

Exhibit No.:

*Issues: Plant In Service; Reserve
Depreciation Expense;
Cash Working Capital;
Rate Case Expense; and
PSC Assessment*

Witness: Amanda C. McMellen

Sponsoring Party: MoPSC Staff

Type of Exhibit: True-Up Direct Testimony

Case No.: ER-2001-299

Date Testimony Prepared: August 7, 2001

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

TRUE-UP DIRECT TESTIMONY

OF

AMANDA C. MCMELLEN

FILED
AUG 7 2001
Missouri Public
Service Commission

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2001-299

*Jefferson City, Missouri
August 2001*

TRUE-UP DIRECT TESTIMONY

OF

AMANDA C. McMELLEN

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2001-299

Q. Please state your name and business address.

A. Amanda C. McMellen, P.O. Box 360, Suite 440, Jefferson City, MO
65102.

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

A. I am a Regulatory Auditor for the Missouri Public Service Commission
(Commission or PSC).

Q. Are you the same Amanda C. McMellen that has previously filed direct
testimony in this case?

A. Yes, I am.

Q. What is the purpose of this testimony?

A. The purpose of this testimony is to provide information regarding the
current status of the Staff's recommendations for the appropriate rate base, plant in
service, depreciation expense and reserve, cash working capital (CWC), PSC assessment
and rate case expense as a result of changes made during the pre-hearing and true-up
audit for The Empire District Electric Company (Empire or Company).

Q. What is the current status of rate base?

A. The Staff updated rate base items through June 30, 2001 in the true-up
audit. The new materials and supplies balance results from changing the 13-month

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Amanda C. McMellen

1 average calculation from the period ending December 31, 2000 to the period ending
2 June 30, 2001. State Line Combined Cycle (SLCC) unit materials and supplies and spare
3 parts were included in the update. The Prepayments balance also results from changing
4 the 13-month average calculation from the period ending December 31, 2000 to the
5 period ending June 30, 2001.

6 Q. What updates were made to plant in service, depreciation expense and
7 reserve?

8 A. The Staff updated plant in service, depreciation expense and reserve items
9 to reflect the June 30, 2001 plant in service balances. SLCC Unit Plant invoices
10 approved for payment through July 31, 2001 were also included.

11 Q. How will the SLCC- Heat Recovery Steam Generators (HRSGs) costs be
12 reflected in the Staff's true-up?

13 A. A Stipulation And Agreement filed May 25, 2001 in this proceeding
14 outlines the procedures to reflect HRSGs costs in rates. The Stipulation provides:

15 In its direct case, the Staff proposed a total project cost
16 disallowance of approximately \$12 million for costs incurred on
17 the SLCC's Heat Recovery Steam Generators, which costs were
18 related to the Fru-Con contract, including the settlement between
19 Fru-Con and Empire. Without admitting any imprudence on its
20 part, and solely for the purpose of disposing of this issue, Empire
21 agrees to accept an \$8.3 million total SLCC disallowance, which
22 equates to a \$3.984 million reduction in Missouri jurisdictional rate
23 base, for costs. An amount for Allowance for Funds Used During
24 Construction (AFUDC) will be added to this disallowance. This
25 lump sum amount is a negotiated settlement of Issue number 6 a.
26 in the List of Issues, filed May 14, 2001. Empire agrees not to
27 seek recovery of the \$3.984 million rate base settlement amount
28 and related AFUDC associated with the Fru-Con contract in any
29 subsequent rate proceeding in Missouri.

30 Staff Accounting witness V. William Harris discusses AFUDC relating to the SLCC unit
31 in his true-up direct testimony. Plant adjustment P-41.1 reflects the disallowance made

1 for the HRSGs, including AFUDC, as agreed to in the Stipulation and Agreement.
2 Adjustments P-47.1 and P-48.1 reflect the retainage amounts as of June 30, 2001 of
3 \$5.9 million on a total project basis. The retainage amounts were withheld from the total
4 contract price until the plant was successfully completed. The Staff has indicated to
5 Empire that if Empire releases any retention prior to the true-up hearings, Staff will
6 reflect these amounts in its suggested rates. Adjustment P-48.4 adjusts the June 30, 2001
7 plant-in-service balance for a retainage fee associated with the State Line Unit 1 Turbine,
8 which Empire completed and put in service in 1995.

9 Q. Has the Staff changed the methodology for calculating the cash working
10 capital requirement (Accounting Schedule 8)?

11 A. No. None of the cash working capital lags were changed in the true-up
12 audit. The changes to the cash working capital requirement result from updates to the
13 annualized expense levels.

14 Q. Please explain the decrease for the PSC assessment.

15 A. Empire's costs for the Commission's PSC assessment decreased for the
16 beginning of the fiscal year ended June 30, 2002.

17 Q. Please describe any changes concerning rate case expense.

18 A. Rate case expense was updated for the true-up audit to include all costs
19 associated with the current case known as of June 30, 2001.

20 Q. Does this conclude your true-up direct testimony?

21 A. Yes, it does.

