

Exhibit No.  
Issues: Cash Working Capital, Prepayments, Rate  
Revenue, Advertising  
Witness: Joan E. Land  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: Empire District Electric  
Case No. ER-2012-0345  
Date Testimony Prepared: January 2013

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

**Rebuttal Testimony  
of  
Joan E. Land**

**January 2013**



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JOAN E. LAND  
ON BEHALF OF  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
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REBUTTAL TESTIMONY  
OF  
JOAN E. LAND  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
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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. ARE YOU THE SAME JOAN E. LAND THAT PREPARED AND FILED DIRECT**  
9 **TESTIMONY IN THIS RATE CASE BEFORE THE MISSOURI PUBLIC**  
10 **SERVICE COMMISSION (“COMMISSION”) ON BEHALF OF EMPIRE?**

11 A. Yes.

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 A. My rebuttal testimony will comment on the Cash Working Capital (“CWC”) requirement  
14 proposed by Missouri Public Service Commission Staff (“Staff”) witness Casey Wolfe  
15 and Midwest Energy Users’ Association (“MEUA”) witness Stephen M. Rackers. I will  
16 also address rate revenue and advertising expense.

17 **II. CASH WORKING CAPITAL**

18 **Q. PLEASE IDENTIFY THE DIFFERENCES IN THE LEVEL OF CWC**

1           **REQUIREMENT BETWEEN THE COMPANY, MEUA, AND STAFF.**

2    A.     The primary difference is the billing lag component of the overall revenue lag.

3    **Q.     PLEASE EXPLAIN THE BILLING LAG EMPIRE PROPOSED.**

4    A.     As stated in my direct testimony, the billing lag is the number of days from the date the  
5           meter was read to the date the customer was billed. The billing lag was calculated using  
6           data from Empire’s customer database (“Customer Watch”) for Missouri customers. A  
7           weighted average was used by multiplying the charges by the lag days to obtain the  
8           weighted dollar amounts. The total weighted dollars were divided by total charges to  
9           arrive at the weighted average billing lag of 5.32.

10   **Q.     WHAT DID MEUA AND STAFF RECOMMEND FOR THE BILLING LAG?**

11   A.     MEUA witness Rackers recommended a zero-day billing lag. Staff recommended using  
12          the billing lag calculated in the last Empire rate case, ER-2011-0004, which was 4.14  
13          days.

14   **Q.     DO YOU AGREE WITH THE MEAU RECOMMENDATION?**

15   A.     No. The zero-day billing lag recommendation was based upon the assumption that  
16          Empire relies on automated meter reading, and therefore, the billing date and meter read  
17          date are typically the same. Instead, Empire uses a “cycle” billing process.

18   **Q.     BRIEFLY DESCRIBE THE CYCLE BILLING PROCESS.**

19   A.     Meters to be read on a given route (or cycle) are downloaded to a handheld unit  
20          approximately eight (8) days before a scheduled billing date to ensure adequate time to  
21          obtain a meter read or to address any system validation errors that are noted. As the  
22          meter readers go through their route, the meter reads are manually entered into the  
23          handheld system. At the end of each day, meter read information accumulated with the

1 handheld units is uploaded into the Itron system and then interfaced with Customer  
2 Watch. Not all routes are completed on a daily basis. The completed meter reads are  
3 posted to individual customer accounts in a daily batch process. Customer accounts will  
4 be charged and a statement created on the scheduled billing date.

5 **Q. WERE THERE ANY OTHER ISSUES REGARDING BILLING LAG?**

6 A. Yes. Empire's calculation of the billing lag included billing corrections from previous  
7 billing periods. Empire agrees that the cancellation and rebilling of prior period charges  
8 could slightly skew the billing lag. Therefore, Empire believes Staff's position of using  
9 the billing lag calculated in the last Empire rate case, ER-2011-0004, of 4.14 days would  
10 be reasonable.

11 **Q. PLEASE SUMMARIZE THE OVERALL REVENUE LAG WITH THE**  
12 **ADJUSTED BILLING LAG.**

13 A. The adjusted revenue lag is summarized in the following table:

	Lag Days
Usage Lag	15.21
Billing Lag	4.14
Collection Lag	27.91
Total Revenue Lag	47.26

14

15 **Q. ARE THERE ANY ADJUSTMENTS TO CWC MADE BY STAFF THAT THE**  
16 **COMPANY ACCEPTS?**

17 A. Yes. The Company accepts Staff's proposed Cash Vouchers expense lead calculation  
18 and to include Iatan payroll taxes within the Cash Vouchers line.

19 **Q. IS THERE ANY OTHER ISSUES PERTAINING TO THE COMPANY'S CWC**

1           **REQUIREMENT?**

2    A.    Yes. In regards to the calculation of the collection lag, MEUA witness Rackers  
3           recommended “to the Commission that it require each major electric and gas company in  
4           the state to develop a report that measures the collection lag based on the actual payment  
5           habits of all customers.” (Page 11, Lines 1 through 3)

6    **Q.    PLEASE RESPOND TO MR. RACKERS RECOMMENDATION.**

7    A.    Empire is not familiar with the report MEUA is recommending be prepared and the cost  
8           of compiling such a report. Without more information, Empire cannot determine the  
9           cost/benefits associated with such a report and does not agree that such a report is needed.  
10           Currently the Company’s collection lag is calculated based on an analysis of accounts  
11           receivable balances to credit sales, similar to accounts receivable turnover ratio.

12    **III. PREPAYMENTS**

13    **Q.    WHAT IS THE ISSUE RELATING TO THE COMPANY’S PROPOSED LEVEL**  
14           **OF PREPAYMENTS?**

15    A.    MEUA witness Rackers proposes to eliminate a portion of the prepayments based on the  
16           idea that the recovery lags are reflected in the CWC, and including a portion of these  
17           costs in prepayments and the CWC calculation creates a double counting.

18    **Q.    DO YOU AGREE?**

19    A.    No. Prepayments are the outlay of cash prior to the receipt of goods or services funded by  
20           the shareholder. Once goods or services are recognized and charged to expense, the  
21           company is reimbursed by the customer by including these items in the cost of service.  
22           The purpose of including these items in CWC is to “fill in the gap” between the time the  
23           funds are required in providing services and the time revenues are received for providing

1 these services. The calculation of the Company's expense leads did not include any  
2 prepayment dates. Therefore by eliminating a portion of the prepayments from rate base,  
3 the working capital would not be fully captured if they are only included in CWC. The  
4 fact that the prepayments are not for multi-year investments should not matter. The  
5 investment or prepayment is made by the Company up front and the fact that there is  
6 additional lag in recovery as reflected in the CWC calculation is not a double counting of  
7 the lag in recovery. This same reasoning can be applied to Fuel Inventory. Fuel  
8 Inventory is included as part of rate base. When fuel is used, the inventory balance is  
9 decreased and an expense recognized. Fuel Expense is also a part of CWC requirement  
10 calculation.

11 **IV. RATE REVENUE**

12 **Q. HAVE YOU REVIEWED THE LEVEL OF TEST YEAR RATE REVENUE**  
13 **INCLUDED IN THE STAFF'S DIRECT CASE?**

14 A. Yes.

15 **Q. DOES EMPIRE AGREE WITH THE OVERALL RATE REVENUE LEVELS**  
16 **INCLUDED IN THE STAFF'S DIRECT CASE?**

17 A. Yes. Empire agrees with Staff's overall rate revenue levels.

18 **V. ADVERTISING EXPENSE**

19 **Q. Q. HAVE YOU REVIEWED THE STAFF ADJUSTMENT TO**  
20 **ADVERTISING EXPENSE?**

21 A. Yes. I have reviewed the adjustment to advertising expense discussed at pages 128-129  
22 of the Staff's Cost of Service Report and reviewed the supporting workpapers provided  
23 by Staff.

1 **Q. DO YOU AGREE WITH THE STAFF ADJUSTMENT?**

2 A. No.

3 **Q. WHY NOT?**

4 A. Part of Staff's disallowance included certain television and radio advertisements focused  
5 on service reliability. Empire uses these advertisements as an educational tool for its  
6 customers in order to keep them informed of Empire's continuing investments in  
7 generation capacity to meet demand, investments to update equipment to provide safe,  
8 reliable service, as well as continued vegetation management.

9 **Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?**

10 A. Yes, it does.



AFFIDAVIT OF JOAN E. LAND

STATE OF MISSOURI )  
                                  ) ss  
COUNTY OF JASPER )

On the 14th day of January, 2013, before me appeared Joan E. Land, to me personally known, who, being by me first duly sworn, states that she is a Regulatory Analyst of The Empire District Electric Company and acknowledges that she has read the above and foregoing document and believes that the statements therein are true and correct to the best of her information, knowledge and belief.

  
\_\_\_\_\_  
Joan E. Land

Subscribed and sworn to before me this 14th day of January, 2013.

ANGELA M. CLOVEN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Jasper County  
My Commission Expires: November 01, 2015  
Commission Number: 11262659

  
\_\_\_\_\_  
Notary Public

My commission expires: 11/01/15.