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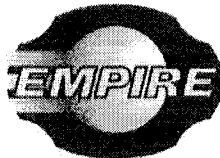
Missouri Public
Service Commission

Exhibit No. Empire 6
Issues: Cash Working Capital, Revenue
Adjustments
Witness: Joan E. Land
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District Electric
Case No. ER-2012-0345
Date Testimony Prepared: July 2012

**Before the Public Service Commission
of the State of Missouri**

**Direct Testimony
of
Joan E. Land**

July 2012



SERVICES YOU COUNT ON

Empire Exhibit No. 6
Date 9-10-12 Reporter KF
File No. ER-2012-0345

DIRECT TESTIMONY
OF
JOAN E. LAND
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2012-0345

1 **I. INTRODUCTION**

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

3 A. My name is Joan E. Land, and my business address is 602 S. Joplin Avenue, Joplin,
4 Missouri.

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

6 A. I am employed by The Empire District Electric Company (“Empire” or “Company”) as a
7 Regulatory Analyst.

8 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
9 **PROFESSIONAL EXPERIENCE.**

10 A. I graduated from the University of Central Oklahoma in May 2000 with a Bachelor of
11 Science in Accounting. During my graduate studies, I was employed by the University of
12 Oklahoma Health Sciences Center as an accountant for the office of Senior Vice
13 President and Provost. I have also served as Senior Accountant for Tamko Building
14 Products. I joined Empire in October 2008 and held various accounting positions in
15 revenue and fuel departments. In December 2010, I accepted my current position.

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

18 A. My testimony will describe the lead-lag study used to develop Empire’s Cash Working

1 **Q. PLEASE DESCRIBE SCHEDULE JEL-1.**

2 A. The results of the leads and lags are summarized in Schedule JEL-1. These results were
3 used to calculate the Company's CWC requirements.

4 **III. REVENUE ADJUSTMENTS**

5 **Q. PLEASE IDENTIFY THE REVENUE ADJUSTMENTS THAT HAVE BEEN**
6 **MADE TO MISSOURI JURISDICTIONAL REVENUE.**

7 A. Missouri jurisdictional revenues included in the test year have been adjusted to reflect
8 customer growth, normalized weather, and the rate increase authorized by the
9 Commission in Case No. ER-2011-0004. In addition, kilowatt-hour ("kWh") sales and
10 revenues were adjusted to reflect the effect of significant load changes for Empire's large
11 commercial and industrial customers, as well as unbilled sales and revenues.
12 Furthermore, adjustments were made to remove revenues for the Fuel adjustment as well
13 as those related to Empire's water business, excess facilities revenue was annualized, and
14 city franchise taxes were eliminated. Each adjustment is discussed below.

15 **Customer Growth**

16 **Q. PLEASE EXPLAIN THE ADJUSTMENT RELATED TO CUSTOMER**
17 **GROWTH.**

18 A. Missouri jurisdictional revenues have been adjusted to reflect the amount of revenue that
19 would have been generated if the number of Empire customers existing at March 31,
20 2012, had been served by the Company for the entire test year, with an exception for
21 residential customers. Due to the tornado that occurred in Joplin on May 22, 2011, the
22 number of residential customers was adjusted using a historical average. For the
23 commercial, industrial TEB, and GP classes, the differences between the March 31, 2012

1 level of customers and the average customers billed in each month of the test year were
2 multiplied by the average weather normalized kWh per customer for that month. The
3 resulting change in kWh sales was then multiplied by the average class weather
4 normalized cost per kWh to obtain the revenue adjustment related to customer growth.
5 The industrial customer class, LP, was reviewed on an individual customer basis to
6 calculate the impact of customer growth on revenue. This individual customer approach
7 was used for the LP class, because LP customers have a higher usage per customer, and
8 changes in LP customer load patterns due to anomalies can have a significant impact on
9 revenue. In total, the customer growth adjustment to revenue resulted in an increase of
10 \$2,171,886 in revenue and 16,670,497 kWh in sales.

11 **Weather Normalization Adjustment**

12 **Q. WAS THE REVENUE ADJUSTED FOR THE EFFECT OF WEATHER?**

13 A. Yes. The test year sales and revenue were adjusted to account for the impact of abnormal
14 weather. The calculation of the weather normalized sales and revenue is presented in the
15 direct testimony of Empire witness Aaron Doll. The adjustment for weather resulted in a
16 decrease in revenue of \$3,509,933.

17 **Rate Increase**

18 **Q. WHY WAS AN ADJUSTMENT MADE TO REVENUE FOR THE RATE
19 INCREASE AUTHORIZED BY THE COMMISSION IN CASE NO. ER-2011-004?**

20 A. As a result of the Commission's decision in that case, the rate increase became effective
21 on June 15, 2011. The test year in this case of March 31, 2012 does not include a full
22 year of the rate increase. Therefore, an adjustment is needed to reflect a full year of the
23 rate increase. This adjustment results in an increase in revenues of \$4,682,578 to reflect

