

Exhibit No.:
Issue(s): *Cash Working Capital,
Insurance Expense*
Witness: *Courtney Horton*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *ER-2021-0312*
Date Testimony Prepared: *December 20, 2021*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

COURTNEY HORTON

**THE EMPIRE DISTRICT ELECTRIC COMPANY,
d/b/a Liberty**

CASE NO. ER-2021-0312

*Jefferson City, Missouri
December 2021*

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **COURTNEY HORTON**

4 **EMPIRE DISTRICT ELECTRIC COMPANY,**
5 **d/b/a Liberty**

6 **CASE NO. ER-2021-0312**

7 Q. Please state your name, employment position, and business address.

8 A. Courtney Horton, Utility Regulatory Auditor with the Missouri Public Service
9 Commission (“Commission” or “PSC”), 200 Madison Street, Jefferson City, Missouri 65101.

10 Q. Are you the same Courtney Horton who previously provided testimony in
11 this case?

12 A. Yes. I contributed to Staff’s Cost of Service Report (“COS Report”) filed on
13 October 29, 2021, in the Empire District Electric Company rate case designated as Case No.
14 ER-2021-0312.

15 Q. Please summarize your rebuttal testimony.

16 A. The purpose of my rebuttal testimony is to respond to the Office of Public
17 Counsel (“OPC”) witness John S. Riley regarding the federal and state income tax expense lag
18 calculation within cash working capital (“CWC”), and to update and make one correction to
19 Staff’s insurance expense workpaper.

20 **FEDERAL AND STATE INCOME TAX EXPENSE LAG**

21 Q. What was Staff’s position on the federal and state income tax expense lag within
22 the CWC calculation in Staff’s direct COS Report?

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Courtney Horton

1 A. In its direct COS Report, Staff recommended the same (15.50) federal income
2 tax expense lag and (20.06) state income tax expense lag values that the Commission approved
3 in Empire’s last rate case, Case No. ER-2019-0374.

4 Q. What is Staff’s current position on the federal and state income tax expense lag
5 within the CWC calculation?

6 A. Staff’s current position is that the federal and state income tax expense lag within
7 CWC should be 365 days.

8 Q. Why did Staff change its position regarding federal and state income tax
9 expense lags?

10 A. In response to Staff Data Request No. 377, Empire indicated that it expects to
11 be in a tax loss position for the 2021 calendar year.

12 Q. Has the Commission recently made any decisions regarding the federal and state
13 income tax lags in CWC?

14 A. Yes. In the *Amended Report and Order* in Case No. GR-2021-0108, the
15 Spire Missouri rate case, the Commission ordered that the federal and state income tax
16 expense lag be 365 days. The Commission ordered on page 31 of its *Amended Report and Order*
17 the following:

18 The Commission finds that federal and state income tax expense is
19 included in rates but the Company is not likely to remit any federal or
20 state income taxes because of its NOLC. Since the Company is not
21 remitting any income taxes to the IRS on a quarterly basis, using a 38-day
22 income tax expense lag in the CWC calculation is inappropriate. This
23 lack of income tax payment should be reflected in the CWC expense lag.
24 The fact that no income tax payments have been made in the test year or
25 true-up period justifies the use of a 365-day expense lag. Therefore, the
26 Commission finds that the appropriate expense lag days for income taxes
27 within the CWC calculation is 365 days.

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Courtney Horton

1 Q. Did Empire pay any federal income taxes during the test year or update period
2 in this case?

3 A. No. In response to Staff Data Request No. 008, Empire provided its 2019 federal
4 income tax returns, which reveal that Empire has been operating at a net loss, thus Empire did
5 not pay income taxes for 2019. Staff also reviewed federal tax returns in previous rate cases,
6 which showed that Empire has been operating at a net loss for several years prior to 2019.

7 **INSURANCE EXPENSE**

8 Q. Did Staff make any corrections or have any updates to insurance expense?

9 A. Yes. Staff updated its insurance expense to include updated information
10 Empire provided in response to Staff Data Request No. 131. Also, Staff made a correction to
11 exclude the Captive Insurance fee from its case. Empire stated in response to Staff Data
12 Request No. 131.1 that “the Captive Insurance was a non-recurring fee to evaluate the
13 feasibility of self-insuring for workmen’s compensation and automobile physical damage.”
14 This fee is a one-time fee that Empire will not incur in the future and thus should not be included
15 in Cost of Service.

16 Q. Does this conclude your rebuttal testimony?

17 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Request of The Empire)
District Electric Company d/b/a Liberty for)
Authority to File Tariffs Increasing Rates for)
Electric Service Provided to Customers in its)
Missouri Service Area)

Case No. ER-2021-0312

AFFIDAVIT OF COURTNEY HORTON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW COURTNEY HORTON, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Courtney Horton*; and that the same is true and correct according to her best knowledge and belief.

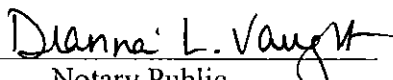
Further the Affiant sayeth not.



COURTNEY HORTON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 16th day of December, 2021.



Notary Public