

Exhibit No.:
Issues: Rate Design
Witness: Thomas A. Solt
Sponsoring Party: MO PSC Staff
Type of Exhibit: Direct Testimony
Case No.: GR-2009-0434
Date Testimony Prepared: November 3, 2009

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

THOMAS A. SOLT

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. GR-2009-0434

**Jefferson City, Missouri
November 2009**

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI


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

Case No. GR-2009-0434

AFFIDAVIT OF THOMAS A. SOLT

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Thomas A. Solt, of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 5 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



Thomas A. Solt

Subscribed and sworn to before me this 3rd day of November, 2009.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086



Notary Public

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OF

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DIRECT TESTIMONY
OF
THOMAS A. SOLT
THE EMPIRE DISTRICT ELECTRIC COMPANY
CASE NO. GR-2009-0434

Q. What is your name and business address?

A. Thomas A. Solt, P.O. Box 360, Jefferson City, Missouri 65102.

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

A. I am employed by the Missouri Public Service Commission ("PSC" or "Commission") as a Regulatory Auditor in the Energy Department of the Utility Operations Division.

Q. How long have you been employed by the Commission?

A. I have been employed by the Commission from May 1992 to present, with the exception of the period from September 20, 1997, through January 13, 1998.

Q. What is your educational background?

A. I was graduated from the University of Missouri—Columbia in August 1999, earning a Master of Public Administration degree, and from the University of Missouri—St. Louis in May 1987, after completing the requirements for a Bachelor of Science degree in Business Administration with an accounting emphasis. I am a licensed Certified Public Accountant in the state of Missouri, and hold other professional certifications.

Q. What has been the nature of your duties with the Commission?

1 A. I have, under the direction of the Managers of Auditing, Energy, and
2 Telecommunications Departments, assisted with audits and examinations of books and
3 records of utility companies operating within the state of Missouri under the jurisdiction
4 of the Commission, and the review of various tariff filings and applications. I have also
5 been responsible for the tracking and analysis of issues that were pertinent to the
6 ratepayers of Missouri that were before the Federal Communications Commission and
7 the Federal Energy Regulatory Commission.

8 Q. Have you previously filed testimony before this Commission?

9 A. Yes. A list of cases in which I have filed testimony before this
10 Commission is attached as Schedule TS 1.

11 Q. With reference to Case No. GR-2009-0434, have you participated in the
12 Commission Staff's ("Staff") audit of The Empire District Electric Company ("EDG" or
13 "Company") concerning its request for a rate increase in this proceeding?

14 A. Yes, I have, with the assistance of other members of the Staff.

15 **EXECUTIVE SUMMARY**

16 Q. What is the purpose of your direct testimony?

17 A. The purpose of my direct testimony is to provide an overview of the
18 Staff's positions relating to EDG's class cost-of-service ("CCOS"), rate design, and
19 miscellaneous tariff issues. I have attached Staff's Report to my testimony. The Report
20 describes in greater detail the Staff's positions relating to these issues and was prepared
21 by various Staff members under the direction of Thomas M. Imhoff.

CLASS COST OF SERVICE

Q. What is the purpose of Staff's CCOS recommendation?

A. Staff's CCOS recommendation provides the Commission with a measure of relative class cost responsibility for the overall revenue requirements of EDG. Staff's recommended rates for EDG are set based on the cost of providing service to its customers and the opportunity to earn a return.

Staff studies the CCOS to determine how EDG's cost of service should be divided among EDG's customers. Customers are grouped by similar characteristics such as Residential, Small Commercial Firm Service, Small Volume Firm Service, Large Volume Firm Service, and Small and Large Transportation Service for the purpose of setting a common rate for each class. Staff considers which class is responsible for individual items of cost, and assigns that cost to the class by either direct assignment or allocation using reasonable methods for determining the class responsibility for that item of cost. During this assignment and allocation process, Staff notes whether particular costs vary by volumes of gas sold, or are relatively fixed in magnitude.

Staff then summarizes its results and compares those results to EDG's revenues being collected from each class based on current rates. The difference between a particular customer class' costs responsibility and the revenues generated by that customer class is the amount that class is either subsidizing (revenues greater than costs) the other classes or being subsidized (revenues less than costs).

Q. What is the Staff's recommendation on CCOS?

A. The Staff is recommending no revenue shifts in revenue responsibility between these classes.

RATE DESIGN

Q. What is rate design?

A. Rate design is the assignment of rates to each customer class and is based on the cost causations identified in Staff's CCOS, and other relevant factors to this case.

Q. What is Staff's position relating to the rate design issue?

A. Staff is proposing to allow EDG to implement Straight Fixed Variable (SFV) rate design for its residential and Small Commercial Firm Service-Small customers. While Staff supports the combination of the North & South district with the Northwest district for all rate classes, Staff does not support the magnitude of increases proposed by the Company, or SVF rates for the other customer classes

Additionally, EDG proposed several new rate class changes (Small Commercial Firm-Small, Small Commercial Firm-Medium, Small Commercial Firm-Large, eliminating Small Commercial Firm Service; Small Volume Firm Transportation Service-Small, Small Volume Firm Transportation Service-Medium, and Small Volume Firm Transportation Service-Large, eliminating Small Volume Transportation Service). Staff supports these changes.

MISCELLANEOUS TARIFF ISSUES

Q. What is the Staff position on EDG's proposed changes to its miscellaneous tariff rates?

A. EDG has proposed several changes to its tariff, which are discussed in the Staff's Report. Among the changes that Staff opposes are: Customer Deposit Retention, Late Payment Charge Increase, Removal of Excess Flow Valve Tariffed Rate, and Initial Connection Charge. Staff recommends or does not object to changes in Interest on

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Thomas A. Solt

1 Deposits, Interim Leak Surveys, Reconnection Charge increase, Meter Test Charge
2 increase, and a Collection Charge increase.

3 Q. Are there any other changes to EDG's tariff?

4 A. Yes. EDG proposed a complete re-write of its Transportation tariff.
5 Those changes include a new Daily Charge, a requirement that most customers have
6 telemetry equipment, a Balancing Service charge of \$0.025 per Ccf for customers exempt
7 from having telemetry (schools only), dual indices for purchasing and selling gas, as well
8 as several small issues relating to transportation. Staff supports these changes, as
9 modified.

10 Q. Does this conclude your direct testimony?

11 A. Yes it does.

Thomas A. Solt

Present Position:

I am an auditor in the Gas Rates and Tariffs Section of the Energy Department, Operations Division of the Missouri Public Service Commission.

Educational Background and Work Experience:

I have a Bachelor of Science degree in Business Administration from the University of Missouri—St. Louis, and a Master's degree in Public Administration from the University of Missouri--Columbia. I am a licensed certified public accountant, hold other professional certifications, and have been employed by the Missouri Public Service Commission since May, 1992, except for approximately four months in late 1997 and early 1998.

Testimony Issues

THOMAS A. SOLT

<u>Company</u>	<u>Case Number</u>
St. Joseph Light and Power Company GR-93-42 Payroll, Payroll Taxes, Management Incentive Plan, 401(k) Plan, Advertising	ER-93-41 &
Western Resources, Inc. Plant in Service, Depreciation Reserve, Depreciation Expense, Materials & Supplies, Prepayments, customer advances, customer deposits, property taxes, and property insurance	GR-93-240
The Empire District Electric Company Tariff Changes	ER-94-174
Missouri Gas Energy Recovery Mechanism for FERC Transition Costs	GR-95-33
Missouri Gas Energy Tariff Issues (delayed payment rate)	GR-98-140
Missouri Universal Service Fund USF Surcharge	TO-98-329
Southwestern Bell Telephone Company Local Plus availability, ordering, and tariff approval	TT-2000-258
Southwestern Bell Telephone Company	TO-2000-667

Local Plus	
Ozark Telephone Company	TT-2001-117 & TC-2001-402
Rate Design	
Relay Missouri Proceeding	TO-2003-0171
Relay Surcharge	
Fidelity Telephone Company	IR-2004-0272
Rate Design	
Missouri Gas Energy	GR-2006-0422
Class Cost of Service	
Union Electric Company d/b/a AmerenUE	GR-2007-0003
Class Cost of Service	
Laclede Gas Company	GT-2009-0026
Bad Debts through PGA	
KCPL Steam	HR-2009-0092
Revenues	
Missouri Gas Enery	GR-2009-0355
Class Cost of Service	