

Exhibit No.:
Issue(s): Policy
Witness: Mark L. Oligschlaeger
Sponsoring Party: MoPSC Staff
Type of Exhibit: Sur-Surrebuttal
Testimony
Case No.: ER-2019-0374
Date Testimony Prepared: April 17, 2020

MISSOURI PUBLIC SERVICE COMMISSION
COMMISSION STAFF DIVISION
FINANCIAL AND BUSINESS ANALYSIS DEPARTMENT

SUR- SURREBUTTAL TESTIMONY OF
MARK L. OLIGSCHLAEGER

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

Jefferson City, Missouri
April 2020

1 **SUR-SURREBUTTAL TESTIMONY OF**
2 **MARK L. OLIGSCHLAEGER**
3 **THE EMPIRE DISTRICT ELECTRIC**
4 **COMPANY CASE NO. ER-2019-0374**
5

6 Q. Please state your name and business address.

7 A. Mark L. Oligschlaeger, Missouri Public Service Commission, P.O. Box 360,
8 Suite 440, Jefferson City, MO 65102.

9 Q. Are you the same Mark L. Oligschlaeger who in this proceeding previously
10 contributed to Staff's Cost of Service Report filed on January 15, 2020, submitted rebuttal
11 testimony on March 3, 2020, and submitted surrebuttal testimony on March 27, 2020?

12 A. Yes, I am.

13 Q. What is the purpose of this sur-surrebuttal testimony?

14 A. The purpose of this testimony is to explain why Staff has changed its position
15 regarding the issue presented in this case as "asset retirement obligations" ("AROs"). Staff has
16 changed its position regarding this matter based upon its review of the surrebuttal testimony of
17 The Empire District Electric Company ("Empire") witness Sheri Richard, as well as on
18 subsequent discussions with Empire.

19 Q. What are AROs?

20 A. Asset retirement obligations denote estimated future environmental
21 expenditures related to retirement of assets which a utility has an obligation to incur by reason
22 of law or contract. AROs are accounted for as accrued liabilities, meaning they represent
23 current estimates of future cash outlays that may not actually occur for decades.

1 Q. Why has Staff opposed rate recovery of AROs?

2 A. As earlier explained in the rebuttal testimony of Staff witness Kimberly A. Bolin
3 in this proceeding, AROs represent one component of costs that are considered in determining
4 the cost of removal component of utility depreciation rates. Cost of removal is allowed to be
5 collected in rates on an ongoing basis in order for the utilities to recover over time the estimated
6 costs of “removing” assets once they are retired and no longer needed to provide service to
7 customers. Allowing rate treatment of AROs would very likely result in double recovery in
8 rates by the utility of certain costs related to retirement of assets, once through the cost of
9 removal component of utility depreciation rates, and again through the ARO accruals.

10 Q. What evidence was presented in Ms. Richard’s surrebuttal testimony that led
11 Staff to modify its position on this issue?

12 A In her testimony, Empire witness Ms. Richard stated that the amounts deemed
13 to be AROs in this case were not accrued liabilities, as Staff earlier had thought, but in fact
14 represented actual recent cash expenditures for various environmental activities at several of its
15 power plants. Following the filing of surrebuttal testimony, Staff had subsequent discussions
16 over the phone with Empire representatives concerning the nature of the costs in question.

17 Based upon the evidence now available to it, Staff has verified that the amounts sought
18 in rates by Empire as AROs represent recent cash expenditures, and that the costs were both
19 prudent and necessary. As such, Staff now takes the position that these costs should be eligible
20 for rate recovery by Empire.

1 Q. How are these particular costs reflected in the Global Stipulation (“Agreement”)
2 entered into by various parties to this case that was filed on April 15, 2020?

3 A. In Section 4.g, the Agreement states that the amounts previously denoted as
4 AROs by Empire should be booked as regulatory assets until its next general rate proceeding.
5 At that time, under the terms of the Agreement, the environmental cost regulatory assets will
6 be eligible for inclusion in rates either through an amortization to expense, or by inclusion in
7 Empire’s accumulated depreciation reserve.

8 Q. Does this conclude your sur-surrebuttal testimony?

9 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District)
Electric Company's Request for Authority)
to File Tariffs Increasing Rates for Electric)
Service Provided to Customers in its)
Missouri Service Area)

Case No. ER-2019-0374

AFFIDAVIT OF MARK L. OLIGSCHLAEGER

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COME NOW Mark L. Oligschlaeger and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Sur-Surrebuttal testimony*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ Mark L. Oligschlaeger
Mark L. Oligschlaeger