

Exhibit No.:
Issues: FAC
Witness: Lena M. Mantle
Sponsoring Party: MO PSC Staff
Type of Exhibit: Interim Rebuttal Testimony
Case No.: ER-2012-0345
Date Testimony Prepared: August 20, 2012

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

INTERIM REBUTTAL TESTIMONY

OF

LENA M. MANTLE

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2012-0345

**Jefferson City, Missouri
August 2012**

****Denotes Highly Confidential Information****

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District)
Electric Company of Joplin, Missouri)
Tariffs Increasing Rates for Electric)
Service Provided to Customers in the)
Missouri Service Area of the Company)

File No. ER-2012-0345

AFFIDAVIT OF LENA M. MANTLE

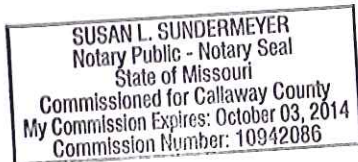
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Lena M. Mantle, of lawful age, on her oath states: that she has participated in the preparation of the following Interim Rebuttal Testimony in question and answer form, consisting of 6 pages of Interim Rebuttal Testimony to be presented in the above case, that the answers in the following Interim Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.



Lena M. Mantle

Subscribed and sworn to before me this 20th day of August, 2012.





Notary Public

1 assumed base energy cost and, in the four months of March 2012 through June 2012,
2 Empire's actual fuel and purchased power costs ** _____

3 _____ **¹ I also point out that in two other cases, Case Nos. ER-2012-0098 and ER-
4 2012-0326, respectively, Empire, through its witness Todd W. Tarter, Manager of Strategic
5 Planning at Empire, did not attribute the tornado to be primary driver to the changes in its
6 actual fuel and purchased power costs for the accumulation periods March 1, 2011 through
7 August 31, 2011, and September 1, 2011, through February 29, 2012, instead he primarily
8 attributes the changes to other factors.

9 I quantify that because of how Empire's FAC operates, Empire has recovered all but
10 0.47% of its fuel costs for March 1, 2011 through August 31, 2011.² In addition, I provide the
11 amount that Empire billed, through retail rates, for fuel and purchased power costs in the FAC
12 accumulation period of September 1, 2011 through February 29, 2012 than it actually
13 incurred. Empire will be returning this excess revenue through its November 2012 billing
14 month.

15 Q. How does Empire's FAC operate?

16 A. Empire's FAC,³ like the FACs of Union Electric Company d/b/a Ameren
17 Missouri and KCP&L Greater Missouri Operations Company, incorporates a base amount of
18 fuel and purchased power cost in the revenue requirement that its general retail rates are
19 designed to collect. Actual fuel and purchased power costs for each six-month accumulation
20 period—September through February and March through August—are compared to the base

¹ This information was provided to Staff from Empire in compliance with 4 CSR 240-3.161(5), the monthly filing requirements for electric utilities with rate adjustment mechanisms.

² Empire's FAC allows it to retain 5% of cost savings, or 5% of cost overages, as the actual cost compares to the costs built into base rates. In this instance, pursuant to its FAC, Empire has absorbed approximately 0.47% of its total incurred fuel costs in the accumulation period from March 2011 – September 2011.

³ The Commission first granted Empire a FAC in Case No. ER-2008-0093. Tariff sheets implementing the FAC became effective September 1, 2008.

1 energy cost collected through general retail rates.⁴ If the actual costs are greater than the base
2 energy cost, Empire is allowed to bill, through its FAC, 95% of the difference between the
3 actual costs and the base energy cost. If Empire's actual fuel and purchased power costs are
4 less than the base energy cost, then Empire is required to return, through its FAC, 95% of the
5 difference between the actual costs and the base energy cost.

6 The difference is billed or returned to the customers, on a dollar per kWh rate, over a
7 six-month recovery period, either the June through November⁵ or the December through May⁶
8 billing months, subject to true-up and prudence reviews.

9 Q. How did Empire's actual fuel and purchased power costs compare to the base
10 energy cost after May 22, 2011?

11 A. Empire's actual fuel and purchased power costs were higher than its base
12 energy cost for the accumulation period of March 1, 2011 through August 31, 2011.
13 However, the base energy cost for Empire was greater than the fuel and purchased power
14 costs actually incurred for its September 1, 2011 through February 29, 2012 accumulation
15 period.

16 Q. Were the fuel and purchased costs Empire actually incurred for March 1, 2011
17 through August 31, 2011 higher than the base costs that was included in its general retail rates
18 because of the May 22, 2011 tornado?

19 A. No. As Empire's own witness Todd W. Tarter, Manager of Strategic Planning
20 at Empire, testified when Empire filed to change its Cost Adjustment Factor ("CAF") to
21 reflect its under-collection on its customers' bills, the tornado was not the reason for the

⁴ Base energy cost is calculated as the accumulation period actual energy generated plus the net of purchased power and off-system sales multiplied by for the base factor in Empire's FAC tariff sheets.

⁵ For September through February accumulation periods

⁶ For March through August Accumulation periods

1 difference. In the case Empire filed to change its CAF for the period March 1, 2011 through
2 August 31, 2011, Case No. ER-2012-0098, Empire Witness Todd W. Tarter, provided the
3 following description of why the fuel costs were higher:

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28
29 Q. Has Empire already recovered these increased costs?

30 A. It has already billed them, subject to later true-up and prudence review.⁷

31 Q. Why were the fuel and purchased costs incurred September 1, 2011 through
32 February 29, 2012 lower than the fuel and purchased power cost included in its general retail
33 rates?

⁷ The FAC recovery period over which Empire billed to recover these costs ended with the May billing month. Empire has not yet filed the true-up amount for this recovery period but Staff expects that the true-up amount will be positive because customer usage in December through May billing months was lower than estimated due to the mild winter. The true-up amount will be filed the next time Empire files to change its CAF.

1 A. In the case to change the CAF for actual fuel and purchased power costs
2 incurred September 1, 2011 through February 29, 2012, Case No. ER-2012-0326, Empire
3 Witness Todd W. Tarter, provided the following description of why fuel and purchased power
4 costs were lower:

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19
20 Q. What was the difference between the actual fuel and purchased power costs
21 and the base energy cost?

22 A. Empire’s total system actual fuel and purchased power costs incurred
23 September 1, 2011 through February 29, 2012 was \$65.8 million and the amount billed in
24 retail rates, the base energy cost, was \$70.4 million. The Missouri jurisdictional amount of
25 over-collection was \$3.8 million of which 95% (\$3.6 million) is being flowed back to
26 Empire’s Missouri retail customers. Because of the 95%/5% incentive mechanism of
27 Empire’s FAC, Empire retained \$0.2 million of the cost savings. Empire began crediting the
28 \$3.6 million to its Missouri retail customers’ bills in the June 2012 billing month and will
29 continue to do so through November 2012 billing month.

30 Q. Would you summarize why this is important for the Commission to consider in
31 P determining whether or not to grant Empire the interim rate increase it has requested?

1 A. Empire's FAC allowed Empire to recover 99.42% of its fuel and purchased
2 power costs for the accumulation period ending August 31, 2011, subject to true-up. The
3 FAC also allowed Empire the benefit of revenues above its actual cost of fuel and purchased
4 power that Empire will not completely return until to its customers until the end of its
5 November 2012 billing month.

6 Q. Does Staff have information regarding how Empire's fuel and purchased
7 power costs compare to base energy costs for the months after February 2012?

8 A. Yes it does. According to Empire's monthly FAC compliance filings base
9 energy costs have been ** _____

10 _____ ** for the months of March 2012 through June 2012.

11 Q. What other Staff witness are providing rebuttal testimony on Empire's interim
12 rate request?

13 A. The following witnesses are providing rebuttal testimony:

- 14 • Mark Oligschlaeger – Overview, Revenues, Policy
- 15 • Shawn Lange – Empire's Customer Numbers, Weather, and Rate Revenues
- 16 • Shana Atkinson – Empire's Financial Condition

17 Q. Does this conclude your interim rebuttal testimony?

18 A. Yes, it does.

Education and Work Experience Background for
Lena M. Mantle, P.E.

Energy Unit Manager
Tariff, Safety, Economic and Engineering Analysis Department
Regulatory Review Division

I received a Bachelor of Science Degree in Industrial Engineering from the University of Missouri, at Columbia, in May, 1983. I joined the Research and Planning Department of the Missouri Public Service Commission in August, 1983. I became the Supervisor of the Engineering Analysis Section of the Energy Department in August, 2001. In July, 2005, I was named the Manager of the Energy Department. The Energy Department was renamed the Energy Unit in August, 2011. I am a registered Professional Engineer in the State of Missouri.

In my work at the Commission from May 1983 through August 2001 I worked in many areas of electric utility regulation. Initially I worked on electric utility class cost-of-service analysis. As a member of the Research and Planning Department, I participated in the development of a leading-edge methodology for weather normalizing hourly class energy for rate design cases. I applied this methodology to weather normalize energy in numerous rate increase cases.

My responsibilities as the Supervisor of the Engineering Analysis section considerably broadened my work scope. This section of the Commission Staff is responsible for a wide variety of engineering analysis including electric utility fuel and purchased power expense estimation for rate cases, generation plant construction audits, review of territorial agreements, and resolution of customer complaints. As the Manager of the Energy Unit, I oversee the activities of the Engineering Analysis section, the electric and natural gas utility tariff filings, the Commission's natural gas safety staff, fuel adjustment clause filings, resource planning compliance review and the class cost-of-service and rate design for natural gas and electric utilities.

In my work at the Commission I have participated in the development or revision of the following Commission rules:

- 4 CSR 240-3.130 Filing Requirements and Schedule of Fees for Applications for Approval of Electric Service Territorial Agreements and Petitions for Designation of Electric Service Areas
- 4 CSR 240-3.135 Filing Requirements and Schedule of Fees Applicable to Applications for Post-Annexation Assignment of Exclusive Service Territories and Determination of Compensation
- 4 CSR 240-3.161 Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements
- 4 CSR 240-3.162 Electric Utility Environmental Cost Recovery Mechanisms Filing and Submission Requirements
- 4 CSR 240-3.190 Reporting Requirements for Electric Utilities and Rural Electric Cooperatives
- 4 CSR 240-14 Utility Promotional Practices
- 4 CSR 240-18 Safety Standards
- 4 CSR 240-20.015 Affiliate Transactions
- 4 CSR 240-20.090 Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms
- 4 CSR 240-20.091 Electric Utility Environmental Cost Recovery Mechanisms
- 4 CSR 240-22 Electric Utility Resource Planning

I have testified before the Commission in the following cases:

<u>CASE NUMBER</u>	<u>TYPE OF FILING</u>	<u>ISSUE</u>
ER-84-105	Direct	Demand-Side Update
ER-85-128, et. al	Direct	Demand-Side Update
EO-90-101	Direct, Rebuttal & Surrebuttal	Weather Normalization of Sales; Normalization of Net System
ER-90-138	Direct	Normalization of Net System

EO-90-251	Rebuttal	Promotional Practice Variance
EO-91-74, et. al.	Direct	Weather Normalization of Class Sales; Normalization of Net System
ER-93-37	Direct	Weather Normalization of Class Sales; Normalization of Net System
ER-94-163	Direct	Normalization of Net System
ER-94-174	Direct	Weather Normalization of Class Sales; Normalization of Net System
EO-94-199	Direct	Normalization of Net System
ET-95-209	Rebuttal & Surrebuttal	New Construction Pilot Program
ER-95-279	Direct	Normalization of Net System
ER-97-81	Direct	Weather Normalization of Class Sales; Normalization of Net System; TES Tariff
EO-97-144	Direct	Weather Normalization of Class Sales; Normalization of Net System;
ER-97-394, et. al.	Direct, Rebuttal & Surrebuttal	Weather Normalization of Class Sales; Normalization of Net System; Energy Audit Tariff
EM-97-575	Direct	Normalization of Net System
EM-2000-292	Direct	Normalization of Net System; Load Research;
ER-2001-299	Direct	Weather Normalization of Class Sales; Normalization of Net System;
EM-2000-369	Direct	Load Research
ER-2001-672	Direct & Rebuttal	Weather Normalization of Class Sales; Normalization of Net System;
ER-2002-1	Direct & Rebuttal	Weather Normalization of Class Sales; Normalization of Net System;
ER-2002-424	Direct	Derivation of Normal Weather
EF-2003-465	Rebuttal	Resource Planning
ER-2004-0570	Direct	Reliability Indices

ER-2004-0570	Rebuttal & Surrebuttal	Energy Efficiency Programs and Wind Research Program
EO-2005-0263	Spontaneous	DSM Programs; Integrated Resource Planning
EO-2005-0329	Spontaneous	DSM Programs; Integrated Resource Planning
ER-2005-0436	Direct	Resource Planning
ER-2005-0436	Rebuttal	Low-Income Weatherization; Energy Efficiency Programs
ER-2005-0436	Surrebuttal	Low-Income Weatherization; Energy Efficiency Programs; Resource Planning
EA-2006-0309	Rebuttal, Surrebuttal	Resource Planning
EA-2006-0314	Rebuttal	Jurisdictional Allocation Factor
ER-2006-0315	Supplemental Direct	Energy Forecast
ER-2006-0315	Rebuttal	DSM; Low-Income Programs
ER-2007-0002	Direct	DSM Cost Recovery
GR-2007-0003	Direct	DSM Cost Recovery
ER-2007-0004	Direct	Resource Planning
ER-2008-0093	Rebuttal	Fuel Adjustment Clause, Low-Income Program
ER-2008-0318	Surrebuttal	Fuel Adjustment Clause
ER-2009-0090	Surrebuttal	Capacity Requirements
ER-2010-0036	Supplemental Direct, Surrebuttal	Fuel Adjustment Clause
EO-2010-0255	Direct/Rebuttal	Fuel Adjustment Clause Prudence
ER-2010-0356	Rebuttal, Surrebuttal	Resource Planning Issues
ER-2011-0028	Rebuttal, Surrebuttal	Fuel Adjustment Clause
EU-2011-0027	Rebuttal	Fuel Adjustment Clause
EO-2011-0390	Rebuttal	Resource Planning; Fuel Adjustment Clause Prudence
EO-2012-0074	Direct/Rebuttal	Fuel Adjustment Clause Prudence

Contributed to Staff Direct Testimony Report

ER-2007-0291	DSM Cost recovery
ER-2008-0093	Fuel Adjustment Clause, Experimental Low-Income Program
ER-2008-0318	Fuel Adjustment Clause
ER-2009-0090	Fuel Adjustment Clause, Capacity Requirements
HR-2009-0092	Fuel Adjustment Rider
ER-2010-0036	Environmental Cost Recovery Mechanism
ER-2010-0356	Resource Planning Issues
ER-2011-0028	Fuel Adjustment Clause
ER-2012-0166	Fuel Adjustment Clause
ER-2012-0175	Capacity Allocation