

Exhibit No.:
Issues: *EEI Dues, REC Revenues,
Advertising Expense*
Witness: *Jermaine Green*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *ER-2012-0345*
Date Testimony Prepared: *February 4, 2013*

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

UTILITY SERVICES - AUDITING

SURREBUTTAL TESTIMONY

OF

JERMAINE GREEN

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2012-0345

*Jefferson City, Missouri
February 2013*

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1 **EXECUTIVE SUMMARY**

2 Q. Please briefly summarize your surrebuttal testimony pertaining to this
3 rate case.

4 A. In this testimony, I respond to Empire witness W. Scott Keith's request that
5 Empire recover the full amount of its EEI Dues, as well as his position that Empire's cost of
6 service reflects a REC revenues based on a projected level. I will also respond to Company
7 witness Joan E. Land's request to recover advertising expense which Staff recommends to
8 be disallowed.

9 Empire seeks to recover in its cost of service the full amount of its annual EEI Dues; it
10 is the Company's position that the alleged numerous benefits of EEI warrant full recovery of
11 the non-lobbying portion of this expense. Also, it is the Company's position to normalize
12 REC revenues using an expected spot market price as the contracted prices expired in
13 December 2012. Finally, it is the Company's position to recover the full amount of the cost
14 of a television and radio advertisement which they believe benefits the customers in the area
15 of service reliability.

16 However, Staff recommends that the full amount of EEI Dues be disallowed until the
17 Company is able to quantify the benefits to the ratepayers (if any) and shareholders from its
18 membership in EEI. It is also Staff's position to normalize REC revenues using based on
19 amounts that are known and measurable. Finally, it is Staff's position to disallow the
20 advertising expense associated with institutional advertisements.

21 **EEI DUES**

22 Q. Mr. Keith implies in his rebuttal testimony on page 15 that the sole basis for
23 Staff's elimination of EEI dues are the Commission orders in two Kansas City Power & Light

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1 Company cases which are over twenty years old, Case Nos. ER-83-49 and EO-85-185.

2 Is this accurate?

3 A. No. Staff has a general practice of disallowing costs which do not result in a
4 benefit to the ratepayer. In regards to the EEI dues in particular, in its Report and Order in
5 Case No. ER-83-49, the Commission stated that EEI dues:

6 ...would be excluded as an expense until the company could better quantify
7 the benefit accruing to both the company's ratepayers and shareholders.

8 The Staff interprets this Order as requiring a Company to accurately quantify the costs
9 associated with EEI shareholder advocacy efforts before obtaining recovery in rates of any
10 portion of EEI dues. The Commission's orders in these prior cases imply that, at best, only a
11 portion of EEI dues should be recovered from customers, assuming that the utility is able to
12 accurately quantify the benefits of EEI membership that accrue to ratepayers and
13 shareholders, respectively. As will be explained below, Empire has not done so in this case
14 and should not be allowed recovery of any portion of its EEI dues.

15 Q. Has Empire quantified the benefit associated with EEI membership accruing to
16 the company's ratepayers?

17 A. No. While Empire has obtained from EEI a percentage of the dues that are
18 allegedly associated with lobbying costs, and that were booked by Empire "below-the-line,"
19 Empire has provided no support or explanation for how this percentage was derived, nor have
20 they demonstrated that this percentage of dues is an accurate quantification of the direct and
21 indirect costs incurred by EEI in the lobbying and legislative advocacy area.

22 Q. Does Staff believe that the remaining portion of EEI dues, excluding the
23 lobbying portion, should be included in the cost of service calculation?

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1 A. No. While Mr. Keith in his rebuttal testimony explains the function of EEI in
2 the environmental area, he has provided no support on how much of the annual membership
3 fee is attributable this activity, and how much is attributable to the work of the committees
4 listed in the direct testimony of Jayna Long. Staff has allowed the cost of EEI registration
5 fees associated with Empire employees' membership in different EEI committees and sub-
6 committees and attendance at committee and sub-committee meetings.

7 Q. Did the Staff request the Company to provide a cost allocation of EEI dues
8 based upon benefit to ratepayer?

9 A. Yes. In the current case, Staff's Data Request (DR) No. 196 asked the
10 Company to provide the following information:

11 Please provide a detailed description of the services that are provided by
12 Edison Electric Institute. Please include a percentage of billings for each
13 service or benefit from EEI. For each service provided, please provide
14 how the ratepayers are benefitted from the service.

15 The Company's response directed Staff to its response to another data request from a prior
16 case, DR No. 374, Case No. ER-2006-0315. The Company's response in Data Request
17 No. 0374 was a narrative of benefits that EEI membership provides to the Company, which
18 was primarily taken from EEI's 2004 Reliability Report, and various emails from Empire
19 department heads concerning EEI benefits. The Company has failed to provide adequate
20 justification for inclusion of the EEI dues in either its response to Staff Data Request
21 No. 0196 in this proceeding or in the Company witness Scott Keith's rebuttal testimony.

22 Q. Please summarize the Staff's position with regard to EEI dues.

23 A. Staff has not been provided a quantification of benefits that the ratepayers and
24 shareholders have received from Empire's membership in EEI. Furthermore, the Staff is not
25 able to determine an appropriate allocation of EEI dues between ratepayers and shareholders.

1 Therefore, Staff recommends that the Commission disallow the \$119,808 level of EEI dues
2 incurred by the Company during the test year.

3 **REC REVENUES**

4 Q. Do Staff and Empire differ regarding the level of REC revenues to include in
5 this rate case?

6 A. Yes. There is a difference in methodology between Staff and Empire in
7 calculating the ongoing level of REC revenues. Empire adjusted test year REC revenue using
8 an estimated spot market price for the calculating the normalized level of REC revenues. This
9 differs from Staff's methodology which normalizes REC revenue through the update period
10 of June 30, 2012.

11 Q. How did Staff perform it's normalization of REC revenues?

12 A. Staff calculated the normalized level of REC revenues based upon the most
13 current 12 months ending June 30, 2012 of historical REC proceeds earned by Empire that
14 was known and measurable at the time of the Staff's direct filing.

15 Q. Does Staff agree with Empire's use of the estimated spot market price for
16 normalizing REC revenues?

17 A. The Company has not based its recommended level of REC revenues on any
18 known and measurable information. Company witness Keith in his rebuttal on page 19,
19 lines 12 to 13 states that Empire **expects** it net REC revenue to decline to \$552 thousand
20 in 2013.

21 Q. Does Empire expect any changes in its level of REC revenues for the true-up
22 period in this case?

1 A. Yes. Empire had a contract that expired December 31, 2012. Staff will take
2 another look into this issue for the true-up phase of this case.

3 Q. In Staff's Cost of Service filed on November 30, 2012 did Staff incorrectly
4 calculate the normalized level for REC revenue?

5 A. Yes. Staff has reviewed this calculation and corrected amount for normalized
6 REC revenue should be \$1,655,878.

7 **ADVERTISING EXPENSE**

8 Q. Do you agree with Company witness Land that part of Staff's disallowance of
9 advertising expenses included certain television and radio advertisements focused on service
10 reliability and should be allowed in the cost of service?

11 A. No. Company witness Land states that the television and radio advertisement
12 in question focused on service reliability and that Empire uses it as an educational tool to keep
13 customers informed about their continued investments. Staff did not see that as the primary
14 message of this particular advertisement.

15 Q. Can Staff provide a transcript of the television and radio advertisement that is
16 being discussed?

17 A. Yes, The following was taken from a media file the Company provided for the
18 advertisement:

19 For the Empire Electric District Company service reliability is the
20 cornerstone of our business, to ensure customers have the power they
21 depend on, we've added generating capacity for increasing demand,
22 continued to manage vegetation that could cause outages and regularly
23 inspect and update equipment because, "our job is to deliver safe reliable
24 electricity to our customers and our focus never wavers." Empire
25 District Electric Company and you, together we power the future.

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1 Q. What did Staff determine to be the primary message and intent of this
2 advertisement?

3 A. The primary message and intent of this advertisement is to improve the public
4 image of the Company and, accordingly, this advertisement should be considered institutional
5 in nature. The advertisement failed to provide ratepayers with any information of value, such
6 as the Company's telephone number, operating hours or the domain to the website. Staff does
7 not believe it is correct to include the associated costs of this advertisement in the cost of
8 service simply because the Company is telling the customers that they are increasing
9 generating capacity and regularly inspecting and updating equipment. The Company is
10 expected to perform these functions as a matter of course; therefore, the primary message of
11 the advertisement is institutional and not educational or informational.

12 Q. Does this conclude your surrebuttal testimony?

13 A. Yes, it does.


BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric)
Company of Joplin, Missouri Tariffs) Case No. ER-2012-0345
Increasing Rates for Electric Service)
Provided to Customers in the Missouri)
Service Area of the Company)

AFFIDAVIT OF JERMAINE GREEN

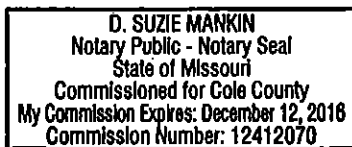
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

Jermaine Green, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 7 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.



Jermaine Green

Subscribed and sworn to before me this 4th day of February, 2013.





Notary Public