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Issues: Fuel Adjustment Clause
Witness: David C. Roos
Sponsoring Party: MO PSC Staff
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MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

REBUTTAL TESTIMONY

OF

DAVID C. ROOS

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2014-0351

*Jefferson City, Missouri
March 2015*

**** Denotes Highly Confidential Information ****

NP

*Staff Exhibit No. 213 NP
Date 4-14-15 Reporter KF
File No. ER-2014-0351*

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

Case No. ER-2014-0351

AFFIDAVIT OF DAVID C. ROOS

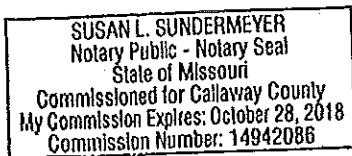
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

David C. Roos, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 4 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

David C. Roos

David C. Roos

Subscribed and sworn to before me this 6 day of March, 2015.



Susan L. Sundermeyer

Notary Public

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REBUTTAL TESTIMONY

OF

DAVID C. ROOS

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2015-0351

Q. Please state your name and business address.

A. My name is David C. Roos and my business address is Missouri Public Service Commission, P.O. Box 360, Jefferson City, MO 65102.

Q. What is your position at the Commission?

A. I am a Regulatory Economist III in the Energy Unit of the Regulatory Review Division.

Q. Are you the same David C. Roos that contributed to Staff's Revenue Requirement Cost of Service Report ("COS") filed on January 29, 2015, and to Staff's Rate Design and Class Cost-of-Service Report ("CCOS") filed on February 11, 2015?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to provide Staff's most recent calculation, after corrections and updates, of the Base Factor for The Empire District Electric Company's ("Empire") Fuel Adjustment Clause ("FAC") which was originally contained in the CCOS. I will also respond to certain proposals in the direct testimony of the Office of the Public Counsel's ("OPC") witness Lena M. Mantle and Empire's witness Mr. Todd W. Tartar.

1 **Staff's Revised FAC Base Factor**

2 Q. What corrections did Staff make to its calculation of Empire's Base Factor
3 which was originally provided in the CCOS?

4 A. Fixed gas transportation charges in the Base Factor in the CCOS were
5 inadvertently excluded twice from fuel costs. Staff corrected this by excluding gas
6 transportation charges only once. Staff also removed Southwest Power Pool administration
7 costs from SPP Schedule A-1: Tariff Administration Service and Schedule 12: FERC
8 Assessment Charge, because these costs were inadvertently included in the calculation of
9 Staff's Base Factor in the CCOS.

10 Q. Were there costs that Staff originally inadvertently excluded that should have
11 been included in its calculation of the Base Factor?

12 A. Yes. Staff inadvertently excluded operation and maintenance costs for
13 Empire's 50 MW Plum Point purchased power contract; these costs are now included in the
14 calculation.

15 Q. Where there any updates to the inputs to the Base Factor calculation?

16 A. Yes. Total fuel and purchased power costs were updated with the results of
17 Staff's fuel model run of February 26, 2015, and Staff's electronic EMS run of
18 February 26, 2015. The results of the EMS run were sent to all parties to this case.

19 Q. What is Staff's calculation of Empire's Base Factor after corrections and
20 updates?

21 A. Staff's calculation of Empire's Base Factor after corrections and updates is
22 \$0.02443 per kWh.

23 Q. What is the difference between Staff's original Base Factor filed in the CCOS
24 and the Base Factor for this rebuttal testimony?

1 A. Staff's Base Factor filed in its CCOS was \$0.02393 per kWh, whereas the Base
2 Factor for this rebuttal testimony is \$0.02443 per kWh, for an increase of \$0.00050 per kWh.
3 A comparison of Staff's revised Base Factor with Empire's current FAC Base Factor and the
4 Company's proposed Base Factor is provided on HC Schedule DCR-R1.

5 **Response to OPC Witness Lena Mantle**

6 Q. On page 19, lines 15 through 21, and on page 20, lines 1 through 7, of Ms. Mantle's
7 direct testimony, she states that Missouri jurisdictional revenues for off-system sales, energy
8 imbalance revenues, Southwest Power Pool Integrated Market revenues, and renewable energy
9 credits ("RECs") are accounted for in Empire's accounting system by jurisdiction and that in the
10 current FAC the sum of all the revenues for all jurisdictions is totaled and then an allocation factor is
11 applied to allocate a portion of the revenues from all jurisdictions to Missouri. She states that this
12 method should be changed because it produces a shortfall of approximately \$2.6 million in revenue
13 that would have been returned to the customers when compared to the amounts in the Missouri
14 jurisdictional accounts. What does Staff conclude from its review of Ms. Mantle's testimony and
15 work papers?

16 A. Ms. Mantle is correct in that the Missouri energy allocator that is used to allocate
17 these revenues to Missouri, in Empire's FAC, allocates a smaller portion to Missouri than what is in
18 the Missouri jurisdictional sub-accounts. However, Ms. Mantle does not take into account how these
19 revenues are assigned to Missouri and recovered in permanent rates. Since the FAC is intended to
20 capture the difference between actual costs and the amount of cost recovery through permanent rates,
21 her analysis is useful but incomplete. Staff is reviewing the implications of her work.

22 **Response to Empire Witness Todd Tartar**

23 Q. On page 26, line 23 through page 27, line 7 in his direct testimony, Mr. Tartar states
24 that Empire is requesting to include natural gas storage and delivery costs in Empire's FAC that are
25 not included in Empire's current FAC. Is it appropriate to include these costs in a FAC?

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1 A. No. Based on Mr. Tartar's Schedule TWT-1 filed in direct testimony in rate case No.
2 ER-2012-0345 and Mr. Tartar's Schedule TWT-2 filed in direct testimony in rate case No.
3 ER-2014-0351, these costs did not change between rate cases ER-2011-0004 and ER-2012-0345, and
4 the amount that the company proposes in this rate case is only ** _____ ** than the expenses
5 found in the last two rate case. Staff considers these costs fixed. Over time, the change in these costs
6 is not substantial enough to be considered variable fuel or purchased power costs and do not belong in
7 Empire's FAC.

8 Q. On sheet 4 of 8, on Mr. Tartar's Schedule TWT-3, the exemplar tariff includes
9 SPP costs for SPP Schedule 1-A and SPP Schedule 12. Is it appropriate to recover these costs
10 through an FAC?

11 A. No. These charges recover SPP costs associated with SPP tariff administration
12 services (Schedule 1-A) and the SP FERC assessment (Schedule 12). Staff's analysis shows
13 that these charges are (1) administrative in nature and (2) fixed.

14 Staff witness Kim Bolin used the six month period ending August 2014, to annualize
15 these costs for the test year, and they will be updated during true-up. The net change in these
16 costs over the six month period is ** ____ ** for a net ** _____ **. Staff
17 considers these costs fixed. The change in these costs over time is not substantial enough to be
18 considered variable fuel or purchased power costs and do not belong in Empire's FAC.

19 Q. Does this conclude your rebuttal testimony?

20 A. Yes.

Schedule DCR-R1

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