Exhibit No.: _____
Issue(s): Depreciation/ONE CIS
Witness/Type of Exhibit: Robinett/Direct
Sponsoring Party: Public Counsel
Case No.: ER-2022-0129 and ER-2022-0130

DIRECT TESTIMONY

OF

JOHN A. ROBINETT

Submitted on Behalf of the Office of the Public Counsel

EVERGY METRO, INC. D/B/A EVERGY MISSOURI METRO
AND
EVERGY MISSOURI WEST, INC. D/B/A EVERGY MISSOURI WEST

CASE NOS. ER-2022-0129 AND ER-2022-0130

** **
Denotes Confidential information that has been redacted

June 8, 2022

PUBLIC

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Evergy Metro, Inc. d/b/a Evergy Missouri Metro's Request for Authority to Implement a General Rate Increase for Electric Service	))))	Case No. ER-2022-0129
In the Matter of Evergy Missouri West, Inc. d/b/a Evergy Missouri West's Request for Authority to Implement a General Rate Increase for Electric Service	))))	Case No. ER-2022-0130

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 direct 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 8th day of June 2022.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

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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DIRECT TESTIMONY

OF

JOHN A. ROBINETT

EVERGY MISSOURI METRO
CASE NO. ER-2022-0129

EVERGY MISSOURI WEST
CASE NO. ER-2022-0130

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

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

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Office of the Public Counsel ("OPC") as a Utility Engineering Specialist.

Q. Have you previously provided testimony before the Missouri Public Service Commission?

A. Yes. Both as a former member of Commission Staff and on behalf of the OPC.

Q. What is your work and educational background?

A. A copy of my work and educational experience is attached to this testimony as Schedule JAR-D-1.

Q. What is the purpose of your direct testimony?

A. In this direct testimony, I discuss the recent Commission history of inclusion of net salvage in depreciation rates. Secondly I discuss Evergy's investment in ONE CIS and the potential need to allocate part of that initial cost to Evergy's Kansas affiliates.

Q. Is there terminology that needs to be defined in order for the Commission to better understand your ultimate recommendations?

A. Yes. For this testimony, the following depreciation terms need to be defined:

Public

cost of removal, depreciation, final retirement, gross salvage, interim retirements, interim salvage, net salvage, retirement.

Q. From where are you drawing your definitions?

A. I will be citing two different sources. The first is the Public Utility Depreciation Practices published by the National Association of Regulatory Utility Commissioners ("NARUC") in August of 1996. The glossary begins at page 313 and continues through page 327. The other reference book was published by the Edison Electric Institute ("EEI") and the American Gas Association ("AGA") in April of 2013 and is titled Introduction to Depreciation for Public Utilities and Other Industries. Its glossary of terms begins at page 165.

Q. How does NARUC define depreciation?

A. Depreciation is the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes that are known to be in current operation, against which the company is not protected by insurance, and the effect of which can be forecast with reasonable accuracy. Among the causes to be considered are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and the requirement of public authorities.

Q. How does NARUC define a final retirement?

A. A final retirement is the retirement of a major structure unit in its entirety, or a very large part of it, as opposed to interim retirements.

Q. How does NARUC define gross salvage?

A. Gross salvage is the amount recorded for the property retired due to the sale, reimbursement, or reuse of the property.

Q. How does NARUC define an interim retirement?

A. An interim retirement is the retirement of component parts of a major structure prior to the complete removal of the retirement unit from service.

Q. How does NARUC define interim salvage?

A. Interim salvage is the salvage received from the disposition of plant as a result of interim retirements.

Q. How does NARUC define net salvage?

A. Net salvage is the gross salvage for the retired property less its cost of removal.

Q. How does NARUC define a retirement?

A. A retirement is the sale, abandonment, destruction, or withdrawal of assets from service.

Q. How does the EEI and AGA resource define cost of removal?

A. Cost of removal is the costs to demolish, dismantle, tear down, or otherwise remove plant from service, including the cost of handling and transportation. Cost of removal is also used interchangeably with cost of retirement for assets that are retired in place, such as a gas pipeline.

Q. How does the EEI and AGA resource define an interim retirement?

A. The EEI and AGA book defines interim retirements as the retirement of individual assets occurring prior to the retirement of the overall property group.

Q. How does the EEI and AGA resource define net salvage?

A. Net salvage is defined as the difference between the value of salvage and cost of removal resulting from the removal, abandonment, or other disposition of plant. Positive net salvage results when salvage values exceeds removal costs. Negative net salvage results when removal costs exceed the salvage value. Positive net salvage decreases the cost to be recovered through depreciation expense and negative net salvage increases it.

Q. How does the EEI and AGA resource define a retirement unit?

A. A retirement unit is the smallest unit of plant for which addition and retirement records are maintained as defined by utility process and procedures manuals.

Terminal Net Salvage

Q. What is the Commission's accepted practice on the inclusion in depreciation rates of terminal net salvage costs related to future retirements?

A. The accepted practice in Missouri is to calculate net salvage using historical data experienced, and not the future estimated costs of retirement or dismantlement costs. Stated a different way, the Commission has allowed interim net salvage amounts to be included in depreciation calculations but not final or "terminal" net salvage. This has been the practice of the Commission since at least 2005 when the Commission ordered this approach in the *Third Report and Order* in Case No. GR-99-315 involving Laclede Gas Company and the *Report and Order* from Case No. ER-2004-0570 involving the Empire District Electric Company.

Q. What was the Commission's practice just prior to these cases (2000-2005)?

A. For a period of about five years the cost of removal portion of net salvage was recorded as an operating expense rather than included in the depreciation rate and depreciation expense.

The Report and Orders from Case Nos. GR-99-315 and ER-2004-0570 placed net salvage back into the depreciation rate calculation. In neither case, however, did the Commission permit terminal net salvage to be included based on future unknown costs.

Q. What was the Commission's rationale for not including future estimated net salvage in depreciation rates?

A. As the Third Report and Order from Case No. GR-99-315 states:

> Under the accrual method, the depreciation rate for a particular asset or group of assets is calculated as follows:
>
> $$\text{Depreciation Rate} = \frac{100\% - \%\ \text{Net Salvage}}{\text{Average Service Life (years)}}$$
>
> In this formula, net salvage equals the gross salvage value of the asset minus the cost of removing the asset from service. The net salvage percentage is determined by dividing the net salvage experienced for a period of time by the original cost of the property retired during that same period of time. The Commission finds that many natural gas assets will have a negative net salvage value and corresponding negative net salvage value percentage, since the cost of removing the asset from service frequently exceeds its gross salvage value. The accrual method has been used by Laclede and the Commission to determine Laclede's depreciation rates since at least the early 1950s. It is undisputed that using the accrual method for this purpose is supported by the overwhelming weight of authority on such matters. In both evidentiary hearings, Laclede and AmerenUE provided evidence showing the widespread support among depreciation professionals and authoritative texts for the traditional, or accrual, method of treating net salvage. [1]

Similarly, the Report and Order from Case No. ER-2004-0570 states:

> Under the traditional accrual method favored by Empire, the depreciation rate for a particular asset or group of assets is calculated as follows:
>
> $$\text{Depreciation Rate} = \frac{100\% - \%\ \text{Net Salvage}}{\text{Average Service Life (years)}}$$
>
> In this formula, net salvage equals the gross salvage value of the asset minus the cost of removing the asset from service. The net salvage percentage is

[1] Case No. GR-99-315, Third Report and Order, p. 8 (internal citations removed).

> determined by dividing the net salvage experienced for a period of time by the original cost of the property retired during that same period of time.[2]

The Commission further described how terminal net salvage was to be treated:

> Second, with respect to Terminal Net Salvage of Production Plant Accounts, this Commission generally has not allowed the accrual of this item. The reason is that generating plants are rarely retired and any allowance for this item would necessarily be purely speculative. It is true that all depreciation is founded upon estimates, but all estimates are not unduly speculative. Just as utility companies plan rate cases around the projected in-service dates of new plants, so Empire can plan around the retirement of its generating plants so that the Net Salvage expense is incurred in a Test Year. Another alternative is the device of the Accounting Authority Order. As already discussed in connection with the Production Account Service Life issue, there is no evidence that the retirement of any of Empire's plants is imminent and the estimated retirement dates considered in this proceeding are not persuasive. For these reasons, the Commission will not allow the accrual of any amount for Terminal Net Salvage of Production Plants.[3]

It's my understanding that the accepted practice of not allowing the terminal net salvage value in depreciation rates has been in place since these decisions were ordered in early 2005.

Q. What is your recommendation for this case?

A. I recommend that the Commission continue its accepted practice of not allowing the terminal net salvage value in depreciation rates.

ONE CIS

Q. What is the ONE CIS solution?

A. In Case No. ER-2018-0146 Kansas City Power & Light Greater Missouri Operations ("GMO") (now Evergy Missouri West) witness Mr. Forrest Archibald discussed the ONE

[2] Case No. ER-2004-0570, Report and Order, p.52 (internal citations removed).
[3] Case No. ER-2004-0570, Report and Order, p.53.

CIS solution in his direct testimony beginning at page 3 line 16 through page 4 line 5. That description of the ONE CIS is below:

> A customer information system is a critical component of the meter-to-cash value chain for any meter based delivery type utility. The CIS interlinks the customer information to the consumption and metering processes, via the MDM (Meter Data Management system) all the way through to payments, collections and other downstream processes that affect a utility's ability to support state commission requirements and report revenue. Customer information systems can include multiple sub-systems depending on the regulatory and operational requirements but at a minimum are inclusive of the metering and consumption (MDM), billing, and collections functions and online portals for customers to perform self-serve functions like bill payment and energy usage awareness, among others. For example, in our new One CIS Solution, the MDM will hold all the consumption data for consumers and will play a key role in consumption analysis and billing; unlike our current legacy systems.

Q. What is the cost of the ONE CIS solution?

A. Kansas City Power & Light ("KCPL") and GMO (the previous names of Evergy Missouri Metro and Evergy Missouri West, respectively) have provided three in person update meetings related to the project to which I personally attended, though, there may have been more. In the April 3, 2018, update meeting, KCPL and GMO provided a confidential value of the ONE CIS. The original control budget was ** _____ ** Additionally, during this update meeting KCPL and GMO discussed a 93 day delay during system integration testing and provided an updated estimate of the budget of ** _____ ** at completion.

Q. What is OPC's position related to ONE CIS solution?

A. OPC seeks to allocate the costs that are fair and just for Missouri ratepayers. The ONE CIS is a major component of the supposed savings that were to be generated by KCP&L and KCPL GMO's merger with Westar, as it will allow Westar to be integrated into the system without having to foot the bill for an entirely separate system at some point in the future. If Westar, now Evergy Kansas Central, has been integrated into the ONE CIS, then Evergy

Kansas Central should therefore be allocated some portion of the original cost of the ONE CIS system plus its integration costs.

Q. What allocation method are you recommending?

A. At this time I still have pending discovery related to this issue. I will be better positioned at rebuttal to provide an allocation method and cost estimates for the Evergy Missouri Metro and Evergy Missouri West jurisdictions to be included in the cost of service for these cases.

Q. Does this conclude your direct testimony?

A. Yes, it does.