

*Exhibit No.:*  
*Issue(s):* *Financing Issues*  
*Witness:* *Amanda C. McMellen*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Surrebuttal Testimony*  
*Case No(s):* *EO-2022-0040/  
EO-2022-0193*  
*Date Testimony Prepared:* *May 27, 2022*

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL AND BUSINESS ANALYSIS DIVISION**

**AUDITING DEPARTMENT**

**SURREBUTTAL TESTIMONY**

**OF**

**AMANDA C. McMELLEN**

**THE EMPIRE DISTRICT ELECTRIC COMPANY,  
d/b/a Liberty**

**CASE NOS. EO-2022-0040/EO-2022-0193**

*Jefferson City, Missouri  
May 2022*

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**EXECUTIVE SUMMARY .....1**

**COAL INVENTORY .....1**

**LABOR EXPENSE.....3**



1           A.     OPC witness Mr. Riley's position in his rebuttal testimony is that Liberty is not  
2 including the proper amounts for the coal inventory in the Asbury AAO. He believes that the  
3 proper balance for coal inventory is \$3,947,465 and that balance should be a reduction to the  
4 AAO balance<sup>1</sup>.

5           Q.     Does Staff agree with Mr. Riley?

6           A.     No. In Staff's opinion, Liberty used the proper amount of \$1,532,832 to offset  
7 the \$3,947,465 which is part of the Asbury regulatory liability.

8           Q.     What does \$3,947,465 amount represent?

9           A.     Staff agrees with Mr. Riley that the \$3,947,465 represents the 60 burn days  
10 ordered by the Commission in its *Amended Report and Order* in Case No. ER-2019-0374. This  
11 amount was included in the baseline balance to track in the AAO liability for coal inventory.

12          Q.     Did Liberty include the coal inventory amount of \$3,947,465 in its calculation  
13 of the AAO liability balance?

14          A.     No. Liberty excluded all rate base items from the AAO liability balance  
15 calculation.

16          Q.     Did Staff include the coal inventory amount of \$3,947,465 in its calculation of  
17 the AAO liability balance?

18          A.     Yes. The \$3,947,465 was included in the baseline balance and compared to the  
19 actual monthly balances for coal inventory. The monthly differences were included in the  
20 calculation of the AAO liability.

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<sup>1</sup> John S. Riley rebuttal page 10, line 11 through page 12 line 19.

1 Q. What does the \$1,532,832 amount represent?

2 A. The \$1,532,832 represents the Missouri jurisdictional amount to be included in  
3 the AAO as unrecoverable coal at the Asbury generating unit. In the *Global Unanimous*  
4 *Stipulation and Agreement* in Case No. ER-2020-0311, approved by the Commission on  
5 October 7, 2020, the parties agreed to defer the unrecoverable coal to FERC Account 182.3,  
6 Other Regulatory Assets, for future ratemaking consideration. This amount is being tracked  
7 monthly against the \$3,947,465 coal inventory amount for the AAO.

8 Q. What is unrecoverable coal?

9 A. Unrecoverable coal is coal purchased to support sales, which has become  
10 unusable over time due to its close proximity to the coal basemat of rock and clay.

11 Q. Does Staff believe the unrecoverable coal should be included in the AAO  
12 balance?

13 A. Yes. Staff believes the unrecoverable coal is an investment Liberty made that it  
14 will not recover since the Asbury plant has been retired and should be included as an addition  
15 to the AAO balance.

16 **LABOR EXPENSE**

17 Q. What is OPC's position regarding labor expense to be tracked in the Asbury  
18 regulatory liability?

19 A. OPC witness Mr. Riley's position in his rebuttal testimony is that labor expenses  
20 should be included in the AAO liability<sup>2</sup>.

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<sup>2</sup> John S. Riley rebuttal page 18, line 7-14.

Surrebuttal Testimony of  
Amanda C. McMellen

1 Q. Does Staff agree with Mr. Riley?

2 A. No. In Staff's opinion, the labor expenses that were to be tracked are associated  
3 with Asbury employees that were reassigned to other areas of the Company since the retirement  
4 of Asbury. These employees filled positions elsewhere at Liberty that were needed to provide  
5 safe and adequate service to the ratepayers.

6 Q. Was the labor expense for the reassigned employees included in payroll expense  
7 in the most recent rate case (Case No. ER-2021-0312)?

8 A. Yes.

9 Q. Does this conclude your surrebuttal testimony?

10 A. Yes it does.

