

Exhibit No.
Issue: Plant Operation and
Maintenance Expense
Witness: Tim Wilson
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Empire District
Case No. ER-2006-0315

Before the Public Service Commission
of the State of Missouri

Rebuttal Testimony

Of

Tim N. Wilson

July 2006

REBUTTAL TESTIMONY
OF
TIM. N. WILSON
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO.

1 **INTRODUCTION**

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

3 A. Tim N. Wilson. My business address is 602 Joplin Street, Joplin, Missouri.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. The Empire District Electric Company (“Empire” or “Company”), as a Planning
6 and Operations Analyst.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
8 **BACKGROUND FOR THE MISSOURI PUBLIC SERVICE COMMISSION**
9 **(“COMMISSION”).**

10 A. I graduated from Pittsburg State University in 2000 with a Bachelor of Science
11 degree in mathematics education. In October of 1999, I was hired by the Company
12 as an Associate Planning Analyst in the Strategic Planning Department. In this
13 position my primary responsibility was load research. In December 2001, I was
14 promoted to Planning Analyst for forecasting fuel and purchased power expense.
15 In August of 2003, I became an Energy Trader in the Wholesale Energy Trading
16 Department where my primary duties included the purchase and sale of both power
17 and natural gas in addition to fuel modeling. In October of 2004, I was promoted to
18 my current position of Energy Supply Planning and Operations Analyst. My duties
19 include the evaluation of future possible capacity and energy projects as well as

1 assisting the Energy Supply department in all budgeting areas and maintaining unit
2 statistics on Empire's fleet of generating units.

3 **EXECUTIVE SUMMARY**

4 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

5 A. I will respond to the testimony of Commission Staff Witness "Kofi" Agyenim
6 Boateng concerning the level of operation and maintenance ("O&M") expense that
7 the Staff has proposed to include in rates for the Company's generating units.
8 Specifically, I will address the level of maintenance expense that Staff included for
9 the Iatan, Asbury and Riverton generating stations. I believe Staff has undervalued
10 the level of annual maintenance expense at these three locations in the amount of
11 \$163,382 Missouri jurisdictional. Staff uses historical averages to normalize the
12 maintenance expense for these plants. This methodology does not account for the
13 inflation in material prices that Empire has incurred over the last several years.

14 **MAINTENANCE EXPENSE**

15 **Q. DID STAFF MAKE ANY ADJUSTMENTS FOR MAINTENANCE**
16 **EXPENSE RELATING TO THE IATAN, ASBURY AND RIVERTON**
17 **GENERATING STATIONS?**

18 A. Yes. For Iatan, Adjustments S-6.1, S-7.1, S-8.1, S-9.1, S-10.1, S-11.1, S-3, S-13.3,
19 S-14.3, S-15.3, S-16.3, S-38.1, S-39.1, S-40.1, S-41.1, S-47.3, S-49.1, S-79.1, S-
20 80.1, S-81.1, S-82.1, S-83.1, S-84.1, S-85.5 and S-91.1 were made. For Asbury,
21 Adjustments S-12.1, S-13.1, S-14.1, S-15.1, S-16.1 and S-47.1 were made. And for
22 Riverton, Adjustments S-12.2, S-13.2, S-14.2, S-15.2, S-16.2, S-34.1, S-47.2 and S-
23 60.1 were made.

1 **Q. SPECIFICALLY, HOW DID STAFF DETERMINE THE APPROPRIATE**
2 **LEVEL OF MAINTENANCE EXPENSE AT THESE THREE LOCATIONS?**

3 A. Staff made adjustments to maintenance expense based upon the major maintenance
4 cycle at each location. Once the respective major maintenance cycle was identified
5 Staff took the average of the maintenance expense over that period for each
6 location. For example, Iatan is on a six-year major maintenance cycle. Staff
7 averaged the maintenance expense for the last six years and adjusted the
8 Company's filed position to that number.

9 **Q. WHAT ARE THE MAJOR MAINTENANCE CYCLES AT EACH**
10 **LOCATION?**

11 A. Iatan is on a six year major maintenance cycle, Asbury is on a five year
12 maintenance boiler/turbine overhaul schedule and both Riverton Units Seven and
13 Eight are on a five year maintenance turbine overhaul schedule.

14 **Q. HOW DO YOU CHARACTERIZE THE STAFF'S METHOD?**

15 A. It is not appropriate.

16 **Q. WHY?**

17 A. Because when the Staff uses an average of historical expense to set expected levels
18 of expense in the future it is not appropriate because it fails to take inflation into
19 account.

20 **Q. HAS THE COMPANY SEEN AN INCREASE IN MAINTENANCE COSTS**
21 **OVER THE PAST FEW YEARS?**

22 A. Yes. For example, since 2004 the cost of bleach, a commodity used for cleaning
23 and controlling the growth of biological and micro organisms in the cooling water

1 system, has risen from \$0.64 per gallon to \$0.93 per gallon at our Asbury plant; an
2 increase of over 45%. While this example only goes back to 2004, Mr. Boateng
3 wants to use the average of actual costs which entails going all the way back to
4 2001 in the case of the Asbury plant and 2000 for Iatan.

5 **Q. ARE THERE OTHER MAINTENANCE PRODUCTS THE COMPANY**
6 **USES THAT HAVE SEEN SIGNIFICANT INCREASES IN COST OVER**
7 **THE LAST FEW YEARS?**

8 A. Yes, a few other examples of commodities used at the Asbury facility that have
9 seen inflation are sulfuric acid, scale inhibitor and salt. They have seen inflation of
10 17%, 14%, and 27% respectively, since 2004.

11 **Q. HOW SHOULD THE MAINTENANCE ISSUE BE ADDRESSED FOR**
12 **RATE-MAKING PURPOSES?**

13 A. The historical costs of the maintenance items should be adjusted by an inflation
14 factor before being averaged to arrive at a normalized level of maintenance
15 expense.

16 **Q. HAVE YOU PERFORMED THIS CALCULATION?**

17 A. Yes. The Company believes the inflation corrected total adjustments for Iatan,
18 Asbury and Riverton will increase Missouri jurisdictional expenses by \$163,382.
19 The Company used the site <http://inflationdata.com> to determine the appropriate
20 level of inflation. This website provides an inflation calculator which calculates the
21 amount of national price inflation between any two specified dates.

22 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

23 A. Yes.