

Exhibit No.:
Issue: Revenue
Witness: Kelly A. Emanuel
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District Electric
Case No. ER-2011-004
Date Testimony Prepared: September 2010

**DIRECT TESTIMONY
of
KELLY A. EMANUEL**

**ON BEHALF OF
THE EMPIRE DISTRICT ELECTRIC COMPANY**

SEPTEMBER 2010

TABLE OF CONTENTS
DIRECT TESTIMONY OF
KELLY A. EMANUEL
ON BEHALF OF
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION

<u>SUBJECT</u>	<u>PAGE</u>
INTRODUCTION.....	1
REVENUE ADJUSTMENTS	2
Customer Growth Adjustment.....	3
Weather Normalization Adjustment	4
Unbilled Revenue.....	4
Other Revenue Adjustments.....	4
PROPOSED RATE CHANGES.....	6
MISCELLANEOUS TARIFF CHANGES.....	7

DIRECT TESTIMONY
OF
KELLY A. EMANUEL
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2011-0004

1 **INTRODUCTION**

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

3 A. Kelly A. Emanuel. My business address is 602 S. Joplin Avenue, Joplin, Missouri.

4 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR JOB TITLE?**

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

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
8 **BACKGROUND.**

9 A. I hold a Bachelor of Science degree in Business Information Systems from the University
10 of Phoenix. I began my career in accounting and worked up to the positions of Branch
11 Accounting and Human Resources Manager for the Marriott Corporation. I also served
12 as Director of Finance for a manufacturing company, Shaffer Sportswear. I combined
13 my accounting and finance experience into the Information Systems field where I worked
14 in several areas. In 2006, I joined Empire as an Internal Auditor. In 2008, I moved into
15 my current position of Regulatory Analyst.

16 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE**
17 **BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION**
18 **(“COMMISSION”)?**

1 A. My testimony will support several of the rate case adjustments made to Empire's
2 operating revenue. I will also sponsor the proposed tariff rate changes as a result of the
3 Class Cost of Service and explain the minor changes to the lighting tariffs related to bulb
4 sizes and the replacement of glassware in municipally owned street lighting systems.

5 **REVENUE ADJUSTMENTS**

6 **Q. PLEASE EXPLAIN THE PROCESS USED TO CALCULATE THE REVENUE**
7 **ADJUSTMENTS.**

8 A. The Commission's Staff ("Staff") customers, sales and revenue levels as determined in
9 Case No. ER-2010-0130 served as the starting point for this case, as discussed in the
10 Empire testimony of W. Scott Keith. In addition, Empire's weather model from Case No.
11 ER-2010-0130 was updated to take into account customer levels at June 30, 2010 and
12 revised to take into account Staff's weather normalization issues brought up in the last
13 case. The weather normalization revisions and updates are discussed in the testimony of
14 Empire witness Aaron Doll. I also reviewed the larger commercial and industrial
15 customers to determine if there were any significant load changes since Empire's last rate
16 case.

17 **Q. PLEASE IDENTIFY THE REVENUE ADJUSTMENTS THAT HAVE BEEN**
18 **MADE TO MISSOURI JURISDICTIONAL REVENUE.**

19 A. Total Company and Missouri jurisdictional revenues included in the test year have been
20 adjusted to reflect customer growth as of June 30, 2010 and normal weather conditions.
21 Furthermore, kilowatt-hour ("kWh") sales and revenues were adjusted to reflect the effect
22 of significant load changes for Empire's large commercial and industrial customers. The
23 revenues related to Empire's water business were also removed. The overall Missouri

1 electric revenue has also been adjusted to reflect a full year of the new rates authorized by
2 the Missouri Public Commission in Case No. ER-2010-0130. The fuel adjustment
3 revenue has been adjusted to reflect the Fuel Adjustment Clause ("FAC") base cost
4 established in the last case. Empire witness Scott Keith discusses the FAC adjustment in
5 his direct testimony.

6 **Customer Growth Adjustment**

7 **Q. PLEASE EXPLAIN THE ADJUSTMENT RELATED TO CUSTOMER**
8 **GROWTH.**

9 A. Missouri jurisdictional revenues have been adjusted to reflect the revenue that would
10 have been generated if the number of Empire customers existing at the end of June 30,
11 2010 had been served by the Company for the entire test year. For the residential,
12 commercial, and industrial GP class, the differences between the level of customers from
13 the previous case, Case No. ER-2009-0130, and the average customers billed in each
14 month of the test year were multiplied by the average weather normalized kWh per
15 customer for each month. The resulting change in kWh sales was then multiplied by the
16 average class weather normalized cost per kWh to obtain the revenue adjustment related
17 to customer growth.

18 The customer's in class LP were reviewed on an individual customer basis to calculate
19 the impact of significant load changes on revenue. This individual customer approach
20 was used because LP customers have high usage per customer and also experience
21 changes in customer load patterns due to anomalies that can have a significant impact on
22 revenue.

1 In total, the customer growth adjustment to revenue, as compared to the customer growth
2 in Case No. ER-2010-0130, resulted in a decrease of \$700,431 in revenue and in sales of
3 28,324,318 kWh.

4 **Weather Normalization Adjustment**

5 **Q. WAS REVENUE ALSO ADJUSTED FOR THE AFFECTS OF WEATHER?**

6 A. Yes. The test year sales and revenue were adjusted to account for the impact of abnormal
7 weather. The calculation of the weather normalized sales and revenue is presented in the
8 direct testimony of Empire witness Aaron Doll.

9 **Unbilled Revenue**

10 **Q. PLEASE DESCRIBE THE ADJUSTMENT RELATED TO UNBILLED**
11 **REVENUE.**

12 A. The revenue in the test year should equal the amount actually billed to customers and the
13 portion of sales that were used but not billed during the test year. While the amount of
14 revenues actually billed to customers is known, the portion not yet billed to customers is
15 not known and therefore must be estimated. This adjustment is calculated by multiplying
16 a rate per kWh to the unbilled sales by pricing plan. The unbilled sales and revenue is
17 further discussed by Empire witness Aaron Doll.

18 **Other Revenue Adjustments**

19 **Q. WHAT OTHER ADJUSTMENTS WERE MADE TO REVENUE?**

20 A. There were three more adjustments made to revenue. The adjustments were to update
21 Staff's Accounting Schedules to match the Stipulation and Agreement from Case No.
22 ER-2010-0130, to adjust revenue to match the new rates of the prior rate case, and to
23 include excess facilities revenue.

1 **Q. WHY IS AN ADJUSTMENT TO INCLUDE THE IMPACT OF THE RATES SET**
2 **IN CASE NO. ER-2010-0130 NECESSARY?**

3 A. This adjustment is necessary because Empire's new rates were not included in the Staff's
4 accounting schedule in Case No. ER-2010-0130. As part of the Stipulation and
5 Agreement in Case No. ER-2010-0130, Empire's revenue requirement, including the
6 expenses related to the Plum Point generating unit, was increased by \$46,800,000
7 scheduled to go into effect on September 29, 2010. This set of rates was contingent on
8 Staff's certification that Plum Point was fully operational and used for service as of
9 August 15, 2010. The Plum Point unit met the in-service criteria established by the
10 Stipulation and Agreement and the new rates became effective on September 10, 2010.
11 As I mentioned earlier, these rates were designed to produce \$46,800,000 in additional
12 revenue. An adjustment had to be made to the Staff's accounting schedules from Case
13 No. ER-2010-0130 to reflect this additional revenue. The adjustment to revenue in this
14 case is \$46,676,702 and was made based on customer and usage levels determined in
15 Case No. ER-2010-0130, as revised and updated for the customer levels and weather
16 normalization at June 30, 2010.

17 **Q. PLEASE EXPLAIN THE ADJUSTMENT NECESSARY TO MATCH THE**
18 **STIPULATION AND AGREEMENT IN CASE NO. ER-2010-0130.**

19 A. The billing units in the Stipulation and Agreement of Case No. ER-2010-0130 were
20 different than the billing units in the Staff accounting schedules or EMS run. As a result,
21 an adjustment to increase ongoing revenue in the amount of \$225,870 was needed to
22 correlate revenues to the agreed upon billing units of the Stipulation and Agreement.

23 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO EXCESS FACILITIES REVENUE.**

1 A. Empire's excess facilities revenue is related to Rider XC. The charges included in Rider
2 XC are related to the excess facilities that Empire installs at the request of a customer. If
3 a customer requires excess facilities, Empire and the customer enter into a contract for
4 the appropriate additional Rider XC charges. The adjustment needed in this case is the
5 difference between the current excess facilities level and the level in Staff's accounting
6 schedules in Case No. ER-2010-130. This resulted in an adjustment of \$116,198 in
7 additional excess facilities revenue.

8 **PROPOSED RATE CHANGES**

9 **Q. PLEASE EXPLAIN THE PROPOSED CHANGES EMPIRE HAS MADE TO THE**
10 **CURRENT TARIFFS.**

11 A. Empire's filing contains versions of Empire's tariff sheets that have been highlighted for
12 each proposed change. These proposed changes are the result of the increase in Empire's
13 overall revenue requirement, due primarily to Iatan 2, and changes that are necessary to
14 reflect the results of Empire's Class Cost of Service ("COS") Study. The results and
15 methodology employed in Empire's COS are discussed in detail in the testimony of
16 Empire witness, Edwin Overcast. The proposed changes made to Empire's tariff sheets
17 resulted in the following increases in overall revenue by rate class:

18
19
20
21
22
23

Rate Class	Revenues in Test Year		Proposed Increase
	Present Rates	Proposed Rates	Amount
RG – Residential	181,863,517	202,136,794	20,273,277
CB - Commercial	37,612,453	41,063,453	3,451,000
SH - Small Heating	9,911,659	10,822,135	910,476
GP - General Power	75,774,769	79,254,449	3,479,680
SC - P - Praxair	3,193,074	3,628,920	435,846
TEB - Total Electric Building	35,359,267	36,985,983	1,626,716
PFM - Power Feed Mills	74,809	75,139	330
LP - Large Power	45,614,773	51,907,962	6,293,189
MS - Miscellaneous Service	61,756	68,584	6,828
SPL - Municipal Lighting	1,771,893	1,771,893	0
PL - Private Lighting	4,421,725	4,421,725	0
LS - Special Lighting	132,814	154,658	21,844

1 **MISCELLANEOUS TARIFF CHANGES**

2 **Q. PLEASE DESCRIBE THE MISCELLANEOUS CHANGES TO TARIFFS**
 3 **EMPIRE IS REQUESTING.**

4 A. Empire is requesting a change to the Municipality Ownership paragraph in the SPL tariff,
 5 which currently states as follows:

6 If the Municipality owns the Street Lighting System, the Company will
 7 furnish electric energy, will inspect street lights, replace broken lamps or
 8 glassware, and repaint steel poles when necessary. However, replacement
 9 or repairs to poles, conduit, cable overhead conductors or fixtures other
 10 than glassware shall be paid for by the municipality.
 11

12 If the Commission accepts Empire’s proposed change, the tariff would state as follows:

1 If the Municipality owns the Street Lighting System, the Company will
2 furnish electric energy, will inspect street lights, replace broken lamps or
3 glassware, *specialty or decorative glass excluded*, and repaint steel poles
4 when necessary. However, replacement or repairs to poles, conduit, cable
5 overhead conductors or fixtures other than glassware shall be paid for by
6 the municipality. **(Emphasis added)**
7

8 **Q. ARE THERE ANY OTHER MISCELLANEOUS TARIFF CHANGES?**
9

10 A. Yes. Additional changes have been made to Schedule SC-P. A condition of service has
11 been added to Schedule SC-P and the monthly credit provision was updated.

12 **Q. PLEASE DESCRIBE THE CHANGES.**

13 A. The condition is proposed to state as follows:

14 6. This schedule SC-P is available for service to Praxair, Inc. only in the event
15 there is a contract for power service in effect between the Company and Praxair,
16 Inc.
17

18 The monthly credit provision was reviewed as part of the Company's cost of service
19 study performed by Empire witness H. Edwin Overcast. The credit is proposed as
20 follows:

21 A monthly credit of \$3.76 on demand reduction per kW of contracted
22 interruptible demand for substation metered customers will be applied.
23

24 **Q. WHY HAVE THESE CHANGES BEEN MADE?**

25 A. The current contract for power service between the Company and Praxair, Inc. expires on
26 October 31, 2010. After that date, this schedule is not and would not be available to
27 Praxair unless and until a new contract for power service is entered into and is in effect
28 between the Company and Praxair.

29 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

30 A. Yes, it does.

AFFIDAVIT OF KELLY A. EMANUEL

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 21st day of September, 2010, before me appeared Kelly A. Emanuel, to me personally known, who, being by me first duly sworn, states that she is a Regulatory Analyst of The Empire District Electric Company and acknowledges that she has read the above and foregoing document and believes that the statements therein are true and correct to the best of her information, knowledge and belief.

Kelly A Emanuel
Kelly A. Emanuel

Subscribed and sworn to before me this 21st day of September, 2010.

Vicki L. Kramer-Gibson
Notary Public

My commission expires: 10-30-10.

VICKI L. KRAMER-GIBSON Notary Public - Notary Seal STATE OF MISSOURI Jasper County - Comm#08482169 My Commission Expires Oct. 30, 2010
--