

Exhibit No.
Issue: Regulatory Amortization
Witness: Robert W. Sager
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Empire District Electric
Case No. ER-2008-0093
Date Testimony Prepared: April 2008

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

Surrebuttal Testimony

of

Robert W. Sager

April 2008

SURREBUTTAL TESTIMONY
OF
ROBERT W. SAGER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2008-0093

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. Robert W. Sager, 602 Joplin Street, Joplin, Missouri 64801.

3 **Q. ARE YOU THE SAME ROBERT W. SAGER THAT PRESENTED DIRECT**
4 **AND REBUTTAL TESTIMONY IN THIS CASE?**

5 A. Yes.

6 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

7 A. My testimony responds to the rebuttal testimony of Mark Oligschlaeger of the
8 Missouri Public Service Commission Staff ("Staff").

9 **Q. WHAT AREAS OF STAFF WITNESS OLIGSCHLAEGER'S TESTIMONY**
10 **DOES YOUR SURREBUTTAL TESTIMONY ADDRESS?**

11 A. My surrebuttal testimony will discuss one of the differences that remain between
12 Empire and the Staff concerning the components included in the calculation of the
13 Regulatory Plan Amortization ("RPA"). At page 11 of his rebuttal testimony, Mr.
14 Oligschlaeger notes that there are differences between Staff, the Office of the Public
15 Counsel and Empire. In fact, by its very nature, the RPA and related calculations will
16 remain a work in progress at least until Empire's revenue requirement is determined
17 by the Commission in this case.

18 **Q. WERE ALL OF THE DIFFERENCES BETWEEN THE PARTIES**
19 **CONCERNING THE REGULATORY PLAN AMORTIZATION RESOLVED**

1 **IN THE TENTATIVE AGREEMENT MENTIONED AT PAGE 11 OF MR.**
2 **OLIGSCHLAEGER'S REBUTTAL TESTIMONY?**

3 A. No. As Mr. Oligschlaeger indicated, the parties, except for the Industrial Intervener,
4 had agreed on a tentative format and continue to work toward that end. Staff's
5 calculation, however, includes recovery of deferred ice storm expenses as a source of
6 cash in the calculation of the RPA. Empire does not agree with this Staff position.

7 **Q. WHY?**

8 A. We do not agree with this position due to the fact that the recovery of ice storm
9 expense represents a direct recovery of an expense that Empire has previously
10 incurred for repairing its system. Unlike the investment in electric plant in service
11 and the depreciation expense related to the plant investment, the deferred ice storm
12 *expenses* are not included in rate base in this case and Empire does not earn a rate of
13 return on them. This makes the Staff proposal on ice storm recovery inconsistent
14 with the treatment afforded the plant in service and the depreciation related to the
15 plant in service in the calculation of the RPA.

16 **Q. HOW CAN THE STAFF REGULATORY AMORTIZATION**
17 **CALCULATION BE CHANGED TO MAKE THE TREATMENT OF**
18 **DEFERRED ICE STORM EXPENSE AND RELATED RECOVERY**
19 **CONSISTENT WITH THE TREATMENT AFFORDED PLANT IN**
20 **SERVICE.**

21 A. The easiest way to correct the calculation of the RPA is to eliminate ice storm
22 expense recovery as a source of cash. Therefore, I suggest that the recovery of ice

ROBERT W. SAGER
SURREBUTTAL TESTIMONY

1 storm expense not be considered as a source of cash for purposes of the RPA in this
2 case.

3 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

4 A. Yes, it does.