Exhibit No.:Issue(s):Southwest Power Administration PaymentWitness/Type of Exhibit:Robertson/SurrebuttalSponsoring Party:Public CounselCase No.:ER-2011-0004

SURREBUTTAL TESTIMONY

OF

TED ROBERTSON

Submitted on Behalf of the Office of the Public Counsel

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2011-0004

April 28, 2011

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric Company of Joplin, Missouri for Authority to File Tariffs Increasing Rates for Electric Service Provided to **Customers** in the Missouri Service Area of the Company

SS

File No. ER-2011-0004

AFFIDAVIT OF TED ROBERTSON

))

STATE OF MISSOURI

COUNTY OF COLE)

Ted Robertson, of lawful age and being first duly sworn, deposes and states:

1. My name is Ted Robertson. I am a Chief Public Utility Accountant for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Ted Robertson, C.P.A. Chief Public **Utility** Accountant

Subscribed and sworn to me this 18th day of April 2011.



JERENE A. BUCKMAN My Commission Expins August 23, 2013 Cole County Commission #09754037

Jedene A. Buckman Notary Public

My Commission expires August, 2013.

1	SURREBUTTAL TESTIMONY OF				
2 3	TED ROBERTSON				
4 5 6 7		EMPIRE DISTRICT ELECTRIC COMPANY CASE NO. ER-2011-0004			
8					
9	I.	INTRODUCTION			
10	Q.	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.			
11	A.	Ted Robertson, PO Box 2230, Jefferson City, Missouri 65102-2230.			
12					
13	Q.	ARE YOU THE SAME TED ROBERTSON THAT HAS PREVIOUSLY FILED			
14		DIRECT AND REBUTTAL TESTIMONY IN THIS CASE?			
15	A.	Yes.			
16					
17	II.	PURPOSE OF TESTIMONY			
18	Q.	WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?			
19	Α.	I will address the rate base deferred tax position taken by Company witness, Mr.			
20		L. Jay Williams, regarding the Southwest Power Administration (SWPA)			
21		Payment.			
22					
23	III.	SOUTHWEST POWER ADMINISTRATION PAYMENT			
24	Q.	WHAT IS MR. WILLIAMS POSITION?			
25	Α.	Beginning on page 2, line 13, of his Rebuttal Testimony, Mr. Williams states:			
26					

1 2 3		Q.	WHAT HAS STAFF INCLUDED AS RATE BASE AMOUNTS FOR THE SWPA PAYMENT?			
3 4 5 6 7 8 9 10 11 12		A.	Staff has correctly included the SEPA payment of approximately \$26 million as a reduction to rate base. However, the Company recorded a deferred tax asset of approximately \$10 million recognizing the tax the Company expects to pay on its federal/state tax returns related to the lump sum payment. Staff has incorrectly included only approximately \$3 million of the deferred tax asset in Staff's rate base calculation.			
12 13 14 15		Q.	DO YOU KNOW WHY STAFF REDUCED THE DEFERRED TAX ASSET?			
16 17 18 19		Α.	It appears Staff has reduced the deferred tax asset by approximately one-third to mirror the effect Staff included for the SWPA payment in its cost of service calculation for current taxes.			
20 21 22		Q.	IS THIS APPROPRIATE?			
22 23 24 25 26 27 28 29 30		A.	No. The deferred tax asset is recorded as a result of the liability recorded, not based on what is included in the cost of service calculation. Therefore, the entire \$10 million deferred tax asset should be included to be consistent with recognizing the entire \$26 million liability when calculating rate base.			
31	Q.	DOES PUBL	IC COUNSEL OPPOSE BOTH THE COMPANY AND STAFF			
32		POSITIONS REGARDING THE TAX IMPACTS OF THE SWPA PAYMENT?				
33	Α.	Yes. For the	e reasons I stated in my Rebuttal Testimony, I recommend that no			
34		part of the SWPA payment be included in the calculation of income taxes or				
35		included as a	a deferred tax asset to rate base. My recommendation is, as stated in			
	I					

Surrebuttal Testimony of Ted Robertson Case No. ER-2011-0004

1	my Rebuttal Testimony, should it come to pass that income taxes are ultimately
2	assessed and paid on the SWPA payment, the actual income tax paid by the
3	Company could be identified and incorporated into the development of rates in its
4	next general rate change case.
5	

- 6 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?
- 7 A. Yes, it does.