

Exhibit No.:
Issue: Various
Witness: Greg R. Meyer
Type of Exhibit: Supplemental Surrebuttal Testimony
Sponsoring Party: Missouri Energy Consumers Group
Case No.: ER-2019-0374
Date Testimony Prepared: April 17, 2020

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

_____)
In the Matter of the Empire District)
Electric Company of Joplin, Missouri)
for Authority to File Tariffs Increasing) **Case No. ER-2019-0374**
Rates for Electric Service Provided to)
Customers in the Missouri Service Area)
of the Company.)
_____)

Supplemental Surrebuttal Testimony of

Greg R. Meyer

On behalf of

Midwest Energy Consumers Group

April 17, 2020



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OF THE STATE OF MISSOURI**

In the Matter of The Empire District)
Electric Company of Joplin, Missouri)
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Case No. ER-2019-0374

STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS)

SS

Affidavit of Greg R. Meyer

Greg R. Meyer, being first duly sworn, on his oath states:

1. My name is Greg R. Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by Midwest Energy Consumers Group in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes is my supplemental surrebuttal testimony which was prepared in written form for introduction into evidence in the Missouri Public Service Commission, Case No. ER-2019-0374.

3. Under penalty of perjury, I declare that the foregoing is true and correct to the best of my knowledge and belief.



Greg R. Meyer

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Supplemental Surrebuttal Testimony of Greg R. Meyer

- 1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**
- 2 A Greg R. Meyer. My business address is 16690 Swingley Ridge Road,
- 3 Suite 140, Chesterfield, MO 63017.
- 4 **Q WHAT IS YOUR OCCUPATION?**
- 5 A I am a consultant in the field of public utility regulation and a Principal of
- 6 Brubaker & Associates, Inc., energy, economic and regulatory consultants.
- 7 **Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
- 8 **EXPERIENCE.**
- 9 A This information is included in Appendix A to my testimony.
- 10 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**
- 11 A I am appearing on behalf of Midwest Energy Consumers Group (“MECG”).

1 **Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A My testimony will address the ratemaking treatment provided for certain costs
3 that were previously categorized by Empire as an Asset Retirement
4 Obligation. Furthermore, I will provide certain evidence to show, contrary to
5 the testimony of OPC Witness Geoff Marke, that the Covid-19 pandemic is
6 affecting all types of customers of Empire.

7

8 **Q PLEASE DISCUSS THE ISSUE THAT WAS PREVIOUSLY REFERRED TO**
9 **BY EMPIRE AS AN ASSET RETIREMENT OBLIGATION.**

10 A In Empire direct filed case, it included approximately \$9.2 million in rate base
11 with an Asset Retirement Obligation (“ARO”) designation.

12

13 **Q WHAT IS AN ARO?**

14 A ARO is a financial requirement to record currently the costs associated with
15 the future retirement / remediation of a long lived asset. Therefore the utility is
16 required to book for financial purposes the current costs to retire a long lived
17 asset at a date in the future. These costs are then collected over the useful life
18 of the asset.

19

20 **Q HAS THE COMMISSION ALLOWED ARO COSTS TO BE INCLUDED IN**
21 **CUSTOMERS RATES?**

22 A No, these costs have typically been excluded from customer rates.

23

1 **Q. IN EMPIRE'S CURRENT RATE CASE, DID THE STAFF ALLOW**
2 **RECOVERY OF THESE ARO COSTS**

3 A. No these costs were excluded from the Staff's cost of service.
4
5

6 **Q. DURING THE NEGOTIATIONS OF THIS CASE, WAS MORE**
7 **INFORMATION PROVIDED REGARDING THESE CLAIMED ARO COSTS?**

8 A. Yes during the negotiation of this rate case it was discovered that the \$9.2
9 million of claimed ARO costs were already incurred by Empire to address an
10 environmental issue (asbestos removal) at Asbury and to address the
11 operation of certain ash ponds at latan, Asbury and Riverton generating units.
12

13 **Q. BECAUSE THE COSTS WERE ALREADY INCURRED, DID THE PARTIES**
14 **BELIEVE THE COSTS WERE PROPERLY LABELED ARO COSTS?**

15 A. No since the costs were already incurred, the parties questioned whether the
16 costs truly qualified as ARO costs, since they were not estimates of future cost
17 obligations.

18 **Q. WAS A SOLUTION REACHED IN ADDRESSING THE INCURRED COSTS?**
19
20

21 A. Yes it was determined that the costs for removal of asbestos at Asbury should
22 be treated as cost of removal and charged against the Asbury accumulated
23 depreciation reserve. It was also decided that similar treatment should be
24 afforded the costs for working on the latan and Asbury ash ponds. For the
25 Riverton ash pond which has already been retired, the costs were captured in
26 a regulatory asset to be amortized in the next rate case.

1 **Q. DO YOU BELIEVE THAT THE TREATMENT REFLECTED IN THE NON-**
2 **UNANIMOUS STIPULATION IS REASONABLE?**

3 A. Yes, the settlement allows for these costs to be booked to a regulatory asset
4 and specifies particular rate treatment in Empire's next rate case.

5
6
7 **Q. PLEASE SUMMARIZE YOUR POSITION ON THIS ISSUE?**

8
9 A. In its direct case filing, Empire sought rate base treatment for ARO costs. The
10 Staff did not reflect recovery of those costs in its cost of service consistent with
11 prior rate case Staff positions. During case negotiations it was discovered that
12 these costs may not be actual ARO costs since they had already been
13 incurred. A resolution was reached with the parties on how to treat these
14 incurred costs in Empire's cost of service. Therefore, the rate impact does not
15 change from what Empire requested in its direct case, but the classification of
16 these costs as being ARO is no longer applicable.

17
18 **Q PLEASE PROVIDE YOUR COMMENTS IN RESPONSE TO THE**
19 **SURREBUTTAL TESTIMONY OF OPC WITNESS MARKE?**

20 A In his surrebuttal testimony, Mr. Marke dramatically changes his position, as
21 expressed in his rebuttal testimony where he aligned his position with that of
22 the Staff on class cost of service / revenue allocation. In his surrebuttal
23 testimony, Mr. Marke asserts that any rate reduction in this case should be
24 assigned solely to the residential class, despite the fact that all class cost of
25 service studies show that the residential class rates are currently being

1 subsidized by commercial and industrial customers. Mr. Marke claims that
2 residential customers should receive an even greater subsidy in its rates
3 because the Covid-19 pandemic is disproportionately impacting residential
4 customers versus its impact on commercial and industrial customers.

5
6 **Q DO YOU AGREE WITH MR. MARKE?**

7 A No. It is unquestioned that the current pandemic is having an effect on all
8 aspects of the Empire customer base. As a result of various state and local
9 lockdown orders, many commercial and industrial customers have had to
10 close their doors. Still others, are suffering from an inability to obtain
11 necessary raw materials required in their manufacturing process. Others, like
12 petroleum pipelines, are suffering from a tremendous decline in customer
13 demand. Clearly then, commercial and industrial customers are suffering from
14 the effects of the Covid-19 pandemic.

15
16 **Q CAN YOU PROVIDE EMPIRICAL EVIDENCE OF THE IMPACT OF THE
17 PANDEMIC ON COMMERCIAL / INDUSTRIAL CUSTOMERS?**

18 A The Dow Jones average closed approximately 11,000 points down from its 52
19 week high on March 23, 2020. Today the Dow Jones average remains
20 significantly below its 52 week high. The US government has stepped in with
21 the largest stimulus relief package in history. How the stimulus package
22 affects all sectors of the economy cannot be determined at this point in time.
23 Simply stated COVID-19 is drastically affecting everyone and until an analysis

1 can be performed that measures the stimulus benefits provided to all sectors
2 of the economy, it is premature to declare who will be hardest hit. One of the
3 most important factors in the analysis will be how long the economy must
4 remain in a “closed for business” atmosphere.

5 **Q DOES THIS CONCLUDE YOUR SUPPLEMENTAL SURREBUTTAL**
6 **TESTIMONY?**

7 A Yes, it does.

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1 **Qualifications of Greg R. Meyer**

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

3 A Greg R. Meyer. My business address is 16690 Swingley Ridge Road,
4 Suite 140, Chesterfield, MO 63017.

5 **Q PLEASE STATE YOUR OCCUPATION.**

6 A I am a consultant in the field of public utility regulation and a Principal with the firm of
7 Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

8 **Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
9 **EXPERIENCE.**

10 A I graduated from the University of Missouri in 1979 with a Bachelor of Science Degree
11 in Business Administration, with a major in Accounting. Subsequent to graduation I
12 was employed by the Missouri Public Service Commission. I was employed with the
13 Commission from July 1, 1979 until May 31, 2008.

14 I began my employment at the Missouri Public Service Commission as a
15 Junior Auditor. During my employment at the Commission, I was promoted to higher
16 auditing classifications. My final position at the Commission was an Auditor V, which I
17 held for approximately ten years.

18 As an Auditor V, I conducted audits and examinations of the accounts, books,
19 records and reports of jurisdictional utilities. I also aided in the planning of audits and
20 investigations, including staffing decisions, and in the development of staff positions in
21 which the Auditing Department was assigned. I served as Lead Auditor and/or Case
22 Supervisor as assigned. I assisted in the technical training of other auditors, which
23 included the preparation of auditors' workpapers, oral and written testimony.

1 During my career at the Missouri Public Service Commission, I presented
2 testimony in numerous electric, gas, telephone and water and sewer rate cases. In
3 addition, I was involved in cases regarding service territory transfers. In the context of
4 those cases listed above, I presented testimony on all conventional ratemaking
5 principles related to a utility's revenue requirement. During the last three years of my
6 employment with the Commission, I was involved in developing transmission policy
7 for the Southwest Power Pool as a member of the Cost Allocation Working Group.

8 In June of 2008, I joined the firm of Brubaker & Associates, Inc. as a
9 Consultant. Since joining the firm, I have presented testimony and/or testified in the
10 state jurisdictions of Florida, Idaho, Illinois, Indiana, Maryland, Missouri and
11 Washington. I have also appeared and presented testimony in Alberta and Nova
12 Scotia, Canada. These cases involved addressing conventional ratemaking
13 principles focusing on the utility's revenue requirement. The firm Brubaker &
14 Associates, Inc. provides consulting services in the field of energy procurement and
15 public utility regulation to many clients including industrial and institutional customers,
16 some utilities and, on occasion, state regulatory agencies.

17 More specifically, we provide analysis of energy procurement options based
18 on consideration of prices and reliability as related to the needs of the client; prepare
19 rate, feasibility, economic, and cost of service studies relating to energy and utility
20 services; prepare depreciation and feasibility studies relating to utility service; assist
21 in contract negotiations for utility services, and provide technical support to legislative
22 activities.

23 In addition to our main office in St. Louis, the firm has branch offices in
24 Phoenix, Arizona and Corpus Christi, Texas.