

Exhibit No. 102

Staff – Exhibit 102
Testimony of Christopher L. Boronda
Direct
File No. ER-2024-0261

Exhibit No.:
Issue(s): *Plant in Service,
Accumulated Depreciation
Reserve, Long Term
Maintenance Contracts,
Operation & Maintenance
Normalization, and
Software Maintenance
Expense*
Witness: *Christopher Boronda*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *ER-2024-0261*
Date Testimony Prepared: *July 2, 2025*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS DIVISION

AUDITING DEPARTMENT

DIRECT TESTIMONY

OF

CHRISTOPHER L. BORONDA

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

CASE NO. ER-2024-0261

*Jefferson City, Missouri
July 2025*

1 service, accumulated depreciation reserve, long term maintenance contracts, operation and
2 maintenance normalization, and software maintenance expense.

3 **PLANT IN SERVICE**

4 Q. What is plant in service?

5 A. Plant in service (“plant”) represents the structures and equipment used by the
6 utility to provide service to ratepayers. Plant is offset by accumulated depreciation reserve
7 which is discussed further herein.

8 Q. What did Staff include in the cost of service for plant?

9 A. Plant accounts were reviewed and Staff based plant on actual booked amounts,
10 with a portion of Empire’s common plant¹ removed, as of the end of the update period
11 September 30, 2024.

12 Q. Why did Staff remove a portion of Empire’s common plant?

13 A. Empire’s electric plant includes business units outside of Missouri and includes
14 Empire gas plant. Staff, using a cost allocation method, removed a portion of common plant to
15 ensure Empire’s electric customers only pay for costs associated with providing electric service
16 in Missouri. The cost allocation method is reviewed and discussed in Staff Witness
17 Angela Niemeier’s direct testimony.

18 **ACCUMULATED DEPRECIATION RESERVE**

19 Q. What is accumulated depreciation reserve (“reserve”)?

20 A. Reserve represents the sum of all depreciation accruals, net of cost of removal
21 and salvage, which has been recorded on plant placed into service. This balance reflects the

¹ Common plant is Empire plant that is partially utilized by Liberty’s gas or water utility affiliates.

1 value of the accumulated depreciation attributed to Empire’s electric plant which should be
2 netted with the plant amount for determining rate base.

3 Q. What did Staff include in the cost of service for reserve?

4 A. Reserve balances represent the direct assigned and allocated reserve amounts for
5 Empire's electric operations. Staff included balances by account, with a portion of Empire’s
6 common plant reserve removed, as of September 30, 2024.

7 Q. Why did Staff remove a portion of Empire’s common plant reserve?

8 A. Staff, using a cost allocation method, removed the portion of reserve to be
9 consistent with the portion of common plant removed. This ensures the plant included in rate
10 base is not over depreciated due to removing allocated common plant while not removing
11 allocated reserve.

12 **LONG TERM MAINTENANCE DEFERRED ASSETS**

13 Q. What are long-term maintenance (“LTM”) deferred assets?

14 A. Empire created prepaid accounts for deferred assets to defer contract costs until
15 scheduled LTM is performed. These deferred assets will then be capitalized to plant or expensed
16 as maintenance costs depending on the type of underlying work. Empire currently has LTM
17 contracts for Riverton 12-1, Riverton 12-2, State Line Unit 2-1 and 2-2, and the wind service,
18 maintenance and warranty agreements (SMWAs).

19 Q. Why did Empire create these prepaid accounts for deferred assets?

20 A. In prior rate cases, Empire expensed the contract costs and the expense was
21 included as part of maintenance expense. According to Empire Witness Charlotte Emery’s
22 Direct Testimony, page 22, lines 6-20, she states Empire re-evaluated its treatment of LTM
23 contracts and believes Empire should be capitalizing a portion of these costs going forward. In

1 Empire's response to Staff Data Request ("DR") 413, Ms. Emery clarified that there was no
2 change to FERC's USOA ("Uniform System of Accounts") which triggered this change in
3 accounting, but it was determined by Empire that this is an appropriate method of accounting
4 for LTM contracts.

5 Q. How does Empire determine what portion to capitalize and what
6 portion to expense?

7 A. Empire will review the costs incurred and its engineers will determine what
8 portion of the LTM asset provides a capital benefit. In response to Staff DR 413,
9 Empire provided its "LTP Capitalization - Accounting Memo." Within the summary section,
10 it details that Empire will carry the costs to be capitalized in a deferred asset account and
11 expense the portion that will not be capitalized.

12 Q. When will Empire capitalize the deferred assets?

13 A. Empire currently plans on moving the balance of the deferred asset according to
14 the planned maintenance schedule. The planned schedule of maintenance and correlating
15 planned accounting transaction dates were reviewed from data provided in response to
16 Staff DR 435. The LTM maintenance contract has interim maintenance planned prior to major
17 maintenance. According to the summary section of the accounting memo provided in response
18 to DR 413, Empire plans to capitalize the deferred assets during the planned
19 "safety inspection" maintenances.

20 Q. Please explain Staff's recommendation for LTM deferred assets.

21 A. Staff does not agree with Empire's decision to capitalize the LTM contract and
22 believes Empire should continue using the method of expensing contract costs used in

1 Case No. ER-2021-0312. Staff does not see this method as providing an increased benefit to
2 rate payers requiring rate base treatment for the maintenance contracts.

3 Q. Did Staff make any adjustments to maintenance expense due to its disagreement
4 with the new method of accounting for LTM contracts?

5 A. At this time Staff did not make changes to maintenance expenses based on the
6 amounts recorded in the LTM deferred accounts. Staff will continue to review this and plans to
7 present further testimony on this issue during rebuttal and/or surrebuttal.

8 **OPERATION & MAINTENANCE EXPENSE NORMALIZATION**

9 Q. What is operation and maintenance expense?

10 A. Empire's operation and maintenance ("O&M") expenses are expenses incurred
11 by Empire for its generating facilities continued operations that include production,
12 transmission, and distribution maintenance expense. These expenses are not capital in nature
13 and generally tend to fluctuate from year to year. For example, for production maintenance,
14 unscheduled outages occur at irregular and unpredictable times, and major planned outages
15 cause year to year fluctuations because they are planned based on a multiple year cycle.
16 Each maintenance account was reviewed and analyzed separately for each generating facility.
17 The generating facilities examined included Iatan1, Iatan 2, Iatan Common, Riverton,
18 State Line Combined Cycle, State Line 1, Energy Center, Ozark Beach, and Plum Point.
19 Staff's recommended O&M normalization adjustments pertain to Empire's non-labor
20 maintenance costs only; labor maintenance costs are included as part of Staff's
21 overall payroll adjustments.

1 Q. Why did Staff examine maintenance for these facilities?

2 A. These units were examined individually because each unit is on a different
3 maintenance cycle and to group them together would have either overstated or understated the
4 final normalized maintenance costs. Staff then combined its adjustments where possible in an
5 effort to reduce the volume of adjustments in Staff's accounting schedules.

6 Q. What did Staff include in the cost of O&M expenses?

7 A. Staff analyzed costs from August 2018 through September 2024 for plants that
8 are averaged based on a five-year average, and August 2017 through September 2024 for plants
9 that are averaged based on a six-year average. The averages are based on turbine maintenance
10 schedules which are based on hours and/or starts for the overhaul schedule:

- 11 • Riverton - Staff used a five-year average to normalize O&M expenses.
- 12 • Energy Center - Staff used a five-year average to normalize O&M expenses.
- 13 • State Line Unit 1 - Staff used a five-year average to normalize
14 O&M expenses.
- 15 • Ozark Beach - Staff used a five-year average to normalize O&M expenses.
- 16 • Plum Point - Staff used a five-year average to normalize O&M expenses.
- 17 • Iatan - Staff used a six-year average to normalize O&M expenses.
- 18 • Iatan 2 - Staff used a six-year average to normalize O&M expenses.
- 19 • Iatan Common - Staff used a six-year average to normalize O&M expenses
- 20 • State Line Combined Cycle ("SLCC") and State Line CC Common
21 ("State Line Common") - Staff used a six-year average to normalize O&M
22 expenses. The operations costs are based on ownership percentages.
23 Empire owns 60% of the SLCC unit and 66.7% of the State Line Common

1 unit, with Westar Energy (“Westar”) owning the remaining 40% and 33.3%,
2 respectively. Empire’s maintenance cost is weighted based on Empire’s
3 ownership and net-generation percentage. The ownership percentage is
4 given a 75% weighting and net-generation is given a 25% weighting.
5 The ownership percentage is based on ownership by Empire of 60% of the
6 SLCC unit and 66.7% of the State Line Common unit. For example,
7 to calculate the weighted ownership percentage for the SLCC unit take the
8 total cost x 75% x 60%. However, Staff had to calculate the net-generation
9 percentage based on a calculation using the generation used between Empire
10 and Westar. For example, to calculate the 25% net-generation percentage
11 based for SLCC is total cost x 25% x net generation ratio percentage.

12 **SOFTWARE MAINTENANCE EXPENSE**

13 Q. What is software maintenance expense?

14 A. Software maintenance expense is the contracts, operating licenses,
15 and agreements with vendors that provide maintenance, upgrades to software and support
16 Empire’s computer software use.

17 Q. Did Staff review Empire’s software maintenance expense?

18 A. Staff reviewed Empire’s software maintenance expense from July 2021 through
19 September 2024. Staff has not received the most current contracts, but plans to review and
20 annualize software maintenance based on those current contracts in its rebuttal testimony.

21 Q. Does this conclude your direct testimony?

22 A. Yes, it does.

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

AFFIDAVIT OF CHRISTOPHER BORONDA

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

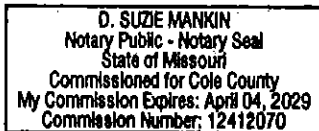
COMES NOW CHRISTOPHER BORONDA and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony of Christopher Boronda*; and that the same is true and correct according to his best knowledge and belief.

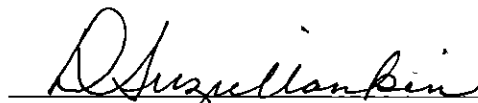
Further the Affiant sayeth not.


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 26th day of June 2025.




Notary Public

Christopher Boronda

Educational, Employment Background and Credentials

I am employed by the Missouri Public Service Commission (“Commission” or “PSC”) as a Utility Regulatory Auditor. I have been employed by the Commission since October 2024.

I graduated from Washington State University in 2021 with a Bachelor’s degree in Business Administration, majoring in Accounting. Prior to working for the PSC, I worked for the Missouri State Auditor’s Office from 2021 through 2024.

Case Participation

Company Name	Case Number(s)	Testimony/Issues
Missouri-American Water Company	WR-2024-0320	Material and Supplies, Customer Advances, Credit Card Fees, Property Taxes, and PSC Assessment
Empire District Electric Company	ER-2024-0261	Plant in Service, Depreciation Reserve, Operations & Maintenance Normalization, Software Maintenance Expense, and LTM Contract Accounting
Spire Gas	GR-2025-0107	Materials & Supplies, Prepayments, Customer Deposits and Interest on Customer Deposits, Customer Advances, Rents and Leases Expense including Communication Equipment, Natural Gas Inventory, Insurance Expense, Fuel Expense – Equipment and Vehicles