

Exhibit No.:
Issue: Depreciation Studies
Witness: John Spanos
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Evergy Missouri Metro and Evergy Missouri
West
Case No.: ER-2022-0129 / 0130
Date Testimony Prepared: July 13, 2022

MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: ER-2022-0129 / 0130

REBUTTAL TESTIMONY

OF

JOHN SPANOS

ON BEHALF OF

EVERGY MISSOURI METRO and EVERGY MISSOURI WEST

**Kansas City, Missouri
July 2022**

Table of Contents

I. Terminal Net Salvage 2

II. Whole Life vs. Remaining Life..... 18

III. Sibley Generating Station Recovery..... 21

IV. Survivor Curve Estimates (Eversource Missouri Metro)..... 26

 A..... The Service Life Recommendations of the Staff are not Reasonable Estimates for the Company’s Assets..... 26

V. Survivor Curve Estimates (Eversource Missouri West)..... 29

 A..... The Service Life Recommendations Of The Staff Are Not Reasonable Estimates For The Company’s Assets 29

VI. Net Salvage Estimates For Mass Accounts (Eversource Missouri Metro) 32

 A..... The Net Salvage Recommendations of the Staff are not as Reasonable as those proposed by the Company 32

VII. Appropriate Life Span for Wolf Creek Nuclear Facility..... 34

REBUTTAL TESTIMONY

OF

JOHN SPANOS

Case No. ER-2022-0129 / 0130

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

2 A: My name is John J. Spanos. My business address is 207 Senate Avenue, Camp
3 Hill, Pennsylvania, 17011.

4 **Q: Are you the same John J. Spanos who submitted direct testimony in these**
5 **dockets on January 7, 2022?**

6 A: Yes.

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

8 A: I am testifying on behalf of Evergy Metro, Inc. d/b/a Evergy Missouri Metro
9 (“Evergy Missouri Metro”) and Evergy Missouri West, Inc. d/b/a Evergy Missouri
10 West (“Evergy Missouri West”) (collectively, the “Company”).

11 **Q: What is the purpose of your rebuttal testimony?**

12 A: The purpose of my testimony is to rebut the Direct Testimonies set forth by the
13 Missouri Public Service Commission (“Commission”) Staff (“Staff”) and the direct
14 testimonies of the Office of the Public Counsel (“OPC”) and Midwest Energy
15 Consumers Group (“MECG”).

16 **Q: What are the subjects of your rebuttal testimony?**

17 A: The overall subject of my testimony is depreciation; however, the specific areas
18 relate to depreciation issues for both Evergy Missouri Metro and Evergy Missouri
19 West. The issues are: (1) the need to include a terminal net salvage component into

1 depreciation expense for full recovery of the service value of all generating assets;
2 (2)the development of depreciation expense for all asset classes using the same
3 depreciation procedure which would be to maintain the remaining life method;
4 (3)the most appropriate handling of the Sibley reserve; (4)the most reasonable life
5 and net salvage parameters for a few plant accounts; and (5)the most appropriate
6 life span for the Wolf Creek Nuclear facility.

7 **I. Terminal Net Salvage**

8 **Q: What is terminal net salvage?**

9 A: Terminal net salvage is the net salvage (i.e., gross salvage less cost of removal)
10 related to the final or terminal retirement of life span property. Life span property
11 is the term used to describe assets (such as power plants) for which all assets
12 associated with a facility will eventually be retired concurrently. The retirements
13 that occur at the end of the life of an entire power plant are referred to as “final” or
14 “terminal” retirements. These contrast with the retirements that occur throughout
15 the life of the plant (e.g., the replacement of individual components of the plant
16 such as piping or pumps), which are referred to as “interim” retirements. The “life
17 span method” is used for life span property. For the life span method, service life
18 estimates are made for the final retirement of a facility as well as for the interim
19 retirements expected to occur throughout the life of the facility.

20 There are typically net salvage costs associated with both types of
21 retirements. Costs associated with interim retirements, such as the costs incurred
22 to replace piping or pumps throughout the life of the facility, are referred to as
23 “interim net salvage.” The costs related to the final retirement of the facility, such

1 as the demolition of the superstructure and the remediation of ash ponds, are
2 referred to as “final net salvage” or “terminal net salvage.”

3 **Q: Has the life span method been previously approved for Evergy generating**
4 **facilities?**

5 A: Yes, it has.

6 **Q: Does the utilization of the life span method for generating plants coincide with**
7 **the need to incorporate terminal net salvage in order to properly recover the**
8 **full service value of all generating assets?**

9 A: Yes.

10 **Q: Has this Commission expressed its opinion on whether the life span approach**
11 **is appropriate?**

12 A: Yes. For example, the Commission adopted the life span approach to depreciation
13 in its Report and Order in the Union Electric Company, d/b/a AmerenUE general
14 rate case issued on May 28, 2010 in Case No. ER-2010-0036 (“2010 Ameren Rate
15 Case”) as well as Case No. ER-2014-0258. Additionally, in the Kansas City Power
16 and Light Company (“KCP&L”) Case No. ER-2010-0355 and again in Case No.
17 ER-2014-0370, the life span approach was adopted. Furthermore, in the Kansas
18 City Power and Light Company – Greater Missouri Operations (“GMO”) Case No.
19 ER-2010-0356 and again in Case No. ER-2016-0156 the life span approach was
20 adopted.

21 **Q: Do authoritative texts on depreciation support the service value of power**
22 **plants should be allocated based on the use of the life span approach?**

23 A: Yes, they do. Authoritative texts on the subject of depreciation support the proposal

1 to use the life span approach for power plants. The treatise entitled Public Utility
2 Depreciation Practices, published in 1996 by the National Association of
3 Regulatory Utility Commissioners (“NARUC”), states:

4 Life span property generally has the following characteristics:

- 5 1. Large individual units,
- 6 2. Forecasted overall life or estimated retirement date,
- 7 3. Units experience interim retirements, and
- 8 4. Future additions are integral part of initial installation.

9 The following classes of utility property may be most appropriately
10 studied under this method, taking into consideration the availability
11 of plant accounting data, and particularly the number of units of
12 property involved: buildings, electric power plants.¹

13 Another leading depreciation treatise, authored by Frank K. Wolf and W. Chester
14 Fitch and entitled Depreciation Systems, states:

15 Depreciation professionals use the term life span to describe both a
16 unit of property and a group of property that will be retired as a unit.
17 Examples of a unit of property are a hydroelectric dam or the
18 building housing electrical generating equipment. Examples of a
19 group of property that will be retired as a unit include the turbines,
20 generators, and other equipment used to generate electrical power
21 and housed in either the dam or building. The dispersion pattern of
22 retirements from a group of life span property differs from the
23 pattern of other (mass) property, because much of the life span
24 property is retired simultaneously (unlike mass property). The
25 resulting survivor curve is truncated (and instantaneously reaches
26 zero percent surviving) rather than gradually curving to zero percent
27 surviving.²

¹ Public Utility Depreciation Practices at p. 141 (National Association of Regulatory Utility Commissioners, 1996).

² Depreciation Systems, Frank K. Wolf and W. Chester Fitch at p. 255 (Iowa State University Press, 1994).

1 **Q: What method for allocation of power plant service value has Evergy Missouri**
2 **Metro and Evergy Missouri West proposed in this proceeding?**

3 A: Evergy Missouri Metro and Evergy Missouri West have proposed, consistent with
4 authoritative texts and the Uniform System of Accounts (“USOA”), the use of the
5 life span method of allocating the service value of power plants over the life of the
6 facility.

7 **Q: Based on the definitions and instructions in the USOA, what do you conclude**
8 **that it requires regarding power plant net salvage?**

9 A: The USOA requires that power plant net salvage, as a component of its service
10 value, must also be allocated or accrued over the service life of the property in a
11 systematic and rational manner.

12 **Q: Do authoritative texts on depreciation support your conclusion that net**
13 **salvage should be accrued during the life of the related plant?**

14 A: Yes, they do. Every authoritative text on the subject of depreciation supports the
15 proposal to ratably accrue for net salvage during the life of the related property.

16 The 1996 NARUC depreciation treatise, cited above, states:

17 Closely associated with this reasoning is the accounting principle
18 that revenues be matched with costs and the regulatory principle that
19 utility customers who benefit from the consumption of plant pay for
20 the cost of that plant, no more, no less. The application of the latter
21 principle also requires that the estimated cost of removal of plant be
22 recovered over its life.³

23 Depreciation Systems, also cited above, states the concept in this manner:

24 The matching principle specifies that all costs incurred to produce a
25 service should be matched against the revenue produced. Estimated

³ Public Utility Depreciation Practices at p. 157 (National Association of Regulatory Utility Commissioners, 1996).

1 future costs of retiring of an asset currently in service must be
2 accrued and allocated as part of the current expenses.⁴

3 **Q: In this regard, do customer equity considerations support the use of the life**
4 **span method for power plants?**

5 A: Yes, they do. The life span method provides for a better match of depreciation
6 expense with service value rendered than does the use of a single average survivor
7 curve for all installation years.

8 **Q: Please explain.**

9 A: The life span method develops and uses a unique average service life for each
10 installation year. As a result of the decision to cease operations at a power plant,
11 all property of varying ages is retired concurrently. Therefore, the older installation
12 years have longer average service lives than the younger installation years. Under
13 the life span approach, the original cost of an older installation year is recovered
14 during the average life of that installation year. The original cost of a younger
15 installation year is recovered during a shorter average life. In comparison, the use
16 of a single average service life and survivor curve that is somewhere between the
17 longer lives of the older installation years and the shorter lives of the younger
18 installation years, results in the over-recovery of cost for the older installation years
19 and the under-recovery of cost for the younger installation years.

⁴ Depreciation Systems, Frank K. Wolf and W. Chester Fitch at p. 7 (Iowa State University Press, 1994).

1 **Q: What is the policy of other regulatory commissions regarding the life span**
2 **approach for production plant?**

3 A: Virtually all other regulatory commissions use the life span approach for production
4 plant, including this Commission as a result of its decision in past cases. Gannett
5 Fleming, the firm by whom I am employed, has assisted utilities in all 50 states, 10
6 Canadian provinces and 3 Canadian territories. My colleagues and I are not aware
7 of a jurisdiction that denies the life span approach for production facilities.

8 **Q: Has the Commission accepted the use of the life span method in the past?**

9 A: Yes. The Commission first accepted the use of the life span method in Case No.
10 ER-2010-0036 for Union Electric Company d/b/a Ameren Missouri
11 (“AmerenMO”, at the time AmerenUE), and has accepted the life span method in
12 subsequent cases as well. The life span approach was also accepted in KCP&L
13 Case No. ER-2010-0355 and in GMO Case No. ER-2010-0356. Prior to Case No.
14 ER-2010-0036 the Commission had historically not accepted the use of the life span
15 method for most types of power plants.

16 **Q: Do Staff and OPC agree with the use of the life span method for assets such as**
17 **power plants?**

18 A: Yes. Staff and OPC not only agree with the use of this method but also agree with
19 the estimates of final retirement dates and interim net salvage I have used in the
20 depreciation study. Staff’s only area of disagreement for the Evergy Missouri
21 Metro and Evergy Missouri West generating plant assets is the inclusion of terminal
22 net salvage in the depreciation rates. Staff also disagrees with the interim survivor

1 curve utilized for Account 316.00, Miscellaneous Power Plant Equipment for
2 Evergy Missouri Metro. OPC does not disagree with any interim survivor curves.

3 **Q: Should net salvage be included in depreciation?**

4 A: Yes. Net salvage costs experienced at the end of an asset's service life are part of
5 the service value of the asset. In order for customers to pay their fair share for
6 electric service, depreciation must allocate the full service value (original cost less
7 net salvage) over the service life of the assets. This concept is set forth in the
8 electric USOA, which states in General Instruction 22:

9 Utilities must use a method of depreciation that allocates in a
10 systematic and rational manner the service value of depreciable
11 property over the service life of the property.

12 If net salvage is not included in depreciation, then the net salvage costs the
13 company will incur upon the retirement of its assets will have to be paid by future
14 customers after the assets are retired. Future customers will not be receiving service
15 from assets that have already been retired and should not have to pay for costs
16 related to these retired assets. Therefore, excluding net salvage from depreciation
17 results in intergenerational inequity because future customers will pay the costs of
18 assets which have already been retired and from which they receive no benefit.

19 **Q: Has the Commission ruled that net salvage should be included in depreciation?**

20 A: Yes. The Commission addressed the issue of net salvage in Case No. GR-99-315
21 for Laclede Gas Company ("Laclede") and ruled that net salvage should be
22 included in depreciation. The Commission stated:

23 The Commission finds that the fundamental goal of depreciation
24 accounting is to allocate the full cost of an asset, including its net
25 salvage cost, over its economic or service life so that utility
26 customers will be charged for the cost of the asset in proportion to
27 the benefit they receive from its consumption. The Commission

1 further finds that the method utilized by Laclede is consistent with
2 that fundamental goal.⁵

3 **Q: Does Staff agree that net salvage should be included in depreciation?**

4 A: Yes, in general Staff and OPC appear to agree with this concept, as evidenced by
5 Staff's and OPC's recommendations in this case (and in other cases). Staff and
6 OPC have recommended net salvage estimates for all of the Company's
7 transmission, distribution, and general plant accounts. Staff and OPC have also
8 recommended interim net salvage estimates for the Company's production plant
9 accounts. Staff's and OPC's transmission, distribution, and general plant net
10 salvage estimates, as well as Staff's interim net salvage estimates, are therefore
11 consistent with the Commission's decision in Laclede.

12 However, Staff and OPC have not included terminal net salvage in their
13 recommendations despite the fact that Staff has acknowledged that terminal net
14 salvage is likely to occur in the future as I will explain. Staff's recommendation
15 for terminal net salvage is therefore not consistent with the USOA, nor is it
16 consistent with the Commission's Order in Laclede.

17 **Q: Why has Staff excluded terminal net salvage from its recommended**
18 **depreciation rates?**

19 A: Staff's stated reasoning for excluding terminal net salvage is: "The Commission
20 has not generally granted net salvage for terminal net salvage. The inclusion of
21 these terminal net salvage costs are speculative and they cannot be considered
22 known and measurable." Staff is not stating terminal net salvage costs do not exist,
23 but believes the Commission should disallow the inclusion of these costs stating

⁵ Case No. GR-99-315, Third Report and Order, Issued January 11, 2005, p. 9 ("Laclede Order").

1 they are speculative. This is not justification for deviating from the Commission’s
2 stated objective of depreciation as set forth in the Laclede Order. Nor is it reasoning
3 for eliminating the terminal net salvage costs calculated and proposed in the
4 Companies’ depreciation studies. Recent experience has proven these costs can be
5 and were calculated in the Decommissioning Cost Study prepared for the
6 Companies by 1898 & Co. Coal fired plants are being retired all across the country
7 by all utilities and at a very high level since 2012. Also, many of these facilities
8 have been decommissioned already so maintaining these activities as speculative is
9 not accurate. Additionally, Evergy Metro and Evergy Missouri West have retired
10 Montrose and Sibley, respectively, in recent years and have incurred costs to shut
11 the facilities down.

12 **Q: Please address Staff’s reason for excluding terminal net salvage based on prior**
13 **decisions of the Commission.**

14 A: Staff cites the Commission’s Order in Case No. ER-2016-0285 again stating
15 “Because the cost of terminal net salvage is speculative, the Commission will not
16 allow KCPL to recover those costs in this case.” The Companies’ inclusion of
17 decommissioning costs calculated in the Decommissioning Cost Study and recent
18 experience and costs associated with generation facilities that have been
19 decommissioned, demolished and sites remediated proves terminal net salvage
20 costs are not purely “speculative.” Given the information above and the recent
21 experience of other electric utilities decommissioning generating facilities the
22 Companies have proven terminal net salvage costs can be calculated within reason
23 and are not purely “speculative,” prior decisions regarding terminal net salvage

1 should not apply to Evergy Missouri Metro and Evergy Missouri West's current
2 cases.

3 **Q: In the current depreciation study for Evergy Missouri Metro and Evergy**
4 **Missouri West, how were the terminal net salvage costs determined?**

5 A: As described in my Direct Testimony, Evergy Missouri Metro and Evergy Missouri
6 West retained the firm 1898 & Co. to perform a detailed study of the expected
7 retirement and dismantlement costs for the Company's power plants. The 1898 &
8 Co. report determined the costs expected to be incurred upon the retirement and
9 dismantlement of the Company's plants. These costs were based on a thorough
10 review of the activities associated with the terminal net salvage for these facilities.
11 Further, the terminal net salvage used for the depreciation study are based only on
12 the retirement components of the 1898 & Co. report, and do not include
13 environmental costs for site remediation that may potentially occur. The terminal
14 net salvage costs used for depreciation are therefore conservative estimates of the
15 terminal net salvage costs. The net salvage costs included in the depreciation study
16 are not speculative estimates of terminal net salvage, but are instead costs that the
17 Company is very likely to incur.

18 **Q: What justifications does OPC Witness Robinett use to support his proposal to**
19 **exclude terminal net salvage from depreciation rates?**

20 A: Mr. Robinett states that it is his understanding that "...the accepted practice of not
21 allowing the terminal net salvage value in depreciation rates has been in place since
22 these decisions were ordered in early 2005."⁶ The decisions that Mr. Robinett is

⁶ Robinett Testimony, p. 6, 20-22

1 referencing are the *Third Report* and an Order from Case No. GR-99-315 involving
2 Laclede Gas Company.⁷ Regarding the Commission’s decision to not include
3 terminal net salvage in depreciation rates, Mr. Robinett includes a quote from the
4 Commission stating that, “The reason is that generating plants are rarely retired and
5 any allowance for this item would necessarily be purely speculative.”⁸ The “this
6 item” the Commission is referring to is terminal net salvage.

7 **Q: Is Mr. Robinett’s discussion of reasons to not include terminal net salvage in**
8 **depreciation rates convincing?**

9 A: No. The electric utility industry has significantly changed since the year 2005, and
10 recovery of depreciation should keep up with these changes. I have discussed other
11 parties’ claims of terminal net salvage being speculative previously in my
12 testimony. As for the Commission’s quote that generation plants are rarely retired,
13 since the year 2005 there have been a large number of steam generation units retired
14 and that number has been increasing. Recently, there have been dozens of units
15 retired annually.⁹ These numbers are not including other types of generation unit
16 retirements, of which there have been many. This trend in generation unit
17 retirements as well as the invalid claim that terminal net salvage is speculative, and
18 numerous other reasons discussed in this testimony, should be enough to convince
19 the Commission that terminal net salvage should be included in depreciation rates.

⁷ Robinett Testimony, p. 4, 17-20

⁸ Robinett Testimony, p. 6, 6-8

⁹ 2020 Form EIA-860 Data – Schedule 3.

1 **Q: Can you provide an example of a power plant owned by a Missouri electric**
2 **company that has been retired and experienced significant terminal net**
3 **salvage costs?**

4 A: Yes. The Venice Plant, operated until its closure by Ameren Missouri, provides an
5 example with which Staff, OPC and I are familiar. Staff and I have both toured the
6 site of the Venice Plant subsequent to its decommissioning and dismantlement.
7 This example is instructive not only because it provides an illustration of the
8 terminal net salvage costs involved with power plants, but also because the site
9 continues to be used for generation by Ameren Missouri. This example therefore
10 provides evidence that terminal net salvage should be expected even if a generating
11 site can be reused for other purposes after the closure of the facility.

12 **Q: What was the experience of Ameren Missouri with the Venice Plant?**

13 A: The Venice Power Plant was a six-unit coal-fired power plant (which was converted
14 to burn oil and gas in the 1970s) sited on the east bank of the Mississippi River near
15 St. Louis. The plant was owned and operated by Ameren Missouri. The total
16 capacity of the plant was 474 MW. In 2002, the plant was retired.
17 Decommissioning and dismantlement occurred in the years subsequent to the
18 retirement and was completed in 2013. Total costs expended by Ameren Missouri
19 to retire the Venice Plant were approximately \$36.3 million, which was offset by
20 about \$12.1 million in gross salvage. Thus, the total terminal net salvage cost for
21 Venice was approximately \$24.2 million. This amount includes not only the
22 demolition of the plant itself, but also significant costs to close and remediate the
23 ash pond for the site.

1 **Q: Has Staff recognized that Venice has experienced terminal net salvage costs?**

2 A: Yes. In the Staff Report for Ameren Missouri's rate case, Case No. ER-2014-0258,

3 Staff discusses the Venice Plant:

4 The Venice steam production plant was retired in 2002, and
5 environmental cleanup, demolition, and disposal were completed in
6 2013. During three visits over the past several years, Staff has
7 observed the progression of the removal of the steam production
8 plant at Venice. The cost of removal and salvage for these large
9 plants often continues for many years, and is recorded to the
10 company's plant depreciation reserves. The Venice steam plant
11 accounts currently show an accumulated depreciation reserve deficit
12 of \$17,219,969.¹⁰

13 **Q: Were the terminal net salvage costs of the Venice Plant recovered over the life**
14 **of the plant?**

15 A: No. Because the Commission had not allowed for the recovery of terminal net
16 salvage through depreciation expense, the terminal net salvage costs for Venice
17 were not recovered over the plant's life. Current customers are paying for these
18 costs, even though they are not receiving service from Venice.¹¹

19 The experience for Venice should demonstrate why it is important that
20 terminal net salvage be recovered prospectively through depreciation expense over
21 the life of each generating facility. Under Staff's and OPC's proposals to exclude
22 terminal net salvage from depreciation, future customers will have to pay for the
23 terminal net salvage costs of these plants. This is unfair to future customers, as they
24 will be paying costs related to assets that are retired and no longer providing service.

¹⁰ Case No. ER-2014-0258, Staff Cost of Service Report, p. 151, lines 21-27.

¹¹ In Case No. ER-2014-0258, Staff's proposal was to offset the unrecovered Venice costs with accumulated depreciation reserves from certain general plant accounts. I should point out that mathematically Staff's proposal for Venice has the effect of recovering the Venice costs over the recovery period of these general plant accounts, as current customers will now pay more depreciation for the general plant assets. Thus, even with these reserve transfers current customers must pay higher rates due to the fact that earlier generations of customers did not pay the full cost of the Venice Plant.

1 **Q: Has Staff also recognized that other Missouri power plants should be expected**
2 **to have terminal net salvage costs?**

3 A: Yes. In Case No. ER-2014-0258 Staff not only acknowledged the costs incurred at
4 Venice, but recognized that other plants will experience terminal net salvage when
5 retired. In the Surrebuttal Testimony of Arthur Rice in that case, Staff not only
6 acknowledged future terminal net salvage costs for Ameren Missouri's Meramec
7 plant, but provided a rough estimate of those future costs:

8 At this time Staff has only a very rough estimate of a cost for
9 terminal net salvage of the Meramec steam plant, (retirement and
10 removal cost corrected for salvage receipts). Based on this limited
11 information, Staff estimates the cost at approximately \$100 million,
12 (15% of the current plant in service for the Meramec steam plant).¹²

13 Because Staff has recognized that there are terminal net salvage costs for Meramec,
14 I would expect that they would also recognize that Evergy Missouri Metro and
15 Evergy Missouri West will incur similar costs for its steam plants.

16 **Q: How does Staff's estimate of terminal net salvage for the Meramec steam plant**
17 **compare to the estimates Evergy Missouri Metro and Evergy Missouri West**
18 **has proposed in this proceeding?**

19 A: Evergy Missouri Metro and Evergy Missouri West's estimates are very
20 conservative estimates of terminal net salvage when compared to Staff's
21 (admittedly rough) estimate of Meramec's terminal net salvage costs.

22 Table 2 of the Evergy Missouri Metro and Evergy Missouri West's
23 depreciation study (which can be found in Part VIII of each study) provides the
24 total terminal net salvage estimates included in the depreciation rates recommended

¹² Case No. ER-2014-0036, surrebuttal testimony of Arthur Rice, p. 5, lines 15-18.

1 for each entity. The terminal net salvage estimated for the Evergy Missouri Metro
2 and Evergy Missouri West's steam production plants is approximately 5 percent of
3 total retirements. This is much less than Staff estimated percentage for one of
4 Ameren Missouri's power plants. This should emphasize that Evergy Missouri
5 Metro and Evergy Missouri West's terminal net salvage estimates are conservative
6 estimates of the future costs the Company should be expected to incur.

7 **Q: One argument that has been made against the inclusion of terminal net salvage**
8 **in depreciation is that generating sites can be reused for future generation.**
9 **Does Ameren Missouri still use the Venice site for power generation?**

10 A: Yes, it does. There are gas-fired generating units in operation on the site. The
11 decommissioning activities, such as the closure of ash ponds, were not required in
12 order to use the site for new generation and thus, cannot be charged to it. Indeed,
13 much of the site is not used for generation, as newer gas plants require a much
14 smaller footprint than coal-fired power plants. For example, the site of the ash
15 pond, which represented a significant portion of the terminal net salvage costs, is
16 not used for generation. Instead, this site is currently a grass field with wells to
17 monitor the closed ash pond.

18 **Q: How does the experience of the Venice Plant impact the inclusion of terminal**
19 **net salvage in this case?**

20 A: The facts surrounding the experience of the Venice Plant demonstrate that
21 significant costs should reasonably be expected upon the final retirement of coal-
22 fired power plants. These costs are not speculative, and instead experience shows
23 that terminal net salvage costs will occur.

1 First, consider the argument that the Company’s plants can be reused for
2 other purposes (such as future generation). Such a scenario has in fact occurred
3 with the Venice site. The coal facility at this site was retired in 2002, and the site
4 continues to be used for other types of generation. Ameren Missouri has spent a
5 net amount of approximately \$24.2 million removing the retired power plant and
6 remediating the site. Thus, this experience reveals that even when the site will be
7 reused for new generation there will still be significant costs incurred for the
8 retirement of the old plant. These costs therefore should be included prospectively
9 in depreciation rates during the period that the generation is still providing service
10 to customers rather than leaving the costs to be borne by future customers when the
11 station is not providing service to those customers.

12 **Q: What do you conclude regarding terminal net salvage?**

13 A: Depreciation principles as set forth in the USOA, authoritative depreciation
14 literature and the Commission require that net salvage is included in depreciation
15 expense. The exclusion of net salvage costs results in intergenerational inequity
16 because future customers will be required to pay for the costs of retired assets that
17 are no longer providing service. Despite the fact that Staff has recognized that
18 terminal net salvage costs will occur in the future, Staff continues to propose to
19 exclude these costs from depreciation. Staff’s recommendation therefore does not
20 meet the requirements of the USOA or the Commission and will produce
21 intergenerational inequity. For these reasons, the Commission should reject Staff’s
22 proposal and accept the depreciation rates proposed in the depreciation studies.
23 Additionally, OPC also proposes to exclude terminal net salvage in depreciation

1 rates, however, OPC attempts to justify its position by misrepresenting the
2 requirements of the USOA and the facts that generating facilities will be retired and
3 there will be terminal net salvage costs incurred. For all the reasons I have
4 discussed, the Commission should similarly reject OPC's proposal and accept the
5 depreciation rates proposed in the depreciation studies.

6 **II. Whole Life vs. Remaining Life**

7 **Q: Which accounts has Staff recommended to utilize the whole life method?**

8 A: Staff recommends the whole life method for all Transmission and Distribution
9 Accounts, General Plant Accounts not subject to Amortization Accounting and
10 Account 312.01 (Boiler Plant Equipment – Unit Trains) (Evergy Missouri Metro).

11 **Q: Why is Staff recommending the use of the whole life method of depreciation?**

12 A: It is very unclear as to why Staff has chosen to propose the use of the whole life
13 rather than the remaining life method for these accounts. Staff witness Cunigan
14 makes a statement in his direct testimony at the bottom of page 6 and onto page 7
15 that seems to denote it is because “these accounts do not have a final retirement
16 date” and the use of the remaining life method “could cause any new assets to have
17 a depreciation rate applied to them that may lead to an over-accrual or under-
18 accrual.”

19 **Q: Is it reasonable to utilize different methods of depreciation for specific
20 accounts within the same depreciation study?**

21 A: No.

1 **Q: Does the application of a final retirement date dictate the method of**
2 **depreciation to be utilized?**

3 A: No.

4 **Q: Is it possible for the whole life method of depreciation to develop an over-**
5 **accrued or under-accrued situation?**

6 A: Yes. It is necessary for depreciation studies to be completed on regular intervals to
7 account for changes in depreciation parameters over the course of time. Given the
8 whole life method does not account for the reserve position of accounts, if a life
9 estimate or net salvage estimate changes during a future depreciation study, the
10 resulting depreciation rate will create an over-accrued or under-accrued situation
11 associated with existing assets.

12 **Q: Does the whole life method of depreciation provide a correction mechanism if**
13 **this situation occurs?**

14 A: No.

15 **Q: Does the remaining life method of depreciation provide a correction**
16 **mechanism for accounts encountering an over-accrued or under-accrued**
17 **situation?**

18 A: Yes.

19 **Q: What method of depreciation was utilized to calculate the currently approved**
20 **depreciation rates?**

21 A: The remaining life method of depreciation was utilized to calculate the currently
22 approved depreciation rates.

1 **Q: Can you illustrate the whole life methodology recovery pattern?**

2 A: Yes. Assuming an account has a twenty-year average service life and zero net
3 salvage percent, then the rate is 5.00%. This rate will not change unless the average
4 service life is adjusted. Additionally, the whole life method does not consider the
5 ratio of the accumulated depreciation to the plant balance. In other words, after 10
6 years of a 20-year service life, the accumulated reserve should be 50% of the plant
7 balance. However, if it is not due to the actual activity the whole life rate does not
8 adjust to make sure full recovery is achieved after 20 years. Consequently, an
9 unfair recovery pattern would exist for both ratepayers and shareholders.

10 **Q: Why is the remaining life methodology superior to the whole life method?**

11 A: A simple example will explain why the remaining life methodology is superior.
12 Assume that there are three assets in an account which live 2, 5 and 8 years;
13 therefore, the average life is 5 years. Each asset costs \$100 for a total account cost
14 of \$300. Using the whole life method, the rate is 20.0%, so through year 5 the
15 recovery for the 2-year unit is \$40, the 5-year unit is \$100, and the 8-year unit is
16 \$100. A new study is performed after year 5 and the average life is 8 years, so the
17 rate is 12.5% and the recovery for the final three years is \$37.50. Consequently,
18 using the whole life method, recovery is \$277.50 of the \$300 in original cost, which
19 fails to make the company whole.

20 Under the remaining life methodology, the average service life is still 5
21 years and the initial rate is 20.00%. Thus, the total accruals after 5 years is still
22 \$240.00 and the two retirements totaling \$200 for an accumulated depreciation total
23 of \$40. Therefore, the remaining value is \$60 to be recovered over 3 years at a rate

1 of 20.00%. Consequently, under the remaining life method, full recovery is
2 achieved at the end of life for the three units.

3 **Q: Does the foregoing example of the remaining life method apply to all accounts?**

4 A: Yes, it does. The correcting component of the remaining life method is appropriate
5 for all accounts, including generating accounts with the life span technique as well
6 as mass property accounts such as transmission, distribution, and general plant.
7 This ensures full recovery, no more, no less.

8 **Q: Has Staff proposed to utilize remaining life for all accounts?**

9 A: No. First, it should be understood that the current rates for all accounts are based
10 on the remaining life method. Second, as discussed above the whole life method
11 does not ensure full recovery. Staff's proposal to switch from remaining life to
12 whole life should be denied particularly when Staff has proposed in the past to make
13 reserve adjustments from function to function.

14 **III. Sibley Generating Station Recovery**

15 **Q: Please summarize the Company's proposal for the recovery of the Net Book**
16 **Value of the asset costs associated with Sibley Generating Station.**

17 A: As a result of the calculations the Company performed from the Commission's
18 order in Case No. EC-2019-0200, the book reserve (accumulated depreciation)
19 associated with the Sibley Generating Station as of June 30, 2018 was established
20 as approximately \$327.2 million which produced a Net Book Value (or costs to be
21 recovered from that point in time) of approximately \$145.7 million. This book
22 reserve calculation properly allocated the book reserve to the Sibley asset level
23 based on the theoretical reserve calculated for each steam unit based on the known

1 life parameters. This calculation period was critical in that it was the first time
2 accumulated depreciation was specifically applied to the Sibley location or unit
3 level. Based on the fact the Sibley Generating Station was retired within a short
4 period of time after the above calculations were set forth, the continuation of the
5 reserve development was calculated to determine the amount of plant costs
6 associated with the Sibley Generating Station to be recovered as of June 30, 2021.

7 The depreciation study properly implemented the reserve calculations
8 relating to the Sibley Generating Station Net Book Value and the assignment of
9 book reserve to the location level for all units prior to the retirement of the Sibley
10 Generating Station, and the recorded book reserve associated with the Sibley
11 Generating Station as of June 30, 2021. The book reserve of approximately negative
12 \$288.1 million was only a simple reserve allocation system process. Therefore,
13 based on the appropriate practices established as of June 30, 2018, approximately
14 negative \$142.5 million of the June 30, 2021 reserve identified on the fixed asset
15 system was brought forward to the account level of the remaining Evergy Missouri
16 West generating stations still in service using the same practice employed during
17 the calculations proposed as of June 30, 2018. In other words, the proper book
18 reserve by account and by location was established. The approximate negative
19 \$104.2 million was then distributed to the account level utilizing the methodology
20 established as of June 30, 2018 and proposed to be amortized over a period of 20
21 years consistent with the original planned life of Sibley Generating Station Unit 3.

22 **Q: Does OPC agree with the Company's recovery proposal for Sibley?**

23 **A:** No. OPC witness Marke does not specifically provide a position as OPC is still

1 evaluating the net book value, but does state Evergy should not have retired Sibley
2 and a cost disallowance of the remaining balance with no return on the remaining
3 balance is their position.

4 **Q: Does Midwest Energy Consumers Group (MECG) witness Greg Meyer agree**
5 **with the Company's recovery proposal as of June 30, 2021?**

6 A: No.

7 **Q: Please summarize MECG witness Meyer's proposal for the unrecovered costs**
8 **associated with the Sibley Generating Station.**

9 A: First, it is important to understand the MECG witness Meyer is calculating his
10 proposals as of a different date than was represented in the Company's proposal.
11 Mr. Meyer is calculating as of December 6, 2022 rather than June 30, 2021 as
12 presented in the Company's depreciation study.

13 Mr. Meyer does not agree with the calculation of the \$145.7 million Net
14 Book Value of the Sibley Generating Station the Company generated as of June 30,
15 2018. He believes the net book value as of June 30, 2018 and June 30, 2021 are
16 understated. Mr. Meyer believes the reserve calculated by the Company for the
17 Sibley Generating Station as of June 30, 2018 was inappropriate and should be
18 closer to \$177.1 million and significantly less than the approximate \$327.2 million
19 which produced a greater net book value closer to \$300 million.

20 Therefore, Mr. Meyer has chosen to present a different calculation of the
21 book reserve and alternatively brought the book reserve associated with the Sibley
22 Generating Station as of June 30, 2018 forward utilizing the Staff Accounting
23 Schedules submitted in Case No. EC-2019-200 as a reference point for developing

1 depreciation expense. In doing so, Mr. Meyer is calculating an unrecovered cost
2 amount of approximately \$254 million as of December 6, 2022 which he proposes
3 to be amortized over a period of 20 years. Mr. Meyer has also calculated a \$102.9
4 million regulatory liability associated with a factored return on equity (ROE)
5 calculation and adds this to the \$39.1 million regulatory liability associated with
6 non-fuel O&M and labor costs. Mr. Meyer recommends this total regulatory
7 liability of \$142 million be amortized over a period of 5 years. And lastly, Mr.
8 Meyer proposes no future return be allowed for either amortization.

9 **Q: Does the Company agree with MECG witness Meyer's proposal?**

10 A: No. MECG witness Meyer appears to be simply developing a practice by which to
11 calculate a larger dollar figure to be removed from rates and on which the Company
12 is not able to earn a return during the period of recovery.

13 **Q: Has Witness Meyer based his proposal on incorrect location accumulated**
14 **depreciation amounts?**

15 A: Yes. The Staff has not properly assigned the book reserve(accumulated
16 depreciation) to the location level. Also, the Company's fixed asset system that
17 presents the book reserve at the location level has not been developed and
18 maintained to each location/unit. The simplified fixed asset system does not
19 incorporate all the changes that occur based on life or net salvage for each location
20 at the time of a depreciation study. The purpose of the depreciation study and
21 assignment of the book reserve to the location level is part of the conduct of a
22 depreciation study. The steps to properly assign the account level reserve to the

1 location level is based on the parameters in place at the time of the study and to
2 incorporate the change to remaining life that occurred a few cases ago.

3 **Q: Why is the Company's proposal for recovery related to Sibley more**
4 **reasonable?**

5 A: Every Missouri West has followed the direction ordered by the Commission in Case
6 No. EC-2019-0200 and established the \$145.7 million net book value related to
7 Sibley as of June 30, 2018 to record AAO treatment ordered for recovery of return
8 on Sibley be deferred until a future rate case when the Commission will determine
9 disposition of the deferral. The \$145.7 million was calculated based on a book
10 reserve established consistent with the known life parameters of the Sibley as of
11 June 30, 2018. This is a critical point since the whole life method was utilized in
12 Missouri for many years which meant that the book reserve was not maintained by
13 location for the majority of years that the Sibley facility was in service. MCEG
14 witness Meyer is not satisfied with the unrecovered amount calculated for AAO
15 treatment so he creates an alternative result so the Company will not be able to earn
16 a return during the period of recovery set forth (i.e., 20 years). The Company has
17 calculated the amount of the unrecovered plant associated with Sibley as of June
18 30, 2021 using a methodology consistent with the calculation generated as of June
19 30, 2018 which appropriately established the proper book reserve. Furthermore,
20 the Company is now seeking to recover the approximate \$104.2 million
21 unrecovered plant associated with the retirement of Sibley Generating Station.
22 This calculation represents the most appropriate plan for the recovery of the net
23 book value associated with the Sibley Generating Station as of June 30, 2021. The

1 established net book value follows the proper development of the book reserve
2 based on the parameters that have been in place and determination of the life cycle
3 of the Sibley facility. The development of the book reserve is consistent with the
4 matching principle of depreciation.

5 **IV. Survivor Curve Estimates (Eversource Missouri Metro)**

6 **A. The Service Life Recommendations of the Staff are not Reasonable**
7 **Estimates for the Company's Assets**

8 **Q: Has Staff witness Buttig proposed to utilize the same life estimates (survivor**
9 **curves) as were proposed by Eversource Missouri Metro in the depreciation study**
10 **as of June 30, 2021?**

11 A: No, not for all accounts

12 **Q: For which accounts has Staff witness Buttig proposed life estimates that were**
13 **different than those proposed by the Company?**

14 A: Staff witness Buttig has proposed different life estimates related the four (4) plant
15 accounts. These accounts are: Account 316.00 – Miscellaneous Power Plant
16 Equipment; Account 352.00 – Structures and Improvements; Account 368.00 –
17 Line Transformers and Account 370.20 – Meters – AMI.

18 **Q: What are the different life estimates proposed by Staff witness Buttig?**

19 A: Table 1 below displays the survivor curves proposed by Eversource Missouri Metro
20 and by Staff witness Buttig for each plant account referenced above.

**TABLE 1
EVERGY MISSOURI METRO
DEPRECIATION LIFE ESTIMATE COMPARISON**

		<u>SURVIVOR CURVE</u>	
		<u>COMPANY</u>	<u>STAFF</u>
<u>ACCOUNT</u>		<u>PROPOSED</u>	<u>PROPOSED</u>
316.00	MISCELLANEOUS POWER PLANT EQUIPMENT	40-R1.5	43-S0
352.00	STRUCTURES AND IMPROVEMENTS	65-R3	70-R3
368.00	LINE TRANSFORMERS	39-R2.5	42-L3
370.20	METERS - AMI	15-S0.5	20-S2.5

1 **Q: Does Staff witness Buttig provide any explanation or support in his direct**
 2 **testimony as to why he has proposed different life estimates for the accounts**
 3 **represented in Table 1?**

4 A: Staff witness Buttig makes no reference to any changes to the life estimates
 5 proposed by Evergy Missouri Metro in this case and certainly doesn't provide any
 6 support for the changes in life estimates. It was only during a review of Staff
 7 witness Buttig's workpapers that it was determined he had utilized different life
 8 estimates in his calculation of depreciation as of June 30, 2021. This was
 9 particularly challenging given the depreciation methodology utilized by Staff was
 10 changed from remaining life to whole life.

11 **Q: Does the Company agree with the life estimates proposed by Staff witness**
 12 **Buttig?**

13 A: No.

14 **Q: Please explain why the life estimates proposed by the Company are the most**
 15 **appropriate for the calculation of depreciation.**

16 A: There are similar concepts regarding proper life estimation that relate to each
 17 account, therefore, I will specifically only address a couple of the accounts.

1 However, the key element that Staff ignores is the required informed judgment that
2 is obtained by visiting assets, talking with Company personnel and understanding
3 the nature of the assets in each account. As such, the life estimates that were
4 modified by Staff witness Buttig suffer similar judgmental and analytical flaws to
5 the two accounts I specifically discuss below and should all be rejected in favor of
6 the Company's position.

7 **Account 316.00 – Miscellaneous Power Plant Equipment**

8 I will discuss the differences in life estimates for Account 316.00. First, it is
9 important to understand this is a generation account so the interim survivor curve
10 only reflects life characteristics up to the life span date. Staff witness Buttig has
11 proposed an Iowa Survivor Curve of 43-S0 as compared to the 40-R1.5 proposed
12 by the Company. Staff appears to place emphasis on the surviving assets near the
13 end of the survivor curve or for ages beyond 50 which represents a very small
14 portion of assets exposed to retirement. The 40-R1.5 survivor curve proposed by
15 the Company places a greater emphasis on the assets in the first 45 ages which is
16 prior to the life span date and those that represent the greater exposures of
17 retirement. These assets represent the life characteristics of the assets while in
18 service for generating facilities. For these reasons, the 40-R1.5 survivor curve
19 proposed by the Company is the most appropriate life estimate for the Account.

20 **Account 368.00 – Line Transformers**

21 For Account 368.00, Line Transformers, Staff witness Buttig has proposed an Iowa
22 Survivor Curve of 42-L3 as compared to the 39-R2.5 proposed by the Company.
23 Mr. Buttig's 42-L3 survivor curve estimate appears to be placing high emphasis on

1 older assets with an age in excess of 60 years that are not necessarily indicative of
2 the type of assets being placed in service today. The assets apparently focused on
3 by Mr. Buttig represent less than one percent of the assets exposed to retirement
4 during each age interval. Additionally, the L3 type curve expects that line
5 transformers that are older than 60 years will have fewer forces of retirement and
6 stay in service for up to 20 more years. This is not realistic for these assets nor can
7 Evergy expect these assets to continue to provide reliable service at this age. The
8 39-R2.5 provides a much better fit to the original curve through age 50 which makes
9 up approximately 80% of the assets exposed to retirement. Consequently, the 39-
10 R2.5 represents a more appropriate life characteristic and overall life cycle for line
11 transformers.

12 **V. Survivor Curve Estimates (Evergy Missouri West)**

13 **A. The Service Life Recommendations Of The Staff Are Not Reasonable** 14 **Estimates For The Company's Assets**

15 **Q: Has Staff witness Cunigan proposed to utilize the same life estimates (survivor**
16 **curves) as were proposed by Evergy Missouri West (Company) in the**
17 **depreciation study as of June 30, 2021?**

18 A: No.

19 **Q: For which accounts has Staff witness Cunigan proposed life estimates that**
20 **were different than those proposed by the Company?**

21 A: Staff witness Cunigan has proposed different life estimates related the two (2) plant
22 accounts. The accounts are: Account 369.02 – Services – Underground and
23 Account 370.20 – Meters – AMI.

1 **Q: What are the different life estimates proposed by Staff witness Cunigan?**

2 A: Table 2 below displays the survivor curves proposed by the Company and by Staff
3 witness Cunigan for each plant account referenced above.

TABLE 2
EVERGY MISSOURI WEST
DEPRECIATION LIFE ESTIMATE COMPARISON

		<u>SURVIVOR CURVE</u>	
		<u>COMPANY</u>	<u>STAFF</u>
<u>ACCOUNT</u>		<u>PROPOSED</u>	<u>PROPOSED</u>
369.02	SERVICES - UINDERGROUND	40-R5	42-R5
370.20	METERS - AMI	15-S2.5	20-S2.5

4 **Q: Does Staff witness Cunigan provide any explanation or support in his direct**
5 **testimony as to why he has proposed different life estimates for the accounts**
6 **represented in Table 2?**

7 A: Staff witness Cunigan makes no reference to any changes to the life estimates
8 proposed by the Company in this case and certainly doesn't provide any support
9 for the changes in life estimates. It was only during a review of Staff witness
10 Cunigan's workpapers that it was determined he had utilized different life estimates
11 in his calculation of depreciation as of June 30, 2021. This was particularly
12 challenging given the depreciation methodology utilized by Staff was changed from
13 remaining life to whole life.

14 **Q: Does the Company agree with the life estimates proposed by Staff witness**
15 **Cunigan?**

16 A: No.

1 **Q: Please explain why the life estimates proposed by the Company are more**
2 **appropriate for the calculation of depreciation.**

3 A: There are similar concepts regarding proper life estimation that relate to each
4 account, therefore, I will specifically only address one of the accounts. However,
5 the key element that Staff ignores is the required informed judgment that is obtained
6 by visiting assets, talking with Company personnel and understanding the nature of
7 the assets in each account. As such, the life estimates that were modified by Staff
8 witness Cunigan suffer similar judgmental and analytical flaws to the one account
9 I specifically discuss below and should all be rejected in favor of the Company's
10 position.

11 **Account 370.20 – Meters – AMI**

12 I will use Account 370.20 – Meters – AMI to illustrate the differences in the two
13 life estimates. Staff witness Cunigan has proposed an Iowa Survivor Curve of 20-
14 S2.5 as opposed to the 15-S2.5 proposed by the Company. How Mr. Cunigan
15 developed his 20-S2.5 survivor curve estimate is unclear. First, the assets recorded
16 in this account are relatively new with little retirement activity experienced.
17 Therefore, informed judgment must play a key role in the determination of the most
18 appropriate life estimate. The new technology meters, which are recorded in
19 Account 370.02, are expected to have an average life of 15 years and maximum life
20 around 20 years. This is based on industry experience to date as well as
21 expectations from manufacturers. Based on my firm's experience, almost all other
22 utilities have a life expectation for these type of meters that average 15 years. Mr.
23 Cunigan makes no mention of the life estimate he is proposing for this account,

1 therefore, I can only speculate that he assumes the AMI meters have the same life
2 characteristics as the load research meters in Account 370.01. This is not accurate.
3 Consequently, the 15-S2.5 survivor curve is the more reasonable estimate it has an
4 average life of 15 years and maximum life of 25 years with only 10% of the meters
5 being retired prior to age 10. This is quite the contrast to Mr. Cunigan's proposal
6 of an average life of 20 years and maximum life of 35 years.

7 It should be noted the Mr. Buttig also estimates a 20 year average for
8 Account 370.20 as compared to the Company's recommendation of 15 years for
9 Evergy Missouri Metro. However, in the case of Evergy Missouri Metro his
10 estimate is a little more confusing as there is more statistical analysis that clearly
11 supports the 15 year life.

12 **VI. Net Salvage Estimates For Mass Accounts (Evergy Missouri Metro)**

13 **A. The Net Salvage Recommendations of the Staff are not as Reasonable**
14 **as those proposed by the Company**

15 **Q: Has Staff witness Buttig proposed to utilize the same net salvage estimates as**
16 **proposed by Evergy Missouri Metro (Company) in the depreciation study as**
17 **of June 30, 2021?**

18 A: No.

19 **Q: For which accounts has Staff witness Buttig proposed net salvage estimates**
20 **that were different than those proposed by the Company?**

21 A: Staff witness Buttig has proposed different net salvage estimates related to six (6)
22 plant accounts. The accounts are: Account 353.00 – Station Equipment; Account
23 355.00 – Poles and Fixtures; Account 364.00 – Poles, Towers and Fixtures;
24 Account 366.00 – Underground Conduit; Account 373.00 – Street Lighting and

1 Signal Systems; and Account 392 – Transportation Equipment.

2 **Q: What are the different net salvage estimates proposed by Staff witness Buttig?**

3 A: Table 3 below displays the net salvage estimates proposed by the Company and
4 Staff witness Buttig for each plant account referenced above.

**TABLE 3
EVERGY MISSOURI METRO
DEPRECIATION NET SALVAGE ESTIMATE COMPARISON**

		<u>NET SALVAGE</u>	
<u>ACCOUNT</u>		<u>COMPANY</u>	<u>STAFF</u>
		<u>PROPOSED</u>	<u>PROPOSED</u>
353.00	STATION EQUIPMENT	(15)	(18)
355.00	POLES AND FIXTURES	(75)	(85)
355.05	POLES AND FIXTURES - SUBTRANSMISSION	(75)	(85)
364.00	POLES, TOWERS AND FIXTURES	(75)	(80)
366.00	UNDERGROUND CONDUIT	(40)	(45)
373.00	STREET LIGHTING AND SIGNAL SYSTEMS	(15)	(10)
392.00	TRANSPORTATION EQUIPMENT	20	23

5 **Q: Does Staff witness Buttig provide any explanation or support in his direct**
6 **testimony as to why he has proposed different net salvage estimates for the**
7 **accounts represented in Table 3?**

8 A: Staff witness Buttig makes no reference to any changes to the net salvage estimates
9 proposed by the Company in this case. It was only during a review of Staff witness
10 Buttig’s workpapers that it was determined he had utilized different net salvage
11 estimates in his calculation of depreciation as of June 30, 2021.

12 **Q: Are the net salvage estimates proposed by Staff witness Buttig reasonable for**
13 **each account?**

14 A: They could be, however, without understanding the process to arrive at each
15 estimate it is difficult to support. The net salvage analyses require the same level
16 of combined statistical analyses and informed judgment as life analyses.

1 **Q: Please use an example to illustrate why informed judgment is necessary for the**
2 **most appropriate percentage for each asset class.**

3 A: I will use Account 392.00, Transportation Equipment to illustrate the type of
4 analyses necessary.

5 **Account 392.00 – Transportation Equipment**

6 Staff witness Buttig has proposed a net salvage estimate of positive 23 percent as
7 compared to the positive 20 percent proposed by the Company. It would appear
8 Mr. Buttig simply applied the net salvage percent of positive 23 which is the total
9 for the overall period, 1976 through 2020. However, given the level of assets
10 retired since 2009 that should be the period that statistical analysis should be
11 emphasized. During this period of time the age of retirements is consistent with the
12 life of the assets in the account and what is expected going forward. Additionally,
13 other than a few years all net salvage is less than 23 percent and the years that
14 exceed 23 percent were due to some unusually young retirements where the salvage
15 value was higher. Therefore, when considering these few outlier years or placing
16 less emphasis on these years when considering the life characteristics, the positive
17 20 percent net salvage is more reasonable for the future.

18 **VII. Appropriate Life Span for Wolf Creek Nuclear Facility**

19 **Q: Has any party challenged the life span date of Wolf Creek Nuclear Facility?**

20 A: Yes. MECG Witness Meyer proposes an unrealistic change to the life span for the
21 Wolf Creek nuclear facility. He proposes to extend the life by 20 years even though
22 the current license date is 2044 or more than 20 years into the future.

1 **Q: Is it standard practice in the industry to establish a life span date consistent**
2 **with the license date for nuclear facilities?**

3 A: Yes. The license date is the standard period of time for nuclear assets to be
4 recovered given that is the time the assets are guaranteed to be in service. As is the
5 case for all assets, depreciation should be recovered systematically and rationally
6 over the life of the assets consistent with the period of time the assets are to be
7 utilized.

8 **Q: Does the relicense process take many years?**

9 A: Yes. In most cases, the relicense process will begin 10 years prior to the end of the
10 license termination date.

11 **Q: Is there a guarantee that the relicense process will be approved?**

12 A: No. There is no guarantee that relicensing will be approved and if it is not and the
13 utility already extended the life span date then there will be significant stranded
14 costs.

15 **Q: Mr. Meyer suggests that because another utility expects to extend their license**
16 **then Evergy should do the same?**

17 A: First, the other utility he mentions has not extended the license date more than 20
18 years from the end of the license. Second, that same utility currently has a 60 year
19 life span which is the most common life span for nuclear facilities.

1 **Q: Is there any support for extending the life span for the Wolf Creek nuclear**
2 **facility?**

3 A: No. Mr. Meyers position is not supported and is only his attempt to inappropriately
4 reduce depreciation expense. The current 2044 life span date is the most
5 appropriate.

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

7 A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Evergy Metro, Inc. d/b/a Evergy)
Missouri Metro's Request for Authority to) Case No. ER-2022-0129
Implement A General Rate Increase for Electric)
Service)

In the Matter of Evergy Missouri West, Inc. d/b/a)
Evergy Missouri West's Request for Authority to) Case No. ER-2022-0130
Implement A General Rate Increase for Electric)
Service)

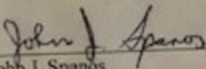
AFFIDAVIT OF JOHN J. SPANOS

STATE OF PENNSYLVANIA)
) ss
COUNTY OF CUMBERLAND)

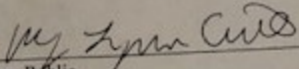
John J. Spanos, being first duly sworn on his oath, states:

1. My name is John J. Spanos. I work in Camp Hill, Pennsylvania, and I am employed by Gannett Fleming Valuation and Rate Consultants, LLC and serve as President.
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of thirty-six (36) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.


John J. Spanos

Subscribed and sworn before me this 11th day of July 2022.


Notary Public

My commission expires: Sep. 16, 2023

