

EXHIBIT

Exhibit No.: _____

Issue(s):

Witness // Type of Exhibit:

Sponsoring Party:

Case Nos.:

Employee Level

Bolin/Rebuttal

Public Counsel

ER-2001-299

REBUTTAL TESTIMONY

OF

KIMBERLY K. BOLIN

Submitted on Behalf of the Office of the Public Counsel

The Empire District Electric Company

Case No. ER-2001-299

May 3, 2001

Exhibit No. 85
Date 5/29/01 Case No. ER-2001-299
Reporter KRM

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

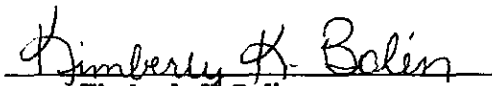
In the matter of the application of The Empire)
District Electric Company for a general rate) Case No. ER-2001-299
increase.)

AFFIDAVIT OF KIMBERLY K. BOLIN

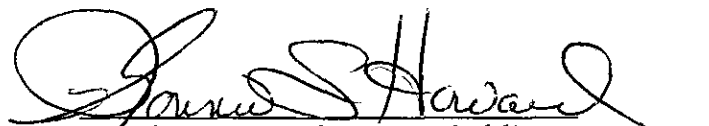
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Kimberly K. Bolin, of lawful age and being first duly sworn, deposes and states:

1. My name is Kimberly K. Bolin. I am a Public Utility Accountant for the Office of the Public Counsel.
2. Attached, hereto and made a part hereof for all purposes, is my rebuttal testimony consisting of pages 1 through 4.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


Kimberly K. Bolin

Subscribed and sworn to me this 3rd day of May, 2001.


Bonnie S. Howard, Notary Public

My Commission expires May 3, 2001.

REBUTTAL TESTIMONY

OF

KIMBERLY K. BOLIN

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2001-299

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

2 **A. Kimberly K. Bolin, P.O. Box 7800, Jefferson City, Missouri 65102.**

3 **Q. ARE YOU THE SAME KIMBERLY K. BOLIN WHO FILED DIRECT TESTIMONY**
4 **IN THIS CASE?**

5 **A. Yes.**

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

7 **A. The purpose of my rebuttal testimony is to respond to Empire District Electric Company's witness**
8 **concerning the employee level that is to be included in the payroll annualization.**

9 **Q. WHAT IS THE ISSUE?**

10 **A. Public Counsel believes the employee level to be included in the payroll annualization should be**
11 **the actual level of employees hired as of the true-up date June 30, 2001. The Company has**
12 **included in its payroll annualization not only actual employee levels but also vacant employee**
13 **positions.**

14 **Q. WHY DOES PUBLIC COUNSEL OPPOSE INCLUDING VACANT EMPLOYEE**
15 **POSITIONS IN THE PAYROLL ANNUALIZATION WHEN DETERMINING THE**
16 **COST OF SERVICE?**

1 A. The consideration of vacant employee positions or future budgeted payroll as proposed by the
2 Company does not result in a proper matching of the components necessary to determine the cost of
3 service. The use of historical test year eliminates the need to try and determine whose "guess"
4 (often called budgets) is appropriate. Budgets are not verifiable and can easily be adjusted to suit
5 the purpose of the party developing the budget.

6 **Q. IN YOUR DIRECT TESTIMONY DID YOU USE EMPLOYEE LEVELS AS OF**
7 **DECEMBER 31, 2000?**

8 A. Yes, I did but Public Counsel has agreed to update employee levels to include employees hired
9 after December 31, 2000 but before June 30, 2001. Likewise I will remove from my
10 recommendation employees that are subsequently no longer employed with Empire District
11 Electric Company.

12 **Q. WHAT IS A TRUE-UP PROCEDURE?**

13 A. A true-up procedure is used to reduce the perceived problem of regulatory lag when it is determined
14 that the Revenue-Expense-Rate Base (RERB) relationship is going to change materially between
15 the end of the test year and a subsequent point-in time. As a general practice the Commission has
16 historically found the subsequent point-in time should occur not only before the operation-of-law
17 date but also provide adequate time for the Commission to deliberate on the issues. The true-up
18 process involves an audit phase and testimony phase by the parties that updates the information
19 presented to the Commission in filed testimony and at the evidentiary hearing. A true-up hearing is
20 required in order to present the updated evidence to the Commission and allow the parties their due
21 process rights if there are disputes as to the updated evidence. Historically, a true-up process

1 involves updating of the overall cost-of service data in a manner consistent with the position
2 presented by each party at the evidentiary hearing in a manner consistent with a stipulated
3 agreement of the proper treatment of an issue.

4 **Q. WHAT IS THE FUNCTION OF THE TRUE-UP AUDIT?**

5 A. There is two primary functions of a true-up audit. First is the verification of data occurring
6 subsequent to the end of the test year as adjusted for a known and measurable period. The second
7 purpose is the determination that the data is consistent with and has been used in a manner
8 consistent with the positions filed in the direct case positions or stipulated agreement.

9 **Q. WHAT IS THE FUNCTION OF A TRUE-UP HEARING?**

10 A. To present the Commission with the updated cost-of-service evidence of each party. Historically,
11 the true-up hearing has not involved extensive cross-examination because the purpose is only to
12 present updated information. Cross-examination regarding the theory or method used in
13 determining a party's cost-of service will already have taken place during the evidentiary hearing.

14 **Q. IS THE REVENUE-EXPENSE-RATE BASE RELATIONSHIP MAINTAINED IN A**
15 **TRUE-UP PROCEDURE?**

16 A. Yes, most definitely. The following quotation from a prior Commission report and order
17 summarized this need:

18 The Commission also finds that the relationship between revenue,
19 expense, and rate base must be maintained, and therefore determines that
20 the true-up audit should include all factors relating to revenue, expense,
21 and rate base.

(Missouri Public Service Commission, Order Directing True-Up, Case No.

WR-96-263, St. Louis County Water Company, page 2)

Q. DOES THE TRUE-UP PROCEDURE CREATE A NEW TEST YEAR?

A. No, its does not. The true-up procedure updates major variables based upon an additional known and measurable period. The major variables in the determination of the cost-of-service are updated to reflect changes from the end of the test year. The basic test year data and historical analysis are not altered.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.