EXHIBIT

Exhibit No.: ____________
Issue(s) Certificate of Convenience and Necessity (CCN)
Witness/Type of Exhibit: Robinett/Surrebuttal
Sponsoring Party: Public Counsel
Case No.: EA-2019-0010

SURREBUTTAL TESTIMONY

OF

JOHN A. ROBINETT

Submitted on Behalf of the Office of the Public Counsel

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. EA-2019-0010

** **

Denotes Highly Confidential Information that has been Redacted

March 5, 2019

PUBLIC

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of The Empire District Electric Company for Certificates of Convenience and Necessity Related to Wind Generation Facilities	))))	File No. EA-2019-0010

<u>AFFIDAVIT OF JOHN A. ROBINETT</u>

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

John A. Robinett, of lawful age and being first duly sworn, deposes and states:

1. My name is John A. Robinett. I am a Utility Engineering Specialist for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

John A. Robinett
John A. Robinett
Utility Engineering Specialist

Subscribed and sworn to me this 5th day of March 2019.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13754037

Jerene A. Buckman
Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.

SURREBUTTAL TESTIMONY
OF
JOHN A. ROBINETT
THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. EA-2019-0010

Q. What is your name?

A. John A. Robinett.

Q. Are you the same John A. Robinett that previously filed rebuttal testimony on behalf of the Office of the Public Counsel ("OPC") in this proceeding?

A. Yes.

Q. What is the purpose of your surrebuttal testimony?

A. I respond to the Staff report specifically addressing the economic feasibility of the proposed wind projects. I have reviewed the plant-in-service impact of the wind projects, and compared the impact to the plant-in-service impact of major construction projects over the past ten years for the investor-owned electric utilities in Missouri.

Q. What is the plant-in-service impact of the wind projects?

A. Based on Staff Accounting Schedules filed in The Empire District Electric Company's ("Empire") last general rate case and cost estimates provided by Empire in this case, the wind projects would increase Empire's plant-in-service between ** ** To estimate the impact of the wind projects I assumed zero plant additions and retirements since Staff filed its Staff Accounting Schedules in Case No. ER-2016-0023, Empire's most recent general electric rate case in Missouri. With no other rate base additions considered, the impact of the wind farms can be isolated and determined. I utilized the Staff Accounting Schedules filed in that case to compare the potential capital investment by Empire in the three wind projects.

Q. Has Empire ever had this size of investment when compared to its then existing plant-in-service?

A. No. The closest comparable plant investment was when Empire became part owner in two coal-fired units totaling 150 megawatts ("MW") that were constructed and began commercial operations in 2009 through 2011. Those plants are Iatan 2, operated by Kansas City Power & Light Company, and Plum Point Energy Station operated by NAES.

Q. Is there any factor regarding Empire's involvement in those units that you view to be important?

A. As part of the construction of Iatan 2 and Plum Point, the Commission approved a regulatory plan[1] for Empire to maintain its credit rating due to the sheer magnitude of these investments. This regulatory plan was a negotiated settlement providing Empire financial support to maintain its credit ratings to maintain its financial condition. At the time of construction of Iatan 2 there was a concern that the western utilities in Missouri might not have the financial capacity to support the construction of a coal-fired unit independently. In exchange for higher rates during the Plan, Missouri customers have enjoyed lower rates through the life of Iatan 2 and other plant additions. The benefit of lower rates to ratepayers was created from the rate base reduction of the higher rates paid during the Plan.

Q. Is there a regulatory plan associated with these the wind projects?

A. No.

Q. By what amount do you estimate Empire's net plant to increase due to these wind projects when they are in-service?

A. Empire's current net plant value (Plant-in-Service minus Accumulated Depreciation) without these wind projects from Empire's last general rate case is $1.4 billion.[2] Using total project costs for each of the wind farms and then applying the percentage the tax equity partner ("TEP") is to pay, Empire's plant-in-service will increase by **

** By project and by total cost, the following table illustrates my estimate of Empire's plant-in-service, depending on the TEP's potential contribution percentage.

[1] EO-2005-0263 *In the mater of the Empire District Electric Company's Application for Certificate of Public Convenience and Necessity and Approval of an Experimental Regulatory Plan Related to Generation Plant.*
[2] Staff Direct Accounting Schedules in Case No. ER-2016-0023.

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Q. As Staff describes a "material future risk" at page 28 of its Staff Rebuttal report, is the Tax Equity Contribution a material future risk?

A. Yes. Given that the calculated estimate of Empire's contribution can vary by just shy of a ** ** whether a TEP will actually materialize and contribute to the projects at Empire's estimated levels is a material risk. For reference, Empire's total net plant (plant-in-service less accumulated depreciation) was $1.4 billion [3] in Case No. ER-2016-0023. This variance in the calculated estimate of Empire's contribution is limited by Empire's estimated range of Tax Equity Contribution from Case No. EO-2018-0092. If the tax equity contributions fall below Empire's lowest estimate, this significantly increases Empire's plant investment and, thereby reduces Empire's customers' "savings." Attached as Schedule JAR-S-1HC is a table that illustrates Empire's plant-in-service values dependent on increments of tax equity partner contributions. **

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Q. How does this tie into Staff's analysis of economic feasibility?

[3] ER-2016-0023, Staff Direct Accounting Schedules filed March 25, 2016.

A. Staff only reviewed the economic feasibility for TEP contributions of ** ** as indicated at page 27 line 3 of the Staff Rebuttal Report.

Q. How does Empire's planned investment in these wind projects compare to Empire's investment in Iatan 2 and Plum Point?

A. Empire's total plant-in-service values in Case No. ER-2008-0093 in Staff's Direct Accounting schedules prior to placing Iatan 2 and Plum Point into service and into Empire's retail rates was $1.2 billion. Afterward, Empire's plant-in-service value from Case No. ER-2011-0004[4] was $1.7 billion. Empire's combined plant-in-service for Iatan 2 and Plum Point was $0.32 billion[5] representing a 26% increase in Empire's total plant-in-service based on Staff's pre-Iatan 2 and Plum Point direct accounting schedules in Case No. ER-2008-0093. Whereas, the wind projects will amount to a ** ** increase in Empire's total net plant-in-service, depending on the TEP contribution level.

Q. Has any other Missouri utility undertaken a project of this magnitude relative to its existing plant-in-service?

A. Yes. For comparative purposes, I researched Kansas City Power & Light Company ("KCPL") and KCP&L Greater Missouri Operations Company's ("GMO") investments in Iatan 2, and compared it to their plant-in-service prior to adding Iatan 2 to their plant-in-service.

Q. What did you find?

A. Adding KCPL's investment in Iatan 2 to KCPL and GMO's plant-in-service increased it by 32% and 15%, respectively. These values for KCPL are not allocated to the jurisdictions—FERC (wholesale), Kansas, and Missouri, and are total company numbers.

Before adding Iatan 2 KCPL's plant-in-service totaled $3.0 billion.[6] Review of the plant-in-service schedules[7] contained in the revised accounting schedules for Iatan 2 in Case No.

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[4] ER-2011-0004, Staff's True-up Accounting Schedules filed May 6, 2011.
[5] The plant-in-service non-jurisdictionalized/total company for Iatan 2 was 212,133,435 or once adjusted $209,326,481, and Plum Point was $107,109,571 or once adjusted $107,105,891.
[6] ER-2009-0089 Staff accounting schedules, filed February 11, 2009.
[7] ER-2010-0355, Revised Staff True-up Direct for the April 12, 2011 Commission Report and Order accounting schedules filed April 14, 2011.

ER-2010-0355 show this was approximately a $1 billion plant addition, or a plant-in-service increase of 32% for KCPL, when compared to the direct accounting schedules of Staff from KCPL's general rate case prior to Iatan 2 being placed into service, and into KCPL's rates.

For GMO, the total plant-in-service was $2.0 billion prior to Iatan 2 being placed in-service. Review of the plant-in-service schedules[8] contained in the Staff's revised accounting schedules in Case No. ER-2010-0356 shows Iatan 2 was a $0.3 billion plant addition. This was a plant-in-service increase of 14.80%, compared to the direct accounting schedules of Staff from GMO's general electric rate case prior to Iatan 2 being placed into service, and into GMO's rates.

Q. Did the Commission approve a regulatory plan for KCPL or GMO for Iatan 2?

A. It did for KCPL.[9] Empire's regulatory plan was modeled after KCPL's. My understanding is that GMO, then named Aquila, Inc., had a junk bond credit rating, so it did not get a similar plan.

Q. Did KCPL, GMO, and Empire need Iatan 2 to meet their customers' load requirements?

A. Yes.

Q. Would you summarize your surrebuttal testimony?

A. These wind projects' costs, as estimated by Empire, would result in the greatest impact to Empire's net plant-in-service since the year 2000. This unprecedented increase is for projects that Empire would not build to meet the requirements of Empire's customers. They are speculative projects that *may* provide revenues greater than their costs, which in turn *may* result in lower bills for the captive customers that are being asked to finance the projects.

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[8] ER-2010-0356, Revised Staff true-up Direct for the May 4, 2011 Commission Report and Order accounting schedules filed April 14, 2011.
[9] EO-2005-0329.

In 2011, Empire's net plant-in-service increased by 26%. Prior to this increase, Empire worked with Staff, OPC, and other interested parties to develop a regulatory plan that provided some protections to Empire's customers and stability to Empire's financial position, as it paid for its portion of one, Iatan 2, of its two coal plants that were being built to meet Empire customers' energy needs.

In addition, the estimated increase in Empire's net plant-in-service is greater than the increase in KCPL's net plant-in-service for its portion of the Iatan 2 generation plant. This plant was oversized for KCPL customers' need at the time it came on line, but KCPL had projected, and based the addition of Iatan 2 on least cost-resource planning, Iatan 2 would be needed by its customers in the future. KCPL worked with Staff, OPC, and other interested parties to develop a regulatory plan that provided some protections to its customers and stability to KCPL's financial position, as it paid for its portion of the Iatan 2 plant that was being built to meet KCPL's customers' energy needs.

Q. How does this tie into Staff's analysis of economic feasibility?

A. Staff only reviewed the economic feasibility for TEP contributions of **

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Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

EA-2019-0010

THE EMPIRE DISTRICT
ELECTRIC COMPANY

JAR-S-1

HAS BEEN DEEMED

"HIGHLY CONFIDENTIAL"

IN ITS ENTIRETY