

Exhibit No.: _____
Issue(s): Southwest Power Administration Payment
Witness/Type of Exhibit: Robertson/Surrebuttal
Sponsoring Party: Public Counsel
Case No.: ER-2011-0004

SURREBUTTAL TESTIMONY

OF

TED ROBERTSON

Submitted on Behalf of the Office of the Public Counsel

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2011-0004

April 28, 2011

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**SURREBUTTAL TESTIMONY
OF
TED ROBERTSON**

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**EMPIRE DISTRICT ELECTRIC COMPANY
CASE NO. ER-2011-0004**

9 **I. INTRODUCTION**

10 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

11 A. Ted Robertson, PO Box 2230, Jefferson City, Missouri 65102-2230.

12
13 Q. ARE YOU THE SAME TED ROBERTSON THAT HAS PREVIOUSLY FILED
14 DIRECT AND REBUTTAL TESTIMONY IN THIS CASE?

15 A. Yes.

16
17 **II. PURPOSE OF TESTIMONY**

18 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

19 A. I will address the rate base deferred tax position taken by Company witness, Mr.
20 L. Jay Williams, regarding the Southwest Power Administration (SWPA)
21 Payment.

22
23 **III. SOUTHWEST POWER ADMINISTRATION PAYMENT**

24 Q. WHAT IS MR. WILLIAMS POSITION?

25 A. Beginning on page 2, line 13, of his Rebuttal Testimony, Mr. Williams states:
26

1 Q. WHAT HAS STAFF INCLUDED AS RATE BASE AMOUNTS
2 FOR THE SWPA PAYMENT?
3

4 A. Staff has correctly included the SEPA payment of
5 approximately \$26 million as a reduction to rate base.
6 However, the Company recorded a deferred tax asset of
7 approximately \$10 million recognizing the tax the Company
8 expects to pay on its federal/state tax returns related to the
9 lump sum payment. Staff has incorrectly included only
10 approximately \$3 million of the deferred tax asset in Staff's
11 rate base calculation.
12

13 Q. DO YOU KNOW WHY STAFF REDUCED THE DEFERRED
14 TAX ASSET?
15

16 A. It appears Staff has reduced the deferred tax asset by
17 approximately one-third to mirror the effect Staff included for
18 the SWPA payment in its cost of service calculation for
19 current taxes.
20

21 Q. IS THIS APPROPRIATE?
22

23 A. No. The deferred tax asset is recorded as a result of the
24 liability recorded, not based on what is included in the cost of
25 service calculation. Therefore, the entire \$10 million
26 deferred tax asset should be included to be consistent with
27 recognizing the entire \$26 million liability when calculating
28 rate base.
29
30

31 Q. DOES PUBLIC COUNSEL OPPOSE BOTH THE COMPANY AND STAFF
32 POSITIONS REGARDING THE TAX IMPACTS OF THE SWPA PAYMENT?

33 A. Yes. For the reasons I stated in my Rebuttal Testimony, I recommend that no
34 part of the SWPA payment be included in the calculation of income taxes or
35 included as a deferred tax asset to rate base. My recommendation is, as stated in

1 my Rebuttal Testimony, should it come to pass that income taxes are ultimately
2 assessed and paid on the SWPA payment, the actual income tax paid by the
3 Company could be identified and incorporated into the development of rates in its
4 next general rate change case.

5

6 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

7 A. Yes, it does.