

Exhibit No.:
Issue: *Vegetation Management Tracker*
Witness: *Jermaine Green*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *ER-2014-0351*
Date Testimony Prepared: *March 9, 2015*

MISSOURI PUBLIC SERVICE COMMISSION
REGULATORY REVIEW DIVISION
UTILITY SERVICES - AUDITING

REBUTTAL TESTIMONY

OF

JERMAINE GREEN

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2014-0351

Jefferson City, Missouri
March, 2015

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **JERMAINE GREEN**

4 **THE EMPIRE DISTRICT ELECTRIC COMPANY**

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

6 Q. Please state your name and business address.

7 A. Jermaine Green, P.O. Box 360, Jefferson City, Missouri 65102.

8 Q. Are you the same Jermaine Green who also prepared testimony on various
9 issues in the Staff's Cost of Service Report filed in relation to this proceeding?

10 A. Yes, I am.

11 Q. What is the purpose of your rebuttal testimony?

12 A. The purpose of this rebuttal testimony is to address the direct testimony
13 of the Office of the Public Counsel (OPC) witness Keri Roth regarding the Vegetation
14 Management Tracker.

15 **VEGETATION MANAGEMENT TRACKER**

16 Q. What is the OPC proposing in this case in regard to the vegetation
17 management tracker?

18 A. OPC is recommending that the Vegetation Management tracker established in
19 Case No. ER-2008-0093 and continued in Case Nos. ER-2010-0130, ER-2011-0004 and
20 ER-2012-0345 should be discontinued at this time. OPC also recommends combining the
21 unamortized balances for all the prior vegetation management/infrastructure inspection

1 trackers into one tracker amortization balance for a more simplified monitoring of this amount
2 in the future.

3 Q. What is Staff's response to OPC's positions regarding the Vegetation
4 Management tracker?

5 A. Staff agrees with OPC's recommendation that the Company combine the
6 unamortized balances of all the vegetation management/infrastructure trackers into one
7 unamortized balance (as reflected in Staff's direct work papers) for easier monitoring.
8 However, it is Staff's position that the vegetation management tracker be continued in this
9 rate proceeding and then re-evaluated in the next general rate proceeding.

10 Q. Why was a vegetation management tracker implemented for Empire in the
11 first case?

12 A. The promulgation of a Commission rule in 2008 requiring that certain
13 vegetation management activities be undertaken by Empire and other electric utilities had the
14 impact of increasing these companies' total vegetation management expenses from earlier
15 incurred levels of expense. The Commission rule provided for use of a tracker mechanism to
16 capture the impact on an electric utility's expenses of complying with the new regulations.

17 Q. Why does Staff believe the vegetation tracker should continue for Empire at
18 this time?

19 A. Staff contends that it is appropriate for use of vegetation management tracking
20 mechanisms to cease at the point in which a utility's vegetation management expenses
21 generally stabilize following implementation of the rule. However, Staff does not believe that
22 this result has yet occurred for Empire. Staff's analysis of the Company's twelve (12) month
23 total of vegetation management expenses for September 2013 through August 2014 shows

1 that the costs have not stabilized to a normal ongoing level. Staff's analysis showed that
2 Empire's most recent level of cost associated with its vegetation management activities is
3 decreasing compared to earlier years when the rule was in effect, and that cost may decrease
4 further in the future.

5 Q. In OPC witness Keri Roth's direct testimony¹, she states, "there is enough
6 historical cost information now available to determine an annualized level of vegetation
7 management expense since at least one full urban and rural cycle has been completed." Does
8 Staff agree with this statement?

9 A. No. While Staff agrees that the vegetation management expense has
10 completed a full urban and rural cycle, Staff disagrees with the statement that there is enough
11 cost information available at this time to determine a reasonable level of ongoing annualized
12 expense. If Staff performed an annualization of the vegetation management expense based
13 upon current levels, the amount of expense included in the case would likely be too high and
14 result in an over recovery for the Company. Therefore, it is appropriate that this mechanism
15 remain in effect to track the expense as it declines to a normal ongoing level. In support of
16 this point, both the Staff and Company have proposed to "rebase" the tracker amount from
17 \$12 million (which was the expense level in Empire's last case, Case No. ER-2012-0345) to
18 \$11 million, (which is the expense level in the current case), to reflect the expected decline in
19 the annual expense level. Once the expense stabilizes in the future, the Staff will most likely
20 recommend a discontinuance of the tracker at that time.

21 Q. Who benefits from the continuation of the vegetation management tracker?

22 A. The vegetation management tracker is a two-way regulatory mechanism that
23 provides for the recording of a regulatory liability when Company spends less than the

¹ Direct Testimony of Keri Roth at p. 6, l. 11-13.

1 targeted base amount, and the recording of a regulatory asset when the opposite occurs. This
2 mechanism has potential benefit for both the Company and the ratepayers; as it will help
3 ensure that neither the Company nor its customers will experience a windfall as a result of
4 changes in vegetation management expenses in the aftermath of implementation of the
5 Commission's new rule.

6 Q. Did Staff record a regulatory asset or liability for the Vegetation Management
7 tracker in this case?

8 A. For this case, the Staff reflected a combined regulatory asset for the vegetation
9 management tracker in the amount of \$5,162,156 as of August 31, 2014. This amount
10 represents the unamortized unrecovered balance from Empire's previous rates cases and, in
11 addition, the amount of under-recovered expense since the last case, No. ER-2012-0345.

12 Q. Does this conclude your rebuttal 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 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 JERMAINE GREEN

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

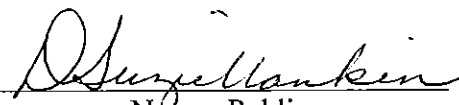
Jermaine Green, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 4 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has 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 6th day of March, 2015.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070



Notary Public