

Exhibit No. 121

Exhibit No.:
Issue(s): Asbury Retirement AAO
Witness: Amanda C. McMellen
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2021-0312
Date Testimony Prepared: December 20, 2021

MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

REBUTTAL TESTIMONY
OF
AMANDA C. MCMELLEN

THE EMPIRE DISTRICT ELECTRIC COMPANY,
d/b/a Liberty

CASE NO. ER-2021-0312

Jefferson City, Missouri
December 2021

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1 **REBUTTAL TESTIMONY OF**

2 **AMANDA C. MCMELLEN**

3 **THE EMPIRE DISTRICT ELECTRIC COMPANY,**
4 **d/b/a Liberty**

5 **CASE NO. ER-2021-0312**

6 Q. Please state your name and business address.

7 A. My name is Amanda C. McMellen, P.O. Box 360, Suite 440, Jefferson City, MO
8 65102.

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

10 A. I am employed by the Missouri Public Service Commission (“Commission”) as
11 a Utility Regulatory Supervisor.

12 Q. Are you the same Amanda C. McMellen who contributed to Staff’s Cost of
13 Service Report and filed Direct testimony on October 29, 2021 in this case?

14 A. Yes, I am.

15 **EXECUTIVE SUMMARY**

16 Q. Please summarize your rebuttal testimony in this proceeding.

17 A. In this testimony, I will address The Office of the Public Counsel (“OPC”)
18 witness John S. Riley’s and Midwest Energy Consumers Group’s (“MECG”) direct testimonies
19 concerning the Asbury Retirement Accounting Authority Order (“AAO”). I will also provide
20 a list of corrections/changes to Staff’s direct revenue requirement calculation for Empire in this
21 proceeding.

1 **RESPONSE TO OPC WITNESS JOHN S. RILEY**

2 Q. What adjustments did OPC witness Mr. Riley make to the Asbury Retirement
3 AAO deferral in his direct testimony?

4 A. On pages 10 and 11 in Mr. Riley’s direct testimony, he summarizes his-
5 adjustments to the Asbury Retirement AAO deferral as follows: reduction for remaining plant
6 in service that will be used for the wind farms, reductions for fuel inventory, and reductions for
7 Cash Working Capital (“CWC”) balance and the accumulated deferred income tax balances
8 from the asset section.

9 Q. Does Staff agree with Mr. Riley’s adjustments?

10 A. No. In Staff’s opinion, all the items mentioned above represent cost elements
11 that are currently included in rates and were affected by the Asbury retirement. The cost changes
12 due to the retirement of Asbury were not fully known and measurable within the pendency of
13 the last rate case. For that reason, Staff recommended that a tracker mechanism be ordered by
14 the Commission in the last rate case (Case No. ER-2019-0374) to quantify the changes in the
15 amounts incurred by Empire due to the retirement of Asbury, with the tracked amount
16 potentially includable in rates in Empire’s next general rate proceeding. As stated in Staff’s
17 COS report on page 138 in this case, the Commission ordered in Empire’s last rate case the
18 items that need to be tracked and included in the AAO. Accumulated and excess deferred
19 income tax, fuel inventories assigned to the Asbury Plant, and CWC were all items specifically
20 included in the list of items to be included.

21 Q. Did OPC specifically request any of these items to be included in the AAO?

22 A. Yes. As stated in the Staff’s COS report on page 138, the Commission included
23 CWC to be included in the AAO at OPC’s request.

1 **RESPONSE TO MECG WITNESS GREG MEYER**

2 Q. What is MECG witness Mr. Meyer's position regarding the quantification of the
3 Asbury regulatory asset and liability?

4 A. Mr. Meyer states in his direct testimony on page 8, lines 3 through 11, that the
5 quantification of the Asbury Retirement AAO should continue up through the date rates go into
6 effect in this rate case.

7 Q. Does Staff agree with Mr. Meyer?

8 A. Yes. Staff agrees that ratepayers are currently paying the costs included in the
9 last rate case and will continue to pay them until rates go into effect in this case.

10 Q. What is Mr. Meyer's position regarding when the Asbury Retirement AAO
11 liability should begin?

12 A. Mr. Meyer states in his direct testimony on page 15, lines 10 through 15, the
13 liability should begin January 1, 2020, including O&M expenses for January and February 2020
14 which Empire excluded in their regulatory liability calculation.

15 Q. Does Staff agree with Mr. Meyer?

16 A. Yes. Staff agrees that regulatory liability should include the O&M expenses for
17 January and February 2020. In the calculation of the Asbury Retirement AAO in its direct filing,
18 Staff used the unadjusted balances which include January and February 2020 expenses.

19 **CORRECTIONS TO STAFF'S DIRECT FILING**

20 Q. Is Staff aware of corrections that need to be made to Staff's direct
21 revenue requirement?

1 A. Yes. After the direct filing on October 29, 2021 and the subsequent corrected
2 accounting schedules filed on November 4, 2021, Staff became aware of certain further
3 corrections that need to be made to the direct revenue requirement amount.

4 Q. What are the corrections?

5 A. The following issues will be corrected and reflected in Staff's revenue
6 requirement to be provided with Staff's workpapers:

- 7 ○ CWC Income Tax Expense Lags – Revised CWC expense lags for Income
8 Taxes - See Courtney Horton's rebuttal testimony for further explanation of the
9 changes.
- 10 ○ Depreciation Rates – Revised depreciation rates based on additional information
11 provided by Empire - See Cedric Cunigan's rebuttal testimony for further
12 explanation of the changes.
- 13 ○ Insurance Expense – Correction to exclude Captive Fees - See Courtney
14 Horton's rebuttal testimony for further explanation of the changes.
- 15 ○ Income Taxes – In Accounting Schedule 11, line 50, Amortization of Excess
16 Deferred Income Taxes was inadvertently included as a separate line item and
17 as part of the amount for Amortization of Protected and Unprotected Excess
18 ADIT – It is now set to zero.

19 Q. What is Staff's revised revenue requirement?

20 A. Staff's revised revenue requirement is \$35,345,923¹.

21 Q. Does this conclude your rebuttal testimony?

22 A. Yes.

¹ At Staff's recommended mid-point rate of return of 6.77%.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Request of The Empire)
District Electric Company d/b/a Liberty for) Case No. ER-2021-0312
Authority to File Tariffs Increasing Rates for)
Electric Service Provided to Customers in its)
Missouri Service Area)

AFFIDAVIT OF AMANDA C. McMELLEN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

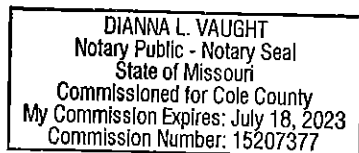
COMES NOW AMANDA C. McMELLEN, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Amanda C. McMellen*; and that the same is true and correct according to her best knowledge and belief.

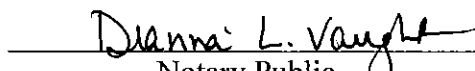
Further the Affiant sayeth not.


AMANDA C. McMELLEN

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 15th day of December, 2021.




Notary Public