

Exhibit No.:
Issue: Depreciation
Witness: Gregory E. Macias
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2004-0570
Date Testimony Prepared: November 24, 2004

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

GREGORY E. MACIAS

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2004-0570

Jefferson City, Missouri
November 2004

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

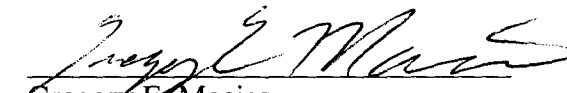
In The Matter of the Tariff Filing of The Empire)
District Electric Company to Implement a)
General Rate Increase for Retail Electric)
Service Provided to Customers in its Missouri)
Service Area.)

Case No. ER-2004-0570

AFFIDAVIT OF GREGORY E. MACIAS

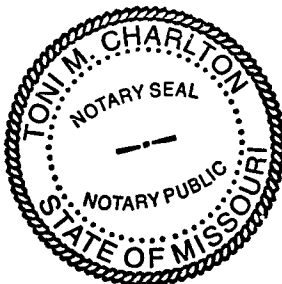
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

Gregory E. Macias, being of lawful age, on his oath states: that he has participated in the preparation of the following surrebuttal testimony in question and answer form, consisting of 3 pages to be presented in the above case; that the answers in the following surrebuttal testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.



Gregory E. Macias

Subscribed and sworn to before me this 22nd day of November 2004.





Notary

TONI M. CHARLTON
NOTARY PUBLIC STATE OF MISSOURI
COUNTY OF COLE
My Commission Expires December 28, 2004

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21

A. Gregory E. Macias, P.O. Box 360, Jefferson City, MO 65201.

A. I am employed by the Missouri Public Service Commission (PSC or Commission) as a Utility Engineering Specialist II in the Engineering and Management Services Department.

A. Yes.

A. I will respond to the rebuttal testimony of The Empire District Electric
any (Empire or Company) witness Donald S. Roff.

A. I will clarify statements Mr. Roff made regarding depreciation.

1 Q. Mr. Roff states on page 3 of his rebuttal testimony that the most important
2 issue related to depreciation in this case is the subject of cost of removal net of salvage and
3 its inclusion in depreciation rates. Do you agree?

4 A. Due to the fact that Mr. Roff's recommended level of cost of removal net of
5 salvage nearly doubles the amount of depreciation expense necessary for the recovery of
6 original cost, the Company has insured its significance in terms of revenue requirement.

7 I continue to advocate the Staff's position that the current level of cost of removal net
8 of salvage should be included in customer rates as addressed in my rebuttal testimony. This
9 method, which is currently in place for Empire, is preferred because it:

10 1) recognizes that future cost of removal is speculative,
11 unpredictable and calculated by an unsubstantiated formula;

12 2) reduces the risk that customers will overpay for future,
13 unknown, cost of removal that may or may not be experienced; and

14 3) relieves future Company management from the burden of
15 collecting less money in rates for cost of removal than the actual expenditures
16 for cost of removal at some time in the future.

17 Q. Are your recommended depreciation rates a reduction of over \$25.9 million
18 when compared to the application of Mr. Roff's depreciation rates as Mr. Roff states on
19 page 4 lines 9 through 12 or his rebuttal testimony?

20 A. No. The depreciation rates that I am recommending result in an amount
21 designed to fully recover the Company's investment in plant over the expected average
22 service lives of the plant accounts. There is a *difference* of over \$25.9 million between the
23 depreciation rates designed to recover the original cost of the company's assets and

Surrebuttal Testimony of
Gregory E. Macias

1 Mr. Roff's depreciation rates that are designed to collect much more than the original cost of
2 plant. To clarify Mr. Roff's position, his recommended depreciation rates would actually
3 result in an increase of over \$25 million from the currently ordered depreciation rates to
4 include future cost of removal net of salvage.

5 Q. Mr. Roff states time and again that regulatory rules/ accounting principles
6 require the inclusion of cost of removal net of salvage in the depreciation rate. Is the
7 Commission bound by the Uniform System of Accounts for depreciation?

8 A. No. The Code of State Regulations concerning the Uniform System of
9 Accounts for Electric Corporations is clear regarding the Commission's intent. Commission
10 Rule 4 CSR 240-20.030 (4) states:

11 In prescribing this system of accounts, the commission does not
12 commit itself to the approval or acceptance of any item set out in any
13 account for the purpose of fixing rates or in determining other matters
14 before the commission. This rule shall not be construed as waving any
15 record keeping requirements in effect prior to 1994.

16 Q. Does this conclude your surrebuttal testimony?

17 A. Yes.