

*Exhibit No.:*  
*Issue:* Depreciation  
*Witness:* John A. Robinett  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Surrebuttal Testimony  
*Case No.:* ER-2014-0351  
*Date Testimony Prepared:* March 24, 2015

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**UTILITY SERVICES**

**SURREBUTTAL TESTIMONY**

**OF**

**JOHN A. ROBINETT**

**THE EMPIRE DISTRICT ELECTRIC COMPANY**

**CASE NO. ER-2014-0351**

*Jefferson City, Missouri*  
*March 2015*



Surrebuttal Testimony of  
John A. Robinett

1           A.     Empire is requesting \$342,574 be included as an annual depreciation expense for  
2 units which are no longer in operation.

3           Q.     When was Asbury Unit 2 retired?

4           A.     Asbury Unit 2 was retired in December of 2013 and was dismantled to make  
5 room for the AQCS project for Asbury Unit 1.

6           Q.     When was Riverton Unit 7 retired?

7           A.     Riverton 7 was retired in June of 2014.

8           Q.     Does Staff agree with the continued depreciation expense on retired plant?

9           A.     No.

10          Q.     Why does Staff not recommend continued depreciation expense for utility plant  
11 that the Company has retired?

12          A.     Staff uses the long practiced guideline for depreciating plant that is *used and*  
13 *useful*.<sup>1</sup> Because Riverton Unit 7 and Asbury Unit 2 are not used and not useful, Staff does not  
14 believe the Company should receive depreciation expenses associated with those plants.

15          Q.     Is there a reserve shortfall?

16          A.     No.

17          Q.     How has Staff concluded that there is no reserve shortfall at this time?

18          A.     The Company provided Staff with the plant in service totals and reserve levels  
19 as of August 2014. The total of the reserves associated with Riverton, Asbury, and Iatan 1  
20 production accounts 310 through 316 for Steam Generation is \$93,210,577 (Missouri  
21 Jurisdictional). Per the books; the retirements of Riverton Unit 8 and Common Plant have  
22 \$31,635,579 (Missouri Jurisdictional) to be retired. The \$93 million in reserves exceeds the

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<sup>1</sup> Section 393.135, RSMo. 2000, a statute that was adopted by Initiative, Proposition No. 1, on November 2, 1976. Section 393.135, RSMo. 2000.

1 | planned retirements of approximately \$31.6 million. The current reserve levels are adequate to  
2 | record the future expected retirements in the Steam Generation equipment plant accounts against.  
3 | Additionally, Empire plans to retire Riverton 9 which is accounted for in the Other Production  
4 | accounts 340 through 346. The reserve value for all plant recorded in accounts 340 through 346  
5 | is \$94,548,070 (Missouri Jurisdictional). Again, sufficient funds exist to record the retirement of  
6 | Riverton Unit 9 against the reserves for the accounts 340 through 346.

7 | Q. Are there any guidelines or authoritative sources that Staff consulted for  
8 | determining that there is no reserve shortfall at this time?

9 | A. Staff relied upon the Federal Energy Regulatory Commission (FERC) Uniform  
10 | System of Accounts (USOA).

11 | Q. What specific section of the FERC USOA has Staff relied upon for  
12 | its conclusion?

13 | A. The FERC Account 108 definition which clearly states that depreciation reserves  
14 | are to be analyzed by functional classification of plant, not on the individual unit basis.

15 | Q. What is Staff's recommendation regarding the retirements of Asbury Unit 2 and  
16 | Riverton Unit 7?

17 | A. Empire has not completed the retirement cycle of Riverton Unit 8 and Riverton  
18 | Common plant; therefore; Staff recommends the current ordered depreciation rates remain in  
19 | effect for Riverton Unit 8 and Common plant. Empire retired Riverton Unit 7 in June of 2014;  
20 | therefore, Staff is recommending depreciation expense be discontinued for Riverton Unit 7 since  
21 | it is no longer *used and useful*.<sup>2</sup> Adequate depreciation reserve funds exist to cover the retirement  
22 | of Riverton Unit 7 at this time.

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<sup>2</sup> *Id.*

1 Q. Are there any other recommendations that Staff would like to make?

2 A. Yes. Staff reaffirms the recommendations that it made in its direct report and  
3 rebuttal testimony regarding depreciation.

4 1) Staff recommends the Commission order Empire to continue the use of the  
5 depreciation rates ordered in Case No. ER-2012-0345 that were presented in  
6 Appendix 3, Schedule JAR(DEP)-1 to the Staff Cost of Service Report.

7 2) Staff recommends the following total company depreciation reserve adjustments be  
8 made to reflect the unitization of Iatan 2 plant:

9	<u>Account #</u>	<u>Account Description</u>	<u>Depreciation Reserve Adjustment</u>
10	311I2	Structures and Improvements	\$101,450.83
11	312I2	Boiler Plant Equipment	\$1,494,664.97
12	314I2	Turbogenerator Units	\$963,628.98
13	315I2	Accessory Electrical Equip	(\$281,415.67)
14	316I2	Misc Power Plant Equip	(\$2,278,329.11)

15 3) Staff recommends that the following adjustments be made to the additional  
16 amortization balances recorded in separate subaccounts in reserves to reflect the  
17 unitization Iatan 2 plant balances:

18	<u>Account #</u>	<u>Account Description</u>	<u>Addition Amortization Adjustment</u>
19	311.05	Structures and Improvements	(\$361,914.88)
20	312.05	Boiler Plant Equipment	\$5,814,553.61
21	314.05	Turbogenerator Units	\$5,401,677.38
22	315.05	Accessory Electrical Equip	(\$809,308.39)
23	316.05	Misc Power Plant Equip	(\$10,045,007.72)

Surrebuttal Testimony of  
John A. Robinett

1           Q.     Does this conclude your surrebuttal testimony?

2           A.     Yes.

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

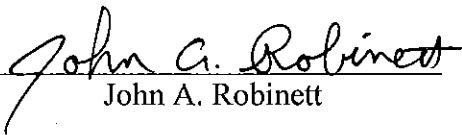
In the Matter of The Empire District Electric )  
Company for Authority to File Tariffs )  
Increasing Rates for Electric Service Provided )  
to Customers in the Company's Missouri )  
Service Area )

Case No. ER-2014-0351

AFFIDAVIT OF JOHN A. ROBINETT


STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF COLE     )

John A. Robinett, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 5 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
John A. Robinett

Subscribed and sworn to before me this 23<sup>rd</sup> day of March, 2015.

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: December 12, 2016 Commission Number: 12412070
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Notary Public