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Storm URI/Depreciation

Robinett/Surrebuttal

Public Counsel

ER-2021-0312

SURREBUTTAL TESTIMONY

OF

JOHN A. ROBINETT

Submitted on Behalf of the Office of the Public Counsel

**THE EMPIRE DISTRICT ELECTRIC COMPANY
D/B/A LIBERTY**

FILE NO. ER-2021-0312

**

**

**Denotes Confidential Information
that has been Redacted**

January 20, 2022

PUBLIC

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


In the Matter of the Request of The)
Empire District Electric Company d/b/a)
Liberty for Authority to File Tariffs) Case No. ER-2021-0312
Increasing Rates for Electric Service)
Provided to Customers in its Missouri)
Service Area)

AFFIDAVIT OF JOHN A. ROBINETT

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

John A. Robinett, of lawful age and being first duly sworn, deposes and states:

1. My name is John A. Robinett. I am a Utility Engineering Specialist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.



John A. Robinett
Utility Engineering Specialist

Subscribed and sworn to me this 14th day of January 2022.



TIFFANY HILDEBRAND
My Commission Expires
August 8, 2023
Cole County
Commission #15637121



Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2023.

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**SURREBUTTAL TESTIMONY
OF
JOHN A. ROBINETT
LIBERTY UTILITIES EMPIRE DISTRICT ELECTRIC COMPANY
CASE NO. ER-2021-0312**

1 **Q. What is your name and what is your business address?**

2 A. John A. Robinett, PO Box 2230, Jefferson City, Missouri 65102.

3 **Q. Are you the same John A. Robinett who filed direct and rebuttal testimony on behalf of**
4 **the Missouri 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 rebuttal testimony regarding the Company’s request to recover costs related to
8 Storm Uri, and testify on actions Liberty has taken to mitigate the risk of extreme fuel and
9 purchased power costs experienced during Storm Uri. Additionally, I discuss Liberty
10 consultant Dane A. Watson’s request for general plant amortization and recent
11 Commission decisions on this matter.

12 **Q. In your rebuttal testimony you reference waiting on data request responses**
13 **from Liberty on actions taken to mitigate the risk of extreme fuel and purchased**
14 **power costs that were experienced during Storm Uri, has OPC received and**
15 **reviewed those data requests?**

16 A. Yes. I received and have reviewed Liberty’s responses to OPC data requests—numbers
17 8118, 8119C, and 8120—on December 21, 2021. Copies of those responses are attached
18 as Schedule JAR-S-1C.

19 **Q. What information did OPC seek from Liberty by these data requests?**

20 A. By data request number 8118 OPC sought information on actions taken by Liberty to
21 mitigate the extreme fuel and purchased power costs that it incurred for February 2021. By

1 data request 8119 OPC sought information on how Liberty has taken actions to mitigate
2 future fuel and purchase power costs it might face in circumstances similar to those it
3 experienced during Storm Uri. Finally, by data request number 8120 OPC sought
4 information from Liberty on actions it has taken to avoid future customer electricity
5 outages similar to those they experienced during February 2021.

6 **Q. What are the most important things that Liberty said that it did to mitigate its**
7 **extreme fuel and purchased power costs for February 2021?**

8 A. In its response to OPC data request 8118 Liberty said that it asked Kansas and Missouri
9 for waivers to violate the air permits and operate units to maximize capacity and to not
10 penalize it for burning fuel oil at multiple generating stations. Additionally, Liberty's
11 response indicates that Liberty cancelled some portion of its natural gas deliveries it had
12 previously contracted for Riverton 12 and its State Line Combined Cycle unit while
13 maintaining sufficient amount of gas supply to operate the units. Liberty stated that this
14 saved Liberty approximately \$20 million of fuel costs for fuel that Liberty likely would not
15 have been able to burn to generate electricity due to reduced natural gas pipeline pressure
16 issues.

17 **Q. What are the most important things that Liberty said that it has done to mitigate**
18 **incurring extreme fuel and purchased power costs in future circumstances like Storm**
19 **Uri?**

20 A. In its response to OPC data request number 8119 Liberty indicated ** _____
21 _____
22 _____

1 _____
2 _____
3 ** Additionally, Liberty points to its response to OPC data request number 8120 as
4 additional measures that Liberty has taken to reduce outages, fuel, and purchased power
5 costs; however, Liberty's response to OPC data request is directed to measures it is taking
6 for improving the reliability of its transmission and distribution systems.

7 **Q. What are the most important things that Liberty said that it has done to mitigate its**
8 **customers experiencing outages in future circumstances like Storm Uri?**

9 A. In response to OPC data request 8120, Liberty discusses its integrated vegetation
10 management program and monitoring poor performing circuits based on SAIFI metrics.
11 Additionally the response identifies placing wildlife guards on distribution system where
12 previous outages have occurred due to wildlife contacts. All of these items are not in
13 response to Storm Uri, these are normal course of business actions of an electric utility.
14 Additionally, Liberty points to its multi-year reliability initiative, Operation Toughen Up,
15 which focuses on transmission sectionalization, line rebuilds, and improved operational
16 visibility. Again, this is not a program or action from Liberty that has resulted from
17 experiences of Storm Uri since this project predates Storm Uri. Based on my review of
18 Liberty's responses to these three data requests and the other information it has provided,
19 I would summarize Liberty's response to minimizing the future impacts of a similar storm
20 to Uri as business as usual.

1 **General Plant Amortization**

2 **Q. Does Liberty Consultant Dane A. Watson discuss general plant amortization**
3 **accounting?**

4 A. Yes. Mr. Watson discusses the Federal Energy Regulatory Commission Accounting
5 Release 15 beginning at page 49 line 11 through Table 4 on page 53 of his rebuttal
6 testimony.

7 **Q. Has Liberty been utilizing general plant amortization or vintage group amortization**
8 **accounting without Commission authorization?**

9 A. No. According to Liberty consultant Mr. Dane A. Watson, Liberty has not been using this
10 type of accounting, but seeks to implement it as part of this rate proceeding.

11 **Q. Has the Commission authorized Liberty to use General Plant amortizations?**

12 A. No.

13 **Q. Has it done so for other electric utilities?**

14 A. Yes. I must acknowledge that this type of accounting has been previously ordered for
15 electric utilities in Missouri: Ameren Missouri and Evergy. Additionally, the useful lives
16 that have been selected for General Plant Amortization, at least for electric utilities, use the
17 historical depreciation rates previously ordered for those accounts.

18 **Q. Should the Commission authorize Liberty to use General Plant Amortization or**
19 **Vintage Year Accounting for General Plant Accounts?**

20 A. No.

21 **Q. Why not?**

22 A. General Plant Amortization threatens the ability to perform any sort of prudence review of
23 plant added into these accounts because it fails to track retirement units and original costs.

1 Under the General Plant Amortization method, or Vintage Amortization method, only two
2 values matter: the total additions for an account in a vintage year and the amortization
3 period over which the original investments are to be recouped. Because only these two
4 values are tracked, the method does not require the recording of the original cost of any
5 particular asset. Stated differently, the total additions do not reflect the costs per retirement
6 unit (a “retirement unit” being the smallest measurable breakdown of a particular type of
7 asset to be recorded as capital). Not reflecting the costs per retirement unit is concerning
8 because it will hamper the ability of the parties and the Commission to evaluate the
9 prudence of capital expenditures. This is because it is difficult to make any type of
10 prudence evaluation for a given asset when all the assets are lumped together in one
11 account instead of being broken out by asset (*i.e.* cost per retirement unit). In addition,
12 General Plant Amortization will only produce historical data for depreciation that matches
13 the amortization period for the selected account. This is a problem because the amortization
14 periods may or may not match the useful life of the assets. In other words, the data will
15 only show the retirements booked in strictly dollar amounts and will not show retirement
16 of any actual physical assets unless the Commission orders otherwise. Therefore, any
17 future depreciation study cannot properly analyze the lives of the assets, since they are not
18 being tracked, to develop the appropriate depreciation rate. Depreciation is designed to
19 determine a return of investment to the Company based on the useful lives of its assets.
20 With General Plant Amortization, plant assets may actually retire prior to the amortization
21 period or may survive many years past the amortization period. Moving to General Plant
22 Amortization removes the need for asset experience data, as the data will only match the

1 authorized amortization period on a going forward basis. Under General Plant
2 Amortization plant recovery will be the same percentage of recovery per year for the whole
3 amortization period, rather than recovery based on historical data experienced.

4 **Q. Should the Commission authorize Liberty to use Vintage Year Accounting for**
5 **General Plant Accounts?**

6 A. No.

7 **Q. Why not?**

8 A. For all the same reasons that it should not authorize Liberty to use General Plant
9 Amortization for General Plant Accounts to which I just testified.

10 **Q. Has the Commission recently decided this issue of General Plant Amortization in any**
11 **recent decisions?**

12 A. Yes. The issue of General Plant amortization was before the Commission in Case No. GR-
13 2021-0108 Spire's most recent general rate proceeding.

14 **Q. How did the Commission recently decide this issue of General Plant Amortization?**

15 A. In Case No. GR-2021-0108 the Commission in its *Amended Report and Order*¹ denied
16 Spire's request to implement general plant amortization.

17 **Q. Are there any other aspects of General Plant Amortizations that cause concern?**

18 A. Yes. I understand that if the method is approved, Liberty should retire all assets in each
19 requested account that are older vintages than the amortization period. Moving to General
20 Plant Amortization will consequently mean that any assets that are of an older vintage than
21 the amortization period would be considered fully recovered. Leaving these assets in

¹ Case No. GR-2021-0108 Amended Report and Order issued November 12, 2021 pages 50-53, 60-63.

1 service would lead to a higher initial recovery and the possibility, but not guarantee, of an
2 over collection occurring by the next rate case. Also, I note that additional amortizations
3 may be needed on an account-by-account basis to correct for reserve imbalances if
4 Liberty's request to use General Plant Amortization is approved.

5 **Q. Would you elaborate further on why the Commission should deny Liberty's proposal**
6 **to change to General Plant Amortization?**

7 A. Yes. Denying Liberty's proposed change, and continuing the Company's current
8 methodology, enables the Commission, Staff, and OPC to conduct prudence reviews after
9 the fact. Liberty will continue to track retirements and costs, and it will provide data useful
10 for conducting future depreciation studies that would otherwise be unavailable.

11 **Q. What if the Commission authorizes Liberty to use General Plant Amortization?**

12 A. If the Commission approves Liberty's request to use General Plant Amortization, I
13 recommend that the Commission order Liberty to continue specifying the original cost and
14 associated retirement units for all additions to the accounts where General Plant
15 Amortization accounting treatment will occur. Additionally, the Commission should order
16 Liberty to treat all general plant that exceeds the amortization period as retired for
17 ratemaking purposes. Additionally, the Commission should order Liberty to provide 10
18 years' worth of additions for all accounts it will be amortizing in order to create a baseline
19 average spend in a category to track to see if its spending habits change with its
20 authorization to use General Plant Amortization.

1 **Q. Do you have any other recommendation if the Commission were to authorize Liberty**
2 **to use General Plant Amortizations?**

3 A. At this time, I do not have specific numbers to recommend for the required asset
4 retirements. However, Liberty should retire all plant in each requested account that exceeds
5 the amortization period. Consider, for example, an item in the general amortization account
6 of 10 years that actually came into service in 2009. Liberty may still be using the 2009
7 piece of equipment; however, under General Plant Amortization, the dollars associated
8 with the 2009 asset need to be retired from the account since the asset is older than 10
9 years. This would be true for all assets in the general plant accounts that are older than the
10 recommended period for Liberty. The following amounts would need to be retired from
11 the general plant accounts and associated accumulated depreciation reserves where Liberty
12 has requested general plant amortization accounting. These values are based on Liberty's
13 response to OPC data request number 8536.

General Plant Amortization Account	Fully Accrued Plant to be Retired
391.1 - Office Furniture & Equip.	1,557,007
391.3 - Computer	9,814,564
393 - Stores Equip.	82,634
394 - Tools, Shop & Garage Equip.	1,910,684
395 - Laboratory Equip.	859,093
397 - Communication Equip.	4,697,886
398 - Misc. Equip.	28,997

14 **Q. Do you have any other recommendation if the Commission were to authorize Liberty**
15 **to use General Plant Amortizations?**

16 A. Yes. At page 51 of Mr. Watson's rebuttal testimony he discusses Liberty performing
17 physical inspections in addition to determine if assets should retire. I would support this

1 process, but request a report be provided to Staff and OPC detailing the additional plant
2 items Liberty deems needs to be retired based on physical inspection or unable to locate.
3 This report would detail each plant account where additional retirements are to take place,
4 the asset retirement units to be retired, and the original cost of the retirement units to be
5 removed from service.

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

7 A. Yes, it does.



Liberty Utilities (The Empire District Electric Company)

Case No. ER-2021-0312

Office Public Counsel Data Request - 8118

Data Request Received: 2021-12-06

Response Date: 2021-12-21

Request No. 8118

Witness/Respondent: Aaron Doll

Submitted by: Lena Mantle, lena.mantle@opc.mo.gov

REQUEST:

Described in detail, what are each and every action that Liberty has taken to mitigate the extreme fuel and purchased power costs that it experienced in February 2021?

RESPONSE:

Natural Gas Procurement/Hedging

During the first week of February 2021, the Company anticipated that the winter storm could have impacts on prices in the natural gas and SPP market though the magnitude of that impact was still uncertain. As the weather forecast worsened, Empire maintained constant contact with natural gas suppliers, natural gas pipeline personnel, plant personnel and SPP operational Staff. Prior to February 2021, Empire had financial hedges in place for February 2021 predating the updated hedging/procurement policy as codified in the Company's Risk Management Policy (RMP). The financial hedges were NYMEX HH contracts purchased in March 2017 at a price of \$3.08/DTh and expired just before the February operational month with a value of \$2.76/DTh. The 500,000 DThs of volume were converted to physical monthly IFERC index volumes to mitigate daily price volatility. Empire procured an additional 190,204 DThs at monthly IFERC index to hedge approximately fifty percent of updated expected natural gas consumption related to native load for the month. Expected natural gas consumption is quantified by taking the entire budgeted burn for February, adjusting the volumes to reflect burn associated with serving native load, and then further adjusting for any updated outage information that was not included in the budget run. Empire procured the volumes at an average of \$2.53 per DTh. Estimated savings of procuring the volumes on IFERC index instead of Southern Star Central Gas Daily Delivered Index (SSC GDD) is in excess of \$50 million dollars.

Empire began experiencing pressure issues on SSC in the afternoon on Monday February 15th. Empire initiated a call with SSC operations, SPP operations, Empire plant personnel, Empire transmission operations, and Empire power marketing and fuel procurement teams. The outcome of the call was to reduce generation at both the Riverton 12 Combined Cycle plant (Riverton 12) and the State Line Combined Cycle plant (SLCC) to try and stabilize falling pipeline pressure. By the next morning, February

16th Empire fuel procurement personnel placed several phone calls with counterparties for which GDD natural gas was already purchased for the upcoming days. Since the natural gas pressure issues continued through the night and into the next morning, Empire sought to minimize impact to natural gas prices for amounts that the Company would likely not be able to burn due to the aforementioned natural gas pressure issues. Empire was able to cancel a portion of their natural gas deliveries while maintaining a sufficient amount of natural gas to continue to operate Riverton 12 and SLCC while taking into consideration continuing natural gas cuts. The cancelled deals avoided approximately \$20 million in additional fuel expense.

Fuel Oil Procurement/Environmental Permit Waivers

The Company was able to burn fuel oil and its Energy Center plant and for State Line Unit 1 exclusively throughout the duration of the event. Empire had increased its fuel oil tank inventory following the Polar Vortex of 2014 and further increased its capacity during the Covid outbreak to proactively mitigate any potential supply chain issues. Empire went into the February with 10 days of fuel oil (24 hours a day, all generators maximum capacity) at Energy Center and 7 days at State Line Unit 1. State Line Unit 1 utilized almost its entire inventory throughout the duration of the storm and Energy Center was left with just a few days of remaining fuel oil after the conclusion of the storm.

During the winter weather event, Empire sought and received waivers from the Kansas Department of Health and Environment (KDHE) and Missouri Department of Natural Resources Air Pollution Control Program (MDNR) to run exclusively fuel oil and violate existing air permits to maximize capacity. No penalties were issued, and no generation curtailments as a result of environmental compliance were needed due to the forwards requests by the Company's environmental compliance team.

Operational Flow Order Protest

SSC issued an Operation Flow Order (OFO) effective February 11, that required Empire to match natural gas consumption with volumes being delivered or face a significant financial penalty. Marketing personnel continuously monitored real time natural gas consumption to ensure the Company did not consume higher volumes than were being delivered, as OFO penalties would result in increased fuel cost. Empire did not incur any OFO penalties while the order was effective. Empire procured sufficient natural gas supply to operate Riverton Unit 12 and Stateline Combined Cycle at economic maximums but was unable to operate at these outputs due to pipeline pressure issues. It is Empire's opinion that pipeline customers incurring OFO penalties is one of the main causes for pipeline pressure issues. Empire protested SSC's waiver of the incurred OFO penalties in FERC docket RP21-618 as the over-consumers decreased the available supply delivered to Empire generating facilities, lowering potential generator output, and lowering revenues that should have been received. On April 9, 2021 FERC issued an order granting SSC petition for waiver of penalties associated with OFOs. On May 7, 2021 Empire submitted a Request for Rehearing at the FERC. On June 7, 2021, FERC denied Empire's Request for Rehearing.

SPP Settlement Dispute

Empire has independently shadowed the SPP settlement process to ensure the settlements are accurate and meet the expectations of the Company. Additionally, Empire is working with the MMU to accurately identify and account for all recoverable fuel costs that were incurred by the company during the event. Due to FERC Order 831, additional verification from the Market Monitoring Unit allowed Empire to resubmit true up offers to the RTO for consideration of additional Make Whole Payments. Empire participated fully in this process, resubmitting costs. However, these initial re-settlements did not completely reimburse the incurred fuel costs associated with the event. Empire has disputed these

settlements with SPP and the current result of this process is a resettlement of approximately \$10 million in the Company's favor (\$12 million in favorable resettlements and \$2 million in the Company's share of revenue uplift). Empire is still reviewing the resettlements and contemplating pursuit of additional disputes as a result of the resettlement process.

Page 4 has been deemed CONFIDENTIAL in its entirety



Liberty Utilities (The Empire District Electric Company)

Case No. ER-2021-0312

Office Public Counsel Data Request - 8120

Data Request Received: 2021-12-06

Response Date: 2021-12-21

Request No. 8120

Witness/Respondent: Tim Wilson

Submitted by: Lena Mantle, lena.mantle@opc.mo.gov

REQUEST:

Described in detail, what are each and every action that Liberty has taken to prevent electricity outages similar to those its customers experienced during February 2021?

RESPONSE:

The Empire District Electric Company d/b/a Liberty has multiple activities it utilizes to maintain and improve reliability for its electric customers. Please see below for details related to each reliability initiative.

Liberty performs vegetation clearing as part of its integrated vegetation management (IVM) program. Utility rights-of-way are evaluated, planned, and cleared on an established schedule to provide proper operating clearance of overhead power lines and prevent service interruptions.

Infrastructure inspections are performed on an established schedule to evaluate, plan and remediate defects with transmission and distribution assets.

Liberty monitors performance of individual electric circuit performance and identifies the top 5% worst performing circuits based on SAIFI. A coordination study of each worst performing circuit is performed. When appropriate, a circuit sectionalization project is implemented to minimize the number of customers interrupted when an outage occurs. Selective repairs are made to address root causes of outages.

Operation Toughen Up is a multi-year reliability initiative to improve electric reliability. The initiative focuses on transmission sectionalization, line rebuilds, and improved operational visibility through supervisory control and data acquisition (SCADA).

Wildlife guard installation on distribution equipment is performed to mitigate animal related outages. The program identifies locations where wildlife related outages have occurred and directs crews to install wildlife guards on equipment where needed. The guards insulate energized portions of the equipment which are frequently contacted by wildlife such as squirrels, snakes or birds. The guards reduce the number of wildlife related outages and improve service reliability.

Underground distribution cable is evaluated in the field to identify segments which may require remediation. Cables which meet specific requirements receive injection treatment which extends their useful service life. Other poor performing cables are scheduled for replacement.

Detailed information regarding each reliability activity are specified in Liberty's Annual Reliability Performance Report and Reliability Improvement Program Report.

- Regarding the outage from February 2021, Liberty monitored SPP's Comprehensive Review Steering Committee (CRSC) including the creation of the "*Comprehensive Review of Southwest Power Pool's response to the February 2021 Winter Storm*" (SPP Winter Weather Report) report that was accepted by the SPP BOD. Liberty has also been participating in the Improved Resource Availability Task Force (IRATF) which is currently evaluating Tier 1 level recommendations from the SPP Winter Weather Report. Liberty has also been reviewing the "*FERC-NERC Regional Entity Staff Report: The February 2021 Cold Weather Outages in Texas and the South Central United States*" and is working toward addressing the recommendations to accommodate the prescribed timelines. A few examples of some measures already taken include: Reviewed all winterization plans across the plants in October and modified some as required.
- Performed routine annual piping insulation inspection to address any insulation issues prior to cold weather.
- Performed annual heat trace inspection and addressed any identified gaps before winter season.
- Riverton 11 unit was tuned and fired up on fuel oil successfully at 76 Degrees ambient temperatures. However, we have had no opportunity to light up at lower temperatures yet.
- Refueled all the back-up fuel oil tanks for the winter period for 7 days normal run, if required at State Line.
- Refueled the bulk oil tank at Energy Center for 9 days normal run, if required.
- Upgraded insulation on HRSG sensing at Riverton.
- All operations personnel trained and re-trained in plant cold weather procedures.
- Installed wind breaks under HRSG to minimize heat loss under HRSG at Riverton.
- Modified steam turbine building ventilation louver operation to reduce the risk of freezing at Riverton.
- Formalized training for new and current employees to meet new NERC requirements (expected implementation of new standards is April 2022).
- Reviewed all preventative maintenance (PM's) work orders in our maintenance management system (MMS) to determine effectiveness and completeness for winter

Finally, it is important to note that if the circumstances of Storm Uri were to occur again, even if Liberty's generation fleet has 100% perfect availability, a request from SPP for load curtailments as part of an EEA3 would still require mandatory outages as prescribed within the requirements of a registered BA (Balancing Authority). The NERC Standard BAL-002-3 requires a BA to recover its (SPP's) ACE value to

zero or to the pre-contingency event value. As such, regardless of individual membership generation asset performance/availability, an entity within the BA (SPP) will be called upon to shed load to achieve the necessary load to generation ratio. This is done on a regional load ratio share basis which is determined by previous year system peak loadings. The load ratio shares of required magnitude of load to be shed is agnostic to generation availability or performance. This process of load shed notifications and subsequent application is specified within the SPP hosted document titled "SPP BA Emergency Operating Plan v7.5".