

Exhibit No.:
Issue: *Rate Case Expense*
Witness: *Angela Niemeier*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *GR-2021-0320*
Date Testimony Prepared: *March 17, 2022*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

ANGELA NIEMEIER

**THE EMPIRE DISTRICT GAS COMPANY,
d/b/a LIBERTY (EMPIRE)**

CASE NO. GR-2021-0320

Jefferson City, Missouri
March 2022

1 **REBUTTAL TESTIMONY OF**

2 **ANGELA NIEMEIER**

3 **THE EMPIRE DISTRICT GAS COMPANY,**
4 **d/b/a Liberty (Empire)**

5 **CASE NO. GR-2021-0320**

6 Q. Please state your name and business address.

7 A. Angela Niemeier, P.O. Box 360, 200 Madison Street Jefferson City, MO 65102

8 Q. By whom are you employed?

9 A. I am employed by the Missouri Public Service Commission (“Commission”) as
10 a member of Commission Staff (“Staff”).

11 Q. Are you the same Angela Niemeier who filed Direct Testimony on January 24,
12 2022, in this case?

13 A. Yes, I am.

14 **EXECUTIVE SUMMARY**

15 Q. What is the purpose of your rebuttal testimony?

16 A. The purpose of my rebuttal testimony is to present an overview of Staff’s update
17 to the rate case expense of The Empire District Gas Company, d/b/a Liberty (“Empire”).

18 **RATE CASE EXPENSE**

19 Q. Did Staff update rate case expense?

20 A. Yes. Staff updated rate case expense to include rate case invoices for
21 December 2021 and January 2022 provided in Empire’s supplemental responses to Staff’s Data
22 Request No. 0094. Staff’s updated rate case expense is \$51,912.

1 Q. Did Empire include rate case expense as a regulatory asset in rate base in its
2 Revenue Requirement Model?

3 A. Yes. In Empire's RB ADJ 7 workpaper, it includes \$505,642 of rate case
4 expense as a regulatory asset.

5 Q. Did Empire also include rate case expense as an income statement expense in its
6 Revenue Requirement Model?

7 A. Yes. In its EXP ADJ 5 workpaper, Empire computes a two-year normalization
8 of \$505,642 in rate case expense. As a result, Empire included \$252,821 as its annualized
9 amount for rate case expense in its income statement.

10 Q. Should rate case expense be included as both a regulatory asset in rate base and
11 as an expense in the income statement?

12 A. No. Rate case expense should only be normalized and included in the
13 income statement.

14 Q. If rate case expense were included in rate base would Empire receive a
15 "return on" and "return of" rate case expense?

16 A. Yes. If rate case expense were included in rate base, Empire would earn a rate
17 of return on rate case expense and recover all of the rate case expense through an amortization.

18 Q. Is it appropriate for Empire to include rate expense in rate base and earn a return
19 on rate case expense?

20 A. No. Normally items included in rate base are investments in plant and other
21 assets used in supplying utility service to the customer. Rate case expense is a normal recurring
22 expense incurred by the utility.

1 Q. What is the difference between amortization and normalization?

2 A. Simplified, amortization allows full recovery of an item, while normalization
3 adjusts the costs to reflect a normal annual ongoing level of the expense that the utility has the
4 opportunity to recover. An example of an amortization is the amortization of over or under
5 recovered tracked pension and OPEB expense. Another example would be the amortization of
6 an expense item that has been deferred through an Accounting Authority Order.

7 Q. When are expenses normalized?

8 A. Expenses may be normalized if the test year amount is over or understated.
9 For most expenses that fluctuate from year to year a normalized amount is used when
10 determining the cost of service. Rate case expense is a good example. Rate case expense is not
11 incurred every year but only when a utility files for a rate case, thus to include the full amount
12 incurred as an annual amount in the cost of service would overstate this expense on a yearly
13 basis. If rate case expense was not normalized a utility would recover the full amount every
14 year, even if the utility does not have a rate case every year.

15 Q. Does Staff normalize other expenses?

16 A. Yes. In this case, Staff has normalized maintenance and distribution expenses,
17 and bad debt expense.

18 Q. How should rate case expense be treated?

19 A. Rate case expense is an ordinary expense that should be normalized. This stance
20 was recently reaffirmed in the Commission's Amended Report and Order issued in Case No.
21 ER-2019-0374, page 83:

22 The Commission finds Staff's recommendation to normalize
23 discretionary rate case expense over two years to be appropriate.

Rebuttal Testimony of
Angela Niemeier

1 Empire's proposal to amortize rate case expense would be treating it
2 differently than other classes of expenses.

3
4 Please note, Staff recommended the two year normalization for this
5 case when Empire revealed it planned to return for another rate case in
6 two years.

7 Q. You stated earlier that Empire did a two-year normalization for rate case
8 expense. What period of normalization did Staff use in its calculation?

9 A. As stated on page 10, lines 14-15 of my direct testimony "Staff uses a three-year
10 normalization period. The three-year period generally better aligns with rate case cycles."

11 Q. Does this conclude your rebuttal testimony?

12 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of The Empire District Gas)
Company's d/b/a Liberty Request to File Tariffs)
to Change its Rates for Natural Gas Service) Case No. GR-2021-0320

AFFIDAVIT OF ANGELA NIEMEIER

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

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


Further the Affiant sayeth not.


ANGELA NIEMEIER

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 16th day of March, 2022.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070


Notary Public