

Exhibit No.: \_\_\_\_\_  
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Stations, Billing Determinants, Rate  
Design  
Witness: Timothy S. Lyons  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: The Empire District  
Gas Company  
Case No.: GR-2021-0320  
Date Testimony Prepared: March 2022

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

**Rebuttal Testimony**

**of**

**Timothy S. Lyons**

**on behalf of**

**The Empire District Gas Company**

**March 2022**



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THE EMPIRE DISTRICT GAS COMPANY  
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. GR-2021-0320

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REBUTTAL TESTIMONY OF TIMOTHY S. LYONS  
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BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION  
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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Timothy S. Lyons. My business address is 1900 West Park Drive, Suite 250,  
4 Westborough, Massachusetts, 01581.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am a Partner at ScottMadden, Inc. (“ScottMadden”).

7 **Q. Are you the same Timothy S. Lyons who previously sponsored direct testimony in this**  
8 **proceeding?**

9 A. Yes, I am. I sponsored direct testimony on behalf of The Empire District Gas Company  
10 (“EDG” or “Company”) in this proceeding before the Missouri Public Service Commission  
11 (the “Commission”).

12 **Q. What is the purpose of your rebuttal testimony?**

13 A. The purpose of this rebuttal testimony is to address recommendations made by the Staff of  
14 the Commission (“Staff”) in Staff’s direct testimony. Specifically, I respond regarding  
15 Cash Working Capital (“CWC”) recommendations sponsored by Courtney Horton,  
16 weather stations and rate design recommendations sponsored by Michael L. Stahlman,  
17 retail sales billing determinants and weather normalization adjustments sponsored by Joel  
18 McNutt, and transportation billing determinants sponsored by Joseph P. Roling.

19 **Q. Have you prepared Schedules supporting your testimony?**

1 A. Yes. **Rebuttal Schedule TSL-R1** contains the revised proposed Weather Normalization  
2 Adjustment Rider (“WNAR”) tariff. The Schedule was prepared by me or under my  
3 direction.

4 **II. CASH WORKING CAPITAL**

5 **Q. What is Staff’s position regarding the Company’s CWC requirement?**

6 A. Staff agrees with the Company’s cash working capital analysis except the number of lead  
7 days associated with federal and state income tax expenses.<sup>1</sup> Staff recommends using  
8 365.00 lead days for federal and state income taxes.<sup>2</sup> Staff’s recommendation is a  
9 significant increase over the 39.38 lead days for federal and state income taxes in the  
10 Company’s CWC analysis.

11 Staff’s recommendation assumes the Company will have no income tax liability in  
12 the foreseeable future. Staff believes the Company will receive, on the first day of the year,  
13 money earmarked for payment of its federal and state income taxes without a requirement  
14 to pay federal and state income taxes; thus, the Company will have access to the money for  
15 the entire year.

16 **Q. Does the Company agree with Staff’s recommendation to increase the lead days for  
17 federal and state income taxes to 365.00 days?**

18 A. No. The Company does not agree with Staff’s recommendation to use 365.00 lead days  
19 for federal and state income taxes, even if the Commission accepts Staff’s position that the  
20 Company will have no income tax liability in the foreseeable future.

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<sup>1</sup> Direct Testimony of Courtney Horton, p. 4.

<sup>2</sup> Id., p. 5.

1 Staff's position assumes money earmarked for payment of the Company's federal  
2 and state taxes will be available to the Company on the first day of the year. This is not  
3 accurate. Staff's position does not reflect the Company's billing and collection practices  
4 that recover expenses over the course of the year - and not on the first day of the year.

5 Money earmarked for payment of the Company's federal and state taxes is not  
6 available to the Company on the first day of the year but, instead, over the course of the  
7 year. Thus, even if the Commission accepts the position that the Company will have no  
8 income tax liability in the foreseeable future, money earmarked for payment of the  
9 Company's federal and state taxes would be available to the Company for 182.50 days,  
10 rather than 365.00 days.

11 **III. WEATHER STATIONS**

12 **Q. What is Staff's position regarding weather stations used for the Company's**  
13 **proposed Weather Normalization Adjustment Rider ("WNAR")?**

14 A. Staff recommends utilizing the Kansas City International Airport ("KCI") weather station  
15 to weather normalize all of the Company's service territories rather than utilize the current  
16 Conception weather station for a portion of the service territory.<sup>3</sup> Staff's recommendation  
17 is based on concerns with the current Conception weather station. Staff's concerns include:

- 18 - Conception is not designated by NOAA as a first-order weather station;<sup>4</sup>
- 19 - Conception's data shows erratic adjustments;<sup>5</sup>
- 20 - Conception has missing data (84 days that missed temp reading).<sup>6</sup>

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<sup>3</sup> Direct Testimony of Michael L. Stahlman, p. 2.

<sup>4</sup> Id., p. 5.

<sup>5</sup> Id., p. 7.

<sup>6</sup> Ibid.

1 In addition, Staff's analysis shows the weather normalization adjustment of billing  
2 determinants based on the KCI weather station was not materially different than the  
3 weather normalization adjustment based on the Conception weather station.<sup>7</sup>

4 **Q. What is the Company's position related to using the KCI weather station?**

5 A. The Company does not oppose using the KCI weather station for the weather normalization  
6 adjustment for all of the Company's service territories.

7 **IV. RETAIL BILLING DETERMINANTS AND WEATHER NORMALIZATION**

8 **Q. What is Staff's position regarding the Company's retail billing determinants and  
9 weather normalization adjustment?**

10 A. Staff updated the Company's usage and revenues through 12-month period September 30,  
11 2021.<sup>8</sup> In addition, Staff updated the weather normalization adjustment utilizing weather  
12 data from the KCI weather station."<sup>9</sup> Staff weather normalized the Residential, Small  
13 Commercial Firm Service Small, and Small Commercial Firm Service Medium rate classes  
14 but did not weather normalize the Small Commercial Firm Service Large and Large  
15 Volume rate classes because the rate classes are traditionally not weather sensitive and the  
16 Small Commercial Firm Service Large rate class indicated a weak correlation.<sup>10</sup>

17 **Q. What is the Company's position regarding Staff's updated billing determinants and  
18 weather normalization adjustment?**

19 A. The Company does not oppose Staff's updated billing determinants and weather  
20 normalization adjustment. The weather normalization methodology is consistent with the  
21 Company's proposed weather normalization adjustment.

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<sup>7</sup> Ibid.

<sup>8</sup> Direct Testimony of Joel McNutt, p. 3.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

1 **V. TRANSPORTATION BILLING DETERMINANTS**

2 **Q. What is Staff's position on the Company's transportation billing determinants?**

3 A. Staff updated the Company's transportation customers, usage, and revenues through 12-  
4 month period September 30, 2021.<sup>11</sup> In addition, Staff adjusted the number of  
5 transportation customers and usage to reflect customers currently receiving service on the  
6 Company's transportation rate schedules.<sup>12</sup>

7 **Q. Did Staff weather normalize the transportation billing determinants?**

8 A. No. While Staff states the intent of their adjustment is to determine the level of revenue  
9 that the Company would have collected on an annual, normal weather basis, Staff did not  
10 weather normalize the transportation billing determinants.<sup>13</sup>

11 **Q. What is the Company's position regarding Staff's transportation billing**  
12 **determinants?**

13 A. The Company does not oppose Staff's adjustments to the transportation billing  
14 determinants

15 **VI. RATE DESIGN**

16 **Q. What are Staff's recommendations regarding the Company's proposed rate design?**

17 A. Staff's recommendations regarding the Company's rate design are highly dependent on the  
18 overall revenue requirement and include:

19 1. Staff proposes to limit the revenue increase to the Residential and Large Volume  
20 rate classes based on Staff's proposed revenue requirement and the Company class  
21 cost of service study.<sup>14</sup>

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<sup>11</sup> Direct Testimony of Joseph P. Roling, p. 2.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> Direct Testimony of Michael L. Stahlman, p. 2.

1           2.     Staff proposes to increase the Large Volume customer charge and energy charges  
2                    by approximately the overall class increase and maintain the demand charge at the  
3                    current level.<sup>15</sup>

4           3.     Staff proposes that rates for the Small Commercial Firm Small rate class be  
5                    structured such that the annual bill for a customer using 5,000 CCF annually is  
6                    similar to a Small Commercial Firm Medium customer using 5,000 CCF  
7                    annually.<sup>16</sup>

8           4.     Staff also proposes that rates for the Small Commercial Firm Medium rate class be  
9                    structured such that the annual bill for a customer using 200,000 CCF annually is  
10                   similar to a Small Commercial Firm Large customer using 200,000 CCF annually.<sup>17</sup>

11          5.     Staff is not recommending consolidation of the Medium and Large rate classes due  
12                    to the rate impact on lower use customers.<sup>18</sup>

13   **Q.     What is the Company's position regarding Staff's proposal to limit the revenue**  
14           **increase to the residential and Large Volume rate classes?**

15   A.     The Company does not support Staff's recommendation. First, the Company continues to  
16            support its proposed revenue requirements and proposed revenue targets, including a  
17            revenue increase in Residential rate class of 9.9 percent. This reflects a 44.00 percent  
18            movement toward the Residential cost of service. Second, the Company proposes to  
19            allocate the difference between the Residential revenue target and its cost of service to the  
20            C&I rate classes based on their cost of service (i.e., class revenues at equalized rate of  
21            return).

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<sup>15</sup> Id., p. 6.

<sup>16</sup> Id., p. 4.

<sup>17</sup> Ibid.

<sup>18</sup> Id., p. 5.



1 **Q. Does the Company support Staff's proposal to increase the Residential customer**  
2 **charge and energy charge by the overall class increase?**

3 A. Yes, the Company supports Staff's proposal to increase the Residential customer charge  
4 and energy charge by the overall class increase.

5 **Q. Does the Company support Staff's proposal to increase the Large Volume customer**  
6 **charge and energy charge by the overall class increase and maintain the demand**  
7 **charge at the current level?**

8 A. In part. The Company supports an increase in all Large Volume charges, including the  
9 demand charge, by the overall class increase.

10 **Q. Does the Company support Staff's recommendation that Small Commercial Firm**  
11 **Small (SCFS) rates be structured such that the annual bill for a customer using 5,000**  
12 **CCF annually is similar to a Small Commercial Firm Medium (SCFM) customer**  
13 **using 5,000 CCF annually?**

14 A. No. To achieve Staff's objective of having similar annual bills, the Company would need  
15 to set the customer charge for the proposed Medium General Service rate class at \$0. This  
16 approach would create intraclass inequities as high-use customers would subsidize low-use  
17 customers.

18 **Q. Are the current rates structured such that the annual bill for a SCFS customer**  
19 **using 5,000 CCF annually is similar to a SCFM customer?**

20 A. No. The current rates are not structured such that annual bills for SCFS customers using  
21 5,000 CCF are similar to SCFM customers using the same amount, as shown in Figure 1  
22 (below).

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**Figure 1: Annual Bill Comparison**

Annual Use (CCF)	Annual Bill				Annual Bill			
	Proposed Bill Med/Lg	Proposed Bill Small	Difference (\$)	Difference (%)	Current Bill Medium	Current Bill Small	Difference (\$)	Difference (%)
1,000	\$ 1,798	\$ 926	\$ 871	94.1%	\$ 1,618	\$ 935	\$ 684	73.1%
1,444	\$ 2,063	\$ 1,231	\$ 832	67.6%	\$ 1,884	\$ 1,217	\$ 667	54.8%
2,000	\$ 2,396	\$ 1,613	\$ 783	48.5%	\$ 2,217	\$ 1,570	\$ 647	41.2%
3,500	\$ 3,292	\$ 2,642	\$ 650	24.6%	\$ 3,114	\$ 2,522	\$ 592	23.5%
5,000	\$ 4,189	\$ 3,672	\$ 517	14.1%	\$ 4,012	\$ 3,474	\$ 538	15.5%
7,500	\$ 5,683	\$ 5,388	\$ 295	5.5%	\$ 5,508	\$ 5,062	\$ 446	8.8%
8,444	\$ 6,248	\$ 6,036	\$ 212	3.5%	\$ 6,073	\$ 5,661	\$ 412	7.3%
10,000	\$ 7,178	\$ 7,104	\$ 74	1.0%	\$ 7,004	\$ 6,649	\$ 355	5.3%
15,000	\$ 10,167	\$ 10,536	\$ (369)	-3.5%	\$ 9,996	\$ 9,823	\$ 173	1.8%
20,000	\$ 13,156	\$ 13,968	\$ (812)	-5.8%	\$ 12,988	\$ 12,998	\$ (10)	-0.1%

  

Rates	Proposed Bill	Proposed Bill	Current Bill	Current Bill
	Medium GS	Small GS	Medium	Small
Customer Charge	\$ 100.00	\$ 20.00	\$ 85.00	\$ 25.00
Consumption Charge	\$ 0.20738	\$ 0.29599	\$ 0.21960	\$ 0.26078
TCJA Credit			\$ (0.01159)	\$ (0.01629)
PGA Rate	\$ 0.39040	\$ 0.39040	\$ 0.39040	\$ 0.39040

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**Q. Is there an alternative approach that would help to address Staff's concern?**

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A. Yes. Rather than design rates to have similar annual bills (and raise intraclass equity concerns), the rates could be designed to reduce the difference in annual bills, as shown in Figure 1 (above). Specifically, the rates could be designed to reduce the proposed Small General Service customer charge from \$25.00 to \$20.00 and reduce the proposed Medium General Service customer charge from \$120.00 to \$100.00. The changes result in a lower difference variance in annual bills. Figure 1 shows annual bills of customers using 5,000

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1 CCF per year is \$4,189 under Medium General Service rates and \$3,672 under Small  
2 General Service rates, representing a difference of \$517 or 14.1 percent.

3 **Q. Does the Company recommend this alternative approach?**

4 A. No. The Company continues to recommend its filed rate design and customer charges.

5 **Q. Do the Small Commercial Firm Medium rates need to be structured such that the**  
6 **annual bill for a customer using 200,000 CCF annually is similar to a Small**  
7 **Commercial Firm Large customer using 200,000 CCF annually?**

8 A. No. A restructuring is not necessary under the Company's proposed consolidation of the  
9 Medium and Large rate classes since the rates are identical.

10 **Q. Does the Company have changes to its proposed Weather Normalization**  
11 **Adjustment Rider (WNAR)?**

12 A. Yes, the proposed WNAR has been revised to reflect Staff's proposed weather  
13 normalization coefficients for the Residential and Small General Service rate classes and  
14 the Company's updated weather normalization coefficient for the small general service  
15 transportation class, as included in Rebuttal Schedule TSL-R1.

16 **Q. Does this complete your rebuttal testimony?**

17 A. Yes.

**VERIFICATION**

I, Timothy S. Lyons, under penalty of perjury, on this 17<sup>th</sup> day of March, 2022, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Timothy S. Lyons