

FILED  
May 7, 2015  
Data Center  
Missouri Public  
Service Commission

**EXHIBIT**

**Exhibit No.:** Service Commission  
**Issue(s):** Vegetation Management Tracker/  
IATAN 2, IATAN Common,  
and Plum Point Operations  
and Maintenance (O&M)  
Expense Trackers/  
Riverton 12 Operations  
and Maintenance (O&M)  
Expense Tracker Request/  
Rate Case Expense  
**Witness/Type of Exhibit:** Roth/Surrebuttal  
**Sponsoring Party:** Public Counsel  
**Case No.:** ER-2014-0351

**SURREBUTTAL TESTIMONY**

**OF**

**KERI ROTH**

Submitted on Behalf of the Office of the Public Counsel

**EMPIRE DISTRICT ELECTRIC COMPANY**

CASE NO. ER-2014-0351

March 24, 2015

OPC Exhibit No. 309  
Date 4-14-15 Reporter RF  
File No. ER-2014-0351

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

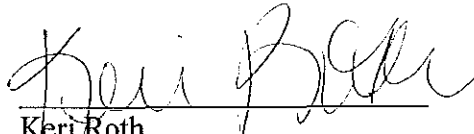
In the Matter of The Empire District Electric            )  
Company for Authority to File Tariffs Increasing        )  
Rates for Electric Service Provided to Customers       )  
in the Company's Missouri Service Area.                )            Case No. ER-2014-0351

**AFFIDAVIT OF KERI ROTH**

STATE OF MISSOURI    )  
                                  )    ss  
COUNTY OF COLE     )

Keri Roth, of lawful age and being first duly sworn, deposes and states:


1. My name is Keri Roth. I am a Public Utility Accountant II 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.

  
\_\_\_\_\_  
Keri Roth  
Public Utility Accountant II

Subscribed and sworn to me this 24<sup>th</sup> day of March 2015.



JERENE A. BUCKMAN  
My Commission Expires  
August 23, 2017  
Cole County  
Commission #13754037

  
\_\_\_\_\_  
Jerene A. Buckman  
Notary Public

My Commission expires August, 2017.

**TABLE OF CONTENTS**

**KERI ROTH**

**EMPIRE DISTRICT ELECTRIC COMPANY**

**CASE NO. ER-2014-0351**

1		
2		
3		
4		
5	I.	INTRODUCTION.....2
6	II.	VEGETATION MANAGEMENT TRACKER.....3
7	III.	IATAN 2, IATAN COMMON, AND PLUM POINT OPERATIONS AND
8		MAINTENANCE (O&M) EXPENSE TRACKERS.....5
9	IV.	RIVERTON 12 OPERATIONS AND MAINTENANCE (O&M)
10		EXPENSE TRACKER REQUEST.....7
11	V.	RATE CASE EXPENSE.....9

1  
2  
3  
4  
5  
6  
7  
8

**SURREBUTTAL TESTIMONY  
OF  
KERI ROTH**

**EMPIRE DISTRICT ELECTRIC COMPANY  
CASE NO. ER-2014-0351**

9 **I. INTRODUCTION**

10 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

11 A. Keri Roth, P.O. Box 2230, Jefferson City, Missouri 65102-2230.

12  
13 Q. ARE YOU THE SAME KERI ROTH WHO HAS FILED DIRECT AND REBUTTAL  
14 TESTIMONY IN THIS CASE?

15 A. Yes.

16  
17 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

18 A. The purpose of this surrebuttal testimony is to respond to rebuttal testimony from  
19 Empire District Electric Company (Empire) and/or Missouri Public Service Commission  
20 (MPSC) Staff regarding the following issues: vegetation management tracker, Iatan 2,  
21 Iatan Common, and Plum Point operations and maintenance (O&M) expense trackers,  
22 Riverton Unit 12 O&M expense tracker request, and I will also provide an update on rate  
23 case expense.

1

2 **II. VEGETATION MANAGEMENT TRACKER**

3 Q. WHAT IS THE ISSUE?

4 A. Empire witness, Ms. Joan Land, brought to my attention in her rebuttal testimony an error  
5 regarding the accrual beginning date for the vegetation management tracker in Case No.  
6 ER-2012-0345. Ms. Land states in her rebuttal testimony on page 3, lines 12 – 13:

7

8 The correct beginning date is July 2012, not April 1, 2013.

9

10

11 Q. DO YOU AGREE WITH MS. LAND'S REBUTTAL TESTIMONY?

12 A. Yes.

13

14 Q. USING THE CORRECT ACCRUAL BEGINNING DATE OF JULY 1, 2012, WHAT IS  
15 THE BALANCE TO BE AMORTIZED RELATING TO THE VEGETATION  
16 MANAGEMENT TRACKER AUTHORIZED IN CASE NO. ER-2012-0345?

17 A. As of December 31, 2014, the balance to be amortized related to the tracker authorized in  
18 Case No. ER-2012-0345 is \$1,174,574. This means Empire has recorded a regulatory  
19 asset and \$1,174,574 is owed to Empire.

20

1 Q. DOES PUBLIC COUNSEL STILL RECOMMEND COMBINING THE BALANCES OF  
2 ALL THE VEGETATION/INFRASTRUCTURE INSPECTION TRACKERS INTO ONE  
3 TRACKER AMORTIZATION BALANCE AND AMORTIZING THE ONE TRACKER  
4 OVER A PERIOD OF 5 YEARS?

5 A. Yes.

6  
7 Q. USING THE CORRECT ACCRUAL BEGINNING DATE OF JULY 1, 2012, WHAT IS  
8 THE PROPOSED COMBINED TRACKER AMORTIZATION BALANCE?

9 A. The total balances of all trackers at July 2015, the month in which the Operation of Law  
10 Date falls in this case is \$4,363,988. This total balance includes:

- 11 • the tracker balance for Case No. ER-2008-0093 of \$31,698,
- 12 • the tracker balance for Case No. ER-2010-0130 of \$470,462,
- 13 • the tracker balance for Case No. ER-2011-0004 of \$2,687,255, and
- 14 • the tracker balance for Case No. ER-2012-0345 of \$1,174,574.

15 Please note that the tracker balance for Case No. ER-2012-0345 of \$1,174,574 is as of  
16 December 31, 2014.

17  
18 Q. HAS PUBLIC COUNSEL'S POSITION TO END THE VEGETATION  
19 MANAGEMENT TRACKER CHANGED AS A RESULT OF THE CORRECTION  
20 PREVIOUSLY DISCUSSED?

1 A. No. Public Counsel still recommends ending the vegetation management tracker on a  
2 going forward basis.

3  
4 Q. HAS PUBLIC COUNSEL'S POSITION REGARDING THE ANNUAL LEVEL OF  
5 VEGETATION MANAGEMENT EXPENSE TO INCLUDE IN RATES CHANGED  
6 DUE TO THE CORRECTION PREVIOUSLY DISCUSSED?

7 A. No. Public Counsel's recommendation regarding the annual level of vegetation  
8 management expense to include in rates remains the same and can be reviewed in my  
9 direct testimony.

10  
11 **III. IATAN 2, IATAN COMMON, AND PLUM POINT OPERATIONS AND**  
12 **MAINTENANCE (O&M) EXPENSE TRACKERS**

13 Q. EMPIRE WITNESS, MR. BLAKE MERTENS, NOTES IN HIS REBUTTAL  
14 TESTIMONY ON PAGE 3, LINES 12 – 13, THAT PUBLIC COUNSEL DID NOT  
15 PROPOSE AN ANNUAL LEVEL OF O&M EXPENSE FOR IATAN 2, IATAN  
16 COMMON, AND PLUM POINT IN DIRECT TESTIMONY. HAS PUBLIC COUNSEL,  
17 SINCE THEN, PROVIDED ADDITIONAL TESTIMONY PROPOSING AN ANNUAL  
18 LEVEL OF O&M EXPENSE?

1 A. Yes. At the time direct testimony was written, Empire had not yet responded to all  
2 outstanding Public Counsel data requests; therefore, I proposed an annual level of O&M  
3 expense for Iatan 2, Iatan Common, and Plum Point in my rebuttal testimony.  
4

5 Q. IS PUBLIC COUNSEL'S PROPOSED ANNUAL LEVEL OF EXPENSE SIMILAR TO  
6 THE MPSC STAFF'S?

7 A. Yes. However, as explained in my rebuttal testimony, there is a minor difference of  
8 approximately \$500 between the MPSC Staff and Public Counsel for Iatan Common  
9 expenses.  
10

11 Q. DOES PUBLIC COUNSEL AGREE WITH THE MPSC STAFF'S METHODOLOGY  
12 FOR DETERMINING ANNUAL LEVELS OF O&M EXPENSE FOR IATAN 2, IATAN  
13 COMMON, AND PLUM POINT?

14 A. Yes. Public Counsel agrees with the MPSC Staff that four years of historical cost  
15 information is sufficient to determine an annual level of O&M expense for Iatan 2, Iatan  
16 Common, and Plum Point.  
17

18 Q. DOES EMPIRE AGREE WITH THE MPSC STAFF'S METHODOLOGY FOR  
19 DETERMINING ANNUAL LEVELS OF O&M EXPENSE FOR IATAN 2, IATAN  
20 COMMON, AND PLUM POINT?



1 A. No. Empire believes that four years of historical cost information is not enough to  
2 determine an annual level O&M expense, because “significant major maintenance  
3 milestones” have not yet occurred. Mr. Mertens explains in his rebuttal testimony on page  
4 2, lines 19 – 20:

5  
6 Most specifically, the first major turbine and generator inspection  
7 outage at each facility has not taken place.  
8  
9

10 Q. WHAT IS PUBLIC COUNSEL’S RECOMMENDATION?

11 A. Public Counsel believes that four years of historical cost information is sufficient to  
12 determine and annual level of O&M expense for Iatan 2, Iatan Common, and Plum Point.  
13 Therefore, Public Counsel recommends that the trackers be eliminated going forward, and  
14 an annual level of expense be included in rates. Empire is expected to file another general  
15 rate case in late 2015 or early 2016. During that subsequent rate case, Public Counsel fully  
16 expects that O&M costs will be reviewed again and adjusted as appropriate.

17  
18 **IV. RIVERTON 12 OPERATIONS AND MAINTENANCE (O&M) EXPENSE**  
19 **TRACKER REQUEST**

1 Q. IN YOUR REBUTTAL TESTIMONY, DID YOU STATE THAT THE SIEMENS  
2 INSTRUMENTATION, CONTROLS AND ELECTRICAL GROUP CONTRACT FOR  
3 RIVERTON UNIT 12 BECAME EFFECTIVE JANUARY 1, 2015?

4 A. Yes.

5  
6 Q. IS JANUARY 1, 2015 THE CORRECT DATE THE CONTRACT BECAME  
7 EFFECTIVE?

8 A. No. Empire witness, Mr. Blake A. Mertens, explains in his rebuttal testimony that the  
9 contract became effective August 20, 2014, and the first invoice for payment was  
10 scheduled for January 1, 2015.

11  
12 Q. SINCE THE EFFECTIVE DATE OF THE CONTRACT IS WITHIN THE UPDATE  
13 AND TRUE-UP PERIODS OF THE CURRENT CASE, HAS PUBLIC COUNSEL'S  
14 POSITION CHANGED FROM ITS POSITION PROVIDED IN REBUTTAL  
15 TESTIMONY?

16 A. No. Public Counsel's recommendation remains the same, as stated in rebuttal testimony.  
17 The project of converting Riverton Unit 12 to a combined cycle unit has not been  
18 completed; therefore, the plant is not currently used and useful. Public Counsel does not  
19 recommend a tracker for the current case, but will review this issue again in the next rate  
20 case due to be filed in late 2015 or early 2016.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15

V. RATE CASE EXPENSE

Q. WHAT IS THE AMOUNT OF RATE CASE EXPENSE EMPIRE HAS INCURRED AS OF FEBRUARY 28, 2015?

A. As of February 28, 2015, the amount of rate case expense that has been incurred for the instant case is \$121,395.13. The breakdown of the costs is as follows:

Scott Keith/Todd Tarter		\$755.67
Black & Veatch	Cost of Service/Rate Design	\$70,227.34
Brydon, Swearngen & England P.C.	Legal Counsel	\$27,960.75
Worldwide Express		\$479.62
White Lion Communications		\$88.20
Financial Strategy Associates	ROE Consultant	\$15,831.25
Fast Copy Printing		\$2,785.12
Xpedx		\$2,907.18
Local Public Hearing Security		\$360.00
<b>TOTAL</b>		<b>\$121,395.13</b>

Q. WHAT PERCENT OF THE REVENUE REQUIREMENT IS RELATED TO RETURN ON EQUITY?

A. Based on the updated Accounting Schedules provided to Public Counsel by the MPSC Staff, on February 26, 2015, 24.53% of the revenue requirement is related to return on equity.

1 Q. WHAT PERCENT OF THE REVENUE REQUIREMENT IS RELATED TO  
2 OPERATING EXPENSES?

3 A. Based on the updated Accounting Schedules provided to Public Counsel by the MPSC  
4 Staff, on February 26, 2015, 75.47% of the revenue requirement is related to total  
5 operating expenses.  
6

7 Q. WHAT IS THE PERCENTAGE OF RATE CASE EXPENSE AS IT RELATES TO  
8 TOTAL OPERATING EXPENSES?

9 A. Public Counsel has calculated that rate case expense is approximately 0.0354% of total  
10 operating expenses. Public Counsel has calculated this amount using the updated  
11 Accounting Schedules provided by the MPSC Staff, by removing Staff's calculated rate  
12 case expense and including Public Counsel's own calculation of total rate case expense  
13 of \$121,395.13, incurred as of February 28, 2015.  
14

15 Q. HAS PUBLIC COUNSEL'S RECOMMENDATION FOR RATE CASE EXPENSE  
16 CHANGED SINCE REBUTTAL TESTIMONY?

17 A. No. Public Counsel still recommends that the rate case expense costs be shared 50/50  
18 between shareholders and rate payers, for several reasons, which were described in detail  
19 in my rebuttal testimony. In summary, shareholders benefit from the rate case activities  
20 from which these charges derive much more than ratepayers do. Customers have an

1 interest in ensuring that their utilities' rates are just and reasonable, which is the ultimate  
2 objective of any rate case. Also, general rate increase cases provide the avenue upon  
3 which the utility seeks to obtain the proper revenue requirement (i.e. rates) which will  
4 allow it to meet operational expectations. As identified in my rebuttal testimony, other  
5 companies in the state of New Jersey also believe that shareholders benefit from the rate  
6 case activities from which rate case expense charges derive. Aqua New Jersey Inc.,  
7 Maxim Wastewater Division and New Jersey American Water have both used 50/50  
8 share mechanisms for rate case expense. Public Counsel also believes rate case expense  
9 should be shared 50/50 between shareholders and rate payers, and the shareholder  
10 portion of rate case expense should then be normalized over 2 years.

11  
12 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

13 A. Yes, it does.