

*Exhibit No.:*  
*Issue(s):* *DSM Regulatory  
Asset Balance,  
Incentive  
Compensation*  
*Witness:* *Caroline Newkirk*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Rebuttal Testimony*  
*Case No.:* *ER-2019-0374*  
*Date Testimony Prepared:* *March 3, 2020*

**MISSOURI PUBLIC SERVICE COMMISSION**  
**FINANCIAL AND BUSINESS ANALYSIS DIVISION**  
**AUDITING DEPARTMENT**

**REBUTTAL TESTIMONY**  
**OF**  
**CAROLINE NEWKIRK**

**THE EMPIRE DISTRICT ELECTRIC COMPANY**

**CASE NO. ER-2019-0374**

*Jefferson City, Missouri*  
*March 2020*

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1 **REBUTTAL TESTIMONY OF**

2 **CAROLINE NEWKIRK**

3 **THE EMPIRE DISTRICT ELECTRIC COMPANY**

4 **CASE NO. ER-2019-0374**

5 Q. Please state your name and business address.

6 A. Caroline Newkirk, 200 Madison Street, Jefferson City, Missouri 65101.

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

8 A. I am a Utility Regulatory Auditor employed by the Missouri Public Service  
9 Commission ("Commission").

10 Q. Are you the same Caroline Newkirk that contributed to Staff's Cost of Service  
11 Report filed on January 15, 2020 in Case No. ER-2019-0374?

12 A. Yes.

13 Q. What is the purpose of your Rebuttal Testimony?

14 A. The purpose of this testimony is to address a correction to Staff's Empire's DSM  
15 regulatory asset balance and to discuss new information that has been provided to Staff since  
16 the filing of Staff's Direct Cost of Service Report concerning Incentive Compensation.

17 **CUSTOMER DEMAND PROGRAM**

18 Q. Please discuss any adjustments made to the regulatory asset balance included in  
19 Empire's rate base for the Customer Demand Program.

20 A. Staff updated its rate base amount for the Customer Demand Program to include  
21 the 2019 amounts for the ADEC (Advertising Energy Conservation), MFLI (Multi-Family Low  
22 Income), and LIDI (Multi-Family Direct Install) programs. Staff's direct workpapers  
23 mistakenly did not include these three categories in rate base.

1 Q. How much affect did this change have on rate base?

2 A. In making this correction, there was an overall increase to Empire's rate base in  
3 the amount of \$188,304.

4 Q. Did this change affect the amount of amortization expense Staff is  
5 recommending for the Customer Demand Program?

6 A. No. While rate base was affected, amortization expense has remained the same.

7 **INCENTIVE COMPENSATION**

8 Q. Please describe any new information that has been provided by the Company to  
9 Staff regarding incentive compensation since the time that Staff filed the Cost of Service report?

10 A. Since the Cost of Service report was filed, the Company has provided Staff with  
11 both personal objective achievement percentages and target bonus percentages for all  
12 employees with incentive pay for both Empire Electric and its subsidiaries. With this more  
13 detailed, accurate information, Staff was able to use actual data instead of averages when  
14 recreating the incentive pay calculations for each employee.

15 Q. Please describe any information that Staff still has not received from the  
16 Company necessary to finalize incentive compensation adjustment calculations.

17 A. On December 23, 2019 Staff reached out to the Company with a list of questions  
18 regarding incentive compensation and requested a conference call to discuss. The Company  
19 scheduled the call for January 7<sup>th</sup>, 2020. On this call the Company answered (or committed to  
20 getting an answer for) Staff's questions. The only question that remained unanswered from that  
21 call was in regards to the specific account number(s) where incentive compensation is recorded  
22 on the Company's general ledger. After the initial call, Staff followed up with the Company  
23 again regarding this unanswered question as well as some new questions. The Company

Rebuttal Testimony of  
Caroline Newkirk

1 scheduled another call on February 6<sup>th</sup>, 2020 where Staff learned that the response to Staff's  
2 Data Request (DR) No. 0033, which Staff relied upon to identify the incentive comp accounts,  
3 was incomplete. The answer for DR No. 0033 only included Empire Electric incentive pay and  
4 omitted all other subsidiaries that allocate payroll and incentive compensation to Empire  
5 (Empire LABS, LU LABS, or LU-Central). After this realization, Staff asked for the  
6 appropriate information for the omitted subsidiaries. The Company was unable to provide Staff  
7 with an answer at the time of the call and has not provided any follow-up data since. Therefore,  
8 Staff has issued an official follow-up DR No. 0033.1 asking for the same information.

9 Q. Has Staff updated the adjustment amounts for incentive compensation since  
10 direct testimony?

11 A. Staff's incentive compensation workpaper has been updated with some small  
12 changes based upon information clarified in the most recent conference call with the Company.  
13 However, due to the missing information discussed above, Staff can not accurately update  
14 adjustment numbers at this time. Once the Company provides the information asked for in  
15 DR No. 0033.1 Staff should be able to finalize the revised adjustment numbers.

16 Q. Does this complete your rebuttal testimony?

17 A. Yes

**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 ) Case No. ER-2019-0374  
Tariffs Increasing Rates for Electric Service )  
Provided to Customers in its Missouri )  
Service Area )

**AFFIDAVIT OF CAROLINE NEWKIRK**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COMES NOW CAROLINE NEWKIRK** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony*; and that the same is true and correct according to her best knowledge and belief.

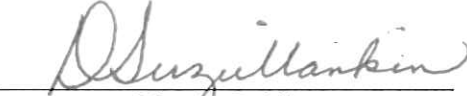
Further the Affiant sayeth not.

  
\_\_\_\_\_  
**CAROLINE NEWKIRK**

**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 2<sup>nd</sup> day of March 2020.

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: December 12, 2020 Commission Number: 12412070
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Notary Public