

Exhibit No.:
Issue: Pension and OPEB Expenses
Witness: Jeffery P. Lee
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District Electric
Case No.: ER-2012-0345
Date Testimony Prepared: July 2012

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

Direct Testimony

of

Jeffery P. Lee

July 2012



DIRECT TESTIMONY
OF
JEFFERY P. LEE
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2012-0345

1 **INTRODUCTION**

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

3 A. My name is Jeffery P. Lee. My business address is 602 S. Joplin Avenue, Joplin,
4 Missouri, 64801.

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

6 A. I am an Accounting Analyst for The Empire District Electric Company (“Empire” or
7 “Company”).

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
9 **BACKGROUND.**

10 A. I received a Bachelor of Business Administration degree in management from
11 Pittsburg State University, Pittsburg, Kansas, in 2002 and a Masters of Business
12 Administration degree from Pittsburg State University, Pittsburg, Kansas, in 2007. I
13 was employed as a staff auditor with BKD, LLP from 2007 until late 2008 when I
14 joined Empire. I am a Certified Public Accountant (“CPA”).

15 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

16 A. I will support the Company’s request for the amount of Pension and Other Post-
17 Retirement Welfare (“OPEB”) costs to be included in revenue requirement in this
18 case before the Missouri Public Service Commission (“Commission”).

1 **PENSION AND OPEB EXPENSES**

2 **Q. WHAT AMOUNT OF PENSION EXPENSE IS EMPIRE REQUESTING IN**
3 **THIS CASE?**

4 A. Empire is requesting total annual Missouri pension expense of \$7,716,409, which
5 represents an increase of \$278,864 to the test year. This total includes actuarially
6 determined expense of \$7,025,268 and five-year tracker amortization of \$691,141.

7 **Q. WHAT AMOUNT OF OPEB EXPENSE IS EMPIRE REQUESTING AS PART**
8 **OF THIS CASE?**

9 A. Empire is requesting total Missouri OPEB expense of \$1,795,821, which represents a
10 decrease of \$347,720 to the test year. This total includes actuarially determined
11 expense of \$2,048,868 and negative five-year tracker amortization of (\$253,048).

12 **Q. ARE THESE THE FINAL EXPENSES FOR BOTH PENSION (“FAS 87”)**
13 **AND OPEB (“FAS 106”) COSTS FOR 2012?**

14 A. No. The 2012 actuarial valuation of the plans, which provides the cost, is not yet
15 complete. These amounts represent the actuary’s estimate of the final amounts.

16 **Q. WILL UPDATED EXPENSE AMOUNTS BE AVAILABLE FOR A**
17 **DECEMBER 31, 2012 TRUE-UP IN THIS CASE?**

18 A. Yes. The final 2012 annual expense will be known once the actuarial valuation is
19 completed, which typically occurs in the third quarter of the year. Additionally, by
20 December 31, 2012, an actuarial estimate of the 2013 expenses will be available.


21 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

22 A. Yes, it does.

AFFIDAVIT OF JEFFERY P. LEE

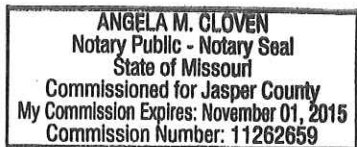
STATE OF MISSOURI)
) ss
COUNTY OF JASPER)


On the 2nd day of July, 2012, before me appeared Jeffery P. Lee, to me personally known, who, being by me first duly sworn, states that he an Accounting Analyst 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.



Jeffery P. Lee

Subscribed and sworn to before me this 2nd day of July, 2012.





Notary Public

My commission expires 11/01/2015