

Exhibit No.
Issues: Miscellaneous Rate Base items, Tracker
Amortization, and Revenue Adjustment
Witness: Joan E. Land
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District Electric
Case No. ER-2016-0023
Date Testimony Prepared: October 2015

**Before the Public Service Commission
of the State of Missouri**

**Direct Testimony
of
Joan E. Land**

October 2015



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DIRECT TESTIMONY OF
JOAN E. LAND
ON BEHALF OF
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2016-0023

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DIRECT TESTIMONY
OF
JOAN E. LAND
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2016-0023

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Joan E. Land, and my business address is 602 S. Joplin Avenue, Joplin,
4 Missouri.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by The Empire District Electric Company (“Empire” or “Company”) as a
7 Regulatory Analyst.

8 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
9 **PROFESSIONAL EXPERIENCE.**

10 A. I graduated from the University of Central Oklahoma in May 2000 with a Bachelor of
11 Science in Accounting. During my graduate studies, I was employed by the University of
12 Oklahoma Health Sciences Center as accountant for the office of Senior Vice President
13 and Provost. I have also served as Senior Accountant for Tamko Building Products. I
14 joined Empire in October 2008 and held various accounting positions in revenue and fuel
15 departments. In December 2010, I accepted my current position.

16 **Q. HAVE YOU PREVIOUSLY PARTICIPATED IN ANY REGULATORY**
17 **PROCEEDINGS?**

18 A. I have testified before regulatory commissions in the states of Missouri, Oklahoma, and

1 Arkansas.

2 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE BEFORE**
3 **THE MISSOURI PUBLIC SERVICE COMMISSION (“COMMISSION”)?**

4 A. I will sponsor certain adjustments made to Empire’s supporting schedules in this case.

5 **II. RATE BASE ADJUSTMENTS**

6 **Q. PLEASE IDENTIFY THE RATE BASE ADJUSTMENTS YOU ARE**
7 **SPONSORING.**

8 A. I am sponsoring the following adjustments to rate base:

- 9 • Annualize materials and supplies (“M&S”) and prepayments;
- 10 • Remove water company inventory;
- 11 • Reflect current level of Cash Working Capital (“CWC”).

12 **Q. PLEASE EXPLAIN THE ANNUALIZATION OF M&S AND PREPAYMENTS.**

13 A. A 13-month average ending June 30, 2015, is included in rate base to reflect a more
14 current on-going level. As a result, M&S decreased \$1.3 million and prepayments
15 increased \$2.2 million.

16 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO REMOVE WATER INVENTORY.**

17 A. The materials and supplies inventory recorded on Empire’s balance sheet includes
18 inventory for both the electric and water businesses. These inventories are tracked
19 separately in an excel spreadsheet. An adjustment of \$43,120, total company, was needed
20 to reduce materials and supplies levels for the amount related to Empire’s water business.

21 **Q. PLEASE EXPLAIN THE CWC REQUIREMENT REFLECTED IN RATE BASE.**

22 A. The Company did not perform a lead/lag study in this case. The Company is utilizing the
23 revenue and expense lags reflected in Staff’s Accounting Schedules (EMS Revised 3-26-

1 2015) from Empire's previous general rate case, Case No. ER-2014-0351. The Company
2 has updated the adjusted test year amounts in some CWC categories.

3 **III. REVENUE ADJUSTMENT**

4 **Q. PLEASE IDENTIFY AND EXPLAIN THE REVENUE ADJUSTMENT THAT**
5 **YOU ARE SPONSORING.**

6 A. I am sponsoring the adjustment to annualize excess facilities. The excess facilities
7 revenue is a charge based on the Rider XC. This charge is related to the excess facilities
8 that Empire installs at the request of a customer. If this occurs, Empire and the customer
9 enter into a contract for the additional charge (excess facilities) to the customer. Those
10 amounts under contract at June 30, 2015, were annualized and compared to the excess
11 facilities revenue reflected in Staff's Accounting Schedules. The difference between
12 these two amounts resulted in an adjustment of \$43,265 in additional excess facilities
13 revenue.

14 **IV. EXPENSE ADJUSTMENTS**

15 **Q. PLEASE IDENTIFY THE EXPENSE ADJUSTMENTS THAT YOU ARE**
16 **SPONSORING.**

17 A I am sponsoring the following expense adjustments:

- 18 • Annualize intangible amortization expense;
- 19 • Annualize construction deferral amortization expense;
- 20 • Annualize Investment Tax Credit ("ITC") amortization;
- 21 • Annualize vegetation management tracker amortization;
- 22 • Annualize Iatan and Plum Point operations and maintenance ("O&M") tracker
23 amortization;

- 1 • Annualize interest on customer deposits.

2 **Q. PLEASE EXPLAIN THE VARIOUS AMORTIZATION ADJUSTMENTS.**

3 A. The adjustments to intangible amortization, construction deferral amortization, and ITC
4 amortization were made to reflect ongoing amortization levels. This resulted in an
5 increase to intangible amortization of \$109,700, a decrease to construction deferral
6 amortization of \$35,185, and a decrease to ITC amortization of \$24,428, Missouri
7 jurisdictional.

8 In the Revised Stipulation and Agreement in Commission Case No. ER-2014-0351, the
9 parties agreed the vegetation management tracker and the Iatan 2, Iatan Common, and
10 Plum Point O&M trackers be discontinued, with the accumulated balances to be trued up
11 in Empire's next general rate case. An adjustment was made to amortize the trued up
12 vegetation management tracker balance over 5 years, decreasing Missouri jurisdictional
13 amortization expense by \$713,146. An adjustment was made to amortize the trued up
14 O&M tracker balances over 3 years, decreasing Missouri jurisdictional amortization
15 expense by \$118,903.

16 **Q. WHAT IS THE ADJUSTMENT FOR INTEREST ON CUSTOMER DEPOSITS?**

17 A. An adjustment to customer deposit interest was made to reflect the on-going level of
18 expense. The interest was calculated by applying 4.25% to the customer deposits
19 included in rate base.

20 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 A. Yes.

