

Exhibit No.:  
Issue: Various Rate Base and Income  
Statement Issues, True-up, and Rate Design  
Witness: W. Scott Keith  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: Empire District Electric  
Case No. ER-2014-0351  
Date Testimony Prepared: March 2015

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

**Rebuttal Testimony**

**of**

**W. Scott Keith**

**March 2015**



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OF  
W. SCOTT KEITH  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
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REBUTTAL TESTIMONY  
OF  
W. SCOTT KEITH  
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MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. ER-2014-0351

1 **INTRODUCTION**

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

3 A. My name is W. Scott Keith and my business address is 602 South Joplin Avenue,  
4 Joplin, Missouri.

5 **POSITION**

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

7 A. I am presently employed by The Empire District Electric Company (“Empire” or  
8 “the Company”) as the Director of Planning and Regulatory. I have held this  
9 position since August 1, 2005.

10 **Q. ARE YOU THE SAME W. SCOTT KEITH THAT EARLIER PREPARED**  
11 **AND FILED DIRECT TESTIMONY IN THIS RATE CASE BEFORE THE**  
12 **MISSOURI PUBLIC SERVICE COMMISSION (“COMMISSION”) ON**  
13 **BEHALF OF EMPIRE?**

14 A. Yes.

15 **PURPOSE**

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

17 A. My rebuttal testimony will discuss several issues related to the Empire rate base  
18 investment and statement of net operating income being proposed by the  
19 Commission Staff (“Staff”), the Midwest Energy Consumers Group (“MECG”), the

1 Missouri Department of Economic Development-Division of Energy (“DE”), and  
2 the Office of the Public Counsel (“OPC”) in this rate case. Specifically, I will  
3 address the following issues:

- 4 • The Staff’s exclusion from rate base of Empire’s deferred tornado cost;
- 5 • The Staff’s recommended adjustment to eliminate Edison Electric Institute (“EEI”)  
6 membership dues from Empire’s revenue requirement;
- 7 • The Staff’s elimination of the Praxair interruptible credit from Empire’s revenue  
8 requirement;
- 9 • The OPC’s recommendation concerning the amortization of an over-recovery of  
10 Investment Tax Credits;
- 11 • The DE’s recommendation that Empire be ordered to continue offering its current  
12 portfolio of energy efficiency programs in Missouri;
- 13 • The MECG’s recommendation to increase the level of the Praxair interruptible  
14 credit;
- 15 • The MECG’s recommendation that Empire have an interconnections framework  
16 and tariffed standby rates in place for Combined Heat and Power (“CHP”)  
17 customers; and,
- 18 • The Staff’s recommended procedure on the continuation of the Fuel Adjustment  
19 Clause (“FAC”).

20 In addition, I will describe specific items that need to be the subject of true-up.

21 **Q. WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION**  
22 **OF YOUR REBUTTAL TESTIMONY?**

1 A. I have reviewed the Staff Report Cost of Service Revenue Requirement, the Staff  
2 Rate Design and Class Cost-of-Service Report, and the following direct  
3 testimonies:

- 4 • Kimberly K. Bolin-Staff
- 5 • Kavita Maini-MECG
- 6 • Keri Roth-OPC
- 7 • Lena Mantle-OPC
- 8 • John Buchanan-DE
- 9 • Alex Schroeder-DE

10 **Q. HAVE THE STAFF'S AND COMPANY'S POSITIONS ON REVENUE**  
11 **REQUIREMENT EVOLVED SINCE THE FILING OF THE STAFF'S**  
12 **DIRECT CASE?**

13 A. Yes. Empire has updated its case through August 31, 2014, and has held  
14 discussions with Staff concerning errors in the Company's initial filing and Staff's  
15 initial filing. If those errors are corrected, several of the differences between the  
16 Company and Staff positions will be eliminated.

17 **Q. DO REVENUE REQUIREMENT DIFFERENCES REMAIN BETWEEN**  
18 **EMPIRE AND THE STAFF AFTER THIS UPDATE AND CORRECTION**  
19 **PROCESS?**

20 A. Yes. However, at the time of the preparation of my rebuttal testimony, I have not  
21 had an opportunity to review Staff's revised EMS run, so I do not know the impact  
22 of any Staff revisions for any of the differences that initially existed.

1 **FUEL ADJUSTMENT MECHANISM**

2 **Q. HAVE YOU REVIEWED THE FUEL ADJUSTMENT CLAUSE (“FAC”)**  
3 **POSITION TAKEN BY THE STAFF IN THIS CASE?**

4 A. Yes. I reviewed the Staff Report Cost of Service as well as the accounting  
5 schedules, the Staff’s Rate Design and Class Cost of Service Report, the Staff’s  
6 proposed versions of revised FAC tariff sheets, and Staff’s calculation of a new  
7 FAC base cost to determine how the various adjustments to fuel and energy costs,  
8 off-systems sales, Renewable Energy Credit (“REC”) revenue, fuel transportation  
9 costs, and transmission costs have been handled in the Staff’s proposed FAC.

10 **Q. DOES EMPIRE HAVE ANY CONCERNS WITH THE FAC POSITIONS OR**  
11 **RECOMMENDATIONS MADE BY STAFF IN THIS CASE?**

12 A. Yes.

13 **Q. PLEASE DESCRIBE THOSE CONCERNS.**

14 A. Empire’s primary concerns are related to the Staff recommended FAC base, which  
15 appears to be unusually low, and the Staff recommendation to exclude the  
16 Southwest Power Pool (“SPP”) transmission charges associated with Schedule 1a  
17 and Schedule 12 from the FAC. The proposed Staff FAC base will be addressed in  
18 detail in the rebuttal testimony of Todd Tarter. Each of these SPP transmission  
19 charge exclusions will be addressed by Empire witness Aaron Doll in his rebuttal  
20 testimony.

21 **Q. DOES EMPIRE AGREE WITH STAFF’S OBJECTIVE OF**  
22 **STANDARDIZING THE VARIOUS DEFINITIONS OF COSTS INCLUDED**  
23 **IN THE FAC SO THAT THE VARIOUS FACS USED BY MISSOURI**

1           **UTILITES ARE CONSISTENT?**

2    A.    Yes. Empire generally agrees with the Staff's efforts to standardize the definitions  
3           and terms and operations of the FACs used by the various Missouri electric utilities.  
4           In general, Empire agrees with the revised wording in the Staff's illustrative FAC  
5           tariff attached to the Staff's Cost of Service and Rate Design Report, with the  
6           exception of the exclusion of SPP transmission charges 1a and 12, and stands ready  
7           to work with the other parties to the case on the final FAC tariff wording.

8    **Q.    DID THE STAFF INCLUDE TRANSMISSION COST RECOVERY AS**  
9           **PART OF THE PROPOSED REVISIONS TO EMPIRE'S FAC?**

10   A.    Yes. The Staff FAC tariff sheet recommendation includes non-Empire  
11           transmission cost (FERC account 565) as one of the cost components in Empire's  
12           FAC. This is a new cost component for Empire's FAC, and its inclusion in  
13           Empire's FAC would make Empire's FAC consistent with the FAC used by  
14           Ameren in Missouri.

15   **Q.    WHAT IS EMPIRE'S POSITION WITH RESPECT TO THE RECOVERY**  
16           **OF OUTSIDE TRANSMISSION COSTS THROUGH THE FAC?**

17   A.    Empire agrees that outside transmission cost recovery should be part of the FAC.  
18           These costs represent substantial costs to Empire, are volatile, and are beyond the  
19           control of Empire's management.

20   **Q.    ARE THE TRANSMISSION SERVICES ASSOCIATED WITH THE**  
21           **TRANSMISSION OF ELECTRICTY BY OTHERS REQUIRED TO**  
22           **TRANSPORT ELECTRICITY TO EMPIRE'S CUSTOMERS?**

23   A.    Yes. Empire has turned over functional control of its transmission facilities to SPP;

1 and with the advent of the SPP next day market, the SPP has become even more  
2 instrumental in the delivery of electricity to Empire's customers. Empire witnesses  
3 Tarter and Doll have provided testimony concerning the evolving nature of the SPP  
4 and the services it provides to Empire.

5 **Q. HAVE ANY OF THE THREE COST FACTORS CITED BY THE**  
6 **COMMISSION IN CONNECTION WITH THE APPROVAL OF EMPIRE'S**  
7 **FAC IN THE REPORT AND ORDER IN CASE NO. ER-2008-0093**  
8 **CHANGED?**

9 A. No. Fuel and energy costs still represent the single largest component of Empire's  
10 cost to serve its customers; fuel and energy costs are still beyond the control of  
11 management; and energy costs are still volatile and can cause significant swings in  
12 cash flow and income, if not tracked.

13 **Q. DO YOU AGREE WITH OPC WITNESS MANTLE'S**  
14 **RECOMMENDATION TO ELIMINATE EMPIRE'S FAC?**

15 A. No. Ms. Mantle's recommendation should be rejected by the Commission.

16 **Q. WHY?**

17 A. In general, Ms. Mantle's recommendation seems to hinge on her definition of the  
18 word *complete* as used in the Commission's FAC rule. She indicates that the  
19 information submitted by Empire in its request to continue the FAC was  
20 incomplete, as she interprets the Commission's rule. Empire witnesses Tarter and  
21 Doll will respond to the *completeness* of the information submitted by Empire with  
22 its request for continuation of the FAC.

23 **Q. ARE THERE OTHER FACTORS WHICH OPC WITNESS MANTLE**



1           **APPEARS TO IGNORE IN HER RECOMMENDATION THAT MAKE THE**  
2           **CONTINUATION OF THE EMPIRE FAC REASONABLE AND**  
3           **NECESSARY AT THIS TIME?**

4    A.    Yes.    OPC witness Mantle’s recommendation totally ignores the fundamental  
5           change that has recently taken place with Empire’s operations due to the  
6           implementation of the SPP next day market. This represents a significant and  
7           fundamental change in the relationship of Empire’s supply resources and Empire’s  
8           customers. In general, the power from Empire’s plants is no longer earmarked for  
9           direct sale to Empire’s customers, but, instead, is sold in the SPP next day market.  
10          Empire’s customers’ requirements are supplied with power purchased from the SPP  
11          next day market. Furthermore, SPP controls which Empire units run, and when  
12          they run, during the day. This fundamental change in operations makes Ms.  
13          Mantle’s historical analysis of fuel and energy costs of limited significance. The  
14          three cost factors cited by the Commission in Case No. ER-2008-0093 are just as  
15          pertinent, if not even more so—these costs are significant, volatile, and beyond the  
16          direct control of management—under the SPP next day market paradigm.

17    **TORNADO AAO COSTS**

18    **Q.    PLEASE DESCRIBE THE STAFF’S RATE BASE TREATMENT OF THE**  
19           **TORNADO COSTS DEFERRED BY EMPIRE IN ACCORDANCE WITH**  
20           **THE ACCOUNTING AUTHORITY GRANTED BY THE COMMISSION.**

21    A.    The Staff has eliminated the costs from Empire’s rate base.

22    **Q.    DO YOU AGREE WITH THIS RECOMMENDATION?**

23    A.    No.    The exclusion of these costs from Empire’s rate base will deny

1 Empire a return on the investment it has made in the system to restore electric  
2 service and result in an understatement of Empire's cost of service in Missouri.  
3 This is unreasonable.

4 **Q. OVER WHAT PERIOD OF TIME IS EMPIRE AMORTIZING THE**  
5 **DEFERRED TORNADO COSTS?**

6 A. The deferred tornado costs are being amortized over ten years.

7 **Q. ARE THESE COSTS BEING RECOVERED AS A SEPARATE CHARGE**  
8 **TO EMPIRE'S CUSTOMERS?**

9 A. No. The tornado cost amortization is bundled with the other components of  
10 Empire's revenue requirement to develop Empire's overall revenue requirement.  
11 There are essentially no differences between Empire and Staff concerning the level  
12 of Tornado amortization expense in this case. The only difference is in regard to  
13 treatment of the unamortized balance.

14 **Q. WHY SHOULD THE UNAMORTIZED BALANCE BE INCLUDED IN**  
15 **RATE BASE?**

16 A. Empire has absorbed the financial impact of the storm for almost four years. The  
17 tornado costs deferred as a result of the storm are being amortized over ten years.  
18 The Staff recommendation simply understates Empire's overall cost by denying the  
19 recovery of the cost associated with carrying the deferred storm costs for ten years.  
20 There is no risk sharing associated with Staff's recommendation, only the denial of  
21 the cost associated with spreading the storm cost recovery over a ten-year period.

22 **EEI DUES**

23 **Q. THE STAFF HAS ELIMINATED ALL THE EXPENSE ASSOCIATED**

1           **WITH EMPIRE’S EDISON ELECTRIC INSTITUTE (“EEI”) DUES. DO**  
2           **YOU AGREE WITH THIS ADJUSTMENT?**

3       A.     No.

4       **Q.     DO EMPIRE AND ITS CUSTOMERS BENEFIT FROM EMPIRE’S**  
5       **MEMBERSHIP IN EEI?**

6       A.     Yes.    Empire’s EEI membership provides benefits to both Empire and its  
7       customers.

8       **Q.     WHAT IS THE BASIS FOR THE STAFF’S DISALLOWANCE OF EEI**  
9       **DUES?**

10      A.     Staff witness Brooke Richter refers to prior Commission orders regarding EEI dues  
11      as the basis for her disallowance.    The orders, which appear to refer to cases  
12      involving the Kansas City Power & Light Company, are almost thirty years old.  
13      These prior orders discuss the quantification of EEI benefits between a company  
14      and ratepayers.    The Staff Report at page 114 indicates that Empire has not  
15      quantified the ratepayer and shareholder benefits related to Empire’s EEI  
16      membership.

17      **Q.     HAS EMPIRE’S RELATIONSHIP WITH EEI EVOLVED OVER THE**  
18      **LAST TWENTY YEARS?**

19      A.     Yes.    Empire uses its membership in EEI to monitor critical industry issues.    This  
20      relationship is very valuable, considering the tremendous increase in regulatory  
21      pressures that have been building on the industry over the last twenty years,  
22      especially in the environmental area.    Working with EEI and its members enables  
23      Empire to stay abreast of industry issues, and gain insight into how other utilities

1 are approaching industry problems and issues. Empire must monitor industry  
2 issues, as these issues will eventually have cost implications for Empire and its  
3 customers. Empire's EEI membership enables Empire to monitor and deal with  
4 these critical issues at a fraction of what it would cost to do on a standalone basis.  
5 This reduction in the cost of monitoring critical industry issues is a direct benefit  
6 for our customers.

7 **Q. WHAT WAS THE ANNUAL COST OF EMPIRE'S EEI MEMBERSHIP**  
8 **DURING THE TEST YEAR?**

9 A. Empire's annual dues (non-lobbying) to EEI were approximately \$147,000, during  
10 the test year.

11 **Q. DOES EEI PROVIDE EMPIRE AND ITS CUSTOMERS BENEFITS IN THE**  
12 **ENVIRONMENTAL AREA?**

13 A. Yes. When new environmental rules are promulgated, EEI provides its members  
14 with a written summary of the proposed regulation. This provides a tangible cost  
15 benefit to Empire and its customers in terms of the time that would have to be spent  
16 preparing such an analysis, and the additional direct cost associated with an  
17 expansion of Empire environmental staff that would be required to monitor and  
18 track the various environmental rules and report to Empire management. Our EEI  
19 membership also provides an avenue to discuss environmental regulations through  
20 EEI environmental working groups to develop environmental compliance  
21 strategies. Empire's EEI membership is a very cost effective method of dealing  
22 with the massive increase in environmental regulations and avoid the additional  
23 environmental staff Empire would need to add if it did not maintain its EEI

1 membership. The additional cost Empire would incur in this area alone would be  
2 many times the cost of its annual EEI membership so in this regard Empire's  
3 customers already see benefits that greatly exceed the cost of Empire's  
4 membership. The complete exclusion of these costs is not justified as the customer  
5 benefits more than outweigh EEI costs.

6 **PRAXAIR INTERRUPTIBLE CREDIT**

7 **Q. WHAT ARE THE ISSUES INVOLVING THE PRAXAIR INTERRUPTIBLE**  
8 **CREDIT?**

9 A. The Staff has eliminated the cost of the interruptible credit from Empire's revenue  
10 requirement in this case, and MCEG witness Maini has proposed that the rate for  
11 the credit or payment to Praxair be increased by \$1 per month, which is  
12 approximately a 25 percent increase in the payment to Praxair.

13 **Q. DO YOU AGREE WITH THE STAFF APPROACH IN THIS AREA?**

14 A. No. The Staff approach (see page 74 of the Staff Cost of Service Report) excludes  
15 a significant payment Empire makes to Praxair for the right to interrupt electric  
16 service to Praxair on very short notice. This interruptible arrangement with Praxair  
17 has been around for years, and in past Empire rate cases has been included in  
18 Empire's revenue requirement. This ability to interrupt is a demand-side  
19 management program, as it allows the Company to lower demand in times of peak  
20 usage. There have been some changes made to the number of hours of interruption  
21 available to Empire over time, but nothing that would support the exclusion of cost  
22 Staff is proposing in this case.

23 **Q. IF THE PRAXAIR INTERRUPTIBLE CREDIT OR PAYMENT IS**

1           **EXCLUDED FROM EMPIRE'S REVENUE REQUIREMENT AS**  
2           **RECOMMENDED BY STAFF, DOES EMPIRE INTEND TO CONTINUE**  
3           **THE INTERRUPTIBLE CREDIT?**

4    A.    No. The interruptible credit of \$4.01 per kilowatt, which is displayed on the Praxair  
5           tariff sheet, should be eliminated if the cost associated with Empire's ability to  
6           interrupt Praxair's load is eliminated from Empire's revenue requirement as Staff  
7           has recommended. Although the interruptible nature of the Praxair load provides  
8           additional operating flexibility, in the near term, Empire can serve 100 percent of  
9           the Praxair load on a firm basis without the addition of any facilities.

10   **Q.    DOES THE STAFF'S PROPOSED ELIMINATION OF THE PRAXAIR**  
11           **INTERRUPTIBLE CREDIT CREATE AN ADDITIONAL HURDLE TO**  
12           **THE IMPLEMENTATION OF ENERGY EFFICIENCY OR DEMAND-**  
13           **SIDE MANAGEMENT PROGRAMS?**

14   A.    Yes, and I would characterize the Staff position as an insurmountable impediment  
15           to the implementation or continuation of this particular Empire demand-side  
16           management program. If the cost of the program is excluded from Empire's  
17           revenue requirement as proposed by Staff in this case, the only fair and reasonable  
18           outcome for Empire is authorization from the Commission to discontinue the  
19           program and the elimination of the IR credit from the Praxair tariff sheet.

20   **Q.    PLEASE DESCRIBE THE ISSUE THE COMPANY HAS WITH MECG**  
21           **WITNESS MAINI'S RECOMMENDATION TO INCREASE THE**  
22           **PRAXAIR INTERRUPTIBLE CREDIT BY 25 PERCENT.**

23   A.    Empire is opposed to any increase in the rate per kilowatt paid to Praxair in the

1 form of an interruptible credit. The increase recommended by Ms. Maini at page 6,  
2 line 31 of her direct testimony did not appear to be based upon any valid cost  
3 analysis and, when coupled with the Staff recommendation to exclude the Praxair  
4 credit from Empire's revenue requirement, unfairly increases Empire's cost without  
5 any benefits. Empire has adequate resources to serve its customers' requirements at  
6 this time, and is not interested in paying for these resources at a higher rate than  
7 appears to be based upon realistic level of avoided cost.

8 **AMORTIZATION OF INVESTMENT TAX CREDIT ("ITC")**

9 **Q. PLEASE DESCRIBE THE ISSUE ASSOCIATED WITH OPC'S PROPOSAL**  
10 **TO AMORTIZE AN EXCESS ITC RECOVERY BALANCE.**

11 A. OPC witness Keri Roth has recommended that the over-collected ITC balance at  
12 December 31, 2014, be amortized over twenty-four (24) months. This will result in  
13 the return or refund of the excess ITC recovered from Empire's customers.

14 **Q. IS EMPIRE OPPOSED TO OPC'S PROPOSAL AS TO HOW TO ADDRESS**  
15 **THE EXCESS ITC RECOVERIES?**

16 A. No. Empire can agree to the process outlined by OPC witness Roth, including the  
17 review of the excess ITC balance at the time of the next rate case.

18 **EXISTING ENERGY EFFICIENCY PROGRAM PORTFOLIO**

19 **Q. PLEASE DESCRIBE THE ISSUE RELATED TO EMPIRE'S EXISTING**  
20 **ENERGY EFFICIENCY PROGRAM PORTFOLIO.**

21 A. Empire has requested that the programs be discontinued as part of this case. This  
22 is primarily due to the inadequate nature of the cost recovery mechanism used to  
23 recover the costs associated with the current energy efficiency programs and the

1 fact that these programs were associated with Empire's Iatan Regulatory Plan,  
2 which has expired.

3 **Q. WHAT COST RECOVERY MECHANISM IS CURRENTLY UTILIZED BY**  
4 **EMPIRE?**

5 A. Empire is currently authorized to establish a regulatory asset as energy efficiency  
6 program costs are incurred. The regulatory asset that is established each calendar  
7 year is then amortized over a six (6) year period. The regulatory asset and  
8 amortization is taken into consideration each time Empire files a rate case and used  
9 to adjust Empire's pre-MEEIA tariff rate.

10 **Q. WHY DOES EMPIRE CONSIDER THIS MECHANISM TO BE**  
11 **INADEQUATE?**

12 A. The current mechanism is not adjusted between rate cases, does not recover the  
13 actual costs associated with the programs, has an adverse impact on Empire's  
14 earnings, and does not include any allowance for Empire's throughput disincentive  
15 or any opportunity to earn an incentive related to its energy efficiency programs.

16 **Q. WHAT HAS BEEN RECOMMENDED IN REGARD TO THESE**  
17 **PROGRAMS BY OTHER PARTIES?**

18 A. DE witnesses John Buchanan and Alex Schroeder recommend that Empire be  
19 ordered to continue to fund all of the programs in Empire's existing energy  
20 efficiency program portfolio. In addition, the Staff in its Cost of Service Report  
21 recommended that Empire be ordered to perform another evaluation of the low  
22 income program. While the Staff report did not address overall program  
23 continuation, since the Staff has recommended additional program evaluation, it



1 appears the Staff intends for these programs to continue.

2 **Q. WHAT IS EMPIRE'S RESPONSE TO THE DE AND STAFF**  
3 **RECOMMENDATIONS AS TO THE EXISTING ENERGY EFFICIENCY**  
4 **PROGRAMS?**

5 A. Empire is opposed to both recommendations. Neither Staff nor DE recommends  
6 any improvement in the current cost recovery mechanism. The Staff's  
7 recommendation to spend even more on program evaluation is particularly  
8 unreasonable, given the less than adequate nature of cost recovery that currently  
9 exists.

10 **Q. IS EMPIRE OPPOSED TO OFFERING ENERGY EFFICIENCY**  
11 **PROGRAMS TO ITS CUSTOMERS?**

12 A. No. Empire has attempted to implement an expanded portfolio of energy efficiency  
13 programs, including many of the existing programs, using the Commission's  
14 MEEIA rule in two separate MEEIA proceedings. Doing so in that context would  
15 have allowed Empire to take advantage of the improvement in program cost  
16 recovery provided by the MEEIA rules, i.e. recovery through an adjustable rider  
17 outside of a rate case, inclusion of the costs associated with Empire's throughput  
18 disincentive, and an opportunity to earn an energy efficiency incentive. Each of  
19 these MEEIA attempts has been unsuccessful due to the prescriptive nature of the  
20 MEEIA rule and the emphasis of intervening parties on the process, rather than on  
21 an expansion of Empire's energy efficiency programs.

22 **Q. WHAT IS EMPIRE'S POSITION WITH RESPECT TO THE EXISTING**  
23 **ENERGY EFFICIENCY PROGRAMS?**

1 A. Without a major improvement in the cost recovery mechanism for the existing  
2 energy efficiency programs, Empire has no choice but to continue its request that  
3 the existing energy efficiency programs be discontinued.

4 **Q. HOW COULD THE COST RECOVERY MECHANISM FOR THE**  
5 **EXISTING ENERGY EFFICIENCY PROGRAMS BE MEANINGFULLY**  
6 **IMPROVED?**

7 A. Most significantly, a rider that is designed to adjust outside of a general rate case  
8 could be implemented to recover program costs. Empire proposed just such a rider  
9 in connection with its most recent MEEIA filing in Case No. EO-2014-0030. At  
10 the present time, all of Empire's program cost recoveries are addressed in general  
11 rate cases. This is not an acceptable approach for Empire. Both Ameren and  
12 Kansas City Power & Light have riders in place to recover programs costs outside  
13 of their general rate cases. In order to continue these programs, Empire requests  
14 that an energy efficiency rider be implemented to recover program costs as a direct  
15 surcharge on customer bills outside of the normal rate case process. The rider can  
16 easily be structured to recover actual energy efficiency program costs, and it is also  
17 possible to include incentive rewards for overall program performance. Given the  
18 experience the DE and Staff have with the Ameren and Kansas City Power & Light  
19 DSIM riders, the concept of a rider for cost recovery should not present any  
20 insurmountable issues for either party.

21 **TRUE-UP**

22 **Q. HAS THE COMMISSION APPROVED THE USE OF A TRUE-UP?**

23 A. Yes. The Commission has ordered that a true-up be performed that includes

1 information through December 31, 2014.

2 **Q. WHAT ITEMS SHOULD BE ADDRESSED AS PART OF THE TRUE-UP**  
3 **PROCESS IN THIS CASE?**

4 A. The following items should be included in the true-up process in this case in order  
5 to provide the Commission with the most timely and relevant information available:

- 6 • All of the components of rate base, including plant in service balances and  
7 accumulated depreciation balances;
- 8 • DSM/Energy Efficiency investment balances;
- 9 • Change in the number of customers taking service;
- 10 • Fuel/Purchase Power costs associated with change in number of customers;
- 11 • SPP revenue;
- 12 • SPP expense;
- 13 • New Riverton maintenance contract cost;
- 14 • Payroll expense;
- 15 • Employee Benefits;
- 16 • Rate Case expense;
- 17 • Depreciation and amortization expense;
- 18 • Property tax;
- 19 • Income tax;
- 20 • Vegetation management costs;
- 21 • Various tracker balances and amortization levels;
- 22 • Generation unit maintenance costs.

1 **RATE DESIGN**

2 **Q. HAS EMPIRE REVIEWED THE RATE DESIGNS BEING**  
3 **RECOMMENDED BY THE VARIOUS PARTIES TO THIS CASE?**

4 A. Yes. Empire witness Overcast will respond to those recommendations in his  
5 rebuttal testimony.

6 **Q. DOES EMPIRE HAVE ANY CONCERNS REGARDING THE DE**  
7 **RECOMMENDATION ON CHP AND STANDBY TARIFF?**

8 A. Yes. Empire has discussed the potential of CHP within Empire's Missouri service  
9 area on many occasions during Empire's past Integrated Resource Planning case  
10 before the Commission. Empire has no CHP customers at this time and the  
11 likelihood of encountering this type of customer within the Missouri service  
12 territory is highly dependent upon the individual customer's manufacturing  
13 processes, and not the fact that Empire presently does not have a "Standard"  
14 standby tariff as implied by DE

15 **Q. WILL THE NEEDS OF EACH OF THE CHP CUSTOMERS BE**  
16 **IDENTICAL?**

17 A. No. The needs of the CHP customer will vary, and it is difficult to envision a  
18 "Standard" standby tariff that would be applicable to all CHP customers. Since the  
19 individual customer needs will vary, it would likely be more efficient to customize  
20 the "Standby Rate" on a customer by customer basis within an individual customer  
21 contract that would be approved by the Commission, rather than a "Standard" tariff.  
22 This same sort of individual customer analysis would also have to be taken into  
23 account in any interconnection agreement, and is likely more efficiently addressed

1           within an individual contract rather than the “Standardized” interconnection  
2           agreement mentioned by DE witness Schroeder. Empire witness Overcast also  
3           mentions CHP and standby rates in his rebuttal testimony.

4   **Q.    DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

5   A.    Yes.

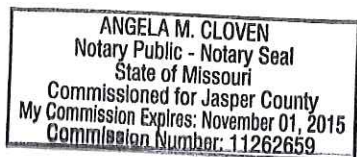
AFFIDAVIT OF W. SCOTT KEITH

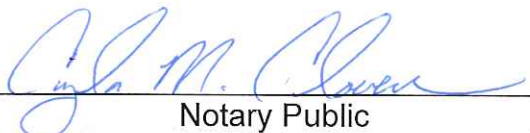
STATE OF MISSOURI )  
                                  ) ss  
COUNTY OF JASPER )

On the 6th day of March 2015, before me appeared W. Scott Keith, to me personally known, who, being by me first duly sworn, states that he is the Director of Planning and Regulatory of The Empire District Electric Company and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_  
W. Scott Keith

Subscribed and sworn to before me this 6th day of March, 2015.



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

My commission expires: 11/01/2015.