

Exhibit No.: _____
Issue(s): Vegetation Management and
Infrastructure Standard Rules Costs
Witness/Type of Exhibit: Robertson/Rebuttal
Sponsoring Party: Public Counsel
Case No.: ER-2008-0093

REBUTTAL TESTIMONY
OF
TED ROBERTSON

Submitted on Behalf of the Office of the Public Counsel

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2008-0093

April 4, 2008

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the matter of The Empire District Electric)
Company of Joplin, Missouri's application)
for authority to file tariffs increasing rates)
for electric service provided to customers in)
the Missouri service area of the Company)

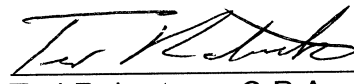
Case No. ER-2008-0093

AFFIDAVIT OF TED ROBERTSON

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Ted Robertson, of lawful age and being first duly sworn, deposes and states:

1. My name is Ted Robertson. I am a Public Utility Accountant for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.




Ted Robertson, C.P.A.
Public Utility Accountant III

Subscribed and sworn to me this 4th day of April 2008.



JERENE A. BUCKMAN
My Commission Expires
August 10, 2009
Cole County
Commission #05754036



Jerene A. Buckman
Notary Public

My Commission expires August 10, 2009.

**EMPIRE DISTRICT ELECTRIC COMPANY
CASE NO. ER-2008-0093**

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

Q. ARE YOU THE SAME TED ROBERTSON THAT HAS PREVIOUSLY FILED
TESTIMONY IN THIS CASE?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of this testimony is to present the Public Counsel's rebuttal to the Company's proposal for regulatory treatment of vegetation management and infrastructure standards rules future costs.

II. VEGETATION MANAGEMENT AND INFRASTRUCTURE STANDARDS

RULES COSTS

Q. WHAT IS THE ISSUE?

A. Public Counsel is opposed to the Company's request for authority to defer for future rate recognition and recovery cost increases associated with the

1 implementation of any Commission authorized vegetation management and
2 infrastructure standards rules. Beginning on page 6, line 13, of his direct
3 testimony, Company witness, Mr. Michael E. Palmer, states Company's request
4 as:

5
6 Q. DOES EMPIRE HAVE A RECOMMENDATION IF THE
7 COMMISSION IMPLEMENTS PRESCRIPTIVE
8 VEGETATION MANAGEMENT AND INFRASTRUCTURE
9 STANDARDS RULES?

10
11 A. Yes. In the event the Commission implements a highly
12 prescriptive vegetation management and infrastructure
13 standards rules similar to the rules that are currently under
14 consideration, Empire requests that it be allowed authority to
15 defer rate recognition and recovery of any cost increase
16 associated with these rules until these costs can be included
17 in rates in a general rate proceeding. A "tracking"
18 mechanism can be used to accomplish this. Mr. Scott Keith
19 of Empire will describe the details of the tracking mechanism
20 in his direct testimony in this rate case.
21
22

23 Q. WHY IS THE PUBLIC COUNSEL OPPOSED TO THE COMPANY'S REQUEST?

24 A. As of December 31, 2007, the vegetation management and infrastructure
25 standards rules Mr. Palmer references have not been implemented; thus, they
26 were not in effect at any time during the test year and update period for the
27 instant case.
28

1 Q. DID COMPANY PROPOSE AN ADJUSTMENT IN ITS RATE CASE TO
2 RECOGNIZE VEGETATION MANAGEMENT OR INFRASTRUCTURE COSTS
3 RELATED TO THE PROPOSED STANDARDS RULES?

4 A. No. Beginning on page 36, line 14, of his direct testimony, Mr. W. Scott Keith,
5 states:

6
7 Since the outcome of the rulemaking process has yet to be
8 completed, Empire was not able to propose an adjustment to its
9 vegetation management or infrastructure expenses in this rate case
10 to reflect the impact of the Commission's new rules.
11
12

13 Q. WHAT IS THE TEST YEAR PERIOD FOR THE INSTANT CASE?

14 A. The test period for the instant case is the 12 months ending June 30, 2007
15 updated through December 31, 2007.
16

17 Q. DOES PUBLIC COUNSEL AGREE WITH MR. KEITH'S ASSUMPTION THAT
18 THE COSTS ARE NOT KNOWN AND MEASURABLE?

19 A. Yes. The primary concern of the Public Counsel is that the actual costs of the
20 rules implementation are not known and measurable at this time; therefore, the
21 deferral of the costs, as proposed by Mr. Palmer, does not make sense from a
22 regulatory perspective. It does not make sense because Mr. Palmer is
23 requesting that the Commission authorize a "tracker" for deferral of costs based

1 totally on estimates of future costs. I know of no instance where the Commission
2 has authorized such a request for future unknown costs.

3
4 Q. ARE THE ESTIMATES OF FUTURE COSTS MR. PALMER PROVIDED IN HIS
5 DIRECT TESTIMONY STILL THE COMPANY'S BEST GUESS AS TO WHAT
6 THOSE COSTS WILL BE?

7 A. No. In fact, the Company's estimates of the estimated future costs have dropped
8 dramatically since Mr. Palmer filed his direct testimony.

9
10 Q. WHAT ARE THE ESTIMATED FUTURE COSTS MR. PALMER PROVIDED IN
11 HIS DIRECT TESTIMONY?

12 A. Regarding the annual incremental cost of complying with the vegetation
13 management rule he states on page 7, lines 11-14:

14
15 We have estimated the annual incremental cost of compliance with
16 this rule at \$40 million, or over six times what Empire currently
17 spends in this area and has included in its cost of service in this
18 rate case.

19
20
21 Whereas, regarding the infrastructure rule he states on page 8, lines 2-4:

22
23 We have estimated that this infrastructure rule will cost Empire from
24 \$6.7 million to \$9.0 million to implement and from \$6.6 million

1 to \$12.8 million annually.
2
3

4 Q. WHAT ARE THE COMPANY'S CURRENT COST ESTIMATES FOR
5 COMPLYING WITH THE STANDARDS RULES?

6 A. According to data provided by Ms. Jayna Long in an e-mail to OPC on March 25,
7 2008, Company now estimates that the future incremental costs of complying
8 with the vegetation management and infrastructure standards rules will be
9 significantly less. For example, for calendar year 2008, Company now estimates
10 the total incremental cost for the vegetation management standards rules at
11 \$8,006,181 (50% capital and 50% expense); whereas, for the infrastructure
12 standards rule, for calendar year 2008, the total estimated cost is approximately
13 \$1.5 million expense and \$2.7 million capital.
14

15 Q. IS THE TRACKER MECHANISM PROPOSED BY THE COMPANY A
16 REASONABLE ALTERNATIVE?

17 A. No. Whatever the costs incurred may be they will begin outside of the test year
18 and update period of the instant case and, at this time, they are not even close to
19 known and measurable. Therefore, it is not appropriate to decide the ratemaking
20 treatment of the costs in this case. In addition, the proposal for a tracker
21 mechanism has not been fully "fleshed out" as to the exact ratemaking treatment
22 being requested. For example, the proposal basically states captured costs

1 would be amortized and recovered in rates over a period not to exceed five
2 years; however, this description does not explain in detail how the future costs
3 are to be included in the development of future rates. Does Company expect
4 rate base treatment for the costs? Company's proposal is also inappropriate
5 given that it does not provide for any reduction in the Company's authorized rate
6 of return for the elimination of risk that the tracker's guaranteed recovery of costs
7 would provide.
8

9 Q. PLEASE SUMMARIZE THE PUBLIC COUNSEL'S POSITION ON THIS ISSUE.

10 A. Public Counsel believes that Mr. Palmer's request to defer estimated future costs
11 associated with the implementation of the vegetation management and
12 infrastructure standards rules is premature. At this time, implementation of the
13 standards rules has not been finalized and the estimates of future costs provided
14 by the Company are not known and measurable.
15

16 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

17 A. Yes, it does.
18