

Exhibit No. 114
Issues: Iatan/Plum Point Plant O&M
Tracker, Riverton Unit 12 Long Term
Maintenance Expense, Prepayments
Witness: Blake A. Mertens
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Empire District Electric
Case No. ER-2014-0351
Date Testimony Prepared: March 2015

Filed
May 07, 2015
Data Center
Missouri Public
Service Commission

**Before the Public Service Commission
of the State of Missouri**

Surrebuttal Testimony

of

Blake A. Mertens

March 2015



Empire Exhibit No. 114
Date 4-14-15 Reporter KF
File No. ER-2014-0351

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BLAKE A. MERTENS
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
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SURREBUTTAL TESTIMONY
OF
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THE EMPIRE DISTRICT ELECTRIC COMPANY
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MISSOURI PUBLIC SERVICE COMMISSION
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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. Blake A. Mertens. My business address is 602 South Joplin Avenue, Joplin,
4 Missouri.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. The Empire District Electric Company (“Empire” or “Company”). I am Vice
7 President Energy Supply and Delivery Operations.

8 **Q. ARE YOU THE SAME BLAKE A. MERTENS WHO FILED DIRECT AND**
9 **REBUTTAL TESTIMONY IN THIS CASE BEFORE THE MISSOURI**
10 **PUBLIC SERVICE COMMISSION (“COMMISSION”)?**

11 A. Yes, I am.

12 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

13 A. I am responding to the rebuttal testimony of the Office of the Public Counsel
14 (“OPC”) witness Keri Roth regarding (1) Iatan and Plum Point Operations and
15 Maintenance (“O&M”) Trackers, (2) prepayments, and (3) Riverton Unit 12 Long
16 Term Maintenance expense tracker.

17 **IATAN AND PLUM POINT O&M TRACKERS**

1 **Q. WHAT IS OPC'S RECOMMENDATION FOR THE IATAN AND PLUM**
2 **POINT TRACKERS?**

3 A. OPC is recommending discontinuation of the trackers and establishment of an
4 annualized level of O&M expense for Iatan 2, Iatan Common, and Plum Point.

5 **Q. WHAT IS THE BASIS FOR OPC'S POSITION?**

6 A. OPC believes there is enough historical cost information to justify the
7 discontinuation of the trackers. Additionally, it is my understanding that Kansas
8 City Power & Light Company ("KCP&L") may be requesting discontinuation of its
9 trackers and OPC believes Empire should request the same.

10 **Q. DO YOU AGREE?**

11 A. No. I explained in my Direct Testimony on page 8 and in my Rebuttal Testimony
12 on page 2, there is insufficient cost information available due to significant
13 maintenance milestones having not yet been achieved. Most specifically, the first
14 major turbine and generator inspection outage at each facility has not taken place.
15 Additionally, Empire's request must be judged on the facts of this case – and not
16 the facts that may be presented in KCP&L's case.

17 **RIVERTON UNIT 12 LONG TERM MAINTENANCE EXPENSE TRACKER**

18 **Q. WHAT IS OPC'S POSITION ON THE RIVERTON 12 MAINTENANCE**
19 **CONTRACT AND PROPOSED TRACKER?**

20 A. OPC disagrees with Staff's position suggesting that these expenses be examined as
21 part of the true-up in this case. OPC contends the contract went into effect January
22 1, 2015, which is beyond the end of the true-up period (December 31, 2014). OPC
23 believes these costs should be reviewed as part of Empire's next rate case.

1 **Q. DO YOU AGREE WITH OPC'S POSITION?**

2 A. No. First, OPC states the "contract became effective January 1, 2015". This is
3 incorrect. The contract became effective August 20, 2014. January 1, 2015 is
4 merely the date that the first payment due under the contract was invoiced.
5 Additionally, waiting until Empire's next rate case would result in possible multi-
6 year under recovery as these costs are currently being incurred and will be incurred
7 during the period when the rates coming out of this case are in effect.

8 **Q. IS IT APPROPRIATE TO ESTABLISH AN EXPENSE TRACKER FOR**
9 **RIVERTON UNIT 12 MAINTENANCE EXPENSES?**

10 A. Yes. As stated on page 6 in my Rebuttal Testimony, "*due to the variability in*
11 *maintenance expenses directly correlated to the number of operating hours of*
12 *Riverton Unit 12, I believe it is most fair and equitable to the customers and the*
13 *Company that a tracker be used in this instance.*"

14 **IATAN AND PLUM POINT PREPAYMENTS**

15 **Q. WHAT IS OPC'S STANCE ON THE IATAN AND PLUM POINT**
16 **PREPAYMENTS?**

17 A. OPC agrees with Staff's exclusion of "Working Funds Iatan" and "Working Funds
18 Plum Point" from rate base calculations. OPC agrees with Staff's position that
19 these accounts are cash accounts and not actual investment in utility assets.

20 **Q. WHAT IS YOUR RESPONSE?**

21 A. As outlined on pages 7 through 8 of my Rebuttal Testimony, these accounts
22 represent working capital, as required by the Ownership Agreements for each of
23 these plants and should not be excluded from Empire's overall revenue

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1 requirement. Additionally, I propose consistent treatment of “Cash Working
2 Capital” as defined on page 50 of Staff’s Cost of Service Report.

3 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

4 A. Yes, it does.

