

Exhibit No.:
Issue: Iatan Common Tracker Base
Witness: W. Scott Keith
Type of Exhibit: Supplemental Rebuttal
Testimony
Sponsoring Party: Empire District Electric
Case No. ER-2012-0345
Date Testimony Prepared: January 2013

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

Supplemental Rebuttal Testimony

of

W. Scott Keith

January 2013



SUPPLEMENTAL REBUTTAL TESTIMONY
OF
W. SCOTT KEITH
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2012-0345

1 **INTRODUCTION**

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

3 A. My name is W. Scott Keith and my business address is 602 South Joplin Avenue,
4 Joplin, 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 the Director of Planning and Regulatory. I have held this position
9 since August 1, 2005.

10 **Q. ARE YOU THE SAME W. SCOTT KEITH THAT EARLIER PREPARED**
11 **AND FILED DIRECT AND REBUTTAL TESTIMONY IN THIS RATE**
12 **CASE BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION**
13 **(“COMMISSION”) ON BEHALF OF EMPIRE?**

14 A. Yes.

15 **PURPOSE**

16 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL REBUTTAL**
17 **TESTIMONY?**

18 A. My supplemental rebuttal testimony will discuss the Staff’s proposal to establish a

1 new base level of \$2.4 million for the Iatan Common cost tracker mechanism (see
2 page 110, lines 23 through 25 of Staff Report – Cost of Service Revenue
3 Requirement (“Staff Report”)).

4 **IATAN O&M TRACKER**

5 **Q. WHAT IS THE ISSUE INVOLVING THE NEW IATAN COMMON**
6 **TRACKER BASE PROPOSED BY STAFF AT PAGE 110 OF THE STAFF**
7 **REPORT?**

8 A. The Staff has proposed that the base cost associated with the Iatan tracker be
9 increased from zero, the Iatan Common base cost established in Case No. ER-
10 2011-0004, to \$2.4 million.

11 **Q. DO YOU AGREE WITH THE STAFF’S POSITON IN THIS AREA?**

12 A. No. The Staff’s proposed increase of \$2.4 million in Iatan base tracker costs is
13 incorrect and will result in an under-recovery of \$2.4 million in Iatan Common
14 operation and maintenance costs in the base electric rates coming out of this case.

15 **Q. WHY?**

16 A. The Staff has not adjusted, or in this instance increased, the Iatan Common
17 operation and maintenance expense levels in the Staff’s case to reflect this level of
18 annual operation and maintenance expense on Iatan Common facilities.

19 **Q. WHAT LEVEL OF IATAN COMMON OPERATION AND**
20 **MAINTENANCE EXPENSES HAS THE STAFF INCLUDED IN ITS CASE?**

21 A. The Staff’s base case includes zero operation and maintenance expenses for the
22 Iatan Common facilities, not the \$2.4 million that would be needed to establish a
23 new Iatan tracker base.

1 **Q. HOW DID THE STAFF CASE RESULT IN ZERO OPERATION AND**
2 **MAINTENANCE EXPENSES FOR THE IATAN COMMON FACILITIES?**

3 A. The Staff's base case assumed that all of the Iatan Common operation and
4 maintenance expenses actually incurred for the test year, \$2.4 million, were
5 deferred as part of the Staff's Iatan O&M tracker asset. This tracker asset was then
6 amortized over a three-year period. This left the ongoing Iatan Common operation
7 and maintenance expense levels in the test year at zero in the Staff case. Thus, the
8 base rates coming out of this case include zero for Iatan Common operating cost
9 recovery.

10 **Q. HOW WOULD THE NEW IATAN COMMON BASE OF \$2.4 MILLION**
11 **PROPOSED BY STAFF IMPACT FUTURE IATAN COMMON**
12 **OPERATING COST RECOVERY?**

13 A. It assumes that Empire's base electric rates include the recovery of \$2.4 million in
14 Iatan Common operation and maintenance costs, which is incorrect.

15 **Q. HOW DOES THIS IMPACT FUTURE COST DEFERRALS IN THE**
16 **TRACKING MECHANISM?**

17 A. It would distort future cost deferrals under the tracking mechanism and deny
18 Empire the recovery of \$2.4 million in Iatan Common operating costs.

19 **Q. SHOULD THE BASE LEVEL OF IATAN COMMON OPERATING COST**
20 **BE CHANGED IN THIS CASE?**

21 A. No. The base cost in the Iatan tracking mechanism should not be changed in this
22 case unless a corresponding adjustment is made to the level of Iatan operation and
23 maintenance expenses included in base electric rates.

1 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL REBUTTAL**

2 **TESTIMONY?**

3 **A. Yes.**

