Exhibit No.:

Issues: Bad Debt Expense, Amortization

of December 2007 Ice Storm

Witness: Amanda C. McMellen

Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony

Case No.: ER-2008-0093

Date Testimony Prepared: April 25, 2008

## MISSOURI PUBLIC SERVICE COMMISSION **UTILITY SERVICES DIVISION**

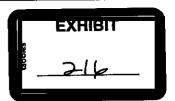
SURREBUTTAL TESTIMONY

**OF** 

AMANDA C. McMELLEN

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

> Jefferson City, Missouri April 2008



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1		SURREBUTTAL TESTIMONY OF	
2		AMANDA C. McMELLEN	
3		THE EMPIRE DISTRICT ELECTRIC COMPANY	
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5	Q.	Please state your name and business address.	
6.	A.	Amanda C. McMellen, 200 Madison Street, Suite 440, Jefferson City, MO	
7	65102.		
8	Q.	Are you the same Amanda C. McMellen that was responsible for certain	
9	sections of the Staff Cost of Service Report filed in this case?		
10	A.	Yes, I am.	
11	Q.	What is the purpose of this testimony?	
12	A.	I am addressing certain aspects of The Empire District Electric Company's	
13	(Empire or Company) rebuttal filing regarding bad debt expense. I will also update the		
14	Commission on the status of the December 2007 ice storm amortization amount.		
		•	
15	BAD DEBT	EXPENSE	
16	Q:	What is Empire's position in regard to bad debt expense?	
17	Α.	Although Empire agrees with the process the Staff filed in developing its	
18	annualized level of bad debt expense, they believe the Staff has erred in not including the		
19	level of bad debt expense associated with the Staff's recommended level of rate increase.		
20	Q.	Does the Staff agree with this position?	
21	A.	Partially. While the Staff believes that past historical levels of bad debt	
22	write-offs do not necessarily demonstrate a direct relationship between increased revenues		
23	from rate increases and a corresponding increase in bad debt write-offs, the historical data		

reviewed by the Staff does suggest some level of relationship between these two items. The Staff is also aware that the Commission recently ordered a factor-up of bad debt expense to take into account the amount of rate relief granted in Case No. ER-2006-0314, Kansas City Power & Light Company. Therefore, the Staff now recommends its bad debt factor be applied to the amount of the Staff's total direct case rate increase recommendation, as suggested in Empire witness, Mr. W. Scott Keith's rebuttal testimony. This results in an increase to the Staff's adjusted level of bad debt expense in this case of approximately \$165,000.

Q. Should this adjustment be further updated to reflect the final amount of rate relief granted to Empire in this proceeding?

A. Yes.

## **AMORTIZATION OF DECEMBER 2007 ICE STORM**

Q. Have the Company, the Staff and the Office of the Public Counsel reached an agreement in part concerning rate treatment for the December 2007 ice storm?

A. Yes. The parties submitted an unopposed Non-Unanimous Stipulation and Agreement as to Certain Issues (Stipulation) to the Commission on April 4, 2008. The Stipulation called in concept for a five-year amortization to expense for December 2007 ice storm costs in this proceeding, with no rate base treatment of the unamortized balance of ice storms costs. However, no specific amount of the amortization was specified in the Stipulation, to give the signatory parties an opportunity to review the Company's accounting for these costs.

Q. What is the Staff's recommended amount of December 2007 ice storm amortization to include in its case?

Surrebuttal Testimony of Amanda C. McMellen

- A. After a review of Empire's records concerning this event, the Staff is proposing to include \$1,710,149 in the cost of service for amortization expense for the December 2007 ice storm.
  - Q. Does this conclude your surrebuttal testimony?
  - A. Yes, it does.

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## BEFORE THE PUBLIC SERVICE COMMISSION

## OF THE STATE OF MISSOURI

In the Matter of The Empire District Elect Company of Joplin, Missouri's Application Authority to File Tariffs Increasing Rates Electric Service Provided to Customers in Missouri Service Area of the Company	for ) for ) Case No. ER-2008-0093			
AFFIDAVIT OF AMANDA C. MCMELLEN				
STATE OF MISSOURI ) ss. COUNTY OF COLE )				
Amanda C. McMellen, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.				
	Amanda C. McMellen			
Subscribed and sworn to before me this  D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri	24th day of April, 2008.			
County of Cole My Commission Exp. 07/01/2008	Notary Public			