

Exhibit No.:
Issue: Coal Inventory
Adjustment
Witness: Kimberly K. Bolin
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2020-0311
Date Testimony Prepared: August 7, 2020

MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY

OF

KIMBERLY K. BOLIN

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2020-0311

Jefferson City, Missouri
August 2020

1 **SURREBUTTAL TESTIMONY OF**

2 **KIMBERLY K. BOLIN**

3 **THE EMPIRE DISTRICT ELECTRIC COMPANY**

4 **CASE NO. ER-2020-0311**

5 Q. Please state your name and business address.

6 A. My name is Kimberly K. Bolin. My business address is P.O. Box 360, Suite 440,
7 Jefferson City, MO 65102.

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

9 A. I am the Auditing Department Manager for the Missouri Public Service
10 Commission (“Commission”)

11 Q. Are you the same Kimberly K. Bolin that filed rebuttal testimony on
12 July 27, 2020 in this case?

13 A. Yes, I am.

14 Q. What is the purpose of your testimony?

15 A. The purpose of my testimony to provide clarification on definitions of the terms
16 “basemat” and “unrecoverable coal.”

17 Q. In your rebuttal testimony you define basemat coal. Does there seem to be a
18 discrepancy in how Empire defines the terms basemat coal and unrecoverable coal?

19 A. Yes. In my rebuttal testimony, I defined basemat coal as the bottom portion of
20 a coal pile that is not useable as fuel due to contamination by soil, clay, and other contaminants.
21 This has been Staff’s consistent definition for several Empire rate case proceedings. However,
22 in Empire’s response to OPC Data Request No. 8013 in this proceeding, Empire defines
23 basemat in a more limited fashion as a base of packed clay or rock for coal pile storage that is

1 capitalized as part of the plant construction and intended to protect the coal pile from the ground.
2 According to Empire, valuation of the basemat is a one-time exercise unless new coal piles are
3 established or existing coal piles are expanded.¹

4 Q. How does Empire define unrecoverable coal?

5 A. In the same response to OPC Data Request No. 8013, Empire defines
6 unrecoverable coal as coal purchased to support sales, which has become unusable due to its
7 close proximity to the basemat of rock and clay. According to Empire, unrecoverable coal is
8 different from basemat in that it is not a base of packed clay or rock and it is not capitalized to
9 plant at any point.

10 Q. In the past, did Staff label what Empire defines as unrecoverable coal as
11 basemat?

12 A. Yes. Based upon a previous response by Empire to a data request in Case
13 No. ER-2010-0130², Staff has previously referred to unrecoverable coal as basemat.

14 Q: For the remainder of your testimony, do you intend to refer to unrecoverable
15 coal and basemat using Empire's definition of those terms?

16 A: Yes. For simplicity purposes in the remainder of my testimony, I will refer to
17 unrecoverable coal and basemat as those terms are defined by Empire.

18 Q. Did Empire previously capitalize a basemat amount?

19 A. Yes. Empire recorded \$301,428 in USOA plant account 312, Boiler
20 Plant Equipment.³

¹ Empire's Response to OPC Data Request No. 8013.

² Empire's Response to Staff Data Request Response No. 348.1 in Case No. ER-2010-0130.

³ Empire's Response to Staff Data Request No. 12.1 in Case No. ER-2020-0311.

1 Q. In the most current Empire rate case, how was unrecoverable coal for the Asbury
2 generating plant treated for ratemaking purposes?

3 A. In Case No. ER-2019-0374, unrecoverable coal for the Asbury generating plant
4 was included in coal inventory by Staff and Empire. Staff included 29,500 tons of coal at a
5 price of \$1,172,853 as unrecoverable coal in its fuel inventory, which is included in rate base,
6 and thus Empire earns a return on the unrecoverable coal.

7 Q. Should there be any distinction between “basemat” and “unrecoverable coal” for
8 ratemaking purposes for Empire?

9 A. For purposes of this proceeding, there should be no distinction. Both basemat
10 and unrecoverable coal should not be recovered through the FAC, as neither can be burned for
11 the purpose of generation of electricity.

12 Q. In your rebuttal testimony, you stated that it is generally not appropriate to
13 charge the costs tied to a long-lived asset (such as basemat coal) to expense in one lump-sum
14 amount upon retirement through the FAC or through any other rate mechanism. Does this same
15 conclusion also apply to unrecoverable coal left when a generating plant is retired?

16 A. Yes. The adjustment made on December 31, 2019 to move unrecoverable coal
17 from Account 151 to Account 501 was made only because Empire ran out of coal and because
18 of the planned retirement of the Asbury generating plant. This adjustment would not have been
19 made if the plant was not planned to be retired; therefore, it would be more appropriate to
20 amortize the cost of unrecoverable coal over a multi-year period.

21 Q. Does this conclude your surrebuttal testimony?

22 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric)
Company's Filing for Authority to Implement) Case No. ER-2020-0311
Rate Adjustments Related to the Company's)
Fuel and Purchased Power Adjustment)
Required in 20 CSR 4240-20.090)

AFFIDAVIT OF KIMBERLY K. BOLIN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COME NOW KIMBERLY K. BOLIN and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal testimony*; and that the same is true and correct according to her best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ Kimberly K. Bolin
KIMBERLY K. BOLIN