

Exhibit No.
Issues: Plant Operating & Maintenance
Expense Adjustments; Riverton Unit 12
Long Term Maintenance Tracker
Witness: John M. Woods
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District Electric
Case No.: ER-2016-0023
Date Testimony Prepared: October 2015

Direct Testimony

of

John M. Woods

October 2015



Empire Exhibit No. 30-NP
Date 6-2-16 Reporter KKF
File No. ER-2016-0023



TABLE OF CONTENTS
DIRECT TESTIMONY OF
JOHN M. WOODS
ON BEHALF OF
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2016-0023

<u>SUBJECT</u>	<u>PAGE</u>
I. INTRODUCTION.....	1
II. RIVERTON COMBINED CYCLE OPERATING & MAINTENANCE EXPENSE	3
III. RIVERTON PROGRAM PARTS & SCHEDULED OUTAGE SERVICE CONTRACT TRACKER.....	4

DIRECT TESTIMONY
OF
JOHN M. WOODS
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2016-0023

1 **I. INTRODUCTION**

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

3 A. John M. Woods. My business address is 602 Joplin Street, Joplin, Missouri.

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

5 A. The Empire District Electric Company (“Empire” or “Company”), as the Plant
6 Manager-Empire Energy Center.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

8 A. I graduated from the University of Missouri-Columbia in 1988, with a Bachelor
9 of Science Degree in Mechanical Engineering.

10 **Q. PLEASE GIVE AN OVERVIEW OF YOUR PROFESSIONAL**
11 **EXPERIENCE.**

12 A. I was employed by Empire immediately following my graduation from the
13 University of Missouri-Columbia in May 1988. From May 1988 until August
14 1993, I was employed as a Plant Engineer at the Asbury Generating Station. My
15 duties included assisting in power plant construction projects, including the
16 conversion of the plant to burn Powder River Basin coal, and various operations
17 and maintenance (“O&M”) activities. In August 1993, I took a position as
18 Production Staff Specialist in the corporate office in Joplin. My duties included
19 tracking of plant capital and O&M expenses, involvement in regulatory issues,

JOHN M. WOODS
DIRECT TESTIMONY

1 evaluation of new generating resource options, assisting in the construction of
2 new plants, and assisting in the modeling and tracking of fuel and purchased
3 power costs. In 1995, my title was changed to Life Extension Manager with
4 similar duties but more responsibilities in the area of plant life extension planning.
5 I also performed the duties of the Fuel Contracts Manager on an interim basis
6 from 1995 to 1996, which involved purchasing of coal, providing for coal
7 transportation, and the purchase of natural gas and fuel oil for the plants. In the
8 fall of 1999, I took a position as Results Manager at Empire's State Line plant.
9 My position included assisting the project team for the construction,
10 commissioning, and operation of a 500 megawatt ("MW") combined cycle plant
11 at Empire's State Line plant known as State Line Combined Cycle ("SLCC").
12 SLCC went into commercial operation in June of 2001. In January 2007, I took
13 on the position of Maintenance Manager-SLCC. In this role, I was responsible
14 for all aspects of the maintenance of SLCC. This included managing routine
15 maintenance, major maintenance and some operational aspects of the unit. In
16 December 2012, I was promoted to my current position, Plant Manager-Energy
17 Center. I am responsible for all aspects of power plant operations and
18 maintenance at the Empire Energy Center, a 272 MW peaking plant. I also
19 oversee Empire's interests in Iatan 1, Iatan 2, and Plum Point, Empire's jointly
20 owned generating facilities.

21 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

1 A. I support Empire’s proposed adjustments in the area of annual O&M expenses at
2 Empire’s Riverton 12 combined cycle unit. I also support the proposed adjustment
3 to the base level in the Riverton Long Term Maintenance Contract tracker.

4 **II. RIVERTON COMBINED CYCLE OPERATING & MAINTENANCE**
5 **EXPENSE**

6 **Q. WHICH POWER PLANTS DOES EMPIRE OPERATE?**

7 A. Empire solely owns and operates four power plants: the Asbury Power Plant
8 (“Asbury”), the Riverton Power Plant (“Riverton”), the Energy Center Power
9 Plant (“Energy Center”), and the Ozark Beach Dam and Hydroelectric Plant
10 (“Ozark Beach”). Empire also operates and jointly owns the State Line Power
11 Plant (“State Line”). Empire solely owns State Line Unit 1 and jointly owns
12 SLCC with Westar Energy. Empire owns 60 percent of SLCC, and Westar owns
13 the remaining 40 percent.

14 **Q. WHAT IS THE 5 YEAR AVERAGE LEVEL OF NON-LABOR O&M FOR**
15 **THE RIVERTON PLANT?**

16 A. For the period of May 2009 through April 2014, non-labor O&M expenses for the
17 Riverton Plant averaged \$1,365,356 per year. This amount represents 100 percent
18 of the non-labor O&M expenses at the Riverton Plant and represents the amount
19 of expenses adopted in Case No. ER-2014-0351 for this facility. O&M expenses
20 during this period included Riverton Units 7, 8, and 9 (which have recently been
21 retired) and Riverton Units 10, 11, and 12, operating in simple cycle
22 configuration.

1 Q. ARE YOU PROPOSING A NON-LABOR ADJUSTMENT TO THE BASE
2 LEVEL OF EXPENSES ADOPTED IN THIS CASE?

3 A. Yes. I am sponsoring an adjustment of \$823,269 to bring total non-labor O&M
4 expenses for these plants to \$2,188,625, on a total company basis. This represents
5 100 percent of the non-labor O&M expenses at the Riverton Plant.

6 Q. WHAT DOES THIS LEVEL OF O&M EXPENSE REPRESENT?

7 A. This level of expense represents the average annual non-labor O&M budget for
8 the Riverton 12 combined cycle unit, in 2016 dollars. This does not include the
9 Program Parts & Scheduled Outage Service expense, any outage related expenses
10 required for unforeseen repairs, or air quality control standard ("AQCS")
11 consumable expenses, namely ammonia in the case of Riverton 12 combined
12 cycle.

13 Q. HOW DID EMPIRE DETERMINE THE LEVEL OF ANNUAL
14 OPERATING EXPENSE FOR THE RIVERTON 12 COMBINED CYCLE
15 UNIT?

16 A. Empire performed an analysis of the non-labor, non-outage related O&M expense
17 at the State Line Combined Cycle plant. The results of this analysis was used to
18 project the same type of expenditures for the Riverton 12 combined cycle unit.

19 III. RIVERTON UNIT 12 PROGRAM PARTS & SCHEDULED OUTAGE
20 SERVICE CONTRACT TRACKER

21 Q. WHY IS AN ADJUSTMENT NEEDED FOR THE RIVERTON 12
22 TRACKER?

1 A. The Revised Stipulation and Agreement and List of Issues, filed on April 8, 2015,
2 in Case No. ER-2014-0351, established the Riverton 12 Long-Term Maintenance
3 Contract tracker base at \$2.7 million, Missouri jurisdictional. An adjustment to
4 Staff's Accounting Schedule (EMS Revised 3-26-2015) was needed to reflect this
5 established tracker base.

6 **Q. DO YOU RECOMMEND CONTINUING THE RIVERTON 12 LONG-
7 TERM MAINTENANCE O&M TRACKER?**

8 A. Yes. The Riverton 12 Long-Term Maintenance O&M tracker was established in
9 Case No. ER-2014-0351, with revised base rates taking effect on July 26, 2015.
10 Not enough historical activity has occurred since the completion of Case No. ER-
11 2014-0351 to allow for the discontinuation of the tracker.

12 **Q. DO YOU PROPOSE ANY ADJUSTMENTS TO THE TRACKER?**

13 A. Yes. Total annual Program Parts & Scheduled Outage Service Contract expenses
14 during combined cycle operation are projected to range from \$3.9 million to \$5.2
15 million annually starting in 2016. Empire's filing reflects the mid-point of this
16 range for a tracker base level of \$4.6 million or \$3.9 million on a Missouri
17 Jurisdictional basis. This represents an increase of \$1.2 million to the current
18 tracker base. Please refer to Schedule JMW-1 for further details on the
19 calculation of these values.

20 **Q. WHY IS THERE A RANGE FOR THE LEVEL OF PROJECTED
21 MAINTENANCE CONTRACT EXPENSES?**

22 A. The costs of this contract are driven by the number of starts and hours of
23 operation experienced by the new combined cycle unit. While Empire believes

1 this unit will be cycled (turned on and off) almost daily and run for the majority of
2 the day when it is dispatched in the relatively new Southwest Power Pool
3 Integrated Marketplace, we will not know for certain until the unit begins regular
4 participation in the market. Schedule JMW-1 reflects the range of hours and
5 starts Empire is projecting. This relative uncertainty of the operating
6 characteristics of this unit and the associated maintenance contract costs
7 exemplify the necessity of a range and the continuation of the tracker.

8 **Q. HOW WOULD YOU CHARACTERIZE THIS LEVEL OF COST FOR**
9 **NON-LABOR O&M COSTS AT EMPIRE'S OWNED AND OPERATED**
10 **GENERATION UNITS?**

11 A. It is reasonable.

12 **Q. WHY?**

13 A. The State Line Combined Cycle plant has been in operation since June 2001, a
14 period of 14 years. The non-labor, non-outage related level of O&M has
15 stabilized, and the plant can be considered to be well past any start up or design
16 issues that would affect O&M expense on a non-recurring basis. Therefore, it is
17 appropriate and reasonable to base the non-labor, non-outage related maintenance
18 expense for the Riverton 12 combined cycle on this experience.

19 **Q. DOES EMPIRE SUGGEST ANY OTHER TREATMENT RELATED TO**
20 **ONGOING O&M EXPENSE AT RIVERTON?**

21 A. Yes, Empire suggests that a tracker be used for ALL Riverton non-labor O&M
22 expense, in addition to the existing Program Parts & Scheduled Outage Services
23 Contract expense tracked expenses.

1 **Q. WHY DOES EMPIRE FEEL THAT A TRACKER WOULD BE**
2 **APPROPRIATE IN THIS SITUATION?**

3 A. The level of annual operating expenses Empire proposes is based on Empire's
4 experience with the State Line Combined Cycle plant, which can be characterized
5 as a mature operational plant. The Riverton 12 combined cycle will be a new
6 plant. The non-labor, non-outage related O&M expenses will vary during the first
7 several years of operation due to issues that are typically related to the first
8 several years of operation of a new plant of this type. In addition, prediction of
9 the level of expenses covered under warranty by the original construction
10 contractor, Burns & McDonnell, caused by equipment failure during the first year
11 of operation versus those that are due to normal wear and tear covered by Empire,
12 also make it difficult to project initial O&M expenses. For these reasons, it is
13 appropriate to implement a tracker for the identified O&M expenses, similar to
14 the trackers approved for Iatan 2, Iatan Common, and Plum Point in previous
15 Empire cases when newly constructed plants were placed into service.

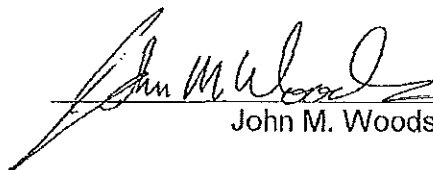
16 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

17 A. Yes, it does.

AFFIDAVIT OF JOHN M. WOODS

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 14th day of October, 2015, before me appeared John M. Woods, to me personally known, who, being by me first duly sworn, states that he is the Plant Manager – Energy Center of The Empire District Electric Company and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.



John M. Woods

Subscribed and sworn to before me this 14th day of October, 2015.

ANGELA M. CLOVEN
Notary Public - Notary Seal
State of Missouri
Commissioned for Jasper County
My Commission Expires: November 01, 2015
Commission Number: 11262659



Notary Public

My commission expires: 11/01/2015.

HIGHLY CONFIDENTIAL
IN ITS ENTIRETY