

# EXHIBIT

Exhibit No.: \_\_\_\_\_  
Issue(s): Vegetation Management and  
Infrastructure Standard Rules Costs  
Witness/Type of Exhibit: Robertson/Rebuttal  
Sponsoring Party: Public Counsel  
Case No.: ER-2008-0093

FILED  
June 4, 2008  
Data Center  
Missouri Public  
Service Commission

## REBUTTAL TESTIMONY

OF

TED ROBERTSON

Submitted on Behalf of the Office of the Public Counsel

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2008-0093

April 4, 2008

OPC Exhibit No. 308  
Case No(s). ER-2008-0093  
Date 5-12-08 Rptr KF

In the matter of The Empire District Electric  
Company of Joplin, Missouri's application  
for authority to file tariffs increasing rates  
for electric service provided to customers in  
the Missouri service area of the Company

**Case No. ER-2008-0093**

STATE OF MISSOURI )  
 ) ss  
COUNTY OF COLE )

1. My name is Ted Robertson. I am a Public Utility Accountant for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal 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.

Two Weeks

Ted Robertson, C.P.A.  
Public Utility Accountant III

Subscribed and sworn to me this 4<sup>th</sup> day of April 2008.



**JERENE A. BUCKMAN**  
My Commission Expires  
August 10, 2009  
Cole County  
Commission #05754036

James A. Buckman

Jerene A. Buckman  
Notary Public

My Commission expires August 10, 2009.

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**REBUTTAL TESTIMONY  
OF  
TED ROBERTSON**

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**EMPIRE DISTRICT ELECTRIC COMPANY  
CASE NO. ER-2008-0093**

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**I. INTRODUCTION**

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Ted Robertson, PO Box 2230, Jefferson City, Missouri 65102-2230.

Q. ARE YOU THE SAME TED ROBERTSON THAT HAS PREVIOUSLY FILED  
TESTIMONY IN THIS CASE?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of this testimony is to present the Public Counsel's rebuttal to the  
Company's proposal for regulatory treatment of vegetation management and  
infrastructure standards rules future costs.

**II. VEGETATION MANAGEMENT AND INFRASTRUCTURE STANDARDS  
RULES COSTS**

Q. WHAT IS THE ISSUE?

A. Public Counsel is opposed to the Company's request for authority to defer for  
future rate recognition and recovery cost increases associated with the

1 implementation of any Commission authorized vegetation management and  
2 infrastructure standards rules. Beginning on page 6, line 13, of his direct  
3 testimony, Company witness, Mr. Michael E. Palmer, states Company's request  
4 as:

5  
6 Q. DOES EMPIRE HAVE A RECOMMENDATION IF THE  
7 COMMISSION IMPLEMENTS PRESCRIPTIVE  
8 VEGETATION MANAGEMENT AND INFRASTRUCTURE  
9 STANDARDS RULES?

10  
11 A. Yes. In the event the Commission implements a highly  
12 prescriptive vegetation management and infrastructure  
13 standards rules similar to the rules that are currently under  
14 consideration, Empire requests that it be allowed authority to  
15 defer rate recognition and recovery of any cost increase  
16 associated with these rules until these costs can be included  
17 in rates in a general rate proceeding. A "tracking"  
18 mechanism can be used to accomplish this. Mr. Scott Keith  
19 of Empire will describe the details of the tracking mechanism  
20 in his direct testimony in this rate case.  
21  
22

23 Q. WHY IS THE PUBLIC COUNSEL OPPOSED TO THE COMPANY'S REQUEST?

24 A. As of December 31, 2007, the vegetation management and infrastructure  
25 standards rules Mr. Palmer references have not been implemented; thus, they  
26 were not in effect at any time during the test year and update period for the  
27 instant case.  
28

1 Q. DID COMPANY PROPOSE AN ADJUSTMENT IN ITS RATE CASE TO  
2 RECOGNIZE VEGETATION MANAGEMENT OR INFRASTRUCTURE COSTS  
3 RELATED TO THE PROPOSED STANDARDS RULES?

4 A. No. Beginning on page 36, line 14, of his direct testimony, Mr. W. Scott Keith,  
5 states:

6  
7 Since the outcome of the rulemaking process has yet to be  
8 completed, Empire was not able to propose an adjustment to its  
9 vegetation management or infrastructure expenses in this rate case  
10 to reflect the impact of the Commission's new rules.  
11  
12

13 Q. WHAT IS THE TEST YEAR PERIOD FOR THE INSTANT CASE?

14 A. The test period for the instant case is the 12 months ending June 30, 2007  
15 updated through December 31, 2007.  
16

17 Q. DOES PUBLIC COUNSEL AGREE WITH MR. KEITH'S ASSUMPTION THAT  
18 THE COSTS ARE NOT KNOWN AND MEASURABLE?

19 A. Yes. The primary concern of the Public Counsel is that the actual costs of the  
20 rules implementation are not known and measurable at this time; therefore, the  
21 deferral of the costs, as proposed by Mr. Palmer, does not make sense from a  
22 regulatory perspective. It does not make sense because Mr. Palmer is  
23 requesting that the Commission authorize a "tracker" for deferral of costs based

1 totally on estimates of future costs. I know of no instance where the Commission  
2 has authorized such a request for future unknown costs.

3  
4 Q. ARE THE ESTIMATES OF FUTURE COSTS MR. PALMER PROVIDED IN HIS  
5 DIRECT TESTIMONY STILL THE COMPANY'S BEST GUESS AS TO WHAT  
6 THOSE COSTS WILL BE?

7 A. No. In fact, the Company's estimates of the estimated future costs have dropped  
8 dramatically since Mr. Palmer filed his direct testimony.

9  
10 Q. WHAT ARE THE ESTIMATED FUTURE COSTS MR. PALMER PROVIDED IN  
11 HIS DIRECT TESTIMONY?

12 A. Regarding the annual incremental cost of complying with the vegetation  
13 management rule he states on page 7, lines 11-14:

14  
15 We have estimated the annual incremental cost of compliance with  
16 this rule at \$40 million, or over six times what Empire currently  
17 spends in this area and has included in its cost of service in this  
18 rate case.  
19  
20

21 Whereas, regarding the infrastructure rule he states on page 8, lines 2-4:

22  
23 We have estimated that this infrastructure rule will cost Empire from  
24 \$6.7 million to \$9.0 million to implement and from \$6.6 million

1 to \$12.8 million annually.  
2  
3

4 Q. WHAT ARE THE COMPANY'S CURRENT COST ESTIMATES FOR  
5 COMPLYING WITH THE STANDARDS RULES?

6 A. According to data provided by Ms. Jayna Long in an e-mail to OPC on March 25,  
7 2008, Company now estimates that the future incremental costs of complying  
8 with the vegetation management and infrastructure standards rules will be  
9 significantly less. For example, for calendar year 2008, Company now estimates  
10 the total incremental cost for the vegetation management standards rules at  
11 \$8,006,181 (50% capital and 50% expense); whereas, for the infrastructure  
12 standards rule, for calendar year 2008, the total estimated cost is approximately  
13 \$1.5 million expense and \$2.7 million capital.  
14

15 Q. IS THE TRACKER MECHANISM PROPOSED BY THE COMPANY A  
16 REASONABLE ALTERNATIVE?

17 A. No. Whatever the costs incurred may be they will begin outside of the test year  
18 and update period of the instant case and, at this time, they are not even close to  
19 known and measurable. Therefore, it is not appropriate to decide the ratemaking  
20 treatment of the costs in this case. In addition, the proposal for a tracker  
21 mechanism has not been fully "fleshed out" as to the exact ratemaking treatment  
22 being requested. For example, the proposal basically states captured costs

1 would be amortized and recovered in rates over a period not to exceed five  
2 years; however, this description does not explain in detail how the future costs  
3 are to be included in the development of future rates. Does Company expect  
4 rate base treatment for the costs? Company's proposal is also inappropriate  
5 given that it does not provide for any reduction in the Company's authorized rate  
6 of return for the elimination of risk that the tracker's guaranteed recovery of costs  
7 would provide.  
8

9 Q. PLEASE SUMMARIZE THE PUBLIC COUNSEL'S POSITION ON THIS ISSUE.

10 A. Public Counsel believes that Mr. Palmer's request to defer estimated future costs  
11 associated with the implementation of the vegetation management and  
12 infrastructure standards rules is premature. At this time, implementation of the  
13 standards rules has not been finalized and the estimates of future costs provided  
14 by the Company are not known and measurable.  
15

16 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

17 A. Yes, it does.  
18