

Exhibit No.: 10  
Issues: Update/True Up of Rate Base,  
Revenues, and Expenses  
Witness: Leigha Palumbo  
Type of Exhibit: True-Up Direct Testimony  
Sponsoring Party: The Empire District  
Electric Company  
Case No.: ER-2019-0374  
Date Testimony Prepared: March 2020

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

**True-Up Direct Testimony**

**of**

**Leigha Palumbo**

**on behalf of**

**The Empire District Electric Company  
a Liberty Utilities Company**

**March 2020**



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OF  
LEIGHA PALUMBO  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. ER-2019-0374

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OF  
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BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. ER-2019-0374

1 **I. INTRODUCTION**

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

3 A. My name is Leigha Palumbo. My business address is 602 South Joplin Avenue, Joplin,  
4 MO, 64802.

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

6 A. I am employed by Liberty Utilities Service Corp. as a Regulatory Analyst for Liberty  
7 Utilities Central Region, which includes The Empire District Electric Company, a  
8 Liberty Utilities Company (“Liberty-Empire” or “Company”).

9 **Q. ARE YOU THE SAME LEIGHA PALUMBO THAT FILED DIRECT AND**  
10 **REBUTTAL TESTIMONY IN THIS CASE ON BEHALF OF LIBERTY-**  
11 **EMPIRE?**

12 A. Yes. I submitted Direct Testimony on August 14, 2019, and Rebuttal Testimony on  
13 March 3, 2020.

14 **II. PURPOSE**

15 **Q. WHAT IS THE PURPOSE OF YOUR TRUE-UP DIRECT TESTIMONY IN**  
16 **THIS PROCEEDING?**

17 A. The purpose of my true-up testimony is to support the update and/or true up of certain  
18 rate base and income statement pro forma adjustments to the Company’s proposed true-  
19 up revenue requirement in this case. These include an update to remove non-retail  
20 electric water inventory, normalizing prepayments, materials and supplies, customer

1 advances and customer deposits, interest on customer deposits, and franchise fees and  
2 taxes.

3 **III. RATE BASE ADJUSTMENTS**

4 **Q. PLEASE DESCRIBE RB ADJ 3 TO REMOVE WATER INVENTORY.**

5 A. As described in my direct testimony the material and supplies inventory recorded on  
6 Liberty-Empire's balance sheet includes inventory for both the electric and water  
7 businesses. The RB ADJ 3 adjustment has been updated to remove a 13 month average  
8 as of January 31, 2020 from the Company's test year balance.

9 **Q. PLEASE DESCRIBE RB ADJ 11 TO NORMALIZE MATERIALS AND**  
10 **SUPPLIES, CLEARING ACCOUNTS AND OTHER PREPAYMENTS.**

11 A. RB ADJ 11 updates test year balances for materials and supplies (excluding fuel  
12 inventories), clearing accounts, and prepayments to reflect a thirteen month average as  
13 of January 31, 2020.

14 **Q. DID THE COMPANY MAKE ANY CHANGES TO THE WAY FUEL**  
15 **INVENTORIES WERE CALCULATED DURING THE TRUE-UP PROCESS?**

16 A. Yes, as discussed in my rebuttal testimony the Company agreed with Staff's approach  
17 to determine fuel inventory, but expressed concern with the average daily burn that  
18 Staff uses to calculate for the Plum Point generating unit and also disagreed with the  
19 number of days used for Asbury inventory levels. RB ADJ 14 accounts for this change.

20 **Q. PLEASE DESCRIBE RB ADJ 14?**

21 A. In the Company's direct filing, fuel inventories were adjusted using a thirteen month  
22 average. Within the true-up revenue requirement the Company calculated coal  
23 inventories by determining the average daily burn and multiplying it by the appropriate  
24 number of days for inventory for each plant, resulting in an increase to test year coal

1 inventories of \$27,058. For fuel oil, the Company utilized a thirteen month average  
2 balance of fuel inventory (in gallons) and multiplied it by the weighted average price  
3 per gallon. This resulted in a decrease to test year fuel oil inventory of \$826,717.

4 **Q. PLEASE DESCRIBE RB ADJ 13 TO NORMALIZE CUSTOMER ADVANCES**  
5 **AND DEPOSITS.**

6 A. RB ADJ 13 updates test year balances to reflect a thirteen month average as of January  
7 31, 2020.

8 **IV. TRUE-UP INCOME STATEMENT ADJUSTMENTS**

9 **Q. PLEASE DESCRIBE IS ADJ 13 FOR INTEREST ON CUSTOMER DEPOSITS.**

10 A. IS ADJ 13 was updated to reflect a twelve month ending balance at January 2020 and  
11 utilized the new customer deposit interest rate that became effective January 2020, of  
12 5.75%.

13 **Q. PLEASE DESCRIBE IS ADJ 31 AND IS ADJ 32 FOR FRANCHISE FEES AND**  
14 **TAXES.**

15 A. As more fully discussed in my direct testimony IS ADJ 31 removes the Missouri  
16 jurisdictional revenue amount associated with city franchise taxes. In addition, my  
17 direct testimony explained IS ADJ 32 removes the franchise tax expenses from the base  
18 rate revenue requirement calculation. Because retail revenues were updated through  
19 January 31 in the revenue requirement calculation IS ADJ 31 and IS ADJ 32 were also  
20 updated to continue to show the full removal of these components within the cost of  
21 service calculation.

22 **Q. DOES THIS CONCLUDE YOUR TRUE-UP DIRECT TESTIMONY?**

23 A. Yes.

**VERIFICATION OF LEIGHA PALUMBO**

Leigha Palumbo, under penalty of perjury, declares that the foregoing true-up direct testimony is true and correct to the best of her/his knowledge, information, and belief.

*/s/Leigha Palumbo* \_\_\_\_\_  
Leigha Palumbo  
Regulatory Analyst