Expense;
Depreciation
Witness: Cary G. Featherstone
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: ER-2006-0314
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

CAREY G. FEATHERSTONE

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2006-0314

Jefferson City, Missouri
August 2006

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City)
Power & Light Company for Approval to Make)
Certain Changes in its Charges for Electric Service)
to Begin the Implementation of Its Regulatory Plan.)

Case No. ER-2006-0314

AFFIDAVIT OF CARY G. FEATHERSTONE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Cary G. Featherstone, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 33 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

Cary G. Featherstone
Cary G. Featherstone

Subscribed and sworn to before me this 9th day of August 2006.

Toni M. Charlton



TONI M. CHARLTON
Notary Public - State of Missouri
My Commission Expires December 28, 2008
Cole County
Commission #04474301

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DIRECT TESTIMONY
OF
CARY G. FEATHERSTONE
KANSAS CITY POWER & LIGHT COMPANY
CASE NO. ER-2006-0314

Q. Please state your name and business address.

A. Cary G. Featherstone, Fletcher Daniels State Office Building, 615 East 13th Street, Kansas City, Missouri.

Q. By whom are you employed and in what capacity?

A. I am a Regulatory Auditor with the Missouri Public Service Commission (Commission).

Q. How is your testimony organized?

A. I have organized my direct testimony by areas as follows:

1. My credentials
2. Introduction
3. Executive Summary
3. Overview of Kansas City Power & Light's filing
3. Brief history of Kansas City Power & Light
4. Comprehensive Energy Plan
5. Amortization of Plant Investment Resulting from Stipulation and Agreement in Case No. EO-94-199
6. Wolf Creek Nuclear Generating Station Increase in Depreciation Life from 40 Years to 60 Years
7. Regulatory Asset for Demand Response, Efficiency and Affordability Programs
8. Construction Cost Audit of KCPL Generating Units
9. KCPL's Generating Facilities
10. Rate Base Treatment of KCPL's Generating Units Declared In-Service
11. Spearville Wind Generating Units

1 **CREDENTIALS**

2 Q. Please describe your educational background.

3 A. I graduated from the University of Missouri at Kansas City in December 1978
4 with a Bachelor of Arts degree in Economics. My course work also included study in the
5 field of Accounting.

6 Q. What has been the nature of your duties while in the employ of this
7 Commission?

8 A. I have assisted, conducted, and supervised audits and examinations of the
9 books and records of public utility companies operating within the state of Missouri. I have
10 participated in examinations of electric, industrial steam, natural gas, water, sewer and
11 telecommunication companies. I have been involved in cases concerning proposed rate
12 increases, earnings investigations and complaint cases as well as cases relating to mergers
13 and acquisitions and certification cases.

14 Q. Have you previously filed testimony before this Commission?

15 A. Yes. Schedule 1 to this testimony is a summary of rate cases in which I have
16 submitted testimony. In addition, Schedule 1 also identifies other cases where I directly
17 supervised and assisted in audits of several public utilities, but where I did not file testimony.

18 Q. With reference to Case No. ER-2006-0314, have you examined and studied
19 the books and records of Great Plains Energy Incorporated and Kansas City Power & Light
20 Company (KCPL or Company) regarding the electric operations of Kansas City Power &
21 Light?

22 A. Yes, with the assistance other members of the Commission Staff (Staff).

23 Q. What knowledge, skill, experience, training and education do you have in with
24 regard to KCPL's application in Case No. ER-2006-0314?

1 A. I have acquired knowledge of the ratemaking and regulatory process through
2 my employment with the Commission and through my experience and analyses in numerous
3 prior rate cases, complaint cases, merger cases and certificate cases before the Commission.
4 I have participated in many rate cases involving several electric companies and, specifically,
5 several previous KCPL rate cases, earnings reviews, merger cases and certificate cases, and
6 filed testimony on a variety of topics related to these cases. I have also acquired knowledge
7 of these topics through review of Staff work papers from prior rate cases brought before this
8 Commission relating to KCPL. Specifically, as it relates to topics surrounding this case, I
9 have previously examined generation and generation related topics; conducted and
10 participated in several construction audits, specifically the costs of construction projects
11 relating to power plants. I have also been involved in the fuel and fuel-related areas for
12 power plant production on numerous occasions. I have reviewed the Company's testimony,
13 work papers and responses to data requests addressing the particular matters raised by KCPL
14 in its application for a rate increase of approximately \$55.8 million or 11.5% on an annual
15 basis.

16 In my years at the Commission, I have also been involved in construction audits of
17 several generating units installed by Missouri utilities, including:

18 Kansas City Power & Light Company – Wolf Creek Nuclear Generating Station

19 AmerenUE – Callaway Nuclear Generating Station

20 Empire District Electric – State Line 1, 2 and Combined Cycle Unit

21 Aquila, Inc., Networks - MPS – South Harper Generating Station

22 In addition, my college coursework primarily included accounting, auditing and
23 economics classes.

1 **INTRODUCTION**

2 Q. What is the purpose of your direct testimony?

3 A. I will provide direct testimony on the areas of: 1) KCPL's Comprehensive
4 Energy Plan; 2) construction audits of the generating plant additions of KCPL, along with
5 Staff witness David W. Elliott of the Commission's Electric Department; 3) the amortization
6 resulting from the Commission's approval of the Stipulation and Agreement in
7 Case No. EO-94-199; 4) the proper accounting of Wolf Creek Nuclear Generating Station
8 depreciation relating to the increase in that units' useful life from 40 years to 60 years as a
9 result of the Commission's approval of the Stipulation and Agreement in
10 Case No. EO-2006-0329; 5) the amortization of costs associated with KCPL's demand
11 response, efficiency and affordability programs also as a result of the Commission's approval
12 of the Stipulation and Agreement in Case No. EO-2006-0329.

13 I will provide testimony on the Company's new combustion turbine generating
14 facilities named Hawthorn 6 and 9, 7 and 8, West Gardner 1 through 4 and Osawatomie 1. In
15 particular, I am addressing the valuation of these units along with Staff witness Elliott. Staff
16 witness Phillip K. Williams will also testify on various aspects on the generating facilities,
17 including the calculation of allowance for funds used during construction (AFDC) and the
18 proceeds KCPL received from insurance recoveries and lawsuit settlements resulting from
19 the re-building of Hawthorn 5 from the February 17, 1999, explosion that substantially
20 destroyed that coal-fired generating unit.

21 Q. What adjustments are you sponsoring?

22 A. I am sponsoring adjustment S-55.4 to the income statement for the
23 amortization of costs associated with KCPL's demand response, efficiency and affordability

1 programs. I am also sponsoring in rate base an amount as of June 30, 2006, for these
2 programs costs not yet amortized reflected as a Regulatory Asset.

3 I am sponsoring in rate base an amount for an amortization that has accumulated for
4 10 years which is found in paragraph 1.C. of the Stipulation and Agreement approved by the
5 Commission in Case No. EO-94-199, which was a customer class cost of service and
6 comprehensive rate design case that also turned into a rate reduction case for KCPL.

7 **EXECUTIVE SUMMARY**

8 Q. Please summarize your testimony.

9 A. Staff has reviewed the construction costs of capacity additions for combustion
10 turbines made by KCPL over the last several years and is satisfied that these units were
11 properly accounted for in the Company's plant in service records and properly included in
12 rate base investment. Staff does not have concerns that the construction costs were not
13 proper for these units and believes that the final costs for these turbines, related equipment
14 and their installation and construction should be included at the values that KCPL currently
15 has in its plant records.

16 Staff is including in this case an off-set to rate base relating to the accumulated
17 amortization costs that KCPL has been booking to its records since Commission approval of
18 the Stipulation and Agreement in Case No. EO-94-199. As part of a rate reduction resulting
19 from an earnings review of KCPL rates, KCPL agreed to an amortization of plant investment,
20 although not specifically identified to particular assets. This amount has accumulated for
21 over 10 years and is currently \$34.9 million at June 30, 2006. This amount will continue to
22 increase until the new rates in this case become effective on January 1, 2007. The amount at

1 June 30, 2006, will be \$35.8 million and at December 31, 2006, will be \$36.7 million. These
2 amounts will continue to be used as an offset to rate base until some future time.

3 As part of the Experimental Regulatory Plan, Wolf Creek Nuclear Generating
4 Station's depreciation rate change based on a 60-year life instead of the original 40-year life.
5 This resulted in the need to identify the difference between the depreciation expense using
6 these two lives. The amount of change in depreciation using the two rates is being treated in
7 the depreciation reserve for this generating unit in this case.

8 Staff is including an amount for amortization of costs for Demand Response,
9 Efficiency and Affordability Programs (Customer Programs) agreed to in the KCPL
10 Experimental Regulatory Plan in Case No. EO-2005-0329. An amount for a Regulatory
11 Asset is also being included in this case.

12 **OVERVIEW OF KCPL FILING**

13 Q. Why did Staff audit KCPL in this case?

14 A. On February 1, 2006, KCPL filed a general rate increase case for its Missouri
15 electric operations. The Commission assigned the case, Case No. ER-2006-0314. KCPL
16 filed tariffs that were designed to implement an increase in its Missouri electric retail rates
17 for its Missouri retail customers, exclusive of franchise and occupational taxes,
18 corresponding to a revenue increase to KCPL of \$55.8 million annually. This rate request
19 represents an overall 11.5% increase over existing KCPL Missouri rates.

20 Q. Did the KCPL Experimental Regulatory Plan anticipate a rate filing by
21 KCPL?

22 A. Yes. The Experimental Regulatory Plan provided for the first of a possible
23 four rate cases to be filed on February 1, 2006. This first rate case and last of the four

1 possible rate cases are required to be filed with the second and third rate cases optional. The
2 last rate case, identified as Rate Filing # 4 (2009) in the Experimental Regulatory Plan
3 (page 41 of the Stipulation and Agreement) will have rate schedules with an effective date of
4 September 1, 2010, and is planned to be filed with the Commission on October 1, 2009, or
5 eight (8) months prior to the commercial in service operation date of Iatan 2.

6 The series of rate cases is to address the on-going infrastructure additions to KCPL's
7 capacity needs and environmental requirements to its major coal-fired generating facilities.

8 Q. How did Staff perform its audit of KCPL?

9 A. Staff submitted data requests to KCPL for response by KCPL personnel and
10 consultants and conducted interviews of KCPL personnel. KCPL held a number of meetings
11 in Jefferson City for the parties to the rate case at which it made available certain KCPL
12 personnel and consultants to discuss certain facets of its rate case. In addition to reviewing
13 KCPL's responses to Staff's data requests, Staff reviewed Great Plains Energy Board of
14 Directors meeting minutes, Annual Reports to Shareholders and United States Security and
15 Exchange Commission (SEC) Form 10-Ks and 10-Qs. Staff reviewed Great Plains Energy
16 and KCPL's external auditor work papers and requested copies of selected work papers
17 considered relevant. Staff visited plant facilities including the Hawthorn 5 Generating
18 Station. Staff has participated in the Integrated Resource Planning (IRP) meetings held twice
19 a year and reviewed documents relating to KCPL's capacity planning process. In particular,
20 Staff attended several IRP meetings where the Company's need for and construction of
21 generating facilities were topics of discussion.

22 In addition, I participated in the process noted below that resulted in KCPL's
23 Experimental Regulatory Plan that was filed in Case No. EO-2005-0329.

1 **BRIEF HISTORY OF KANSAS CITY POWER & LIGHT**

2 Q. Please give a brief history of KCPL's utility operations in Missouri.

3 A. KCPL was the predecessor company of Great Plains Energy. Great Plains
4 Energy incorporated in 2001 as a Missouri corporation. It is a public utility holding
5 company. KCPL is wholly owned subsidiary of Great Plains Energy.

6 Great Plains Energy Form 10-K for the year-ended December 31, 2005, which is filed
7 with the SEC identifies KCPL as follows:

8 KCP&L, a Missouri corporation incorporated in 1922, is an integrated,
9 regulated electric utility, which provides electricity to customers
10 primarily in the states of Missouri and Kansas. KCP&L's wholly
11 owned subsidiary, Home Service Solutions Inc. (HSS), sold its wholly
12 owned subsidiary Worry Free Service, Inc. (Worry Free) in February
13 2005 and completed the disposition of its interest in R.S. Andrews
14 Enterprises, Inc. (RSAE) in June 2003. After these sales, HSS has no
15 active operations.

16 KCP&L, headquartered in Kansas City, Missouri, engages in the
17 generation, transmission, distribution and sale of electricity. KCP&L
18 serves approximately 500,000 customers located in all or portions of
19 24 counties in western Missouri and eastern Kansas. Customers
20 include approximately 440,000 residences, over 55,000 commercial
21 firms, and over 2,200 industrials, municipalities and other electric
22 utilities. KCP&L's retail revenues averaged approximately 82% of its
23 total operating revenues over the last three years. Wholesale firm
24 power, bulk power sales and miscellaneous electric revenues
25 accounted for the remainder of utility revenues. KCP&L is
26 significantly impacted by seasonality with approximately one-third of
27 its retail revenues recorded in the third quarter. KCP&L's total
28 electric revenues averaged approximately 45% of Great Plains
29 Energy's revenues over the last three years. KCP&L's income from
30 continuing operations accounted for approximately 88%, 86% and
31 67% of Great Plains Energy's income from continuing operations in
32 2005, 2004 and 2003, respectively.

33 [Source: page 7, 2005 SEC Form 10-K]

34 KCPL provides utility service within the metropolitan Kansas City area in both
35 Missouri and Kansas. Missouri retail revenues represent approximately 57% of KCPL's total

1 utility operations over the past three years. The remaining portion of KCPL's operations are
2 the Kansas and FERC wholesale jurisdictions.

3 KCPL owns 47% of the 1,166 megawatt Wolf Creek Nuclear Generating Station that
4 became operational 1985. The Company owns and operates a 70% share of the coal-fired
5 Iatan Generating Station; a 50% share of the coal-fired LaCygne Station Units 1 and 2; 100%
6 of the coal-fired Hawthorn 5 Station; and 100% of the coal-fired Montrose Station Units 1, 2
7 and 3. KCPL owns and operates 100% of the combined cycle generating facility Hawthorn
8 Units 6 and 9. KCPL also owns and operates 100% of the natural gas-fired combustion
9 turbines referred to as Hawthorn Units 7 and 8, West Gardner Units 1 through 4 and
10 Osawatomie Unit 1. The Company owns and operates 100% of the eight oil-fired
11 combustion turbines at Northeast Station. KCPL's total generating capacity is 4,053
12 megawatts.

13 KCPL owns and operates over 1,700 miles of transmission lines, approximately 9,000
14 miles of overhead distribution lines and over 3,700 miles of underground distribution lines in
15 Missouri and Kansas.

16 **COMPREHENSIVE ENERGY PLAN**

17 Q. What is the purpose of this section of your testimony?

18 A. The purpose of this section is to provide the Commission an overview of
19 KCPL's capacity planning through 2010 with what is referred to as its Comprehensive
20 Energy Plan. The 2005 Great Plains Energy Annual Report identifies the KCPL
21 Comprehensive Energy Plan as "one key element of our [GPE's] Strategic Intent." The
22 Great Plains Energy Strategic Intent is explained in the 2005 Annual Report as:

1 Great Plains Energy's Intent, which is to demonstrate leadership in
2 supplying and delivering electricity and energy solutions to meet our
3 customer's needs, was launched nearly two years ago. In 2005, we
4 continued executing our Strategic Intent.

5 We use five key areas to measure our progress:

- 6 • Achievement of top-tier operating performance
- 7 • Implementation of KCP&L's Comprehensive Energy Plan
- 8 • Success in the competitive supply business through Strategic
9 Energy
- 10 • Realization of Great Plains Energy's "Winning Culture"
- 11 • Development and strengthening of relationships with our
12 communities

13 Our collaborative approach of working with all constituents...from
14 employees to customers to regulators and civic and community
15 leaders...is the key to our success. It proves there is indeed progress
16 through partnership.

17 Our Strategic Intent represents the hard work of thousands of
18 individuals and is our vision for the type of company we want to
19 be...both now and in the future...one that creates value for our
20 shareholders and provides innovative energy solutions to our
21 customers for years to come.

22 We accomplished much in 2005 and are very proud of our efforts.
23 However, much work remains to be done, and our Strategic Intent will
24 continue to guide everything we do.

25 [Source: page 2, 2005 Annual Report]

26 Q. What is KCPL's Comprehensive Energy Plan?

27 A. The 2005 Annual Report states the following with regard to the KCPL
28 Comprehensive Energy Plan:

29 One key element of our [GPE's] Strategic Intent is KCP&L's
30 Comprehensive Energy Plan. Working in close collaboration with key
31 stakeholders, KCP&L developed the Plan to meet the economic,
32 environmental and energy needs of the rapidly growing Kansas City
33 region. In 2005, we [GPE] achieved a major milestone with
34 unanimous approval of the regulatory stipulations regarding the
35 Comprehensive Energy Plan from the Kansas Corporation
36 Commission and the Missouri Public Service Commission.

1 Key elements of the Plan include:

- 2 • \$733 million for KCP&L's portion of a high-efficiency coal-
3 fired plant scheduled to be in service in 2010
- 4 • \$272 million in environmental upgrades at two of our existing
5 facilities to improve the air quality in our region through
6 significant reductions in regulated emissions
- 7 • \$166 million for 100 megawatts of wind generation
- 8 • \$95 million in demand management, distributed generation,
9 customer efficiency and affordability programs, as well as
10 transmission and distribution improvements

11 We [GPE] already have started implementing the Comprehensive
12 Energy Plan. In 2006, we will break ground on both our wind facility
13 in Spearville, Kan., and the Iatan 2 coal-fired plant near Weston, Mo.
14 The wind facility is being developed and built by enXco, Inc., a
15 leading firm in wind generation projects. Kansas City engineering
16 firm Burns & McDonnell will provide detailed engineering design
17 services for Iatan 2. Burns and McDonnell also will provide KCP&L
18 with project and construction management support for the project.

19 In addition, we will start the installation of new emissions control
20 equipment at Unit 1 of the LaCygne Generating Station with
21 completion scheduled by May 2007. KCP&L's Comprehensive
22 Energy Plan will result in significant system-wide reductions of sulfur
23 dioxide, nitrogen oxides, mercury and fine particulate emissions –
24 even with the addition of new generation.

25 [Source: page 4, 2005 Annual Report]

26 Q. Is the main component of KCPL's Comprehensive Energy Plan the
27 construction of a new base load coal-fired generating unit?

28 A. Yes. While there are several elements to KCPL's Comprehensive Energy
29 Plan, by far the most significant feature is the construction of Iatan 2, among the first coal-
30 fired base load generation in this region since the completion of the sister unit, Iatan 1 in May
31 1980 and the Westar Energy's Jeffrey Energy Center Unit 3, in 1983. The Iatan 2 project
32 was the major component of the KCPL Regulatory Plan filed as a Stipulation and Agreement
33 (Stipulation) on March 28, 2005, in Case No. EO-2005-0329. KCPL and several entities,
34 including the Office of Public Counsel (Public Counsel) and the Staff agreed to a plan that

1 was intended to permit the Company to construct Iatan 2 and make environmental
2 enhancements to Iatan 1 and LaCygne Units 1 and 2. During the time of construction of
3 Iatan 2 and the environmental upgrades, KCPL would be allowed the opportunity to maintain
4 its credit worthiness while the Company experiences financial pressure in engaging in these
5 construction projects.

6 Q. Did the Commission approve the KCPL Regulatory Plan?

7 A. Yes. The Commission approved the Stipulation on July 28, 2005.

8 Q. How does the Experimental Regulatory Plan allow KCPL the opportunity to
9 maintain its credit worthiness?

10 A. One of the elements, among others, is that KCPL is to file as few as two (2)
11 and as many as four (4) rate cases during the five-year period of construction cycle. The rate
12 case filed by KCPL on February 1, 2006, is the first of the two (2) required rate cases. The
13 other required rate case is also the last of the possible four (4) rate cases and is to be timed to
14 include the in-service date of Iatan 2. A significant facet of providing KCPL the opportunity
15 to maintain its credit worthiness, i.e., its debt at investment grade rating, is the provision for
16 additional amortizations in these rate cases so that certain of KCPL's financial ratios (Funds
17 from Operations Interest Coverage ratio and Funds from Operations as a Percentage of
18 Average Total Debt ratio) at least meet the lower end of the top third of the BBB range.

19 Q. Did you participate in KCPL Regulatory Plan process?

20 A. Yes. I attended most of the workshops and meetings regarding the
21 development of the KCPL Experimental Regulatory Plan. The workshops were conducted
22 under Case No. EW-2004-0596. Staff and other participants submitted data requests to
23 KCPL and KCPL supplied responses in that case. Staff also conducted an abbreviated

1 earnings/revenues audit of KCPL to determine whether KCPL's rates needed to be rebased.
2 KCPL had initially filed an application on May 6, 2004, to establish a docket to investigate
3 its future supply, delivery and pricing of electric service. The Commission created
4 Case No. EO-2004-0577 to consider KCPL's request. Pursuant to KCPL's request, the
5 Commission created Case No. EW-2005-0596. As the result of all of these dockets, I
6 participated in the process that resulted in KCPL's Experimental Regulatory Plan that was
7 filed in and designated as Case No. EO-2005-0329.

8 Q. Did KCPL develop a regulatory plan in Kansas for the Comprehensive Energy
9 Plan?

10 A. Yes. A very similar, but not identical regulatory plan was approved by the
11 Kansas Corporation Commission on August 5, 2005, in Docket No. 04-KCPE-1025-GIE.
12 The parties to KCPL's Kansas case submitted a Stipulation and Agreement to the Kansas
13 Corporation Commission on April 27, 2005, requesting approval of the Kansas regulatory
14 plan.

15 **AMORTIZATION OF PLANT INVESTMENT RESULTING FROM STIPULATION**
16 **AND AGREEMENT IN CASE NO. EO-94-199**

17 Q. Please describe the amortization that appears as an off-set in the rate base
18 schedule, Schedule 2.

19 A. This amortization amount relates to a Stipulation and Agreement entered into
20 by KCPL and several parties in Case No. EO-94-199 resulting from an earnings review of
21 KCPL rates in the context of that case. On July 3, 1996, the Commission approved in that
22 case a rate reduction of \$9 million to commence on July 9, 1996, and \$11 million to
23 commence no later than May 1, 1997. As part of the rate reduction KCPL agreed to an

1 amortization of plant investment, although not specifically identified by particular assets.
2 KCPL agreed to increase its expenses by booking an amortization amount of \$3.5 million
3 annually to be accumulated to reduce plant in service in the future. This had the effect of
4 reducing overall earnings of the Company and provided future benefit of being used as an
5 off-set to rate base. This provision was negotiated in lieu of further rate reductions by the
6 parties. Section 1.C. of the Stipulation and Agreement approved by the Commission in
7 Case No. EO-94-199 states:

8 KCPL shall be authorized to book the depreciation rates shown on
9 Appendix E, commencing with the effective date of the Commission's
10 order approving this Stipulation and Agreement. These rates increase
11 KCPL's annual Missouri jurisdictional depreciation expense by
12 approximately \$5.5 million. Furthermore, KCPL will book an
13 amortization totaling \$3.5 million annually upon approval of this
14 Stipulation and Agreement, which amortization shall continue until the
15 Commission approves a change either: (1) upon agreement of the
16 parties made with due regard to KCPL's then-existing earnings
17 situation, or (2) in the course of a general rate proceeding. This does
18 not preclude KCPL from requesting that this amortization be directed
19 toward a specific plant accounts or from requesting additional changes
20 in depreciation rates that may result from depreciation studies.

21 [Source: page 2, Stipulation and Agreement in Case No. EO-94-199]

22 Q. What amount has Staff used as an offset to rate base?

23 A. The amortization amount has accumulated for over 10 years and is currently
24 \$34.9 million at June 30, 2006. This amount will continue to increase till the new rates in
25 this case become effective on January 1, 2007. The amount at June 30, 2006, will be
26 \$35.8 million and at December 31, 2006, will be \$36.7 million. These amounts will continue
27 to be used as an offset to rate base until some future time.

28 Q. Did the KCPL Experimental Regulatory Plan address this amortization from
29 Case No. EO-94-199?

1 A. Yes. The continuation of this amortization at \$3.5 million annually is covered
2 at page 17, under section III.B.1.h. Current Amortization, of the Stipulation and Agreement
3 in Case No. EO-2005-0329 and was approved by the Commission with the rest of the
4 Stipulation and Agreement:

5 KCPL will continue to include as a component of cost of service
6 \$3.5 million in Missouri jurisdictional expense, from the effective date
7 of this Agreement until the effective date of the tariffs resulting from
8 Rate Filing #1, per Paragraph III.B.3.a of this Agreement, to be filed in
9 2006, for rates effective in 2007. KCPL shall maintain adequate
10 records that identify the \$3.5 million of annual amortization expense
11 originally authorized in *Re Customer Class Cost of Service and*
12 *Comprehensive Rate Design Investigation of Kansas City Power &*
13 *Light Company*, Order Approving Stipulation and Agreement, Case
14 No. EO-94-199, 5 Mo.P.S.C.3d 76 (1996) on a state specific basis, by
15 vintage year so that Missouri customers will receive recognition, of the
16 amortization funds they have provide, in the determination of rate base
17 for the Missouri jurisdiction, in future rate proceedings.

18 Q. Has KCPL reflected a similar amount for amortization expense respecting
19 Case No. EO-94-199 in its February 1, 2006 direct filing?

20 A. Yes. KCPL and Staff are in agreement respecting the level that should be
21 included in the rate case. While the June 30, 2006, amount is reflected in this direct filing,
22 the September 30, 2006 amount will be included in the true-up.

23 **WOLF CREEK NUCLEAR GENERATING STATION INCREASE IN**
24 **DEPRECIABLE LIFE FROM 40 YEARS TO 60 YEARS**

25 Q. Is there an increase in Wolf Creek Nuclear Generating Station depreciable
26 life?

27 A. Yes. In the KCPL Experimental Regulatory Plan approved by the
28 Commission in Case No. EO-2005-0329 on July 28, 2005, the depreciable life of the Wolf

1 Creek Nuclear Generating Station (Wolf Creek) changed from 40 years to 60 years [Report
2 and Order in Case No. EO-2005-0329, page 30].

3 The amount relating to the difference between a 40-year life and a 60-year life for
4 Wolf Creek that has accumulated since the Commission approved KCPL's Experimental
5 Regulatory Plan in August 2005 is \$9.5 million as of June 30, 2006. This is expected to
6 grow to approximately \$12.1 million by September 30, 2006, the true-up period in this case.
7 It is estimated that at December 31, 2006, this amount will be \$14.6 million.

8 The Stipulation at page 24, under Section III.B.1.n. Wolf Creek Depreciation, states
9 as follows relating to this change:

10 Upon the effective date of this Agreement, KCPL will begin recording
11 depreciation expense for the Wolf Creek Nuclear Generating Station
12 based on a 60-year life span. The Signatory Parties agree the
13 Commission should authorize KCPL to use depreciation rates for the
14 various nuclear plant accounts, as contained in Appendix G
15 "Depreciation & Amortization Rates, Missouri Jurisdictional".

16 Furthermore, the Stipulation states as follows at page 32:

17 The Signatory Parties agree that the portion of the amortization
18 expense as provided for in Paragraph III.B.1.i. allocated to Missouri
19 shall reflect the cash flow effect of any difference in depreciation
20 expense due to different service lives (currently 40 years for Missouri
21 and 60 years for Kansas) between Missouri and Kansas with respect to
22 the Wolf Creek Nuclear Generating Station. The Signatory Parties
23 recognize that the failure to recognize this difference will result in
24 Missouri retail customers providing cash flows in excess of the
25 equitable level provided via the special amortization and depreciation
26 expense for Wolf Creek.

27 Q. Has KCPL reflected treatment of Wolf Creek depreciation based on a 60-year
28 life in its case?

29 A. Yes. KCPL and Staff are in agreement.

30 Q. What would be the effect of not reflecting the amortization resulting from the
31 difference between a 40-year life and a 60-year life for depreciation for Wolf Creek?

1 A. Not reflecting this amortization related to the difference between a 40-year
2 life and a 60-year life results in KCPL receiving a greater cash flow from its Missouri
3 customers than is warranted. Since rates were not immediately changed as part of the KCPL
4 Experimental Regulatory Plan approved in August 2005, KCPL continued to collect in rates
5 depreciation expense for Wolf Creek based on a 40-year life. The Signatory Parties to the
6 KCPL Experimental Regulatory Plan contemplated that since a cash flow increase would
7 result when KCPL began depreciating Wolf Creek using a 60-year life, an additional
8 amortization would be necessary and made provision in the Stipulation for addressing this
9 matter in the first rate case to be filed by the Company.

10 Q. Did Staff have to reflect the amount of accumulated depreciation reserve
11 differently than it would have absent the change in Wolf Creek's depreciation rates?

12 A. Yes. Because the depreciation rate change in the KCPL Experimental
13 Regulatory Plan related to Missouri operations only, Staff had to split the accumulated
14 depreciation reserve for Wolf Creek into two different lines — one to reflect the non-60 year
15 deprecation change on a total KPCL basis that is allocated to Missouri operations and the
16 second line for the depreciation rate change that relates only to Missouri and is entirely
17 assigned to the Missouri jurisdiction. These two lines can be seen on Accumulated
18 Depreciation Reserve, Schedule 6, under the Wolf Creek section.

19 Q. Have KCPL's ratepayers benefited from the higher Wolf Creek depreciation
20 rates the last 20 years when a 40-year life has been used for Wolf Creek rather than a 60-year
21 life?

22 A. Yes. The advantage of using a 40-year life to base depreciation on is that this
23 higher rate resulted in the depreciation reserve being higher from over 20 years of Wolf

1 Creek depreciation being based on this rate. The greater depreciation reserve reduces plant
2 in service by a greater amount than if Wolf Creek's depreciation rates had been set at 60
3 years from the beginning of Wolf Creek's operation in 1985.

4 The KCPL Experimental Regulatory Plan addressed this situation at page 18 of the
5 Stipulation in Case No. EO-2005-0329:

6 KCPL shall record additional amortization expense in the amount of
7 \$10.3 million on an annual Missouri jurisdictional basis beginning
8 with the effective date of this Agreement until the effective date of the
9 tariffs resulting from Rate Filing #1, per Paragraph III.B.3.a of this
10 Agreement. This amount is equal to the change in depreciation
11 expense reflecting a change in service life span of the Wolf Creek
12 Nuclear Generating Station from 40 to 60 years provided for in
13 Paragraph III.A.3.n of this Agreement.

14 **REGULATORY ASSET FOR DEMAND RESPONSE, EFFICIENCY AND**
15 **AFFORDABILITY PROGRAMS**

16 Q. Please describe the regulatory asset for Demand Response, Efficiency and
17 Affordability Programs.

18 A. This item represents deferred costs relating to these programs developed in the
19 KCPL Experimental Regulatory Plan approved by the Commission in August 2005 in
20 Case No. EO-2005-0329. The costs included in this deferral are actual costs expended as of
21 June 30, 2006 for these programs. These costs are captured in a deferred account and are
22 included in rate base, Schedule 2, as a regulatory asset. The deferred costs are captured in
23 the regulatory asset and included in rate base until the costs are amortized.

24 Q. What is the amortized amount?

25 A. The KCPL Experimental Regulatory Plan allowed for an amortization of these
26 costs incurred to date in the 2006 rate case which is Case No. ER-2006-0314. Adjustment
27 S-55.4 is the amortization for these deferred costs.

1 Q. How did Staff determine that this treatment for these costs is appropriate?

2 A. This treatment was agreed to in KCPL's Experimental Regulatory Plan
3 approved by the Commission in Case No. EO-2005-0329. Paragraph III.B.3.a.v., at page 33
4 of the Stipulation and Agreement states as follows:

5 Demand Response, Efficiency and Affordability Programs. The 2006
6 Rate Case will also include an amortization related to the Demand
7 Response, Efficiency and Affordability Programs, as more fully
8 described in Paragraph III.B.5 below. The Signatory Parties agree not
9 to contest this amortization on any basis other than KCPL's failure to
10 prudently implement the Demand Response, Efficiency and
11 Affordability Programs described in Paragraph III.B.5 below.

12 Q. Where did the amounts Staff used in this case come from?

13 A. The KCPL Experimental Regulatory Plan established an advisory group of
14 interested Signatory Parties called the Customer Programs Advisory Group (Advisory
15 Group) to advise in the development, implementation, monitoring and evaluation of the
16 Demand Response, Efficiency and Affordability Programs. Staff is represented on the
17 Advisory Group by Ms. Lena Mantle, Manager of the Commission's Energy Department.
18 Ms. Mantle attends the meetings and is in direct contact with KCPL personnel who are
19 responsible for the development and implementation of the customer programs along with
20 other interested Signatory Parties. Ms. Mantle recently received information regarding actual
21 costs expended on these programs through June 30, 2006. I used the amount provided by
22 Ms. Mantle for June 30, 2006 for the regulatory asset amount and amortization.

23 **CONSTRUCTION COST AUDIT OF KCPL GENERATING UNITS**

24 Q. What is a construction audit?

25 A. A construction audit is typically conducted just prior to and during the course
26 of a rate increase application filed by the utility where costs relating to the construction

1 project are being requested for rate recovery. The construction audit is designed to examine
2 expenditures for large capital additions, generally relating to power plants.

3 Staff has examined costs of power plants numerous times, most notably when KCPL
4 and Union Electric, d/b/a AmerenUE built the Wolf Creek and Callaway nuclear generating
5 facilities, respectively, in the late-1970's to the mid-1980's. Construction audits were also
6 performed for KCPL's LaCygne 2 and Iatan 1 coal-fired generating stations. Staff also
7 examined the construction costs relating to combustion turbine generators installed by The
8 Empire District Electric Company (Empire) at its State Line 1 in 1995 in Case
9 No. ER-95-279 and its State Line 2 in 1997 in Case No. ER-97-81. When State Line 2 was
10 converted to a combined cycle unit in 2001, a construction audit was performed for those
11 expenditures in Case No. ER-2001-299. More recently, in Empire's last rate case, Case
12 No. ER-2004-0570, costs relating to Energy Center 3 and 4, which are simple-cycle
13 combustion turbine generators, were examined. The latest review of construction costs
14 relates to Aquila, Inc.'s South Harper facility. South Harper is a recently installed three-unit
15 combustion turbine generator facility that used Siemens Westinghouse 501D 105-megawatt
16 generating units. These units were installed and became operational in the summer of 2005.
17 The General Electric 7EAs are the same type of combustion turbine generating units installed
18 at KCPL's facilities in 2000 and 2003.

19 All of the construction audits were done in the context of rate increase applications by
20 the specific utilities.

21 Q. What costs are considered in determining the costs for recovery in the retail
22 rates of the KCPL facilities?

1 A. The costs to design, construct and manage the construction of the generating
2 facilities should be considered to make a final determination of the actual cost to install the
3 eight combustion turbine generators and heat recovery steam generator completed in 1997,
4 2000 and 2003 at the three KCPL generating sites, West Gardner, Osawatomie and
5 Hawthorn. The major costs of these units are the combustion turbine generators and related
6 equipment such as breakers and transformers and the balance of plant costs including the
7 installation costs.

8 In addition, generally large construction projects such as major generating plant
9 additions require either modifications or substantial upgrades to substations and transmission
10 systems. As a consequence, consideration must be given to the substation and transmission
11 network and associated costs should be included in rates if the costs are prudently and
12 reasonably incurred.

13 Other significant costs that should be examined are any fuel related costs such as new
14 natural gas pipelines or pipeline upgrades. The transportation facilities of this fuel type can
15 be very costly and add significantly to the economics of operating the units.

16 Q. What Staff members were involved in the examination of KCPL's generating
17 asset additions?

18 A. Staff members assigned to the review of the Company's generating facilities
19 were Staff witnesses David W. Elliott, Utility Engineering Specialist III in the Commission's
20 Energy Department, Staff witness Phillip K. Williams and myself, of the Commission's
21 Auditing Department. All three of these Staff members had previous experience in the
22 review of construction costs of power plants.

1 In addition, Staff witness Michael E. Taylor, Utility Engineering Specialist III in the
2 Commission's Energy Department, performed a review of the in-service performance testing
3 of each of the generating units brought on line by KCPL. Staff witness Taylor is providing
4 testimony that each of the units examined met the Commission's in-service criteria agreed to
5 by the Company in the KCPL Experimental Regulatory Plan.

6 Q. How did Staff perform its review of construction costs?

7 A. Staff members have toured each of the facilities at various times during
8 construction and since the units were completed. Some information on the units was
9 acquired and discussions took place prior to KCPL's February 1, 2006, rate case filing. Once
10 KCPL filed this case, Staff submitted data requests on each unit, requesting information on
11 authorizations, construction budgets, construction costs and change orders. Contracts for all
12 major systems were requested by Staff. These major contracts were reviewed and copies
13 were provided by the Company.

14 KCPL personnel who actually worked on each project gave an overview of each
15 unit's construction to Staff. Staff reviewed and requested copies of specific information
16 regarding each unit. Once this information was received, follow-up questions were
17 submitted, either by data request or e-mail, to KCPL personnel assigned to the construction
18 cost review as facilitators to Staff. Further interviews of project engineers were conducted
19 with additional questions, document review and analysis. Comparisons to other plants were
20 made to determine reasonableness of final costs. Further document review was conducted as
21 information became available. Each project's work orders were reviewed and copies of
22 relevant documents were requested. The final unitization was identified, reviewed and
23 copies requested.

1 Q. Did Staff encounter any difficulties in performing the review of the
2 construction costs for each of these units?

3 A. Yes; just the number of units needing to be reviewed created problems with
4 resources and time commitments. There were eight natural gas-fired combustion turbine
5 generators, one heat recovery steam generator (HRSG) and one re-built coal-fired base load
6 generating unit to be audited. Staff had much difficulty in keeping the information regarding
7 each unit organized and separate from the other units being audited.

8 Also, since in every instance the particular generating unit's construction had been
9 completed several years previous to the audit, it was difficult for both the Company and Staff
10 to perform the review of these costs going back in time. Personnel had moved on to other
11 jobs or had left the Company. KCPL employees responsible for the projects provided by the
12 Company for interviews had to rely on memories of events that took place years in the past.
13 They were required to go back and review documentation and develop responses to questions
14 and, in some cases, prepare analyses to identify reasons for costs changes. Construction-
15 related documents were not organized in a manner for this type of cost review, and in many
16 instances, could not be easily identified as to which construction project they related. In
17 other instances, documents had to be verified to ensure that final executed copies were what
18 was being provided for review and copying.

19 Q. Did Staff get the necessary information and access to personnel to get
20 sufficient understanding of the construction activities for each of these units?

21 A. Yes, with exception of one generating unit. Staff believes it ultimately
22 received adequate documentation and KCPL provided sufficient detail to allow it to reach

1 conclusions regarding the construction costs for each of the combustion turbines and heat
2 recovery steam generator (Hawthorn 9).

3 The lone exception is the Hawthorn 5 construction costs.

4 Q. Was Staff satisfied with the level of costs it took to construct each of the
5 generating units it did have sufficient time to review?

6 A. Yes. Staff is not proposing any adjustment in cost to any of the combustion
7 turbine generators or HRSG in this case.

8 Q. How did Staff treat Hawthorn 5 in this case?

9 A. Staff left Hawthorn 5 plant costs in rate base, with the exception of an
10 adjustment for the allowance for funds used during construction (AFDC). This adjustment is
11 being addressed by Staff witness Williams in his direct testimony.

12 Q. Is Staff's review of the Hawthorn 5 coal-fired base load generating unit
13 complete?

14 A. No. Since all of the generating units that KCPL built since its last rate case,
15 including the re-construction of Hawthorn 5 had to be examined, there was not sufficient
16 time to complete the review of all the units. Staff completed its review of the combustion
17 turbine generators, which is being addressed by Staff witness Elliott. However, with the
18 complexity and size of the Hawthorn 5 construction project with all its contracts and
19 documentation Staff did not have sufficient time to complete its review. While Staff
20 reviewed several documents and had preliminary discussions with KCPL personnel involved
21 with this construction project, much work needs to continue over to KCPL's next rate case
22 before this review process is complete.

1 Q. Was Staff able to go through the same review process for Hawthorn 5
2 construction costs as it did for the combustion turbine generators?

3 A. No. Unfortunately, with time constraints of the filing deadline, Staff was not
4 able to follow the same approach for Hawthorn 5 that was used for the combustion turbine
5 generators. As an example, after the initial discussion with personnel regarding each of the
6 combustion turbine generators construction, Staff submitted follow-up questions, and
7 reviewed additional documentation. Follow-up discussion with KCPL construction
8 personnel took place with further review of documentation and questions. With respect to
9 the West Gardner and Osawatomie generating units, Staff talked to the KCPL project
10 engineer three separate times. Staff has not had the chance to complete the review process of
11 the Hawthorn 5 construction costs using the same information gathering approach it has used
12 for the combustion turbine generators.

13 Q. Is the Hawthorn 5 construction project larger than the combustion turbine
14 projects?

15 A. Yes, substantially. Hawthorn 5 is a coal-fired base load generating unit. The
16 unit is much larger than the combustion turbine generators and has many more complex
17 systems. The planning and building of a coal-fired base load unit takes years and requires a
18 far larger construction crew to complete. The construction costs are far greater to build a
19 coal-fired base load generating unit than combustion turbine generators.

20 In addition, the Hawthorn 5 re-construction is unique because of the circumstances
21 surrounding the rebuilding of this unit. This unit experienced a catastrophic explosion in
22 1999 resulting in a complete loss of the steam generator (boiler). This loss resulted in
23 insurance recoveries and lawsuits of equipment suppliers and vendors. The lawsuits have

1 resulted in court cases that required the generation of extensive files and documents. These
2 files are located at KCPL corporate offices and are maintained in many file cabinets in a
3 secure room. Staff has only started the review of these files within the last couple weeks of
4 the audit. It is unlikely, with the press of the remaining schedule for the KCPL case,
5 including the construction audit of the wind turbines during the true-up portion of the case,
6 that Staff will be able to complete the document review. Staff will not be able to complete
7 the follow-up interview process with Hawthorn 5 personnel. In fact, Staff has questions that
8 are outstanding regarding interviewing KCPL construction management that Staff wants to
9 complete. For these reasons, Staff will continue the Hawthorn 5 construction cost review in
10 the next rate case filed by KCPL, which is currently scheduled to be filed February 1, 2007,
11 according to the KCPL Experimental Regulatory Plan.

12 **KCPL'S GENERATING FACILITIES**

13 Q. What is Hawthorn 6 and Hawthorn 9?

14 A. Hawthorn 6 is combustion turbine built by Siemens. It was originally
15 designed to use dual fuel capability of natural gas and oil but had problems operating in this
16 manner. Siemens removed the dual fuel capability at its expense so now the unit only
17 operates as a natural gas-fired generating facility. Nooter Eriksen manufactured the
18 Hawthorn 9 HRSG, and it was completed in July 2000.

19 Q. What is the total value of the Hawthorn 6 Siemens combustion turbine and
20 Hawthorn 9 HRSG?

21 A. The June 30, 2006, plant in service amount for the combustion turbine
22 generator installed as Hawthorn 6 is \$43.7 million including the related generator auxiliaries,
23 transformers and generator breakers. This amount also includes AFDC.

1 The June 30, 2006, plant in service amount for the Hawthorn 9 HRSG is
2 \$ 73.3 million, including AFDC.

3 Q. What are Hawthorn 7 and 8?

4 A. These generating units are combustion turbine generators manufactured by
5 General Electric. Each of the units is a General Electric model 7EA cable of producing
6 77 megawatts. They were completed in May and July of 2000.

7 Q. What is the total value of the Hawthorn 7 and 8 generating units?

8 A. The June 30, 2006, plant in service amount for these combustion turbine
9 generators installed as Hawthorn 7 and 8 are \$52.4 million including the related generator
10 auxiliaries, transformers and generator breakers. This amount also includes AFDC.

11 Q. What are the West Gardner units?

12 A. These are four combustion turbine generators located in Gardner, Kansas.
13 Each of the units is a General Electric model 7EA cable of producing 77 megawatts. They
14 were completed in May of 2003.

15 Q. What is the total value of the West Gardner generating units?

16 A. The June 30, 2006, plant in service amount for West Gardner 1 through 4
17 combustion turbine generators including the related generator auxiliaries, transformers and
18 generator breakers are \$118.8 million, including AFDC.

19 Q. What is the Osawatomie generating unit?

20 A. This combustion turbine generator is located near Osawatomie, Kansas and is
21 a General Electric model 7EA cable of producing 77 megawatts. It was completed June of
22 2003.

23 Q. What is the total value of the Osawatomie generating unit?

1 A. The June 30, 2006, plant in service amount for Osawatomie 1 combustion
2 turbine generator including the related generator auxiliaries, transformers and generator
3 breakers is \$ 31.5 million, including AFDC.

4 Q. Are the amounts included in the June 30, 2006, plant in service the final
5 construction costs?

6 A. No. Since these generating units were completed several years ago, plant
7 additions and retirements have occurred changing the values of each of these units at the
8 June 30, 2006, date used in the plant in service amounts included in rate base. Also,
9 depreciation has occurred on each of the units affecting the net book values of each of the
10 units.

11 Q. What are the final construction costs for Hawthorn 5?

12 A. The June 30, 2006 plant in service amount for Hawthorn 5 is \$436.3 million,
13 including AFDC. However, Staff has not completed the review of Hawthorn 5 construction
14 costs and will make a determination of what the construction costs are in a later case, as
15 noted above.

16 **RATE BASE TREATMENT OF KCPL'S GENERATING UNITS DECLARED IN-**
17 **SERVICE**

18 Q. Has Staff determined if Hawthorn 6 and Hawthorn 9 are in service?

19 A. Yes. Staff witness Taylor has determined that Hawthorn 6 combustion turbine
20 and Hawthorn 9 HRSG; Hawthorn 7 and 8 and West Gardner 1 through 4 and Osawatomie 1
21 combustion turbines have performed all the in-service tests to demonstrate that the units meet
22 the used and useful standard.

23 Q. When were these generating units declared in-service by KCPL?

1 A. Each of these units began generating electricity and went into service at
2 different dates. KCPL declared the generating units commercial and had provisional
3 acceptance at different dates because of the different construction schedules.

4 Q. Does meeting Staff's in-service criteria mean that the unit is capable of being
5 placed in rate base?

6 A. While the generating units must meet the in-service criteria to be considered
7 in the used and useful test for rate base determination, Staff's in-service criteria does not
8 determine when the generating units should be declared commercial in-service for meeting
9 system load requirements. Meeting Staff's in-service criteria does not determine when the
10 generating units should be placed in plant in service, the start of depreciation and the
11 discontinuance of allowance for funds used during construction (AFDC).

12 Q. When did KCPL include these generating units in plant in service?

13 A. Each of these units were included in plant in service at various dates. Once
14 the units are included in plant, AFDC is discontinued and the depreciation process starts.
15 The following table identifies the dates KCPL considered when each of the generating
16 units were declared commercial, date of provisional acceptance, date of plant investment,
17 and the date AFDC ended:

KANSAS CITY POWER & LIGHT COMPANY

GENERATING UNITS

Generating Unit	Commercial Operational Date	Provisional Acceptance Date	Plant in-Service	AFDC End Date
Hawthorn 6	May 1997		October 2001	N/A
Hawthorn 9	July 2000		July 2000	July 2000
Hawthorn 7	May 2000	May 2000	May 2000	May 2000
Hawthorn 8	July 2000	June 2000	July 2000	July 2000
West Gardner 1	May 2003	April 2003	June 2003	N/A
West Gardner 2	May 2003	April 2003	June 2003	N/A
West Gardner 3	May 2003	May 2003	June 2003	N/A
West Gardner 4	May 2003	May 2003	June 2003	N/A
Osawatomie	June 2003	June 2003	June 2003	N/A
Hawthorn Rebuild 5	June 2001 Original date was 1969	June 2001	June 2001	June 2001

[Source: Date Request 230 and 464]

Q. Why did some generating units not have dates when AFDC discontinued?

A. The generating units without a date AFDC discontinued were originally leased by KCPL. The Company terminated the lease and acquired these generating units on the dates they were placed in plant in service. Since these generating units were leased, KCPL did not include AFDC during construction.

Q. How does KCPL define commercial operation date?

A. KCPL identified how the term commercial operation date is used in a response to a data request. The Company stated that:

1 Commercial Acceptance/ Operation Date refers to the date when the
2 generating unit has met all of its performance tests and control of the
3 loading is turned over to the system dispatcher.

4 Also, KCPL stated that the “provisional acceptance date refers to the date the
5 generating unit demonstrates its operational requirements as defined in its Contract
6 Agreement.” The Company used the term “in-service date” as the “date at which the
7 generating unit is included in electric plant in service and is considered to be used and
8 useful”. [Source: Data Request No. 464]

9 Q. When did each of the generating units start being dispatched by KCPL to meet
10 system load requirements?

11 A. Each of the generating units identified in the above table went commercial
12 shortly after its construction was completed, with the exception of Hawthorn 6, became
13 “fully operational” and became capable of meeting KCPL’s customers load requirements on
14 the dates of its commercial operation. Even though Staff had not determined that the
15 generating units had met the in-service criteria until this case,

16 Q. Should all the combustion turbine generating facilities be included in rate base
17 in this case?

18 A. With Staff’s review and the in-service performance testing complete with each
19 unit having met the in-service criteria agreed to in the Regulatory Plan, Staff witness Taylor
20 is recommending that each of the generating units should be considered fully operational and
21 used for service. Therefore, each of the generating units should be included in KCPL’s
22 regulated rate base in this case. The units should be included in rate base at the plant in
23 service values along with the accumulated depreciation reserve values as of June 30, 2006.
24 These values will be trued-up at September 30, 2006, values during the time of the true-up

1 audit. The depreciation reserve values reflect the depreciation that has accumulated since the
2 time KCPL has included the units in plant in service.

3 **SPEARVILLE WIND GENERATING UNITS**

4 Q. Is KCPL constructing additional generating capacity?

5 A. Yes. KCPL is currently constructing 100 megawatts of wind generation in
6 western Kansas near Dodge City, Kansas. This generating facility will be known as
7 Spearville Wind Energy Facility and is expected to be complete by the September 30, 2006,
8 true-up date.

9 Q. Has Staff included any of the wind turbines in the direct filing?

10 A. No. None of the wind turbines were complete as of June 30, 2006. Staff will
11 review the construction costs during the true-up phase of this case and make a
12 recommendation as to the costs and in-service performance testing at that time.

13 Q. What is the Spearville Wind Energy Facility?

14 A. Spearville Wind Energy Facility will have 67 wind turbines each capable of
15 generating 1.5 megawatts. The total facility will have the capability of generating
16 100.5 megawatts.

17 Q. Is the Spearville Wind Energy Facility part of KCPL's Comprehensive Energy
18 Plan?

19 A. Yes. KCPL identified several projects to add generating capacity to its system
20 over the next several years. Adding 100 megawatts of wind generation is part of this plan.
21 In addition, adding 100 megawatts of wind energy was agreed to by KCPL in the
22 Experimental Regulatory Plan approved by the Commission in Case No. EO-2005-0329.

1 Page 10 of the Commission's Order in Case No. EO-2005-0329, the Commission
2 identifies that wind generation is part of KCPL's plan to meet future capacity needs of its
3 system.

4 Q. Does conclude your direct testimony?

5 A. Yes, it does.

Cary G. Featherstone

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case</u>
1980	Case No. ER-80-53	St. Joseph Light & Power Company (electric)	Direct	Stipulated
1980	Case No. OR-80-54	St. Joseph Light & Power Company (transit)	Direct	Stipulated
1980	Case No. HR-80-55	St. Joseph Light & Power Company (industrial steam)	Direct	Stipulated
1980	Case No. GR-80-173	The Gas Service Company (natural gas)	Direct	Stipulated
1980	Case No. GR-80-249	Rich Hill-Hume Gas Company (natural gas)	No Testimony filed	Stipulated
1980	Case No. TR-80-235	United Telephone Company of Missouri (telephone)	Direct Rebuttal	Contested
1981	Case No. ER-81-42	Kansas City Power & Light Company (electric)	Direct Rebuttal	Contested
1981	Case No. TR-81-208	Southwestern Bell Telephone Company (telephone)	Direct Rebuttal Surrebuttal	Contested
1981	Case No. TR-81-302	United Telephone Company of Missouri (telephone)	Direct	Stipulated
1981	Case No. TO-82-3	Investigation of Equal Life Group and Remaining Life Depreciation Rates (telephone-- depreciation case)	Direct	Contested
1982	Case Nos. ER-82-66 and HR-82-67	Kansas City Power & Light Company (electric & district steam heating)	Direct Rebuttal Surrebuttal	Contested
1982	Case No. TR-82-199	Southwestern Bell Telephone Company (telephone)	Direct	Contested

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case</u>
1983	Case No. EO-83-9	Investigation and Audit of Forecasted Fuel Expense of Kansas City Power & Light Company (electric-- forecasted fuel true-up)	Direct	Contested
1983	Case No. ER-83-49	Kansas City Power & Light Company (electric)	Direct Rebuttal Surrebuttal	Contested
1983	Case No. TR-83-253	Southwestern Bell Telephone Company (telephone)	Direct	Contested
1984	Case No. EO-84-4	Investigation and Audit of Forecasted Fuel Expense of Kansas City Power & Light Company (electric-- forecasted fuel true-up)	Direct	Contested
1985	Case Nos. ER-85-128 and EO-85-185	Kansas City Power & Light Company (electric)	Direct	Contested
1987	Case No. HO-86-139	Kansas City Power & Light Company (district steam heating-- discontinuance of public utility)	Direct Rebuttal Surrebuttal	Contested
1988	Case No. TC-89-14	Southwestern Bell Telephone Company (telephone-- complaint case)	Direct Surrebuttal	Contested
1989	Case No. TR-89-182	GTE North, Incorporated (telephone)	Direct Rebuttal Surrebuttal	Contested
1990	Case No. GR-90-50	Kansas Power & Light - Gas Service Division (natural gas)	Direct	Stipulated
1990	Case No. ER-90-101	UtiliCorp United Inc., Missouri Public Service Division (electric)	Direct Surrebuttal	Contested

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case</u>
1990	Case No. GR-90-198	UtiliCorp United, Inc., Missouri Public Service Division (natural gas)	Direct	Stipulated
1990	Case No. GR-90-152	Associated Natural Gas Company (natural gas)	Rebuttal	Stipulated
1991	Case No. EM-91-213	Kansas Power & Light - Gas Service Division (natural gas-- acquisition/merger case)	Rebuttal	Contested
1991	Case Nos. EO-91-358 and EO-91-360	UtiliCorp United Inc., Missouri Public Service Division (electric-- accounting authority orders)	Rebuttal	Contested
1991	Case No. GO-91-359	UtiliCorp United Inc., Missouri Public Service Division (natural gas)	Memorandum Recommendation	Stipulated
1993	Case Nos. TC-93-224 and TO-93-192	Southwestern Bell Telephone Company (telephone-- complaint case)	Direct Rebuttal Surrebuttal	Contested
1993	Case No. TR-93-181	United Telephone Company of Missouri (telephone)	Direct Surrebuttal	Contested
1993	Case No. GM-94-40	Western Resources, Inc. and Southern Union Company (natural gas-- sale of Missouri property)	Rebuttal	Stipulated
1994	Case No. GM-94-252	UtiliCorp United Inc., acquisition of Missouri Gas Company and Missouri Pipeline Company (natural gas--acquisition case)	Rebuttal	Contested
1994	Case No. GA-94-325	UtiliCorp United Inc., expansion of natural gas to City of Rolla, MO (natural gas-- certificate case)	Rebuttal	Contested
1995	Case No. GR-95-160	United Cities Gas Company (natural gas)	Direct	Contested

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case</u>
1995	Case No. ER-95-279	Empire District Electric Company (electric)	Direct	Stipulated
1996	Case No. GA-96-130	UtiliCorp United, Inc./Missouri Pipeline Company (natural gas-- certificate case)	Rebuttal	Contested
1996	Case No. EM-96-149	Union Electric Company merger with CIPSCO Incorporated (electric and natural gas-- acquisition/merger case)	Rebuttal	Stipulated -
1996	Case No. GR-96-285	Missouri Gas Energy Division of Southern Union Company (natural gas)	Direct Rebuttal Surrebuttal	Contested
1996	Case No. ER-97-82	Empire District Electric Company (electric-- interim rate case)	Rebuttal	Contested
1997	Case No. GA-97-132	UtiliCorp United Inc./Missouri Public Service Company (natural gas—certificate case)	Rebuttal	Contested
1997	Case No. GA-97-133	Missouri Gas Company (natural gas—certificate case)	Rebuttal	Contested
1997	Case Nos. EC-97-362 and EO-97-144	UtiliCorp United Inc./Missouri Public Service (electric complaint case)	Direct Verified Statement	Contested Commission Denied Motion
1997	Case Nos. ER-97-394 and EC-98-126	UtiliCorp United Inc./Missouri Public Service (electric)	Direct Rebuttal Surrebuttal	Contested
1997	Case No. EM-97-395	UtiliCorp United Inc./Missouri Public Service (electric-application to spin-off generating assets to EWG subsidiary)	Rebuttal	Withdrawn

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case</u>
1998	Case No. GR-98-140	Missouri Gas Energy Division of Southern Union Company (natural gas)	Testimony in Support of Stipulation And Agreement	Contested
1999	Case No. EM-97-515	Kansas City Power & Light Company merger with Western Resources, Inc. (electric acquisition/ merger case)	Rebuttal	Stipulated (Merger eventually terminated)
2000	Case No. EM-2000-292	UtiliCorp United Inc. merger with St. Joseph Light & Power Company (electric, natural gas and industrial steam acquisition/ merger case)	Rebuttal	Contested (Merger closed)
2000	Case No. EM-2000-369	UtiliCorp United Inc. merger with Empire District Electric Company (electric acquisition/ merger case)	Rebuttal	Contested (Merger eventually terminated)
2001	Case No. ER-2001-299	Empire District Electric Company (electric)	Direct Surrebuttal True-Up Direct	Contested
2001	Case Nos. ER-2001-672 and EC-2002-265	UtiliCorp United Inc./Missouri Public Service Company (electric)	Verified Statement Direct Rebuttal Surrebuttal	Stipulated
2002	Case No. ER-2002-424	Empire District Electric Company (electric)	Direct Surrebuttal	Stipulated

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case</u>
2003	Case Nos. ER-2004-0034 and HR-2004-0024 (Consolidated)	Aquila, Inc., d/b/a Aquila Networks-MPS and Aquila Networks-L&P (electric & industrial steam)	Direct Rebuttal Surrebuttal	Stipulated
2004	Case No. GR-2004-0072	Aquila, Inc., d/b/a Aquila Networks-MPS and Aquila Networks-L&P (natural gas)	Direct Rebuttal	Stipulated
2005	Case No. EO-2005-0156	Aquila, Inc., d/b/a Aquila Networks- MPS (electric)	Rebuttal Surrebuttal	Stipulation pending
2005	Case No. ER-2005-0436 and HR-2005-0450	Aquila, Inc., d/b/a Aquila Networks-MPS and Aquila Networks-L&P (electric & industrial steam)	Direct Rebuttal Surrebuttal	Stipulated

AUDITS WHICH WERE SUPERVISED AND ASSISTED:

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case Disposition</u>
1986	Case No. TR-86-14 (telephone)	ALLTEL Missouri, Inc.		Stipulated
1986	Case No. TR-86-55 (telephone)	Continental Telephone Company of Missouri		Stipulated
1986	Case No. TR-86-63 (telephone)	Webster County Telephone Company		Stipulated
1986	Case No. GR-86-76 (natural gas)	KPL-Gas Service Company		Withdrawn
1986	Case No. TR-86-117 (telephone)	United Telephone Company of Missouri		Withdrawn
1988	Case No. GR-88-115 (natural gas)	St. Joseph Light & Power Company	Deposition	Stipulated
1988	Case No. GR-88-116 (industrial steam)	St. Joseph Light & Power Company	Deposition	Stipulated
2004	Case No. HM-2004- 0618 (industrial steam)	Trigen- Kansas City Energy purchase by Thermal North America		Stipulated
2005	Case No. GM-2005- 0136 (natural gas)	Partnership interest of DTE Enterprises, Inc. and DTE Ozark, Inc in Southern Gas Company purchase by Sendero SMGC LP	Recommendatio n Memo	Stipulated
2006	Case No. WR-2006- 0250	Hickory Hills Water Company		Contested
2006	Case No. HA-2006- 0294	Trigen- Kansas City Energy		Contested