

*Exhibit No.:*  
*Issue(s):* *Accumulated Deferred  
Income Tax,  
Corporate Expenses*  
*Witness:* *Keith D. Foster*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Surrebuttal/True-up Direct  
Testimony*  
*Case No.:* *ER-2019-0374*  
*Date Testimony Prepared:* *March 27, 2020*

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL AND BUSINESS DIVISION**

**AUDITING DEPARTMENT**

**SURREBUTTAL / TRUE-UP DIRECT TESTIMONY**

**OF**

**KEITH D. FOSTER**

**THE EMPIRE DISTRICT ELECTRIC COMPANY**

**CASE NO. ER-2019-0374**

*Jefferson City, Missouri  
March 2020*

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1 **SURREBUTTAL / TRUE-UP DIRECT TESTIMONY**

2 **OF**

3 **KEITH D. FOSTER**

4 **THE EMPIRE DISTRICT ELECTRIC COMPANY**

5 **CASE NO. ER-2019-0374**

6 Q. Please state your name and business address.

7 A. Keith D. Foster, 200 Madison Street, Suite 440, Jefferson City, MO 65101.

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

9 A. I am a Utility Regulatory Auditor V for the Missouri Public Service Commission  
10 (“Commission”).

11 Q. Are you the same Keith D. Foster who contributed to Staff’s Cost of Service  
12 Report filed on January 15, 2020 in this case?

13 A. Yes, I am.

14 **EXECUTIVE SUMMARY**

15 Q. Please summarize your surrebuttal and true-up direct testimony in this  
16 proceeding.

17 A. In this testimony, I will address Empire witness Sherri Richard’s Rebuttal  
18 testimony concerning Accumulated Deferred Income Tax (ADIT) with regards to the FAS 123  
19 Deferred Tax Asset, and the Empire District Industries, Inc. (EDI) adjustment within Corporate  
20 Expenses. I will also briefly address the true-up adjustments I am sponsoring.

1 **ACCUMULATED DEFERRED INCOME TAX (ADIT)**

2 Q. How does Staff respond to Empire witness Ms. Richards' rebuttal testimony  
3 concerning Staff's exclusion of general ledger account 190.125 from the ADIT balances Staff  
4 included in its rate base recommendation?<sup>1</sup>

5 A. The general ledger account she refers to is the FAS 123 deferred tax asset for  
6 stock-based compensation. Staff's position is since it is not including any stock-based  
7 compensation in normalized payroll levels, as stated in the Cost of Service report on page 68,  
8 then the deferred tax impact of that expense should not be included in its case as well.

9 Q. Are you sponsoring any ADIT updates for true-up?

10 A. Yes, ADIT balances for rate base were updated with amounts at  
11 January 31, 2020 in Staff's true-up recommendation.

12 **CORPORATE EXPENSES**

13 Q. Do you agree with Ms. Richards' rebuttal testimony that Empire already  
14 removed allocated costs to EDI from the test year?<sup>2</sup>

15 A. Yes, I do. I have removed my original adjustment to the revenue requirement  
16 as part of the true-up.

17 **TRUE-UP ADJUSTMENTS**

18 Q. In addition to the ADIT balances for rate base addressed above, are you  
19 sponsoring any other true-up adjustments?

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<sup>1</sup> Sherri Richards Rebuttal Testimony, page 7, lines 13-15.

<sup>2</sup> Id., page 23, lines 17-23.

1           A.     Yes, I trued-up Southwest Power Pool (SPP) Revenues and Expenses, Income  
2 Tax Expense, and Jurisdictional Allocation Factors.

3           Q.     Please briefly explain the SPP Revenues and Expenses true-up.

4           A.     I included the amounts for the four months from the end of the update period  
5 through January 31, 2020, to analyze the annual averages for each of the four categories:  
6 SPP Transmission Revenues, SPP Transmission Expenses, Ancillary Services Market  
7 Revenues and Expense, and Miscellaneous SPP Related Revenues and Expenses. I then  
8 updated the original adjustments using the most current average for the three years ending  
9 January 2020 in each category.

10          Q.     Please briefly explain the Income Tax Expense true-up.

11          A.     I used the most current data available from Empire's responses to Data Request  
12 Numbers 0077.1 and 0229 to re-calculate Income Tax Expense at January 31, 2020.

13          Q.     Briefly explain the true-up of the Jurisdictional Allocation Factors.

14          A.     Using the Company's Trial Balance at January 31, 2020, provided in response  
15 to OPC Data Request No. 1306, as well as updated data provided by other Staff witnesses,  
16 I updated the Jurisdictional Factors to match the end of the true-up period.

17          Q.     Does this conclude your surrebuttal and true-up direct testimony in this case?

18          A.     Yes it does.

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

In the Matter of The Empire District Electric            )  
Company's Request for Authority to File                )  
Tariffs Increasing Rates for Electric Service            )  
Provided to Customers in its Missouri                 )  
Service Area    )

Case No. ER-2019-0374

AFFIDAVIT OF KEITH D. FOSTER

STATE OF MISSOURI                                    )  
  )  
COUNTY OF COLE                                    )

ss.

COMES NOW KEITH D. FOSTER and on their oath declares that they are of sound mind and lawful age; that they contributed to the foregoing Surrebuttal/True-Up Direct Testimony; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

Further the Affiant sayeth not.

/s/ Keith D. Foster  
KEITH D. FOSTER