

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF KANSAS

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IN THE MATTER OF THE APPLICATION OF]
THE EMPIRE DISTRICT ELECTRIC COMPANY]
FOR APPROVAL TO MAKE CERTAIN]
CHANGES IN ITS CHARGES FOR ELECTRIC]
SERVICE]

by
State Corporation Commission
of Kansas

KCC Docket No. 11-EPDE-856-RTS

ANDREA C. CRANE

TESTIMONY IN SUPPORT OF SETTLEMENT AND AGREEMENT

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

November 14, 2011

1 **Q. Please state your name and business address.**

2 A. My name is Andrea C. Crane and my business address is 90 Grove Street, Suite 211,
3 Ridgefield, Connecticut 06877. (Mailing Address: PO Box 810, Georgetown,
4 Connecticut 06829)

5
6 **Q. Did you previously file testimony in this proceeding?**

7 A. Yes, on October 12, 2011, I filed Direct Testimony on behalf of the State of Kansas,
8 Citizens' Utility Ratepayer Board ("CURB"). My Direct Testimony addressed the
9 abbreviated filing by Empire District Electric Company ("Empire" or "Company") before
10 the Kansas Corporation Commission ("KCC" or "Commission), which sought a rate
11 increase of \$1,535,579 or approximately 6.39% over current operating revenues.¹ The
12 Company's request would have resulted in an increase of approximately 9.71% in base
13 rate revenue.² In my Direct Testimony, I recommended that the KCC approve a revenue
14 increase of no greater than \$1,128,792.

15

16 **Q. Since your Direct Testimony was filed, have the parties engaged in settlement**
17 **discussions?**

18 A. Yes, the parties to this case have engaged in subsequent settlement discussions. As a
19 result, the parties have entered into a Stipulation and Agreement ("S&A") to resolve the
20 issues in this case.

1 See the Press Release included in Section 2, Schedule G to the filing.

2 Per Section 17, Schedule B to the filing.

1

2 **Q. Can you please summarize the terms of the S&A?**

3 A. The S&A provides for an increase in Empire's distribution rates of \$1.25 million, or
4 approximately 7.88% on base rate revenue. The S&A quantifies the plant-in-service
5 balance as of August 31, 2011 that will be recovered from ratepayers associated with
6 Iatan Unit 2. It also resolves issues raised in CURB's testimony regarding certain Schiff-
7 Hardin costs that were subject to arbitration.

8 The S&A specifies that deferred depreciation and operating and maintenance
9 costs associated with the Iatan Unit 2 Generating Station and the Plum Point Generating
10 Station will be amortized over a four-year period. In addition, the S&A provides for a
11 four-year amortization for regulatory costs associated with the abbreviated rate filing.
12 The S&A also specifies the rate design that will be used to recover the new revenue
13 requirement. In addition to resolving the issues contained in the Company's original
14 filing, the \$1.25 million revenue increase also resolves the Company's claim for recovery
15 of \$10,569 that was requested in KCC Docket No. 12-EPDE-141-TAR relating to pre-
16 implementation costs associated with energy efficiency programs.³

17

18 **Q. Are you familiar with the standards used by the KCC to evaluate a settlement that**
19 **is proposed to the Commission?**

20 A. Yes, I am. The KCC has adopted five guidelines for use in evaluating settlement

³ It is my understanding that these costs are incremental to the annual regulatory costs of \$20,028 for KCC Docket No. 10-EPDE-497-TAR included in the Company's filing.

1 agreements. These include: (1) Has each party had an opportunity to be heard on its
2 reasons for opposing the settlement? (2) Is the agreement supported by substantial
3 evidence in the record as a whole? (3) Does the agreement conform to applicable law? (4)
4 Will the agreement result in just and reasonable rates? (5) Are the results of the
5 agreement in the public interest, including the interests of customers represented by any
6 party not consenting to the agreement? Since I am not an attorney, I will not address item
7 3, i.e., does the agreement conform to applicable law? However, I will discuss the
8 remaining four guidelines.

9
10 **Q. Has each party had an opportunity to be heard on its reasons for opposing the**
11 **settlement?**

12 A. I participated personally in settlement negotiations in this case and each party had a full
13 and complete opportunity to be heard. The parties discussed issues, resolved certain
14 numerical discrepancies, and negotiated aggressively. At this time, I am not aware of any
15 party to the case who opposes the settlement.

16
17 **Q. Is the agreement supported by substantial evidence in the record as a whole?**

18 A. Yes, it is. As noted in the S&A, the Company initially requested a rate increase of
19 \$1,535,579. CURB recommended a rate increase of \$1,128,792 and Staff recommended
20 a rate increase of \$1,179,574. The negotiated rate increase of \$1.25 million is \$121,208
21 higher than the amount recommended by CURB, but it reflects a reduction of \$285,579

1 from the Company's original request.

2 The S&A provides for a four-year amortization period for deferred depreciation
3 and operating costs and for regulatory costs, while I had reflected a five-year
4 amortization in my Direct Testimony. If I had used a four-year amortization period, my
5 recommended revenue increase would have been \$1,177,564. The four-year amortization
6 period for deferred costs represents a compromise between the three-year amortization
7 period requested by Empire and the five-year amortization period that I recommended.
8 Moreover, the four-year amortization period for deferred depreciation and operating costs
9 is consistent with the amortization period recommended by Staff.

10 With regard to regulatory costs, the four-year amortization period reflected in the
11 S&A is shorter than the five-year amortization period requested by the Company and
12 reflected in my testimony. However, again, a four-year amortization period is consistent
13 with Staff's recommendation regarding the amortization of regulatory costs.

14 My Direct Testimony included adjustments relating to accumulated depreciation
15 and to the amortization of Advanced Tax Coal Credits. These adjustments were
16 satisfactorily addressed by the Company in its Rebuttal Testimony. The Company's
17 Rebuttal Testimony also clarified that certain costs relating to the crane incident at Iatan
18 Unit 1 were not included in its original filing and therefore my subsequent adjustment to
19 remove these costs was unnecessary. Finally, the S&A provides for an adjustment
20 relating to Schiff-Hardin costs that will be reflected in the Company's next rate case. If
21 my revenue requirement was updated to reflect the resolution of these issues, my

1 recommended rate increase would be approximately \$1.23 million, very close to the
2 revenue increase agreed to by the parties in the S&A.

3
4 **Q. Will the agreement result in just and reasonable rates?**

5 A. Yes, I believe that the S&A will result in just and reasonable rates. As discussed above,
6 the revenue increase included in the S&A is substantially less than the amount originally
7 requested by Empire. Therefore, rates will be based on a revenue requirement that
8 incorporates many of the adjustments proposed by CURB and Staff. Moreover, I
9 understand that the S&A adopts a rate design that is a compromise between CURB's
10 recommendation and Staff's recommendation. This rate design will result in an average
11 increase of 7.23% for residential general service customers, which is slightly below the
12 overall average increase of 7.88%. Thus, both the overall revenue increase and the
13 resulting rate structure will result in just and reasonable rates.

14
15 **Q. Are the results of the agreement in the public interest, including the interests of**
16 **customers represented by any party not consenting to the agreement?**

17 A. As noted above, all parties to this proceeding support the S&A. Therefore, the interests
18 of customers represented by all parties to this proceeding have been considered. This
19 agreement is in the public interest. It results in a revenue increase that is less than the
20 increase requested by Empire and it resolves issues regarding the prudence of the Iatan
21 Unit 2 expenditures through August 31, 2011. Approval of the S&A will also reduce rate

1 case costs, which would otherwise be passed on to ratepayers. The S&A will result in
2 rates that are just and reasonable, and therefore I believe that it is in the public interest.

3

4 **Q. What do you recommend?**

5 A. I recommend that the KCC find that all parties had the opportunity to participate in the
6 settlement process, that the S&A is supported by substantial evidence in the record, that
7 the S&A will result in just and reasonable rates, and that the S&A is in the public interest.
8 Therefore, I recommend that the KCC approve the S&A as filed.

9

10 **Q. Does this conclude your testimony?**

11 A. Yes, it does.

12

13

14

VERIFICATION

STATE OF CONNECTICUT)
COUNTY OF FAIRFIELD) ss:

Andrea C. Crane, being duly sworn upon her oath, deposes and states that she is a consultant for the Citizens' Utility Ratepayer Board, that she has read and is familiar with the foregoing testimony, and that the statements made herein are true to the best of her knowledge, information and belief

Andrea C. Crane
Andrea C. Crane

Subscribed and sworn before me this 11TH day of NOVEMBER, 2011.

Notary Public Margaret M. Derrin

My Commission Expires: DECEMBER 31, 2013



CERTIFICATE OF SERVICE

11-EPDE-856-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was placed in the United States mail, postage prepaid, electronic service, or hand-delivered this 14th day of November, 2011, to the following:

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