

Exhibit No.:
Issues: Update/True Up of Rate Base,
Revenues, and Expenses
Witness: Leigha Palumbo
Type of Exhibit: True-Up Direct Testimony
Sponsoring Party: The Empire District
Electric Company
Case No.: ER-2019-0374
Date Testimony Prepared: March 2020

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

True-Up Direct Testimony

of

Leigha Palumbo

on behalf of

**The Empire District Electric Company
a Liberty Utilities Company**

March 2020



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OF
LEIGHA PALUMBO
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
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THE EMPIRE DISTRICT ELECTRIC COMPANY
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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 Leigha Palumbo. My business address is 602 South Joplin Avenue, Joplin,
4 MO, 64802.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Liberty Utilities Service Corp. as a Regulatory Analyst for Liberty
7 Utilities Central Region, which includes The Empire District Electric Company, a
8 Liberty Utilities Company (“Liberty-Empire” or “Company”).

9 **Q. ARE YOU THE SAME LEIGHA PALUMBO THAT FILED DIRECT AND**
10 **REBUTTAL TESTIMONY IN THIS CASE ON BEHALF OF LIBERTY-**
11 **EMPIRE?**

12 A. Yes. I submitted Direct Testimony on August 14, 2019, and Rebuttal Testimony on
13 March 3, 2020.

14 **II. PURPOSE**

15 **Q. WHAT IS THE PURPOSE OF YOUR TRUE-UP DIRECT TESTIMONY IN**
16 **THIS PROCEEDING?**

17 A. The purpose of my true-up testimony is to support the update and/or true up of certain
18 rate base and income statement pro forma adjustments to the Company’s proposed true-
19 up revenue requirement in this case. These include an update to remove non-retail
20 electric water inventory, normalizing prepayments, materials and supplies, customer

1 advances and customer deposits, interest on customer deposits, and franchise fees and
2 taxes.

3 **III. RATE BASE ADJUSTMENTS**

4 **Q. PLEASE DESCRIBE RB ADJ 3 TO REMOVE WATER INVENTORY.**

5 A. As described in my direct testimony the material and supplies inventory recorded on
6 Liberty-Empire's balance sheet includes inventory for both the electric and water
7 businesses. The RB ADJ 3 adjustment has been updated to remove a 13 month average
8 as of January 31, 2020 from the Company's test year balance.

9 **Q. PLEASE DESCRIBE RB ADJ 11 TO NORMALIZE MATERIALS AND
10 SUPPLIES, CLEARING ACCOUNTS AND OTHER PREPAYMENTS.**

11 A. RB ADJ 11 updates test year balances for materials and supplies (excluding fuel
12 inventories), clearing accounts, and prepayments to reflect a thirteen month average as
13 of January 31, 2020.

14 **Q. DID THE COMPANY MAKE ANY CHANGES TO THE WAY FUEL
15 INVENTORIES WERE CALCULATED DURING THE TRUE-UP PROCESS?**

16 A. Yes, as discussed in my rebuttal testimony the Company agreed with Staff's approach
17 to determine fuel inventory, but expressed concern with the average daily burn that
18 Staff uses to calculate for the Plum Point generating unit and also disagreed with the
19 number of days used for Asbury inventory levels. RB ADJ 14 accounts for this change.

20 **Q. PLEASE DESCRIBE RB ADJ 14?**

21 A. In the Company's direct filing, fuel inventories were adjusted using a thirteen month
22 average. Within the true-up revenue requirement the Company calculated coal
23 inventories by determining the average daily burn and multiplying it by the appropriate
24 number of days for inventory for each plant, resulting in an increase to test year coal

1 inventories of \$27,058. For fuel oil, the Company utilized a thirteen month average
2 balance of fuel inventory (in gallons) and multiplied it by the weighted average price
3 per gallon. This resulted in a decrease to test year fuel oil inventory of \$826,717.

4 **Q. PLEASE DESCRIBE RB ADJ 13 TO NORMALIZE CUSTOMER ADVANCES**
5 **AND DEPOSITS.**

6 A. RB ADJ 13 updates test year balances to reflect a thirteen month average as of January
7 31, 2020.

8 **IV. TRUE-UP INCOME STATEMENT ADJUSTMENTS**

9 **Q. PLEASE DESCRIBE IS ADJ 13 FOR INTEREST ON CUSTOMER DEPOSITS.**

10 A. IS ADJ 13 was updated to reflect a twelve month ending balance at January 2020 and
11 utilized the new customer deposit interest rate that became effective January 2020, of
12 5.75%.

13 **Q. PLEASE DESCRIBE IS ADJ 31 AND IS ADJ 32 FOR FRANCHISE FEES AND**
14 **TAXES.**

15 A. As more fully discussed in my direct testimony IS ADJ 31 removes the Missouri
16 jurisdictional revenue amount associated with city franchise taxes. In addition, my
17 direct testimony explained IS ADJ 32 removes the franchise tax expenses from the base
18 rate revenue requirement calculation. Because retail revenues were updated through
19 January 31 in the revenue requirement calculation IS ADJ 31 and IS ADJ 32 were also
20 updated to continue to show the full removal of these components within the cost of
21 service calculation.

22 **Q. DOES THIS CONCLUDE YOUR TRUE-UP DIRECT TESTIMONY?**

23 A. Yes.

VERIFICATION OF LEIGHA PALUMBO

Leigha Palumbo, under penalty of perjury, declares that the foregoing true-up direct testimony is true and correct to the best of her/his knowledge, information, and belief.

/s/Leigha Palumbo _____
Leigha Palumbo
Regulatory Analyst