

*Exhibit No.:*  
*Issue(s):* Advertising  
*Witness:* Angela Niemeier  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Surrebuttal/True-Up  
Testimony  
*Case No.:* ER-2019-0374  
*Date Testimony Prepared:* March 27, 2020

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

**SURREBUTTAL/TRUE-UP TESTIMONY**  
**OF**  
**ANGELA NIEMEIER**

**THE EMPIRE DISTRICT ELECTRIC COMPANY**

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

*Jefferson City, Missouri*  
*March 2020*

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

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1                                   **SURREBUTTAL/TRUE-UP TESTIMONY OF**  
2                                   **ANGELA NIEMEIER**  
3                                   **THE EMPIRE DISTRICT ELECTRIC COMPANY**  
4                                   **CASE NO. ER-2019-0374**

5           Q.     Please state your name and business address.

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

7           Q.     By whom are you employed?

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

10          Q.     Are you the same Angela Niemeier who contributed to Staff’s Cost of Service  
11 Report filed January 15, 2020 in this case?

12          A.     Yes, I am.

13           **EXECUTIVE SUMMARY**

14          Q.     What is the purpose of your surrebuttal/true-up direct testimony?

15          A.     The purpose of my surrebuttal/true-up direct testimony is to correct certain Staff  
16 adjustments and to respond to the rebuttal testimony of The Empire District Electric Company  
17 (“Empire” or “Company”) witness Sheri Richard for various issues. Finally, my testimony will  
18 address Staff’s true-up adjustments to Prepayments, Materials and Supplies Inventory, Customer  
19 Deposits, Customer Deposits Interest Expense, Customer Advances, and SWPA Regulatory  
20 Liability, and Rate Case Expense.

1 **CORRECTIONS TO STAFF’S DIRECT FILING**

2 Q. Is Staff aware of corrections that need to be made to Staff’s direct revenue  
3 requirement?

4 A. Yes. For the Ice Storm Amortization, Staff originally included 13 months in the  
5 annual amortization amount. The correct amount to remove for the Kansas Ice Storm Amortization  
6 is (\$132,681).

7 **SURREBUTTAL FOR ADVERTISING EXPENSE**

8 Q. Does Staff understand whether Sheri Richard has proposed an advertising  
9 adjustment?

10 A. No. While Ms. Richard states that Empire does not oppose Staff’s proposed  
11 adjustment,<sup>1</sup> she also states that Staff’s adjustment should be reduced to (\$5,278).<sup>2</sup> These two  
12 statements contradict each other. Staff reviewed data provided in response to Staff Data Request  
13 (“DR”) No. 0022.2 of the Company work paper that shows the proposed Company adjustment  
14 amount of (\$5,278). The Company did not provide additional details to alter Staff’s adjustment.

15 Q. Ms. Richard states on page 23, lines 8-9 of her rebuttal testimony that the proposed  
16 adjustment is on a total company level and the advertising benefits all jurisdictions and should be  
17 allocated accordingly. Has Staff considered this option?

18 A. After reviewing Ms. Richard’s rebuttal testimony, Staff did consider this  
19 option. Institutional/goodwill advertising is disallowed under the Commissions guidelines in *In re*  
20 *Kansas City Power and Light Company*, Case Nos. EO-85-185 and EO-85-224. Staff has prepared  
21 an attachment that demonstrates that using the Company’s proposed method allows for partial

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<sup>1</sup> Sheri Richard Surrebuttal Testimony, page 23, lines 3-4.

<sup>2</sup> Sheri Richard Surrebuttal Testimony, page 23, lines 13-14.

1 recovery of institutional/goodwill advertising. Please see attached Schedule AN-s1. Under Staff's  
2 method institutional/goodwill advertising is completely and appropriately disallowed.

3 Q. Ms. Richard seems concerned how Staff disallowed invoices based on product code  
4 assignment. Is her concern valid?

5 A. No, it is not, because Staff used multiple methods to determine whether an invoice  
6 was allowed or disallowed. Staff reviewed each advertisement the Company submitted to  
7 determine its primary message and whether it is recoverable as one of the categories established  
8 in the Commission's ruling in *In re Kansas City Power and Light*. In some instances Empire did  
9 not provide a copy of the ad with the invoice, so Staff relied on the product code assigned to the  
10 ad in the general ledger. Empire assigns each advertisement a product code,<sup>3</sup> when inputting the  
11 expense in the general ledger. If Empire did not provide Staff with a copy of an ad, Staff used the  
12 product code indicated in the general ledger to decide if the ad should be disallowed. For example,  
13 if Staff received a copy of an ad and determined it was institutional, all ads with no invoices with  
14 the same product code were also disallowed.

15 Q. Ms. Richard seems also concerned that Staff disallowed advertising in which the  
16 invoice lacked a description, or had a vague description. How do you respond?

17 A. Staff had difficulty evaluating advertising when the Company did not provide a  
18 copy of the advertisement. This happened often, forcing Staff to search the invoices for clues  
19 where to find advertisements. For example, Staff discovered a Gatekeeper Elves (product code  
20 ADGE) advertisement in a magazine title listed on an invoice. The Gatekeeper Elves is an  
21 institutional campaign requesting donations of Christmas gifts for elderly customers.  
22 Staff disallowed this advertisement because it is not necessary in providing adequate service. Staff

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<sup>3</sup>Empire provided Staff with a copy of the product code descriptions in an email.

1 similarly disallowed invoices for the Company's Used Tire Collection (product code ADTC) and  
2 Balanced Resource Mix (product code ADRM) advertising because they are not necessary in  
3 providing adequate service.

4 Further, Staff analyzed ten invoices that Empire did not provide in its general ledger  
5 advertising account. While four of these ten were disallowed for not specifying which  
6 advertisement was invoiced, Staff allowed the other six, which added \$28,206 to advertising  
7 expense. Staff made multiple attempts through data requests to gain the necessary data for this  
8 issue. Finally, after having the opportunity to review Staff's advertising work paper submitted in  
9 direct testimony, the Company has since provided no additional information linking specific  
10 advertisements to the disallowed invoices.

11 Q. Ms. Richard also stated that several adjustments have no support for the  
12 disallowances and believes the adjustment should be reduced to (\$5,278). How does Staff respond?

13 A. Staff cited its reasons for disallowing each invoice in the worksheet labeled  
14 Advertising Expense in Staff's advertising work papers. Many invoices were disallowed because  
15 the Company provided insufficient information to justify inclusion. Also, several invoices were  
16 recorded to below the line accounts 182303 and 182318, which are being recovered through the  
17 demand side management amortization which has been included in Staff's revenue requirement,  
18 and should not be included in rates twice through an advertising adjustment. Additionally, several  
19 invoices were disallowed because although paid during the test year, the invoices were dated six  
20 months earlier.

21 In the below table, Staff condensed the worksheet that was provided in Staff's work papers;  
22 it lists the reasons Staff disallowed advertising expenses:

Surrebuttal/True-up Testimony of  
Angela Niemeier

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Disallowed Portion of Advertising Invoices						
Account	Product	Year	Jrnl Date	Sum Amount	Staff's #	Description for Disallowance
930143	ADCR	2018	4/2/2018	1000	0	No description on the invoice for what ad is, but coded for Community recognition.
921702	FE	2018	5/17/2018	1006.91	0	Does not specify which ad was used.
908043		2018	12/26/2018	7662.52	0	Does not specify which ad was used.
908043		2018	1/2/2019	7662.52	0	Invoice states for Jan bill insert, but does not clarify which ad used.
909232	ADRM	2018	4/10/2018	505.95	0	Coded for Balanced Resource Mix, invoice Missouri State University TV Station.
909233	ADAS	2018	4/13/2018	600	0	Outside the test year, invoice 8/17- not paid until 4/12/18.
909233	ADVA	2018	4/13/2018	600	0	Invoice dated 8/17- not paid until 4/12/18
909233	ADAS	2018	4/23/2018	600	0	Invoice dated 12/20/2017
426413	ADTC	2018	5/8/2018	326.25	0	Coded for Used Tire Collection- Disallowed
909232	ADRM	2018	5/8/2018	1331.05	0	Coded for Balanced Resource Mix, invoice Missouri State University TV Station.
909233	ADHB	2018	5/16/2018	360	0	Does not specify which ad was used.
909236	ADMI	2018	5/18/2018	3725	0	Invoice states sponsorship of MSSU Athletics- coded for Miscellaneous Advertising
426412	ADTC	2018	6/7/2018	326.25	0	Coded for Used Tire Collection- Disallowed
909233	ADAS	2018	6/21/2018	307.88	0	Coded for ADAS- or adult safety, but does not specify which ad on invoice.
909233	ADEC	2018	8/13/2018	644	0	Coded as ADEC, does not specify which ad was used.
909233	ADRM	2018	8/13/2018	1062.5	0	Two combined, One \$326.25 ADTC and \$734 ADAS- does not specify which ad used.
909233	AD	2018	8/20/2018	72	0	Invoice states Newton County Fair Promo 2018, does not specify which ad used.
909233	ADEC	2018	9/7/2018	644	0	Coded for ADEC, no advertisement data provided on invoice.
909233	ADAS	2018	9/20/2018	445	0	Invoice states Webb City Chamber Directory, No advertisement data provided.
909233	ADMI	2018	9/20/2018	450	0	Invoice states 2019 Chamber Map of Republic, MO, No advertisement data provided.
909233	ADCS	2018	10/17/2018	554	0	Doesn't specify which ad used.
909233	ADEC	2018	10/17/2018	322	0	Doesn't specify which ad used.
930104	AD	2018	11/6/2018	549.28	0	Doesn't specify which ad used.
909233	ADCS	2018	11/7/2018	734	0	Doesn't specify which ad used.
909233	ADGE	2018	11/7/2018	525	0	Disallowed- Ad asks for elves to donate presents for elderly
909232	ADRM	2018	11/26/2018	1517.85	0	Coded Balance Resource Mix. Doesn't specify which ad used.
909233	ADAS	2018	12/5/2018	284	0	Do not have an invoice for this.
909233	ADGE	2018	12/5/2018	322	0	Disallowed- Ad asks for elves to donate presents for elderly
909233	ADGE	2018	12/11/2018	50	0	Disallowed- Ad asks for elves to donate presents for elderly
909236	ADGE	2018	12/11/2018	100	0	Disallowed- Ad asks for elves to donate presents for elderly
909236	ADAS	2018	12/18/2018	2500	0	Doesn't specify which ad used.
182303	ADEC	2019	1/16/2019	9.66	0	Invoice states that this goes to account 182303- combined invoice.
182318	ADEC	2019	1/16/2019	119.14	0	Invoice states that this goes to account 182318- combined invoice.
903022	ADEC	2019	1/16/2019	70.84	0	Invoice does not specify which advertisement was used.
908043	ADEC	2019	1/16/2019	57.96	0	Invoice does not specify which advertisement was used.
909233	ADGE	2019	1/16/2019	322	0	Disallowed- Ad asks for elves to donate presents for elderly
930143	AD	2019	1/23/2019	72	0	Invoice states Christmas Promotion 2018, doesn't specify which ad used.
182318	AD	2019	1/28/2019	162	0	invoice states it was to go to account 182303
182303	ADEC	2019	2/11/2019	19.32	0	invoice states it was to go to account 182303
182318	ADEC	2019	2/11/2019	238.28	0	invoice states it was to go to account 182303
909232	ADRM	2019	2/12/2019	1517.85	0	Balance Resource Mix. Doesn't specify which ad was used.
182303	AD	2019	3/7/2019	16.62	0	Invoice states that these go to account #182303- combined invoice.
182318	AD	2019	3/7/2019	204.98	0	Invoice states that these go to account #182318- combined invoice.
922700	AD	2019	3/21/2019	584.36	0	Invoice states Director of Accounting-Doesn't specify which ad was used.

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1 **TRUE-UP TESTIMONY FOR RATE BASE ITEMS**

2 **Prepayments**

3 Q. Has Staff updated prepayments as part of its true-up filing?

4 A. Yes. Staff has included in rate base a 13-month prepayment average for the  
5 13 months ending January 31, 2020.

6 **Materials and Supplies**

7 Q. Has Staff updated the level of materials and supplies inventory included in rate base  
8 as part of its true-up audit?

9 A. Yes. Staff has included in rate base a 13-month average of materials and supplies  
10 inventory for the 13 months ending January 31, 2020.

11 Q. In rebuttal testimony, Leigha Palumbo states the Company disagrees with Staff's  
12 adjustment to materials and supplies because Staff did not include clearing accounts in their  
13 13-month average.<sup>4</sup> How does Staff respond?

14 A. Staff believes that clearing accounts are not materials or supplies. Clearing accounts  
15 are temporary accounts that will be transferred to another account for miscellaneous expenses that  
16 need to be allocated to several accounts, such as vehicle maintenance and cell phone expenses.

17 Q. In the same rebuttal testimony, Leigha Palumbo states that Staff removed  
18 an incorrect amount for water inventory when calculating a 13-month average for account 154000  
19 Materials and Supplies.<sup>5</sup>

20 A. Staff used the data from DR No. 0020 listed as "Water Inventory" for this  
21 value. On February 11, 2020, Staff received an email from the Company that stated water

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<sup>4</sup> Leigha Palumbo Rebuttal Testimony, page 2, lines 13-15.

<sup>5</sup> *Id.*, lines 16-20.



1 inventory was labeled incorrectly on the data request response. According to the email from the  
2 Company those values are Customer Deposits Related to Water, not Water Inventory. Staff has  
3 since changed these numbers to those reflected in the email from the Company. The Company has  
4 since submitted additional data in response to DR No. 0020, which still lists Water Inventory. Staff  
5 recommends the Company change the wording on the DR No. 0020 to avoid future confusion.

6 Q. Are there other differences between Staff and Company work papers for materials  
7 and supplies?

8 A. Yes. Staff includes the 163000 account for stores accounts, while the Company  
9 does not. The Company also includes fuel inventory with Materials and Supplies. Another Staff  
10 member, Amanda McMellen, addresses fuel inventory in her surrebuttal testimony.

#### 11 **Customer Deposits**

12 Q. Has Staff updated the customer deposits amount to be included in rate base as part  
13 of its true-up audit?

14 A. Yes. Staff has included customer deposits of \$13,760,146 in rate base utilizing a  
15 13-month average ending January 31, 2020.

#### 16 **Interest on Customer Deposits**

17 Q. Has Staff updated the level of interest on customer deposits as part of its  
18 true-up audit?

19 A. Yes. Staff has recalculated interest on customer deposits by applying the tariffed  
20 interest rate to the updated level of \$792,434 for customer deposits. The tariff JE-2003-0707 states  
21 that the interest rate paid upon return of a deposit, per annum, compounded annually (per Rules  
22 and Regulations, Chapter V, C5b), shall be equal to the prime rate published in the Wall Street  
23 Journal as being in effect on the last business day of December of the prior year, plus 1%. The

1 Wall Street Journal lists the Prime Rate as 4.75% December 31, 2019. Therefore, the interest on  
2 customer deposits has been updated to 5.75% for 12 month period

3 **Customer Advances**

4 Q. Has Staff updated the level of customer advances included in rate base as part of its  
5 true-up audit?

6 A. Yes. Staff has included customer advances of \$4,135,016 in rate base utilizing a  
7 13-month average ending January 31, 2020.

8 **TRUE-UP FOR REGULATORY LIABILITIES**

9 **SWPA Regulatory Liability**

10 Q. Has Staff updated its position through the true-up date in this case?

11 A. Yes. Staff has included \$1,333,452 for the SWPA Regulatory Liability in rate base  
12 ending January 31, 2020.

13 **SURREBUTTAL AND TRUE-UP FOR REVENUE REQUIREMENT**

14 **Rate Case Expense**

15 Q. Has Staff updated its position through the true-up date in this case?

16 A. Yes. Staff has included Rate Case Expense submitted by Company through March  
17 16, 2020. Staff has included a (\$92,984) adjustment for the Rate Case Expense.

18 Q. How does Staff's rate case expense differ from Company and OPC?

19 A. Staff differs from OPC in the number of years for normalization; Staff utilized two  
20 years, whereas, OPC used three. Staff also differs from OPC in that Staff included a depreciation  
21 study from the last rate case when OPC did not. Staff included the normalization in the amount of  
22 \$14,227 per year for this depreciation study. This study is required by the Commission every five

1 years and thus should be allowed for recovery. Staff agrees with OPC when normalizing the Loss  
2 Study performed in 2018 for \$4000 per year for four years. The Line Loss Study is required by  
3 Commission rule to be submitted every four years and should be allowed for recovery.

4 In rebuttal testimony, Sheri Richard states that Staff disallowed \$16,509 of rate case  
5 expense associated with the line loss study. Staff did not disallow the \$15,999 incurred with the  
6 2017 loss study. It was normalized over a four year period. Thus, Staff includes \$4,000 yearly  
7 during that four year period. Ms. Richard's work paper put the \$16,509 back in to the rate case  
8 expense, but also included the \$4,000 normalized Loss Study submitted during this case. Staff  
9 disallowed other rate case expenses based on a reasonable timeline to begin the rate case. For  
10 example, an invoice for \$510, dated for November 7, 2018, was disallowed. The Company filed  
11 the Notice of Intended Case on May 29, 2019. Staff allowed rate case expenses from April 2018  
12 to current.

13 Q. Does this conclude your surrebuttal / true-up testimony?

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

AFFIDAVIT OF ANGELA NIEMEIER

STATE OF MISSOURI                                    )  
  )     ss.  
COUNTY OF COLE                                    )

COMES NOW ANGELA NIEMEIER and on their oath declares that they are of sound mind and lawful age; that they contributed to the foregoing Surrebuttal/True-Up Direct Testimony; and that the same is true and correct according to their best knowledge and belief.

Further the Affiant sayeth not.

/s/ Angela Niemeier  
ANGELA NIEMEIER

**Advertising Example**  
**Case No. ER-2019-0374**

Assumptions for Example:  
5 ads \$100 dollars apiece  
1 ad is institutional and Staff would disallow  
Jurisdictional Allocation is 85%

	<b>Total Company Cost</b>	<b>Ad Removed</b>	<b>Total Company After Disallowance</b>	<b>Jurisdictional Allocation</b>	<b>Mo Adjusted Jurisdictional</b>
<b>Staff method</b>	\$ 500.00	\$ 100.00	\$ 400.00	85%	\$ 340.00
<b>Empire's method</b>	\$ 500.00	\$ 85.00	\$ 415.00	85%	<u>\$ 352.75</u>
<b>Difference</b>					\$ 12.75

Under Empire's method \$12.74 of institutional advertising would be included. This goes against the guidelines set by the Commission in Case No. EO-85-185.