Exhibit No.:Issue(s):Financing IssuesWitness:Amanda C. McMellenSponsoring Party:MoPSC StaffType of Exhibit:Surrebuttal TestimonyCase No(s):EO-2022-0040/EO-2022-0193Date 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

| 1 | TABLE OF CONTENTS OF |
|--------|--|
| 2 | SURREBUTTAL TESTIMONY OF |
| 3 | AMANDA C. McMELLEN |
| 4 5 | THE EMPIRE DISTRICT ELECTRIC COMPANY, d/b/a Liberty |
| 6 | CASE NOS. EO-2022-0040/EO-2022-0193 |
| 7 | EXECUTIVE SUMMARY1 |
| 8 | COAL INVENTORY1 |
| 9 | LABOR EXPENSE |

| 1 | SURREBUTTAL TESTIMONY | |
|--------|--|--|
| 2 | OF | |
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| 6 | CASE NOS. EO-2022-0040/EO-2022-0193 | |
| 7 | Q. Please state your name and business address. | |
| 8 | A. My name is Amanda C. McMellen, P.O. Box 360, Suite 440, Jefferson City, | |
| 9 | MO 65102 | |
| 10 | Q. By whom are you employed and in what capacity? | |
| 11 | A. I am employed by the Missouri Public Service Commission ("Commission") as | |
| 12 | a Utility Regulatory Audit Unit Supervisor. | |
| 13 | Q. Are you the same Amanda C. McMellen who filed rebuttal testimony on | |
| 14 | May 13, 2022, in this case? | |
| 15 | A. Yes, I am. | |
| 16 | EXECUTIVE SUMMARY | |
| 17 | Q. What is the purpose of your surrebuttal testimony? | |
| 18 | A. In this testimony, I will address The Office of the Public Counsel (OPC) witness | |
| 19 | John S. Riley's rebuttal testimony concerning the positions OPC has taken regarding coal | |
| 20 | inventory and labor expense related to the Asbury Accounting Authority Order (AAO) | |
| 21 | regulatory asset and regulatory liability. | |
| 22 | COAL INVENTORY | |
| 23 | Q. What is OPC's position regarding coal inventory included in the Asbury AAO? | |

Surrebuttal Testimony of Amanda C. McMellen

| 1 | А. | 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 ¹ . | | |
| 5 | Q. | Does Staff agree with Mr. Riley? | |
| 6 | А. | 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 | А. | 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 | А. | 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 | А. | 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. | | |
| | | | |
| | | | |

¹ John S. Riley rebuttal page 10, line 11 through page 12 line 19.

Surrebuttal Testimony of Amanda C. McMellen

| 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 ² . | | |
| | | | |

² John S. Riley rebuttal page 18, line 7-14.

Surrebuttal Testimony of Amanda C. McMellen

| 1 | Q. | Does Staff agree with Mr. Riley? | | |
|----|--|---|--|--|
| 2 | А. | 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 | А. | Yes. | | |
| 9 | Q. | Does this conclude your surrebuttal testimony? | | |
| 10 | А. | Yes it does. | | |
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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Qualified Extraordinary Costs

Case No. EO-2022-0040

In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Energy Transition Costs Related to the Asbury Plant

Case No. EO-2022-0193

AFFIDAVIT OF AMANDA C. McMELLEN

SS.

STATE OF MISSOURI) COUNTY OF COLE

COMES NOW AMANDA C. McMELLEN and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Surrebuttal Testimony of Amanda C. McMellen; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

AMANDA C. McMELLE

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 25^{4} day of May, 2022.



Musullankin Notary Public