

Exhibit No.:  
Issue: Fuel Adjustment  
Witness: W. Scott Keith  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: Empire District Electric  
Case No. ER-2010-0130  
Date Testimony Prepared: April 2010

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

**Surrebuttal Testimony**

**of**

**W. Scott Keith**

**April 2010**

SURREBUTTAL TESTIMONY  
OF  
W. SCOTT KEITH  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. ER-2010-0130

1 **INTRODUCTION**

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

3 A. My name is W. Scott Keith and my business address is 602 Joplin Street, Joplin,  
4 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. Prior to joining Empire, from 1995 to July 2005, I  
10 was Director of Electric Regulatory Matters in Kansas and Colorado for Aquila,  
11 Inc.

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

16 A. Yes.

17 **PURPOSE**

18 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

1 A. My surrebuttal testimony will respond to the rebuttal testimony filed by the  
2 Missouri Public Service Commission Staff (“Staff”) witness Matthew J. Barnes  
3 concerning Empire’s Fuel Adjustment Clause (“FAC”), specifically, Staff’s  
4 proposal to establish a new base cost in Empire’s FAC.

5 **FUEL ADJUSTMENT MECHANISM**

6 **Q. HAVE YOU REVIEWED THE FAC POSITIONS TAKEN BY THE STAFF**  
7 **IN THIS CASE?**

8 A. Yes. As I stated in my rebuttal testimony, I reviewed pages 62 and pages 98  
9 through 105 of the Staff Report as well as Staff’s accounting schedules to  
10 determine how the various adjustments to fuel and energy costs, off-systems sales,  
11 and Renewable Energy Credit (“REC”) revenue have been handled. I also  
12 reviewed an example of the wording changes that Staff is recommending be made  
13 to Empire’s existing FAC tariff. In addition, I reviewed what the Staff has  
14 indicated are additional FAC filing requirements, at page 105 of the Staff Report,  
15 and Staff witness Barnes’s rebuttal testimony.

16 **Q. DOES STAFF WITNESS BARNES’ FAC REBUTTAL TESTIMONY**  
17 **ADDRESS THE CONCERNS THAT YOU RAISED IN YOUR REBUTTAL**  
18 **TESTIMONY REGARDING THE STAFF’S FAC PROPOSALS?**

19 A. Not in numeric terms. Mr. Barnes acknowledged in his rebuttal testimony that  
20 Staff’s current FAC base recommendation does not include the impact of the new  
21 generating units or the recovery of Air Quality Control System (“AQCS”)  
22 consumables, but Staff has not refined its FAC base proposal to include these  
23 factors.

1 **Q. WHAT DOES THIS MEAN?**

2 A. It means that the proposed Staff FAC base displayed at page 4 of Staff witness  
3 Barnes' rebuttal cannot be used as the basis of a new FAC base.

4 **Q. PLEASE EXPLAIN.**

5 A. Staff witness Barnes' rebuttal confirmed that the Staff's proposed FAC base does  
6 not include the impact of the changes in Empire's supply resources (Jeffrey Energy  
7 Center, Plum Point and Iatan 2) that will occur during the next year, a period of  
8 time when the rates set in this rate case will be in effect. In addition, beginning at  
9 page 8 of his rebuttal testimony, Mr. Barnes acknowledges that Staff's proposed  
10 FAC base will have to be revised to not only include the impact of the change in  
11 supply resources, but also the impact on the FAC base of including the recovery of  
12 AQCS consumables in the FAC. This makes the Staff's proposed FAC base, which  
13 is displayed at page 4 of witness Barnes' rebuttal testimony, inappropriate. Finally,  
14 Staff's proposed FAC base does not reflect Staff's proposal to pass on the benefits  
15 of future REC sales made by Empire through the FAC. As I mentioned in my  
16 rebuttal testimony in this case, Empire is not opposed to this treatment of future  
17 REC revenue as long as the FAC base established in this case properly takes this  
18 into account.

19 **Q. DOES STAFF WITNESS BARNES INDICATE THAT STAFF WILL**  
20 **PRODUCE A NEW FUEL RUN?**

21 A. Yes. Beginning at page 8 of his rebuttal testimony, Staff witness Barnes indicates  
22 the Staff will produce a "true-up" fuel run.

23 **Q. SHOULD THE STAFF'S TRUE-UP FUEL RUN AND THE RELATED FAC**

1           **BASE CALCULATION BE MODELED TO TAKE INTO ACCOUNT THE**  
2           **STAFF'S PROPOSAL TO PASS ON THE BENEFIT OF FUTURE REC**  
3           **SALES THROUGH THE FAC?**

4    A.    Yes.  Otherwise, as the Staff's case is currently put together, there is a double  
5           counting of the benefits associated with Empire's sale of RECs.

6    **Q.    WILL EMPIRE'S FAC TARIFF NEED TO BE REVISED IF REC**  
7           **REVENUE AND AQCS CONSUMABLES ARE FLOWED THROUGH THE**  
8           **FAC?**

9    A.    Yes and Staff has not produced for review by Empire a revised FAC tariff that  
10           includes all of Staff's proposals.

11   **Q.    DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

12   A.    Yes.

