

Exhibit No.:

Issue(s):

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Sponsoring Party:

Case No.:

Asbury AAO
Robinett/Response to
Commission Questions
Public Counsel
ER-2019-0374

**TESTIMONY IN RESPONSE TO
COMMISSION QUESTIONS**

OF

JOHN A. ROBINETT

Submitted on Behalf of the Office of the Public Counsel

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

May 6, 2020

**RESPONSE TO COMMISSION QUESTIONS
OF
JOHN A. ROBINETT
THE EMPIRE DISTRICT ELECTRIC COMPANY**

CASE No. ER-2019-0374

1 **Q. Are you the same John A. Robinett who filed direct, rebuttal, and surrebuttal/true-up**
2 **direct testimony on behalf of the Missouri Office of the Public Counsel (“OPC”) in this**
3 **proceeding?**

4 A. Yes.

5 **Q. To which questions are you responding?**

6 A. I am responding to the third Commission question on Issue 13. Asbury, which follows:

7 On Page 6 lines 15-22 of Aaron Doll’s rebuttal testimony, he outlines that Empire is
8 considering a combination of several options for what to do with Asbury. This includes (i)
9 decommissioning pieces that will be scrapped for salvage; (ii) decommissioning equipment
10 that will be sold; (iii) repurposing; and (iv) reused. Please explain how the AAO reporting
11 requirements contemplate all of these options occurring and the relative timing of each of
12 them to each other and the Asbury shut down date.

13 **Q. What is your response?**

14 A. It is my opinion that the Stipulation and Agreement’s AAO provision fails to account for
15 scrap value or value of items sold. The closest to the Commission question that the
16 Stipulation appears to get is paragraph 25, “(i.) any costs associated with the retirement of
17 the Asbury plant, including dismantlement and decommissioning – Non-Empire labor
18 excluded.” The stipulation addresses costs but not proceeds or gains from the final
19 disposition of the asset.

20 I was not personally involved in the drafting or decision making for the scope of
21 the AAO, but I certainly would want customers to receive the benefit as an offset to the
22 costs to retire and potentially dismantle the generation facility. This agreement likely was
23 meant to account for salvage value from scrap metal and likely meant to capture salvage

1 value as an increase to depreciation reserve if items of the facility were able to be sold.
2 However the language the other parties agreed to for the AAO is absent direction of how
3 or if those items are subject to be tracked as part of the AAO.

4 **Q. Will Empire book gains from scrap value or assets sold?**

5 A. I caution the Commission that there is no guarantee that Empire will book these salvage
6 values for multiple possible reasons. For example, a likely scenario is that the negotiated
7 terms for dismantlement may include the term that whoever levels and disposes of the
8 facility may receive the scrap value or the scrap value could be used as an offset to
9 demolition costs.

10 I also want to point out to the Commission that Empire hasn't always acted in its
11 customers' best interest when it comes to the sale of retired assets. Please look at Case No.
12 ER-2012-0345 involving the sale of a unit train. When I was employed with the
13 Commission Staff I uncovered that Empire had sold a unit train it retired, but Empire's
14 customers did not receive credit for the sale of the unit train. Customers were denied a
15 credit because Empire retired it, then classified it as non-utility property, and then sold it,
16 keeping the proceeds for itself, i.e. its shareholders. As part of a global stipulation and
17 agreement in that case Empire adjusted its depreciation reserves to account for the unit
18 train sale. This is as an example of how an item may not be tracked and captured with an
19 AAO.

20 **Q. The Commission asked about the timing of these events, do you have any insight?**

21 A. Yes. The timing of when one considers the Asbury plant ceased operating can be key in
22 determining whether the AAO actually needs to require that certain costs or savings be

1 tracked. If the Commission recognizes that Asbury finally shut down during the true-up
2 period and should not be included in Empire's cost-of-service used for setting rates in this
3 case, then multiple items the parties have requested to be tracked would not need to be
4 tracked. If the Commission properly recognizes Asbury must be excluded from Empire's
5 cost-of-service, then items 25a,b,d,e do not need to be tracked. If items 25 f and g are not
6 included in Empire's cost-of-service, then a regulatory asset for the benefit of Empire, as
7 opposed to its customers, may result as I discussed in my surrebuttal testimony.

8 I caution the Commission again that the date of final dismantlement could be
9 indefinite; it will likely depend on the need for space for other projects Empire has in the
10 works. Empire dismantled Asbury 2 quickly as the space where it was located was needed
11 for the footprint of the Air Quality Control System (AQCS) system that Empire installed
12 in 2014. However, a long period of dismantlement is possible as well; Evergy Metro retired
13 Hawthorne units 1-4 in the early 1980s, but they are still standing today.

14 **Q. Do you have any further responses to the Commission's questions at this time?**

15 **A.** No, I do not.