

*Exhibit No.:*  
*Issue(s):* *Property Tax Expense*  
*Plant-In-Service*  
*Accumulated Depreciation*  
*Amortization of PeopleSoft*  
*Witness:* *Courtney Barron*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Surrebuttal/True-Up*  
*Testimony*  
*Case No.:* *ER-2019-0374*  
*Date Testimony Prepared:* *March 27, 2020*

**MISSOURI PUBLIC SERVICE COMMISSION**  
**FINANCIAL AND BUSINESS ANALYSIS DIVISION**  
**AUDITING DEPARTMENT**

**SURREBUTTAL/TRUE-UP TESTIMONY**

**OF**

**COURTNEY BARRON**

**THE EMPIRE DISTRICT ELECTRIC COMPANY**

**CASE NO. ER-2019-0374**

*Jefferson City, Missouri*  
*March 2020*

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1 **SURREBUTTAL/TRUE-UP TESTIMONY OF**

2 **COURTNEY BARRON**

3 **THE EMPIRE DISTRICT ELECTRIC COMPANY**

4 **CASE NO. ER-2019-0374**

5 Q. Please state your name and business address.

6 A. Courtney Barron, 200 Madison St., Jefferson City, Missouri 65101.

7 Q. By whom are you employed and in what capacity?

8 A. I am a Regulatory Auditor with the Missouri Public Service Commission  
9 (“Commission Staff”).

10 Q. Are you the same Courtney Barron who contributed to Staff’s Cost of Service  
11 Report filed January 15, 2020 in this case?

12 A. Yes I am.

13 **EXECUTIVE SUMMARY**

14 Q. What is the purpose of your surrebuttal/true-up direct testimony?

15 A. The purpose of my surrebuttal/true-up direct testimony is to address Staff’s  
16 true-up adjustments to property taxes, plant-in-service, accumulated depreciation and the  
17 amortization of PeopleSoft computer software. This testimony will also respond to the rebuttal  
18 testimony of The Empire District Electric Company (“Empire” or “Company”) witness  
19 Sheri Richards in regards to property taxes, plant-in-service and accumulated depreciation.

20 **PROPERTY TAXES**

21 Q. Sheri Richard’s rebuttal testimony states that, “It is my understanding the State  
22 of Missouri assesses property tax for Electric Utilities using the Income Approach in its

1 evaluation of property tax assessments in addition to the property value.”<sup>1</sup> Did Empire provide  
2 any information to support this statement?

3 A. No. Empire did not provide any additional support for this statement and based  
4 upon the research I performed, Staff could not verify this claim.

5 Q. Ms. Richards also states in her rebuttal testimony, “At December 31, 2019, the  
6 Company’s accrued book tax liability was approximately \$27 million on a total Company basis  
7 which supports the Company’s original pro forma property tax balance of \$25.2 million for the  
8 Missouri jurisdiction.”<sup>2</sup> Does Staff use accrual amounts to determine the amount of property  
9 tax expenses to be included in the cost of service?

10 A. No. Accruals are an estimated liability that the Company anticipates that they  
11 will have to pay and it is not what the Company actually paid for an expense. The estimated tax  
12 liability that the Company used in its property tax calculation is not known and measurable or  
13 based upon historical data. Staff’s calculation is based upon last known actual amount of  
14 property taxes paid by Empire and the plant-in-service associated with the property  
15 tax payment.

16 Q. How are property taxes typically assessed by the taxing authority and paid by  
17 the utility?

18 A. Property taxes are computed using the assessed property values. The taxing  
19 authority, either state or local, uses the utility plant balances assessed as of January 1st of each  
20 year.<sup>3</sup> This date is critical because it forms the basis for the property tax bill, which is generally  
21 paid at the end of that same year, no later than December 31st. Utilities are required to file with

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<sup>1</sup> Sheri Richards Rebuttal Testimony, page 36, lines 9-11.

<sup>2</sup> *Id.*, lines 16-18.

<sup>3</sup> Plant as of January 1<sup>st</sup> is commonly also calculated by using plant as of December 31<sup>st</sup> of the previous year, since it is very unlikely that this amount is different.

1 the taxing authorities a valuation of their utility property based on the January 1 assessment  
2 date each year. The taxing authorities will provide the utility with what they refer to as an  
3 “assessed value” for each category of property owned. Later in the year, the taxing  
4 authorities also determine a property tax rate that is given to the utilities. Property tax bills are  
5 then issued to the utilities with “due dates” of December 31 for each year based on the property  
6 tax rates applied to the assessed value. For example, a utility will pay property taxes on  
7 December 31, 2019, based upon an assessment made of its asset values as of January 1, 2019.

8 Q. Has Staff updated property tax expense as part of its true-up audit?

9 A. Yes. Staff updated property tax expense to reflect plant-in-service as of  
10 December 31, 2019. The ratio of property taxes paid at year-end 2019 to the balance of  
11 plant-in service as of January 1, 2019 was applied by Staff to the December 31, 2019  
12 plant-in-service balance.

13 **PLANT-IN-SERVICE & ACCUMULATED DEPRECIATION**

14 Q. On page 3 of Sheri Richard’s rebuttal testimony, she states that Staff should have  
15 first applied an allocation factor (the “Massachusetts rate”) to common plant then applied a  
16 jurisdictional allocation to the remaining general plant.<sup>4</sup> Does Staff agree?

17 A. Yes, and this is actually how Staff applied these allocations. Staff applied the  
18 Company’s calculated “Mass rate” to each plant-in-service and accumulated depreciation  
19 balance ending September 30, 2019 for general plant accounts 389 through 398. These  
20 adjustments are reflected in Staff’s Accounting Schedules as Total Company Adjustments  
21 P-156 through P-167. Then Staff applied the Missouri allocation percentage to the adjusted

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<sup>4</sup> Sheri Richards Rebuttal Testimony, page 3, lines 12-22.

1 Total Company plant-in-service and accumulated depreciation balances for general plant  
2 accounts 389 through 398. This allocation is reflected in Staff's Accounting Schedules in  
3 Column I, which is the result of Column E (As Adjusted Total Plant) times Column G  
4 (Jurisdictional Allocations).

5 Q. On page 5 of Sheri Richards's rebuttal testimony, she states that "Staff  
6 also proposed an adjustment to remove certain common plant assets. Both of these  
7 adjustments included applying allocation factors, different than the Company's, to total  
8 Company plant-in-service accounts."<sup>5</sup> Does Staff agree?

9 A. No. Staff used the same ("Mass rate") percentage 13.28% that the Company  
10 used in its direct workpaper.

11 Q. Do you have a correction to make to the Accumulated Depreciation Reserve?

12 A. Yes. In Staff's Direct filing in this case, Staff forgot to include the  
13 Iatan 2 Regulatory Plan amortization as an addition to the Accumulated Depreciation  
14 Reserve. Staff's true-up filing will reflect the addition.

15 **TRUE-UP TESTIMONY**

16 **Property Taxes**

17 Q. Has Staff updated property taxes as part of its true-up filing?

18 A. Yes. Staff updated the property tax expense based on plant-in-service as of  
19 December 31, 2019, and updated the tax ratio as discussed above.

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<sup>5</sup> *Id.*, page 2, lines 13-16.

1           **Plant-In-Service and Accumulated Depreciation**

2           Q.     Has Staff updated plant-in-service and accumulated depreciation as part of its  
3 true-up filing?

4           A.     Yes. Staff updated plant-in-service and accumulated depreciation to include  
5 plant and accumulated depreciation through January 31, 2020, in order to include all additions  
6 and retirements.

7           **Amortization of PeopleSoft**

8           Q.     Has Staff updated the amortization of PeopleSoft software as part of its  
9 true-up filing?

10          A.     Yes. Staff updated the amortization of PeopleSoft to include amortization up to  
11 January 31, 2020.

12          Q.     Does this complete your surrebuttal/true-up testimony?

13          A.     Yes.

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

In the Matter of The Empire District Electric            )  
Company's Request for Authority to File                )  
Tariffs Increasing Rates for Electric Service            )  
Provided to Customers in its Missouri                 )  
Service Area    )

Case No. ER-2019-0374

AFFIDAVIT OF COURTNEY BARRON

STATE OF MISSOURI                                    )  
  )  
COUNTY OF COLE                                    )

ss.

COMES NOW COURTNEY BARRON and on their oath declares that they are of sound mind and lawful age; that they contributed to the foregoing Surrebuttal/True-Up Direct Testimony; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

Further the Affiant sayeth not.

/s/ Courtney Barron  
COURTNEY BARRON