

Exhibit No.:
Issue: Maintenance
Witness: Leasha S. Teel
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2004-0570
Date Testimony Prepared: November 4, 2004

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

LEASHA S. TEEL

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2004-0570

Jefferson City, Missouri
November 2004

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

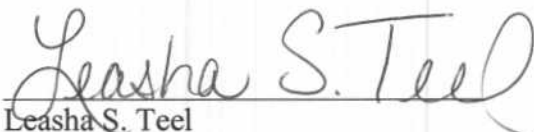
In The Matter of the Tariff Filing of The Empire)
District Electric Company to Implement a)
General Rate Increase for Retail Electric)
Service Provided to Customers in its Missouri)
Service Area.)

Case No. ER-2004-0570

AFFIDAVIT OF LEASHA S. TEEL

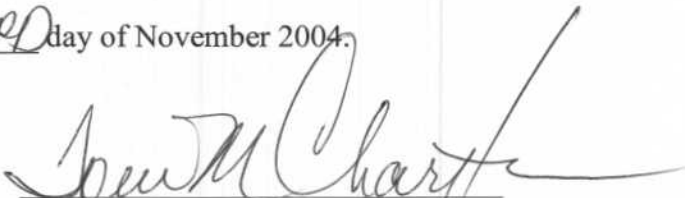
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Leasha S. Teel, being of lawful age, on her oath states: that she has participated in the preparation of the following rebuttal testimony in question and answer form, consisting of 5 pages to be presented in the above case; that the answers in the following rebuttal testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.


Leasha S. Teel

Subscribed and sworn to before me this 30th day of November 2004.




Notary

TONI M. CHARLTON
NOTARY PUBLIC STATE OF MISSOURI
COUNTY OF COLE
My Commission Expires December 28, 2004

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LEASHA S. TEEL
THE EMPIRE DISTRICT ELECTRIC COMPANY
CASE NO. GR-2004-0570

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1 Q. Is the Company currently following a schedule of annual generator
2 inspections?

3 A. No. The Company's history of performing generator inspections has been
4 very sporadic. In fact, during the period 2002 and 2003 the Company did not incur any cost
5 for generator inspections and did not schedule any inspections in 2004. The Company has
6 also failed to perform inspections when they are due. Although the Company seeks to
7 include a significant level of expense in the cost of service for generator inspections, it has
8 not been performing these inspections as part of any normal ongoing program.

9 Q. Please provide a review of the Company's inspection process during 2002,
10 2003 and 2004.

11 A. In 2002, as previously stated, the Company did not incur any cost for
12 generator inspections. A generator inspection was performed at State Line Unit 1, but the
13 cost was covered under the Company's warranty. In 2003, the test year for this case, the
14 Company did not incur any cost for generator inspections. Generator inspections were
15 performed at Energy Center Units 3 and 4, but the cost was covered under the Company's
16 warranty. Energy Center Units 3 and 4 came on line in April of the 2003 test year. Also in
17 2003, the Company did not perform generator inspections on production units Riverton 8 and
18 Energy Center Unit 1 even though the Company claimed these units were due for
19 inspections. In 2004, no generator inspections were scheduled to be performed, even though
20 Riverton 8 and Energy Center 1 apparently remain due. A generator inspection was
21 performed at Energy Center 2 in 2004, but only as a result of the unit unexpectedly needing
22 repair and already being out of service.

1 Q. Has the Staff examined the generator inspections the Company has performed
2 in the past ten years to gauge the regularity of the inspections?

3 A. Yes. As previously stated, in 2004, Energy Center 2 was inspected but only
4 after it was unexpectedly damaged and already out of service for repairs. Also, State Line 1
5 was inspected in 2002, but this inspection was under warranty and was performed at no cost
6 to Empire. Energy Center Units 3 and 4 were inspected in 2003, but this inspection was also
7 under warranty and performed at no cost to Empire. Energy Center Unit 1 was inspected in
8 1995, Asbury Unit 1 was inspected in 2001, Riverton Unit 7 was inspected in 1995 and 2000
9 and Riverton Unit 8 was inspected in 1998. The Staff has learned that of the nine
10 inspections in the last ten years, only the cost of four inspections can be determined since
11 documentation is unavailable for the other five. Two of those five inspections were under
12 warranty.

13 Q. Based on this data, what is the average cost of an inspection and what is the
14 frequency of occurrence?

15 A. According to the information provided, the average cost of an inspection is
16 \$381,543. However, this does not represent an annual cost since only nine inspections were
17 performed in ten years and the information shows that some of these inspections only
18 occurred as a result of other events.

19 Q. In light of the Company's history, does the Staff believe it is appropriate to
20 increase the test year cost of service for generator inspections?

21 A. No. The cost of annual inspections is not known, nor have the inspections
22 occurred with any regularity that would suggest that this item is a normal ongoing annual
23 expense.

ENERGY CENTER 3 AND 4 TWENTY-YEAR INSPECTION

Q. Please briefly explain this issue.

A. Energy Center Units 3 and 4 came on line in April 2003, during the Staff's test year. The Company is anticipating performing long-term maintenance inspections after 25,000 hours of operation. Based on Empire's estimate that each unit will operate approximately 1,250 hours annually, it would take approximately twenty years before these inspections may occur. Empire has also estimated the cost of the inspections and divided the dollars over a twenty-year span. Using this calculation the annual estimated accrued cost for the next twenty years is \$138,500 for these inspections.

Q. Does the Staff believe the Company's recommendation is appropriate?

A. No. In the Staff's opinion, it is inappropriate for the ratepayers to fund an accrual for inspections that may occur twenty years in the future at a date and a cost that is unknown.

MAINTENANCE CONTRACT FOR THE SLCC

Q. Please provide a description of this topic.

A. The annual cost of the maintenance contract associated with the SLCC Unit is based on the hours the unit is operated. In its direct filing, the Staff calculated its annualized cost using the hours of operation of the SLCC based on the output of its high gas cost fuel run. The SLCC hours of operation based on the high gas cost fuel run the Staff used to calculate the ceiling of its Interim Energy Charge (IEC) is substantially lower than the hours of operation based on the low gas cost fuel run the Staff used to calculate the floor of its IEC. After evaluating this situation, the Staff believes it is more appropriate to use an average of the hours of operation to determine the annualized cost of the maintenance agreement for the

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1 SLCC. It is the Staff's understanding that the Company agrees with this method of
2 determining the annualized cost of the maintenance agreement for the SLCC.

3 Q. What is the value of this change?

4 A. The Staff's total company adjustment S-6.9, changes from \$759,724 to
5 \$1,058,787.

6 Q. Does this conclude your testimony?

7 A. Yes it does.