

Exhibit No.
Issue: Remediation Expense
Witness: Sam McGarrah
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Sponsoring Party: Empire District Electric
Case No. ER-2011-0004
Date Testimony Prepared: April 2011

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

**Rebuttal Testimony
of
Sam McGarrah**

April 2011

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OF
SAM MCGARRAH
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2011-0004

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REBUTTAL TESTIMONY
OF
SAM MCGARRAH
THE EMPIRE DISTRICT ELECTRIC COMPANY
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MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2011-0004

1 **INTRODUCTION**

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

3 A. My name is Sam McGarrah 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 employed by The Empire District Electric Company (“Empire” or
8 “Company”), as Director of Commercial Operation – Western Division.

9 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.**

10 A. I hold a Masters of Science Degree in Electrical Engineering from the University of
11 Arkansas.

12 **Q. PLEASE DESCRIBE YOUR EMPLOYMENT BACKGROUND WITH**
13 **EMPIRE.**

14 A. I joined the staff at Empire in June 1994 as a Distribution Engineer. I later served
15 as Planning Engineer, Manager of System Planning and Protection and Director of
16 Engineering and Line Services. My employment with Empire has been continuous
17 since 1994 except for a brief employment with TAMKO Roofing from January
18 2000 to April 2001.

19

1 **PURPOSE**

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

3 A. My rebuttal testimony will discuss an issue that has been raised by the Missouri
4 Public Service Commission Staff (“Commission” or “Staff”) in their direct filings
5 in this rate case. Specifically, I will address how Staff has handled the cost of
6 Empire’s compliance with the Commission’s Infrastructure Standards Rule
7 remediation expenses 4 CSR 240-23.020 which became effective in 2008.

8 **INFRASTRUCTURE MANAGEMENT COSTS**

9 **Q. HAS EMPIRE INCURRED REMEDIATION COSTS TO COMPLY WITH**
10 **THE COMMISSION’S RULE ON INFRASTRUCTURE MANAGEMENT?**

11 A. Yes.

12 **Q. DOES THE STAFF AGREE?**

13 A. Yes, at pages 73 and 74 of the Staff Report, Staff confirmed Empire’s claim that
14 the Commission’s mandated inspection requirements have resulted in an increased
15 level of ongoing repair costs.

16 **Q. HAS THE STAFF PROPOSED AN ADJUSTMENT TO ADDRESS**
17 **REMEDATION EXPENSES?**

18 A. Yes. The Staff proposed an adjustment of \$154, 824, for remediation expenses.

19 **Q. DO YOU AGREE WITH THE STAFF ADJUSTMENT?**

20 A. No.

21 **Q. WHY NOT?**

22 A. Staff’s adjustment of \$152,824 does not account for a full year of remediation
23 expenses associated with the repairs brought about by the Commission’s inspection

1 rule requirements.

2 **Q. WHY HAS THERE NOT BEEN A FULL YEAR OF EXPENSES?**

3 A. The Commission's infrastructure inspection rule requires a substantial amount of
4 documentation for both the inspection and remediation. Empire has a contractor
5 (Osmose) perform the inspections. The information collected by Osmose must be
6 electronically sent to Empire's work management system. Since this process was
7 developed by Empire, Osmose, and the work management software consultant, it
8 required a significant amount of time to establish the appropriate information to be
9 transferred and the format of the data. Much of the test year was required to
10 implement a remediation process that would maintain the appropriate
11 documentation as well as provide for an efficient method to perform repairs. The
12 remediation process consisted of developing a viable process, loading the work
13 management software, and training personnel. Since our personnel are not familiar
14 with the work management software, they required training on the software as well
15 as the process. As a result, only a small amount of remediation work was
16 performed prior to August 2010.

17 **Q. IF THE REMEDIATION EXPENSE WERE ANNUALIZED, WHAT**
18 **EXPENSE LEVEL WOULD EMPIRE EXPECT?**

19 A. Since August 2010, Empire has incurred non-labor expenses associated with these
20 repairs equivalent to \$800,036 on an annual basis.

21 **Q. HOW DO YOU RECOMMEND THAT THE REMEDIATION COSTS**
22 **ASSOCIATED WITH THE FORMAL INFRASTRUCTURE INSPECTON**
23 **PROGRAM BE HANDLED IN THIS CASE?**

SAM MCGARRAH
REBUTTAL TESTIMONY

1 A. Empire's annual infrastructure remediation costs should be established at \$800,000
2 in order to capture a full year of the impact of the Commission's new infrastructure
3 rule.

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

5 A. Yes, it does.

