

Exhibit No.:
Issue: Crossroads; Sibley 3 Retirement
Prudence; Renewable PPA rate
treatment, Demand Response
Witness: Burton L. Crawford
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case Nos.: ER-2018-0145 and ER-2018-0146
Date Testimony Prepared: September 4, 2018

MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: ER-2018-0145 and ER-2018-0146

SURREBUTTAL TESTIMONY

OF

BURTON L. CRAWFORD

ON BEHALF OF

**KANSAS CITY POWER & LIGHT COMPANY and
KCP&L GREATER MISSOURI OPERATIONS COMPANY**

Kansas City, Missouri
September 2018

KCP&L Exhibit No. 118
Date 9-25-18 Reporter TM
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SURREBUTTAL TESTIMONY

OF

BURTON L. CRAWFORD

Case Nos. ER-2018-0145 and ER-2018-0146

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

2 A: My name is Burton L. Crawford. 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 Director, Energy
6 Resource Management.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of KCP&L and KCP&L Greater Missouri Operations Company
9 (“GMO”) (collectively, the “Company”).

10 **Q: Are you the same Burton L. Crawford who filed Direct Testimony in both ER-2018-**
11 **0145 and ER-2018-0146?**

12 A: Yes, I am.

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

14 A: The purpose of my testimony is to address issues raised by the Commission Staff
15 (“Staff”) regarding the prudency of the Crossroads Energy Center, issues raised by the
16 Office of the Public Counsel (“OPC”) concerning the pending retirement of Sibley Unit
17 3, and the rate treatment of KCP&L and GMO renewable energy power purchase
18 agreements. In addition, I address a concern raised by Renew Missouri Advocates

1 (“Renew”) related to retail customer participation in the Southwest Power Pool (“SPP”)
2 markets.

3 **I. CROSSROADS ENERGY CENTER**

4 **Q: What is the basis for Staff’s argument that Crossroads is not the lowest cost option**
5 **for GMO customers?**

6 A: Mr. Featherstone argues two points in regard to the cost effectiveness of Crossroads. He
7 points to the transmission cost for Crossroads and the Commission’s Order in GMO’s
8 2010 rate case where the Commission determined what it considered the fair market
9 value of Crossroads. (Featherstone Rebuttal, p. 13)

10 **Q: Do you agree that these two arguments show that Crossroads was not the lowest cost**
11 **option for GMO customers?**

12 A: No.

13 **Q: Why not?**

14 A: First, the cost of transmission for Crossroads is only one component of the total costs to
15 use Crossroads to serve GMO customers. There are many other factors that must be
16 considered when evaluating Crossroads as an option for serving GMO customers. As
17 discussed in my rebuttal testimony in this case, Aquila conducted an analysis of several
18 options for GMO customers including Crossroads. This evaluation included transmission
19 costs, as well as operations and maintenance costs, fuel costs, the impact on energy
20 purchases and sales, and other issues.

21 Second, the Commission’s fair market valuation of Crossroads (\$61.8 million)
22 was significantly less than what was included in Aquila’s analysis of the cost of the
23 facility (\$118 million). If Aquila’s analysis had included the cost of Crossroads at the

1 Commission's fair market valuation, Crossroads would have been an even lower cost
2 option for GMO customers because the Aquila analysis had already shown that it was the
3 lowest cost option of the several alternatives evaluated.

4 Considering all of these costs, including transmission costs, and in light of the
5 Commission's reduced fair market valuation, Crossroads was clearly the lowest cost
6 option for customers.

7 **Q: Staff argues that KCP&L and other GMO generating units do not incur**
8 **transmission costs because they are located in SPP (Featherstone Rebuttal, p. 14).**
9 **Do KCP&L and GMO generating units incur transmission costs?**

10 A: Yes. KCP&L and GMO pay for network transmission service from SPP. Most of the
11 charges are credited back to KCP&L and GMO since the generating units are primarily
12 on KCP&L and GMO transmission lines. The cost of these transmission lines is in the
13 cost of service and is primarily paid for by KCP&L and GMO retail customers.
14 Transmission is not free.

15 **Q: Staff argues that there are several reasons why Empire is allowed to recover MISO**
16 **transmission costs for Plum Point (Featherstone Rebuttal, pp.14-15) while**
17 **Crossroads does not. Please respond.**

18 A: Staff's first argument is that Plum Point was "always intended to be a regulated facility."
19 This implies that a facility originally intended to be a merchant facility should somehow
20 be treated differently. However, if the acquisition of a merchant facility is the lowest cost
21 option for a regulated utility, the original intended service should have no bearing on the
22 prudence of the option.

1 Staff's second argument is that Crossroads is used very little. Crossroads is a
2 peaking facility and is intended to run infrequently. The recovery of transmission costs
3 should have nothing to do with how much a facility runs. If Crossroads was a baseload
4 plant, it would have the same transmission service cost as it does today. GMO has
5 transmission facilities for other peaking plants and there is no question that the
6 Commission has allowed these costs to be recovered. The type of generation should not
7 be a factor in determining the prudence of transmission costs.

8 Third, Staff argues Plum Point serves customers in a state that Empire operates in.
9 The all-in costs of a generating option should be used as the basis of prudence, not
10 whether retail customers are in the same state as a generating plant.

11 Lastly, Staff argues that Crossroads was developed as a merchant plant and "did
12 not have to [go] through the scrutiny of state regulation" (Featherstone Rebuttal, p. 16).
13 Again, the fact that Crossroads was initially built for merchant service should not be a
14 factor in determining the prudence of its costs for regulated service. If it is the low-cost
15 option, it should not matter that it was initially built for merchant operations.

16 **II. RENEWABLE ENERGY POWER PURCHASE AGREEMENTS**

17 **Q: The OPC recommends that the cost and revenues of KCP&L's renewable energy**
18 **power purchase agreements ("PPAs") entered into to meet the Missouri Renewable**
19 **Energy Standard ("RES") be removed from the Fuel Adjustment Clause ("FAC")**
20 **(Mantle Rebuttal, p. 20). Does KCP&L have such PPAs?**

21 **A:** No. While KCP&L and GMO's current renewable energy PPAs will be used in part to
22 meet the RES requirements, they were entered into based on the projected long-term
23 benefits of these agreements and the costs of these PPAs are therefore not directly related

1 to compliance with the RES. The Company would have entered into these contracts
2 absent the RES. As such, the costs and associated benefits are included in the KCP&L
3 and GMO FACs.

4 **III. SIBLEY UNIT 3 RETIREMENT**

5 **Q: The OPC argues that retiring Sibley Unit 3 by the end of 2018 is imprudent based**
6 **on three considerations; a low heat rate, market energy purchase impacts, and**
7 **Sibley 3 energy costs relative to the SPP market (Robinett Rebuttal, pp. 7-8). Are**
8 **these relevant factors when evaluating plant retirements?**

9 A: Generally, yes. A generator's efficiency (i.e., heat rate), the impact on energy purchases
10 and sales, and the value of the energy produced are all appropriate considerations.

11 **Q: Are there other relevant factors?**

12 A: Yes, including, but not limited to the long-term costs to maintain and operate the facility,
13 as well as future capital investments needed to continue operations.

14 **Q: Has GMO evaluated the potential retirement of Sibley 3 including these other**
15 **factors?**

16 A: Yes. As stated in my Rebuttal testimony in this case, the Sibley 3 retirement was
17 evaluated as part of the GMO 2017 IRP. When looking at all costs of keeping the plant
18 in service over an extended period of time, the results show significant benefits to retire
19 the generator.

1 **IV. DEMAND RESPONSE**

2 **Q: Renew Missouri Advocates claims the Company is using “circular logic” in its**
3 **position that the 2010 Order prohibiting Demand Response (“DR”) aggregators**
4 **from operating in the state does not need to be revisited, while suggesting that SPP**
5 **cannot accommodate DR from an aggregator. Please respond.**

6 **A:** Just to be clear on the Company’s position, we believe that customers can participate in
7 the SPP market under the current SPP OATT as long as it is through the customer’s
8 utility. Participating through the utility will maximize the value of a customer’s DR for
9 all customers. Given that customers can participate in the SPP market through their
10 utility (once appropriate tariffs are in place) and the value of such participation will be
11 maximized under such structure, at this time there is no need for the Commission to
12 reconsider their 2010 Order on aggregation.

13 **Q: Does that conclude your testimony?**

14 **A:** Yes, it does.

