

Exhibit No.  
Issues: Riverton Unit 12 O&M Expense  
Tracker, Prepayments  
Witness: John Woods  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: Empire District Electric  
Case No. ER-2106-0023  
Date Testimony Prepared: April 2016

**Before the Public Service Commission  
of the State of Missouri**

**Rebuttal Testimony**

**of**

**John M. Woods**

**April 2016**



TABLE OF CONTENTS  
REBUTTAL TESTIMONY OF  
JOHN M. WOODS  
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BEFORE THE  
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<b><u>SUBJECT</u></b>	<b><u>PAGE</u></b>
<b>INTRODUCTION.....</b>	<b>1</b>
<b>RIVERTON UNIT 12 O&amp;M EXPENSE .....</b>	<b>1</b>
<b>RIVERTON UNIT 12 O&amp;M TRACKER.....</b>	<b>3</b>
<b>IATAN AND PLUM POINT PREPAYMENTS .....</b>	<b>4</b>

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. John M. Woods. My business address is 602 South Joplin Avenue, Joplin,  
4 Missouri.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. The Empire District Electric Company (“Empire” or “Company”). I am Plant  
7 Manager – Asbury Power Plant.

8 **Q. ARE YOU THE SAME JOHN M. WOODS WHO FILED DIRECT**  
9 **TESTIMONY IN THIS CASE BEFORE THE MISSOURI PUBLIC**  
10 **SERVICE COMMISSION (“COMMISSION”)?**

11 A. Yes, I am.

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 A. I will respond to the testimony presented in the Commission Staff’s Cost of Service  
14 Report for two different items: (1) Iatan and Plum Point Operations and  
15 Maintenance (“O&M”) prepayments; (2) Riverton Unit 12 O&M Tracker; and (3)  
16 Riverton Unit 12 O&M expense. I will also address the Office of Public Counsel’s  
17 (“OPC”) position as it relates to the Riverton Unit 12 O&M Tracker.

18 **RIVERTON UNIT 12 O&M EXPENSE**

1 **Q. DOES STAFF PROPOSE AN ADJUSTMENT TO RIVERTON’S LEVEL OF**  
2 **O&M EXPENSES TO BE INCLUDED IN RATES?**

3 A. Yes. On page 105 in Staff’s Cost of Service Report, lines 2-3, Staff states that it is  
4 proposing an adjustment “based on a 5-year average of maintenance costs.” Further  
5 evaluation of Staff’s workpapers shows that this adjustment reduces O&M expenses  
6 by \$160,634.01, on a total company basis, when compared to the amount included  
7 in current rates (those set in Case No. ER-2014-0351).

8 **Q. DO YOU DISAGREE WITH STAFF’S STANCE ON THIS ISSUE?**

9 A. Yes. As I addressed in my direct testimony, using historical data to set the level of  
10 O&M for the Riverton facility is unrealistic because the historical average is largely  
11 based on O&M expenses associated with Riverton Unit’s 7 and 8, both of which are  
12 coal fired units that have been recently retired. The large majority of O&M  
13 expenses going forward at the Riverton power plant will be based on Riverton Unit  
14 12 combined cycle, a unit which is just now being placed into service in this  
15 configuration.

16 **Q. DID EMPIRE MAKE AN ADJUSTMENT TO RIVERTON O&M EXPENSE**  
17 **IN ITS DIRECT CASE?**

18 A. Yes. In my direct testimony, I support an increase in expenses unrelated to a long-  
19 term maintenance contract with Siemens in the amount of \$823,269, on a total  
20 company basis. This is a difference of almost \$1 million from Staff’s position.  
21 Empire’s proposed adjustment is based on projections for a combined cycle unit  
22 operations derived from State Line Combined Cycle historical O&M data, a unit  
23 that has been in operation for nearly 15 years.

1 **Q. AFTER REVIEWING STAFF’S TESTIMONY, DOES EMPIRE MAINTAIN**  
2 **ITS STANCE ON ITS PROPOSED ADJUSTMENT?**

3 A. Yes. Basing O&M on historical averages at the Riverton plant does not make sense  
4 in this case.

5 **RIVERTON UNIT 12 O&M TRACKER**

6 **Q. DOES A TRACKER EXIST FOR O&M EXPENSES AT THE RIVERTON**  
7 **PLANT?**

8 A. Yes. As I detail in my direct testimony and both Staff (in its Cost of Service  
9 testimony of page 97) and OPC (in Keri Roth’s Rebuttal Testimony on page 15)  
10 describe in their direct testimony, a maintenance tracker was put in place as part of  
11 Empire’s last rate case, Case No. ER-2014-0351. This tracker covers expenses  
12 associated with a long-term maintenance contract that is in place with Siemens to  
13 perform maintenance on the Riverton Unit 12 combustion turbine. This contract  
14 went into effect in late 2014 and has variable rates that are tied to equivalent hours  
15 of operation.

16 **Q. DO STAFF AND OPC RECOMMEND CONTINUATION OF THE**  
17 **TRACKER?**

18 A. Yes. Both Staff and OPC recommend continuation of the tracker, with the base  
19 remaining at \$2.7 million (Missouri jurisdictional).

20 **Q. DO YOU AGREE WITH THIS RECOMMENDATION?**

21 A. While Empire requests continuation of the tracker, Empire disagrees with Staff and  
22 OPC on two points related to the tracker: the base amount and the items included.

23 As I detailed in my direct testimony, the base should be \$3.9 million, on a Missouri

1 jurisdictional basis, because the unit's operations are projected to increase due to  
2 combined cycle operation versus operation as a simple cycle, peaking unit. Second,  
3 and again as I detailed in my direct testimony, the tracker should be expanded to  
4 include ALL Riverton O&M expenses and not just those associated with the  
5 Siemens maintenance contract.

6 **Q. WHY DO YOU BELIEVE THE TRACKER SHOULD BE EXPANDED TO**  
7 **INCLUDE ALL EXPENSES?**

8 A. As Staff and OPC have acknowledged in their direct testimonies, future operations  
9 of Riverton Unit 12 combined cycle are unclear. It is highly likely Unit 12  
10 Combined Cycle, a more efficient combined cycle unit, will operate significantly  
11 more than it has in the past. Empire freely admits that its projected expenses for the  
12 unit are educated estimates, and may be wrong – such is the reality for any forecast.  
13 In my direct testimony I present backup for a range of expenses in the future and  
14 took the midpoint as the basis for Empire's adjustment. The nature of the  
15 unpredictability of O&M expenses for a new unit is the exact reason trackers were  
16 adopted for Iatan Unit 2 and Plum Point, two units in which Empire is a part owner  
17 and went into service in the fall of 2010. These trackers were discontinued in the  
18 last case, as several years of historical information was then available. Empire  
19 simply asks for the Commission to impose the same logic used for these units and  
20 ultimately treat Empire's customers and shareholders fairly by tracking the Riverton  
21 Unit 12 combined cycle expenses until a history of expenses can be developed.

22 **IATAN AND PLUM POINT PREPAYMENTS**

1 **Q. DID STAFF PROPOSE AN ADJUSTMENT RELATED TO PREPAYMENTS**  
2 **AT IATAN AND PLUM POINT?**

3 A. Yes. In its Cost of Service Report on page 58, Staff proposes to include  
4 “prepayments in rate base at the 13-month average level ending September 2015”.  
5 However, Staff proposes to exclude Working Funds Iatan (165350) and Working  
6 Funds Plum Point (165351) from the 13-month average level, because Staff  
7 considers these accounts as cash accounts, not actual investment in utility assets.

8 **Q. DO YOU AGREE WITH THESE RATE BASE EXCLUSIONS?**

9 A. No. These accounts represent working capital funds that are required as part of the  
10 Plum Point and Iatan ownership agreements, and, therefore, should not be excluded  
11 from rate base. Kansas City Power & Light Company (“KCPL”) and Plum Point  
12 Energy Associates are “holders” of these working capital accounts, which would be  
13 drawn upon if Empire were in default of the ownership agreements for either of  
14 these two plants (i.e. could not make required payments).

15 **Q. ARE WORKING CAPITAL FUNDS NORMALLY INCLUDED AS PART**  
16 **OF RATE BASE?**

17 A. Yes. In fact, on page 50 of Staff’s Cost of Service Report, in Case No. ER-2014-  
18 0351, Staff states as follows:

19 Cash Working Capital (“CWC”) is the amount of funding  
20 necessary for a utility to pay the day-to-day expenses  
21 incurred in providing utility services to its customers.  
22 When a utility expends funds in order to pay an expense  
23 necessary for the provision of service before its customers  
24 provide any corresponding payment, the utility’s  
25 shareholders are the source of the funds. This shareholder  
26 funding represents a portion of each shareholders’ total  
27 investment in the utility, for which the shareholders are  
28 compensated by the inclusion of these funds in rate base.

1                   By including these funds in rate base, the shareholders earn  
2                   a return on the CWC-related funding they have invested.

3  
4                   These cash working capital funds at Iatan and Plum Point should be subject to the  
5                   same rate base treatment as other cash working capital funds.

6   **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

7   A. Yes, it does.



