

Exhibit No.:
Issue(s): Long Term Maintenance
Accounting, Operation &
Maintenance
Normalization, and True-
Up Adjustments
Witness: Christopher Boronda
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal / True-Up Direct
Testimony
Case No.: ER-2024-0261
Date Testimony Prepared: September 17, 2025

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS DIVISION

AUDITING DEPARTMENT

SURREBUTTAL / TRUE-UP DIRECT TESTIMONY

OF

CHRISTOPHER BORONDA

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

CASE NO. ER-2024-0261

*Jefferson City, Missouri
September 2025*

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3 **CHRISTOPHER BORONDA**

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

6 **CASE NO. ER-2024-0261**

7 **INTRODUCTION**

8 Q. Please state your name and business address.

9 A. My name is Christopher Boronda, 200 Madison St., Suite 440, Jefferson City,
10 Missouri 65101.

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

12 A. I am employed by the Missouri Public Service Commission (“Commission”) as
13 a Utility Regulatory Auditor.

14 Q. Are you the same Christopher Boronda who filed direct and rebuttal testimony
15 in this proceeding on July 2, 2025, and August 18, 2025?

16 A. Yes, I am.

17 Q. What is the purpose of your surrebuttal / true-up direct testimony?

18 A. The purpose of this surrebuttal testimony is to respond to the rebuttal testimony
19 of The Empire District Electric Company, d/b/a Liberty (“Empire”) witness Charlotte T. Emery
20 regarding long term maintenance deferred assets. My true-up direct testimony will describe the
21 adjustments I updated with information through the March 31, 2025, true-up date.

22 **LONG TERM MAINTENANCE CONTRACT ACCOUNTING**

23 Q. Please summarize the nature of Empire’s long-term maintenance
24 (“LTM”) contracts.

1 A. Empire has contractually entered into LTMs with third-party vendors that
2 outline a payment schedule and work required at Empire's Riverton and State Line generating
3 stations. The LTMs are structured and accounted for based on the major maintenance cycles at
4 the underlying station.

5 Q. Has Empire changed its accounting methodology for the LTMs since the prior
6 rate case?

7 A. Yes. Prior to 2022, Empire expensed the cost of the LTMs as payments were
8 incurred, but in 2022 the accounting methodology was changed. The new methodology defers
9 LTM payments into an asset which increases with each payment made. As work is performed,
10 Empire reduces the asset by expensing or capitalizing costs previously deferred, depending on
11 the nature of the underlying work performed. Empire's new methodology decreases expense
12 recorded against net income and increases the amount charged to rate base compared to its
13 old methodology.

14 Q. Does Staff agree with Empire's new approach to accounting?

15 A. No. For reasons explained in my rebuttal testimony¹, Staff recommends that
16 Empire revert to its old methodology of expensing LTM payments. Staff's revenue requirement
17 reflects Staff's recommendation.

18 If the Commission approves Empire's use of the new methodology, Staff recommends
19 the Commission order a corresponding update of generation operation & maintenance
20 ("O&M") to reflect the average costs recorded during 2023 and 2024 to reflect the
21 reduced expense.

¹ Rebuttal Testimony of Christopher Boronda, page 1, line 21- page 4, line 5

1 Q. In the rebuttal testimony of Charlotte Emery,² she makes the claim "...Staff's
2 approach results in overstatement of expense by treating prepayments for long-term
3 maintenance as immediate costs." Is Staff's position to exclude amounts Empire has recorded
4 as Uniform System of Accounts ("USOA") prepayments of contract costs from rate base?

5 A. Yes. Staff's position, as recommended in my rebuttal testimony,³ is that the use
6 of the deferred debit account is improper for LTM contract costs.

7 Q. Has Staff inquired from Empire if there are prepayments of LTM contract costs?

8 A. In discussions with Empire employees, Staff has identified that the use of the
9 term "prepayments" in Empire's LTM testimony is commonly used by Empire employees when
10 discussing any expense that occurs, that is part of the LTM contract, but prior to the scheduled
11 major maintenances. For this reason, Empire considers LTM costs paid, but not utilized, as
12 a prepayment.

13 Q. Do the LTM service contracts detail the terms of the contract and detail if
14 contract fees are for services rendered?

15 A. Yes. Upon review of contracts provided in response to Staff Data Request
16 No. 0435, Staff has identified that contracts costs include services provided throughout the term
17 of the contracts. The service contracts include options for additional products and services,
18 but these are service contracts with clear service beginning and ending dates stated in terms.

19 Q. Do the LTM contracts define how much of the contract cost is for each project
20 in the contracts' scope?

² Rebuttal Testimony of Charlotte T. Emery, pages 37, lines 22-23

³ Rebuttal Testimony of Christopher Boronda, page 4, lines 1-5

1 A. No. While the contracts define products and services, they do not indicate how
2 much value is attached to each product and service.

3 Q. What basis does Empire use to assign contract costs to expense or
4 capital projects?

5 A. Once work has been performed, Empire transfers an amount from the deferred
6 asset account to expense or capital accounts, based on an analysis of the work performed.

7 Q. In the rebuttal testimony of Charlotte Emery,⁴ she states their current treatment
8 of maintenance costs being accounted for as a deferred debit is consistent with the USOA. Did
9 Staff review the USOA and its definition of deferred debits?

10 A. Yes. In my rebuttal testimony⁵ I discuss why LTM contract costs should not be
11 accounted for in the miscellaneous deferred debits account based on USOA definitions.

12 Q. What USOA guidance has Staff reviewed to support its position?

13 A. Staff's reviewed the USOA⁶ operating expense instructions for maintenance.
14 It states:

15 The cost of maintenance chargeable to the various operating
16 expense and clearing accounts includes labor, materials, overheads and
17 other expenses incurred in maintenance work. A list of work operations
18 applicable generally to utility plant is included hereunder. Other work
19 operations applicable to specific classes of plant are listed in functional
20 maintenance expense accounts.

21 The list of items referenced in the USOA quote above are as following:

- 22 1. Direct field supervision of maintenance.
23 2. Inspecting, testing, and reporting on condition of plant specifically
24 to determine the need for repairs, replacements, rearrangements and
25 changes and inspecting and testing the adequacy of repairs which
26 have been made.

⁴ Rebuttal Testimony of Charlotte T. Emery, pages 37-38, lines 23-3

⁵ Rebuttal Testimony of Christopher Boronda, page 2, lines 11-15

⁶ Electric USOA 18 CFR Part 101 pg. 345-346 (April 2004)

3. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of plant.
4. Rearranging and changing the location of plant not retired.
5. Repairing for reuse materials recovered from plant.
6. Testing for locating and clearing trouble.
7. Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service.
8. Replacing or adding minor items of plant which do not constitute a retirement unit. (See electric plant instruction 10.)⁷

Q. Does the USOA operating expense instructions for maintenance reflect what work is being performed under the LTM contracts according to Empire testimony?

A. Yes. According to the rebuttal testimony of Charlotte Emery, "The Company has entered LTM contracts for several of its generation facilities to provide for sustained operational reliability, cost predictability, and long-term asset performance. A portion of these contracts represent work extending beyond routine maintenance and are designed to preserve the value and functionality of major generation assets."⁸

Q. Does the USOA have guidance on improvements to electric plant?

A. Yes. USOA⁹ Electric Plant Instructions section 10. Additions and Retirements of Electric Plant states:

A. For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of electric plant, all property will be considered as consisting of (1) retirement units¹⁰ and (2) minor items of property.

C. The addition and retirement of minor items of property shall be accounted for as follows: (1) When a minor item of property which did not previously exist is added to plant, the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set forth in paragraph B(1), above, if a substantial addition results,

⁷ Electric USOA 18 CFR Part 101 pg. 345-346 (April 2004)

⁸ Rebuttal Testimony of Charlotte T. Emery, pages 10-11, lines 20-1

⁹ Electric USOA 18 CFR Part 101 pg. 342 (April 2004)

¹⁰ USOA 18 CFR Part 101 pg. 321 (April 2004): "Retirement units means those items of electric plant which, when retired, with or without replacement, are accounted for by crediting the book cost thereof to the electric plant account in which included."

1 otherwise the charge shall be to the appropriate maintenance
2 expense account.¹¹.

3 Q. What accounting methodology would be consistent with USOA guidance?

4 A. It would be consistent with USOA guidance if Empire expensed the contractual
5 payments as incurred instead of deferring the payments into an asset account. When a project
6 within the contract's scope is completed that is determined to be capital in nature, reversing the
7 appropriate amount of expense for capitalization is the correct accounting approach.

8 Q. Ms. Emery states in her rebuttal¹² that Staff has over-stated O&M expense.
9 Do you agree?

10 A. Yes. Staff's direct case averaged O&M expenses over a long period; including
11 the time when Empire did not book LTM contract costs to plant-in-service. Since Empire's
12 change in accounting methodology in 2022, expenses have decreased due to a portion of LTM
13 contracts being capitalized instead. Including the pre-accounting change years in Staff's
14 multi-year average overstates ongoing expense that Empire will record going forward.

15 Q. Has Staff revised its adjustment to account for the recommended treatment of
16 LTM costs in the revenue requirement?

17 A. Yes. Staff has adjusted O&M expense to account for all of the maintenance
18 expenses that were recorded as deferred assets by Empire. The generating facilities with LTM
19 contract deferred assets were State Line Combined Cycle ("SLCC") and Riverton. Staff
20 included a two-year average of LTM deferred assets for the period ending September 30, 2024,
21 in the respective plant maintenance expense accounts.

¹¹ USOA 18 CFR Part 101 pg. 319 (April 2004): "Minor items of property means the associated parts or items of which retirement units are composed."

¹² Rebuttal Testimony of Charlotte T. Emery, page 39, lines 3-10

1 Q. Ms. Emery states¹³ that there is an inconsistency between Staff's adjustment for
2 LTM contracts and the adjustment related to non-fuel wind expenses. Please compare and
3 contrast these adjustments.

4 A. Similar to the LTM contracts described above, Empire has entered into an
5 agreement with a third-party provider for the long-term maintenance of Empire's wind farms.
6 It is Staff's understanding that Empire is accounting for the Wind Service Maintenance and
7 Warranty Agreements ("SMWA") with a similar approach it adopted for the LTM contracts.
8 However, unlike the LTM contracts, Empire changed its accounting approach in January 2024
9 as opposed to the October 2022 date it changed its methodology for the LTM contracts.
10 By changing O&M expense to reflect a two-year average, Staff's methodology for LTM
11 contracts is now consistent with the wind-O&M expense calculated by Staff witness
12 Jared Giacone.

13 **OPERATION & MAINTENANCE EXPENSE NORMALIZATION**

14 Q. Has Staff made any changes to O&M expenses other than including LTM costs?

15 A. Staff identified the SLCC and State Line CC Common ownership calculations
16 had a clerical error in a formula and the ownership calculations determining the adjustment
17 were not calculating correctly. Staff made corrections to the SLCC and State Line CC Common
18 ownership calculations to ensure the adjustments are consistent with my direct testimony.¹⁴

19 **TRUE-UP ADJUSTMENTS**

20 Q. Did Staff perform true-up adjustments for plant in service ("plant")?

¹³ Rebuttal Testimony of Charlotte T. Emery, page 38, lines 18-21

¹⁴ Direct Testimony of Christopher Boronda, page 5, line 15 - page 6, line 6

1 A. Yes. Staff included plant in service based on actual booked amounts, with a
2 portion of Empire's common plant¹⁵ removed, as of the end of the true-up period
3 March 31, 2025.

4 Q. Did Staff perform true-up adjustments for accumulated depreciation
5 reserve ("Reserve")?

6 A. Yes. Staff included Reserve balances by account, with a portion of Empire's
7 common plant reserve removed, as of March 31, 2025.

8 Q. Ms. Emery states in her rebuttal¹⁶ concerns over common plant being inaccurate
9 due to Massachusetts Rate ("mass rate") used. Has Staff made any changes to the mass
10 rate used?

11 A. No. Staff used the most up-to-date mass rate as of the true-up date
12 March 31, 2025, to calculate common plant assets, reserves and adjustments.

13 Q. Were the true-ups performed for plant and reserve consistent with previously
14 filed testimony?

15 A. Yes. The steps performed in my direct testimony¹⁷ did not require changes other
16 than updating to the true-up date, March 31, 2025.

17 Q. Does this conclude your surrebuttal / true-up direct testimony?

18 A. Yes, it does.

¹⁵ Common plant is Empire plant that is partially utilized by Liberty's gas or water utility affiliates.

¹⁶ Rebuttal Testimony of Charlotte T. Emery, page 4, lines 7-12

¹⁷ Direct Testimony of Christopher Boronda, page 2, line 4 - page 3, line 11

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)
Authority to File Tariffs Increasing Rates)
for Electric Service Provided to Customers)
in Its Missouri Service Area)
Case No. ER-2024-0261

AFFIDAVIT OF CHRISTOPHER BORONDA

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

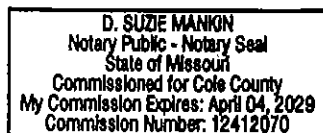
COMES NOW CHRISTOPHER BORONDA and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal / True-Up Direct Testimony of Christopher Boronda*; and that the same is true and correct according to his best knowledge and belief.

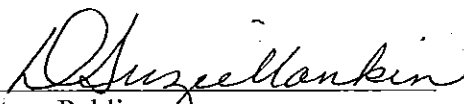
Further the Affiant sayeth not.


CHRISTOPHER BORONDA

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 10th day of September 2025.




Notary Public