

**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

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**Denotes Highly Confidential Information that has been Redacted**

March 5, 2019

**PUBLIC**



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

**CASE NO. EA-2019-0010**

1 **Q. What is your name?**

2 A. John A. Robinett.

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

5 A. Yes.

6 **Q. What is the purpose of your surrebuttal testimony?**

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

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

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

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

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

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

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

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

13 A. No.

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

16 A. Empire’s current net plant value (Plant-in-Service minus Accumulated Depreciation)  
17 without these wind projects from Empire’s last general rate case is \$1.4 billion.<sup>2</sup> Using  
18 total project costs for each of the wind farms and then applying the percentage the tax  
19 equity partner (“TEP”) is to pay, Empire’s plant-in-service will increase by \*\*

20  
21  
22  
23 \*\* By project and by total cost, the following table illustrates my estimate of  
24 Empire’s plant-in-service, depending on the TEP’s potential contribution percentage.

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<sup>1</sup> EO-2005-0263 *In the matter 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.*

<sup>2</sup> Staff Direct Accounting Schedules in Case No. ER-2016-0023.



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

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

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

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

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

18 **Q. What did you find?**

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

22 Before adding Iatan 2 KCPL’s plant-in-service totaled \$3.0 billion.<sup>6</sup> Review of the plant-  
23 in-service schedules<sup>7</sup> contained in the revised accounting schedules for Iatan 2 in Case No.

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<sup>4</sup> ER-2011-0004, Staff’s True-up Accounting Schedules filed May 6, 2011.

<sup>5</sup> 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.

<sup>6</sup> ER-2009-0089 Staff accounting schedules, filed February 11, 2009.

<sup>7</sup> ER-2010-0355, Revised Staff True-up Direct for the April 12, 2011 Commission Report and Order accounting schedules filed April 14, 2011.

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

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

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

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

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

17 A. Yes.

18 **Q. Would you summarize your surrebuttal testimony?**

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

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<sup>8</sup> ER-2010-0356, Revised Staff true-up Direct for the May 4, 2011 Commission Report and Order accounting schedules filed April 14, 2011.

<sup>9</sup> EO-2005-0329.

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

6 In addition, the estimated increase in Empire's net plant-in-service is greater than the  
7 increase in KCPL's net plant-in-service for its portion of the Iatan 2 generation plant. This  
8 plant was oversized for KCPL customers' need at the time it came on line, but KCPL had  
9 projected, and based the addition of Iatan 2 on least cost-resource planning, Iatan 2 would  
10 be needed by its customers in the future. KCPL worked with Staff, OPC, and other  
11 interested parties to develop a regulatory plan that provided some protections to its  
12 customers and stability to KCPL's financial position, as it paid for its portion of the Iatan  
13 2 plant that was being built to meet KCPL's customers' energy needs.

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

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

16 \*\*

17 **Q. Does this conclude your surrebuttal testimony?**

18 A. Yes, it does.



EA-2019-0010

THE EMPIRE DISTRICT  
ELECTRIC COMPANY

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HAS BEEN DEEMED

“HIGHLY CONFIDENTIAL”

IN ITS ENTIRETY