

Issue: Surrebuttal Witnesses,  
OPC Response, Asbury  
Witness: David R. Swain  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: The Empire District  
Electric Company  
Case No. EO-2018-0092  
Date: March 13, 2018

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

**Surrebuttal Testimony**

of

**David R. Swain**

**March 13, 2018**



**Liberty Utilities<sup>®</sup>**  
EMPIRE DISTRICT

Empire Exhibit No. 17  
Date 5-08-18 Reporter XF  
File No. EO-2018-0092

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OF  
DAVID R. SWAIN  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. EO-2018-0092

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SURREBUTTAL TESTIMONY  
OF  
DAVID R. SWAIN  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. EO-2018-0092

1    **I.    INTRODUCTION**

2

3    **Q.    PLEASE STATE YOUR NAME, BY WHOM YOU ARE EMPLOYED, AND**  
4    **YOUR BUSINESS ADDRESS.**

5    A.    My name is David R. Swain and my address is 602 Joplin Street, Joplin, Missouri, 64801.  
6    I am employed by Liberty Utilities Service Corp. as the President of Liberty Utilities’  
7    Central Region, which includes the Applicant in this proceeding, The Empire District  
8    Electric Company (“Empire” or “Company”).

9

10   **Q.    DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS PROCEEDING?**

11   A.    Yes. My professional background and qualifications are contained in that prior  
12   testimony.

13

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

15   A.    The purpose of my surrebuttal testimony is to: 1) introduce Company surrebuttal  
16   witnesses; 2) respond to the rebuttal testimony of Office of Public Counsel (“OPC”)  
17   witnesses Lena Mantle and Dr. Geoff Marke, who argue that it would be better for  
18   Empire’s customers to sit on the sidelines and not take advantage of opportunities that

1 exist today, because of OPC's fears about the future, motives it ascribes to Empire's  
2 corporate parent, and frustrations associated with the need for prompt regulatory review  
3 of the Company's filing, and; 3) respond to the testimony of Missouri Energy  
4 Consumer's Group ("MECG") witness Greg Meyer concerning the Asbury return. My  
5 testimony, and those of my colleagues, will address these subjects and why the  
6 Commission should be assured that proceeding with the Customer Savings Plan ("CSP")  
7 is the right approach for the Company's customers and in the public interest.

8  
9 **II. COMPANY WITNESSES PROVIDING SURREBUTTAL TESTIMONY**

10  
11 **Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY'S SURREBUTTAL**  
12 **TESTIMONY.**

13 **A.** The Company is submitting surrebuttal testimony to address issues raised by various  
14 parties in this case, and includes the following:

- 15       ▪ Blake A. Mertens: Mr. Mertens, the Vice President of Operations – Electric at  
16 Empire, responds to Division of Energy ("DE") witness Hyman's  
17 recommendations regarding employees at Asbury and local communities; MECG  
18 witness Meyer's assertion that Empire should have considered the use of tax  
19 equity financing in prior IRPs, and; OPC's arguments about system reliability and  
20 Asbury environmental compliance;
- 21       ▪ Timothy N. Wilson: Mr. Wilson, the Central Region Director of Electric  
22 Operations-Services, describes the RFP process conducted by the Company for

1 the acquisition of wind generation, the bid results, and how the Company is  
2 moving towards final contract negotiations with finalists;

3       ▪ James McMahon: Mr. Mahon, a Vice President in the Energy Practice at Charles  
4 River Associates, responds to criticisms of the Company's Generation Fleet  
5 Savings Analysis ("GFSA") and describes the additional data runs that the  
6 Company conducted at the request of parties in this docket, and how those  
7 additional analyses re-affirm the savings identified in the GFSA;

8       ▪ Christopher D. Krygier: Mr. Krygier, the Director of Rates and Regulatory  
9 Affairs for Liberty Utilities' Central Region, addresses rate case timing related to  
10 the CSP, Asbury rate recovery, additional Commission approvals, tax reform as  
11 well as responds to regulatory accounting issues, and;

12       ▪ Todd Mooney: Mr. Mooney, the Vice President of Finance and Administration of  
13 Algonquin Power & Utilities Corp., Empire's ultimate parent, responds to  
14 criticisms of Empire's proposal to work with a tax equity partner to deliver  
15 significant savings to customers, and how those savings remain achievable in light  
16 of federal tax reform.

17  
18 **III. RESPONSE TO OPC'S CONCERN ABOUT THE TIMING, MOTIVES AND**  
19 **APPROACH OF THE CUSTOMER SAVINGS PLAN**

20  
21 **Q. OPC WITNESSES MARKE AND MANTLE SUGGEST THAT THE**  
22 **COMMISSION SHOULD NOT ACT QUICKLY TO CONSIDER EMPIRE'S**  
23 **PROPOSED CUSTOMER SAVINGS PLAN BECAUSE OF CONCERNS THEY**

1           **HAVE ABOUT THE FUTURE PRICE OF WIND IN THE SOUTHWEST POWER**  
2           **POOL, THE IMPACT OF WIND ON EMPIRE’S SYSTEM RELIABILITY, AND**  
3           **THE TIMING OF CASE NO. EO-2018-0092. DO YOU AGREE WITH THEM?**

4    A.    No, I do not. While I recognize that the Company submitted a significant filing and  
5           requested expedited review by the Commission and parties in this docket, the Company  
6           did so for good reason. Fundamentally, Empire recognized the opportunities present at  
7           this moment in time. The sense of urgency is designed to take advantage of the federal  
8           Production Tax Credits (“PTC”) that expire in December 2020, and a looming April 2019  
9           deadline for Asbury’s compliance with coal ash compliance regulations.

10  
11   **Q.    COULD EMPIRE HAVE MOVED FORWARD WITHOUT EXAMINING THE**  
12           **OPTIONS AFFORDED BY THE EXPIRING PTC?**

13   A.    I suppose Empire could have stood still and taken no action. However, determined to  
14           keep on top of changing market dynamics, the Company undertook a robust analysis of  
15           whether it would be possible to deliver savings to customers through a different approach  
16           to its generation fleet. When our analysis demonstrated that savings in the *hundreds of*  
17           *millions of dollars* could be delivered to customers over the next 20 years, we knew we  
18           needed to act fast to bring the proposal forward to our regulators and stakeholders. It  
19           certainly would have been a much easier path for Empire to stay the course in the face of  
20           these results and the shortness of time to act. However, after considering the benefits of  
21           moving forward with the plan against any concerns that might be raised about the limited  
22           amount of time to obtain regulatory approval, we decided it was well worth the effort to  
23           move forward given the customer savings at stake. Simply put, Empire would rather

1 apologize for the time pressure this has placed on the Commission and parties, than  
2 apologize for doing nothing and watching opportunities pass by our customers.

3  
4 **Q. OPC WITNESS MARKE CITES A 2016 EARNINGS CALL AS THE BASIS FOR**  
5 **HIS SUGGESTION THAT EMPIRE’S NEW PARENT COMPANIES, LIBERTY**  
6 **UTILITIES AND ALGONQUIN, ARE SIMPLY, OR ONLY, INTERESTED IN**  
7 **“GREENING” EMPIRE’S GENERATION FLEET AND INCREASING**  
8 **EMPIRE’S RATE BASE TO INCREASE PROFITS FOR SHAREHOLDERS.**  
9 **(REB., P. 11-13) WHAT WAS EMPIRE’S MOTIVATION IN CONDUCTING**  
10 **THE GENERATION FLEET SAVINGS ANALYSIS?**

11 **A.** While it is undeniable that a prudent ratebase investment will provide a return for a  
12 utility’s shareholders, the fundamental purpose of any such investment is to provide safe,  
13 reliable and economically efficient service to the utility’s customers. That is no different  
14 here. Empire’s fundamental motivation in conducting the Generation Fleet Savings  
15 Analysis was to determine whether it could use the expertise of Liberty Utilities and  
16 Algonquin in developing renewable energy projects using a tax equity partnership  
17 arrangement to effectively reduce electric generation costs and deliver savings to  
18 customers compared to the Company’s current resource acquisition strategy. Mr.  
19 Mooney explained in his Direct Testimony that through the use of tax equity financing,  
20 “...using a tax equity structure (as compared with direct ownership of the Wind Project  
21 by Empire without a partner) would result in between \$4 and \$7 per MW hour more  
22 savings for Empire customers.” (Mooney Dir., p. 8).

1 **Q. DOES OPC WITNESS MARKE’S REBUTTAL TESTIMONY PROVIDE SOME**  
2 **FACTUAL SUPPORT FOR THIS APPROACH?**

3 A. Yes. Ironically, Dr. Marke’s own testimony actually supports the need for such a new  
4 approach to Empire’s generation portfolio. He points out that Empire’s customers have  
5 “...experienced a compounded increase in rates of 62.23% over the past ten years before  
6 Liberty acquired Empire,” (Marke Reb., p. 9), and that “[t]oday, The Empire District  
7 Electric Company can claim to be both the cleanest *and* most expensive investor-owned  
8 utility (“IOU”) in Missouri.” (Marke Reb., p. 2) (emphasis in the original). Given this  
9 reality, it was prudent – not self-serving – to undertake an analysis of whether there was a  
10 more efficient way to generate electricity for the Company’s customers.

11

12 **Q. OPC WITNESS MANTLE (REB., P. 3) SUGGESTS THAT APPROVAL OF**  
13 **EMPIRE’S CUSTOMER SAVINGS PLAN WOULD BE A COMPLETE**  
14 **DEPARTURE FROM HOW EMPIRE HAS OPERATED TO DATE, NAMELY**  
15 **TO PROVIDE SAFE AND ADEQUATE SERVICE TO MEET ITS NATIVE**  
16 **LOAD, AND SUGGESTS (REB., P. 19) THAT THE PROPOSED WIND**  
17 **PROJECTS WOULD BE BETTER DEVELOPED AS UNREGULATED**  
18 **GENERATION ASSETS. HOW DO YOU RESPOND TO THIS TESTIMONY?**

19 A. I disagree. Empire’s proposal to include the wind projects in the utility’s owned  
20 generation in order to provide capacity and energy to Empire’s wholesale and retail  
21 customers is not a fundamental departure from how Empire has operated to date; rather, it  
22 is consistent with Empire’s past history of owning and operating electric generation for  
23 the benefit of its customers. The only difference is that tax equity will contribute towards



1 the acquisition costs, which as I point out above, is to the customers' benefit. I also  
2 disagree with any suggestion that Empire will not be able to continue to provide safe and  
3 reliable service to its customers as a result of ownership of additional wind generation.  
4 Empire witness Blake Mertens, who has many years of experience operating Empire's  
5 system and extensive knowledge of the Southwest Power Pool, explains why there is no  
6 factual basis whatsoever for this suggestion.

7  
8 **Q. OPC WITNESS MANTLE ALSO ARGUES (REB., P. 19) THAT EMPIRE**  
9 **SHOULD NOT ACQUIRE WIND GENERATION BECAUSE OTHER UTILITIES**  
10 **IN THE REGION ARE PROPOSING TO DO THE SAME THING. DOES THIS**  
11 **MAKE SENSE TO YOU?**

12 **A.** No, it does not. Whether Empire should proceed with the Customer Savings Plan and  
13 acquire wind generation should rest on the results of the robust analysis set forth in the  
14 Company's filing, not on an argument that "you should not do this because everyone else  
15 is." Actually, the opposite would be more compelling. That is, if Empire had not studied  
16 whether acquiring wind generation and retiring a coal fired power plant could deliver  
17 savings to customers while so many utilities around it were considering the same  
18 direction would have been cause to raise questions about Empire's approach.

19  
20 **Q. IN HIS DIRECT TESTIMONY, EMPIRE WITNESS WILSON DESCRIBED A**  
21 **REQUEST FOR PROPOSAL ("RFP") PROCESS EMPIRE WAS**  
22 **UNDERTAKING IN ORDER TO PROVIDE FIRMER PRICING FOR THE COST**

1           **OF WIND GENERATION ASSUMED IN THE CUSTOMER SAVINGS PLAN.**  
2           **HAS THAT RFP PROCESS MOVED FORWARD?**

3    A.    Yes, the RFP process has progressed substantially since the filing of direct testimony and  
4           is described in detail in Mr. Wilson's Surrebuttal Testimony.

5  
6    **Q.    HAS THE RFP PROCESS PROVIDED YOU WITH ANY FURTHER**  
7           **ASSURANCE THAT THE CUSTOMER SAVINGS PLAN IS THE RIGHT PATH**  
8           **FORWARD?**

9    A.    Yes. As Mr. Wilson explained in his Direct Testimony, Empire conducted a competitive  
10           bidding process at the same time that it submitted its regulatory filing for the Customer  
11           Savings Plan. The purpose of the RFP was to determine whether Empire could procure  
12           up to 800 MW of wind generation within the cost parameters that it had used for its  
13           GFSAs, which formed the basis for the \$325 million in savings that could be delivered to  
14           customers. Mr. Wilson explains in his Surrebuttal Testimony that the Company had a  
15           very healthy RFP process and has identified a short list of bidders all of which have  
16           presented bids that not only meet the financial criteria in the GFSAs, but actually beat that  
17           criteria (meaning that the Company can acquire wind generation at a lower cost than  
18           assumed in the GFSAs). Mr. McMahon explains in his Surrebuttal Testimony that when  
19           these updated wind acquisition costs were used to update the Company's GFSAs analysis,  
20           the savings identified are real. The RFP results verify our assumptions that it is possible  
21           to deliver very significant savings to customers over the next 20 years and that we should  
22           press forward with our plan to acquire wind generation and retire Asbury. While I  
23           understand that it would have been ideal for Empire to submit a request for approval for

1 specific projects, as opposed to a request for approval of a more general regulatory plan,  
2 the reality is that it was only possible to proceed on a tandem track where Empire sought  
3 regulatory approval for its framework while it simultaneously worked to identify  
4 competitive wind acquisition opportunities.

5  
6 **Q. OPC WITNESS MANTLE ALSO ALLEGES (REB., P. 3) THAT THERE HAS**  
7 **BEEN A LIMITED OPPORTUNITY FOR STAKEHOLDER INPUT ON THE**  
8 **CUSTOMER SAVINGS PLAN. DO YOU AGREE?**

9 A. No, I do not. Empire has conducted a significant amount of stakeholder outreach as part  
10 of this filing. The outreach can be broken down into two of categories: 1) Commission  
11 Staff and OPC and 2) Empire customers.

12  
13 1) Staff and OPC –The Company met with representatives of Staff and OPC on March 3,  
14 2017, March 21, 2017 and May 25, 2017 to discuss integrated resource modeling analysis  
15 that was underway and different considerations the Company was examining. This does  
16 not take into account the significant discovery undertaken in this docket. As of the date  
17 of this surrebuttal testimony, Empire has responded to numerous data requests,  
18 participated in technical sessions on November 11, 2017, December 18, 2017 and  
19 January 12, 2017, and made its witnesses fully available for discussion, not to mention  
20 the extensive additional analysis performed at the parties' request which Mr. McMahon  
21 describes in his Surrebuttal Testimony.

22 2) Empire Customers – Attached to my Surrebuttal Testimony is **SUR Attachment**  
23 **DRS-1**, which outlines the significant public outreach the Company has undertaken since

1 making this filing and includes a list of individual customers that Company  
2 representatives reached out to before the filing was made. Empire also met with a  
3 number of local political leaders to keep them apprised of what the Company was  
4 considering. Finally, Empire held a special information session with key community  
5 leaders on the day the filing was announced. A copy of the presentation made to those  
6 community leaders is included in SUR Attachment DRS-1.

7  
8 When taking into account all of this stakeholder input, Ms. Mantle's allegation is without  
9 merit.

10  
11 **IV. THE ASBURY REGULATORY ASSET**

12  
13 **Q. OPC WITNESS RILEY CONTENDS (REB., P. 4) THAT IF THE COMPANY IS**  
14 **PERMITTED TO RECOVER A RETURN ON AND OF ITS INVESTMENT IN**  
15 **ASBURY, THAT CUSTOMERS WILL HAVE RECEIVED LITTLE BENEFIT**  
16 **FROM EARLY RETIREMENT OF THE PLANT. IS THAT ACCURATE?**

17 **A.** No. Asbury's retirement constitutes a significant part of the savings Empire would deliver  
18 to its customers through the Customer Savings Plan. These savings come from reduced  
19 labor costs, savings in the costs associated with operation and maintenance of Asbury, and  
20 the significant cost of fuel for the Asbury plant, all of which would no longer be necessary  
21 when the plant was retired.

1 **Q. IS THE RETIREMENT OF ASBURY CRITICAL TO THE CUSTOMER SAVINGS**  
2 **PLAN?**

3 A. Yes. In order to deliver the savings identified in the Generation Fleet Savings Analysis, it  
4 requires both the retirement of Asbury and the acquisition of wind generation. We believe  
5 that the GFSA analysis demonstrates the power of moving from coal generation which is  
6 increasingly becoming uneconomic, as explained by Mr. McMahon, to the generation of  
7 electricity where there is no cost for fuel. Thus, the Asbury retirement and the acquisition of  
8 wind generation work in tandem to most economically serve our customers.

9

10 **Q. WHY IS THE RECOVERY OF THE ASBURY INVESTMENT NECESSARY FOR**  
11 **THE COMPANY?**

12 A. Full recovery of an investment in an asset that is used to provide electric service to  
13 customers is appropriate when that asset has been previously found to be prudent at its  
14 development and has been properly managed, but is retired before the end of its  
15 engineering life for the economic benefit of customers. This treatment is consistent with  
16 the regulatory foundation regarding a utility's obligation to serve its customers, which is  
17 premised on the principle that a utility needs to receive cost-based recovery of its  
18 operations and investments in return for its investment of capital on customers' behalf. A  
19 refusal to allow such recovery would undercut this fundamental regulatory compact, and  
20 would contravene the economics of the Customer Savings Plan, which are premised on the  
21 marriage of the retirement of Asbury with the acquisition of wind generation

22

1 **Q. DOES MECG WITNESS MEYER PROVIDE A RECOMMENDATION AS TO**  
2 **HOW THE ASBURY RETIREMENT SHOULD BE TREATED IF THE CSP IS**  
3 **APPROVED?**

4 A. Yes. MECG witness Meyer recommends that the Company be permitted to establish a  
5 regulatory asset for Asbury, and that the Company only recover a debt return of and on  
6 the existing Asbury investment (Reb., p. 24).

7  
8 **Q. WHAT DILEMMA EXISTS TODAY WITH REGARD TO THE ASBURY COAL**  
9 **PLANT?**

10 A. Mr. Mertens' Direct Testimony explains that Asbury has been serving customers since  
11 the 1970s, but now faces additional environmental compliance upgrades. The Company  
12 wanted to pause and consider whether continuing to invest in Asbury was the most cost-  
13 effective approach for customers. As a result, the decision in front of the Company,  
14 Commission and regulatory stakeholders is how to address the near-term challenges for  
15 Asbury's future in the most cost-effective way for customers.

16  
17 **Q. WHY SHOULD EMPIRE CONTINUE TO RECEIVE A RETURN ON AND OF**  
18 **ITS UNDEPRECIATED INVESTMENT IN THE ASBURY COAL PLANT?**

19 A. As I described above, Empire is pursuing retirement of Asbury in order to deliver real  
20 savings to customers over decades to come. Empire's shareholders should not be  
21 penalized with non-recovery of undepreciated plant balances or refusal to allow a return  
22 on past investment where the Company has identified a cheaper solution for customers.  
23 That is exactly the kind of behavior that the Commission and the parties should be

1 encouraging. Further, the fact that Empire is seeking regulatory approval on the front end  
2 of the process should also not be a basis to penalize the Company. Instead of acting  
3 unilaterally and retiring Asbury and then seeking a full return, Empire came forward with  
4 an innovative proposal to deliver savings to customers through wind generation  
5 acquisition coupled with coal retirement. While Empire can certainly continue to operate  
6 Asbury and implement the current IRP plan it identified in 2016, it would prefer to move  
7 forward with a plan that saves our customers \$325 million over the next 20 years. That  
8 cheaper option depends on Empire and its shareholders being able to receive a return of  
9 and on its previous investments while at the same time delivering significant savings to  
10 customers for many years to come.

11  
12 Further, the previous Asbury investments have been found to be prudent based on what  
13 was known at the time those investments were made. It would highly inequitable to deny  
14 investors a weighted average cost of capital return on the capital they provided for an  
15 asset whose sole purpose was to provide electric service to the Company's customers.  
16 This Commission should not take actions that would discourage Empire or other utilities  
17 from proposing plans that might require an adjustment of prior plans in order to achieve  
18 customer savings

19  
20 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

21 **A.** Yes, it does.

**The Empire District Electric Company  
Missouri Public Service Commission  
Case No. EO-2018-0092  
Response to MCEG First Set of Data Requests**

Response provided by: Christopher D. Krygier  
Title: Director of Rates and Regulatory Affairs  
Company Response Number: MCEG 1-20  
Date of Response: December 5, 2017

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Question:

At the technical conference on November 16, Empire indicated that it had previously met with certain customers and stakeholders. Please provide the date of all such meetings. Please provide a list of all customers and stakeholders that Empire met with. Please provide a copy of any presentations provided at those meetings. Please provide a copy of any notes taken by Empire personnel associated with those meetings. Please provide a list of any concerns that were noted associated with these meetings. Please provide a copy of any follow-up information provided as a result of those meetings.

Response:

On or around October 16, 2017, Company officials spoke with or left voicemails for representatives from Walmart, Tyson Foods, TAMKO, Simmons, Praxair, Marathon Pipeline, George's Processing, Explorer Pipeline, General Mills and Enbridge Pipeline. Meetings were held with various Missouri legislators in the latter half of September 2017, as well as the following individuals:

Company representatives met with following officials:

- October 17, 2017
  - Jasper County – John Bartosh
  - City of Carl Junction – Steve Lawyer
- October 18, 2017
  - City of Jasper – Frank Shumard
- October 23, 2017
  - Dade County – Randy Daniel, David Rusch, Dallas Maxwell and Melinda Wright
  - Barton County – Mike Davis, Ben Reed, Jeff Tucker, Kristina Crockett and Rock Johnson



- October 25, 2017
  - Lawrence County – Sam Goodman, David Botts and Tim Selvey
  - Jasper County – John Bartosh and Darius Adams
  - City of Carl Junction – Steve Lawyer
  - City of Webb City – Carl Francis
- October 28, 2017
  - City of Asbury – Ben Brown
- October 30, 2017
  - Joplin Globe newspaper
- November 13, 2017
  - Sarcoxie/Pierce City Paper

Generally speaking, the feedback for the proposed projects has been well received. General concerns included the impact on Asbury employees and understanding how the Customer Savings Plan would impact rates.

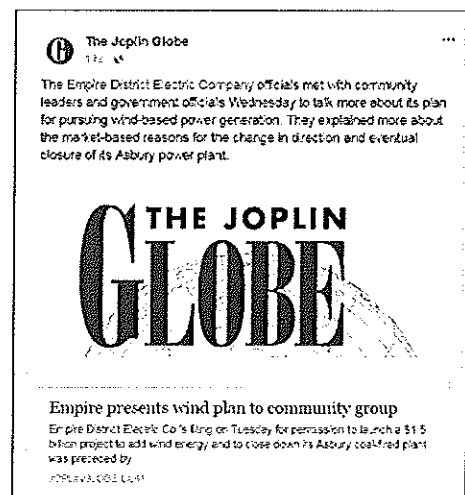
In addition, see Attachment MECG 1-20\_press release presentation, which include a press release and information from a November 1, 2017 meeting with business and community leaders in Joplin.

Responsible person(s): Blake A. Mertens

## Communication & Outreach

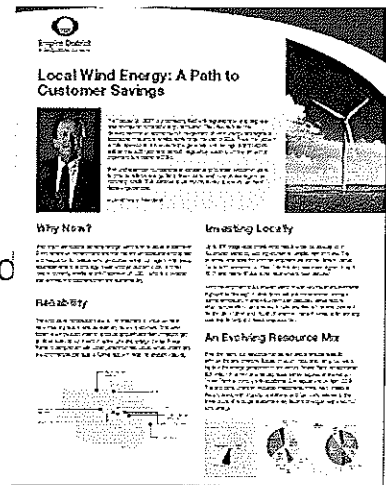
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- Local Announcement 10/31
  - Internal Q&A, Fact Sheet – leadership shared w/employees;
  - Community Leader Breakfast
    - Well-attended (30+)
    - Viewed positively
    - Offered to support messaging
  - Media Release & Briefings
    - Overall, favorable coverage
    - Broad local coverage & AP
    - Noted concerns, as expected, plant closure & recent upgrades



## Communication & Outreach

- Pre-Announcement Outreach
  - County Commissions
  - Key Industrial Customers
- Ongoing Outreach
  - Web page – [www.empiredistrict.com/wind](http://www.empiredistrict.com/wind)
  - Customer Bill Insert (Feb)
  - Local presentations
    - Joplin & Daybreak Rotary Clubs
    - Neosho Rotary Club
    - Neosho Lions Club
    - Empire Retirees
    - MSSU Leadership Academy



## Communication & Outreach

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- Ongoing Outreach (continued)
  - JACC Business Expo
  - Joplin & Branson Home Shows
  - Local Public Hearings
    - Q&A Session
    - 12 of 15 on-record comments in favor
    - Most media coverage was favorable
  - KZRG Morning Show Live Interview
  - Luncheon & presentation to local legislators (Mar 2)
- Upcoming Presentations
  - Neosho Expo (March)
  - MSSU Earth Day Conference (April)



**Empire District**  
A Liberty Utilities Company

**MEDIA RELEASE**

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**FOR IMMEDIATE RELEASE**

**EMPIRE DISTRICT INVESTING LOCALLY WITH NEW WIND GENERATION INITIATIVE**

**Expansion of wind energy will drive savings and reliability over the long term**

Joplin, MO – October 31, 2017 – The Empire District Electric Company today announced a proposed plan to expand its wind resources with the development of an additional 800 megawatts of strategically located wind generation in or near its service territory by the end of 2020. Once fully operational, the project is projected to generate cost savings for customers of \$150 - \$300 million over a twenty-year period. The average residential customer is estimated to save nearly \$10 per month over the twenty year period.

“We are pleased to put forward this initiative which demonstrates an innovative approach to reduce energy costs for our customers, while supporting our region by investing locally.” says David Swain, President.

The factors driving this opportunity to reduce energy costs are improved wind turbine technology, which has resulted in decreasing costs and increasing production potentials. Together, these factors are opening new locations in or near Empire’s service territory to cost-effective development which in turn benefits Empire’s customers. Comprehensive research and analysis have proven the presence of adequate wind speed and frequency for reliable energy production within our region. This will be supported by a robust and efficient fleet of natural gas facilities such as Empire’s Riverton, State Line and Energy Center Power Plants in conjunction with other generation resources.

On October 31, 2017, the company filed a request for approval of the wind expansion initiative with regulators in Missouri, Kansas, Oklahoma, and Arkansas, and the project is subject to their respective review. Orders from the various jurisdictions are anticipated by June 2018. Updates and additional information will be provided as this exciting new initiative to meet the energy needs of customers across the region continues.

Based in Joplin, Missouri, The Empire District Electric Company is a subsidiary of Liberty Utilities Co. and headquarters for the Liberty Utilities Central Region, providing electric, natural gas, water, and wastewater service to nearly 320,000 customers across six states. A subsidiary of the company provides fiber optic services. For more information regarding Empire, visit [www.empiredistrict.com](http://www.empiredistrict.com). For more information about Liberty Utilities, visit [www.libertyutilities.com](http://www.libertyutilities.com).

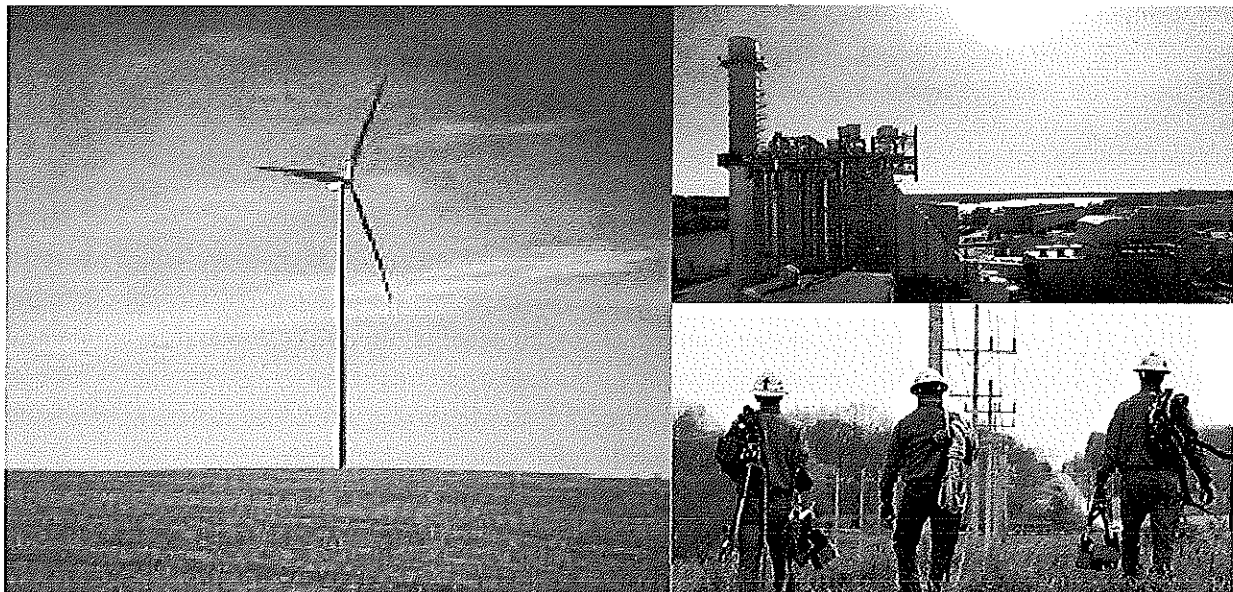
**Contact:**

Julie Maus  
Director of Corporate Communications  
(417) 625-5101  
[jmaus@empiredistrict.com](mailto:jmaus@empiredistrict.com)

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# Empire – Liberty Utilities Central Update

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November 1, 2017

## Agenda

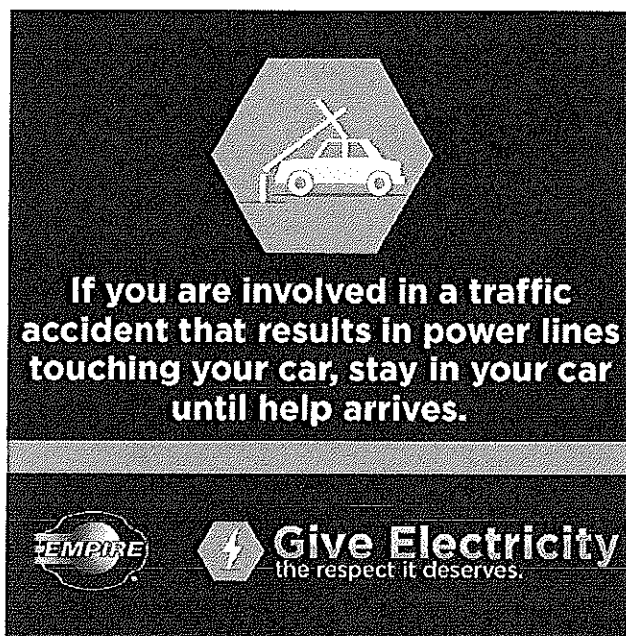
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- Safety Moment
- Who is Liberty Utilities Central?
- Evolving Resource Mix / Industry Changes
- What's Next
- Local Benefits
- Q&A



## Safety Moment

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# Central Region Leadership

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David Swain  
President



Blake Mertens  
Vice President - Operations - Electric



Rob Sager  
Vice President - Finance and  
Administration



Mike Beatty  
Vice President - Operations – Gas & Water

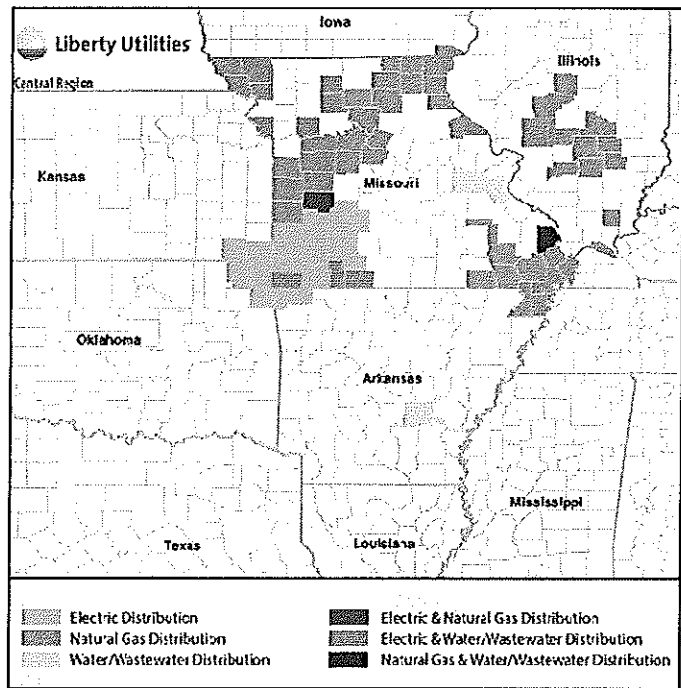


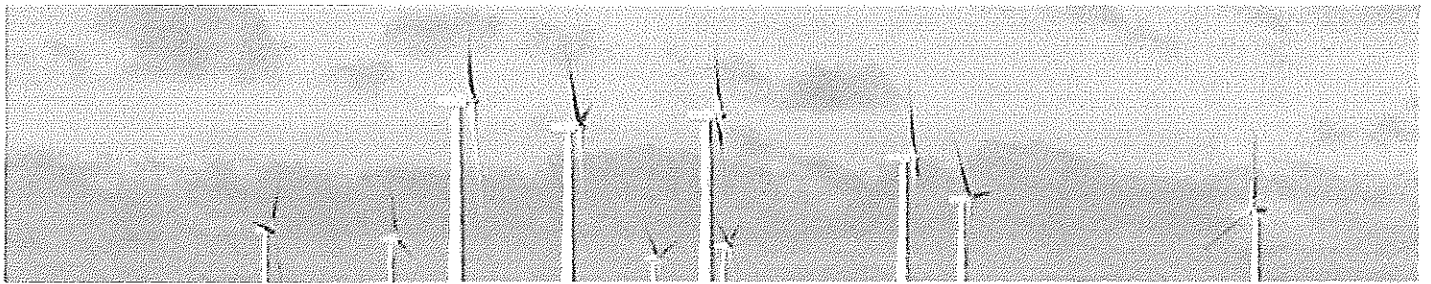
Brent Baker  
Vice President - Customer  
Experience

# Liberty Utilities Central

## Central Region

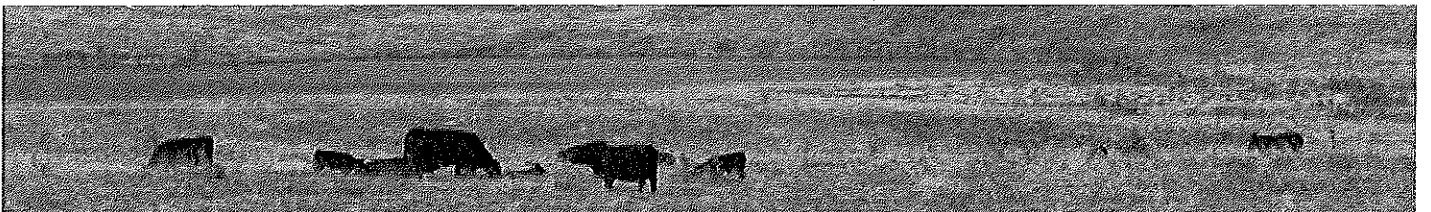
- ~ 950 employees
- ~ 320,000 customers
  - 170,000 Electric
  - 123,000 Gas
  - 27,000 Water/WW
- Safety Focus
- Reliable Service
- Customer Service Levels





# LOCAL WIND ENERGY

*A Path to Customer Savings*



## Why We're Here

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# VALUE

Safe

Reliable

Competitive

Agile

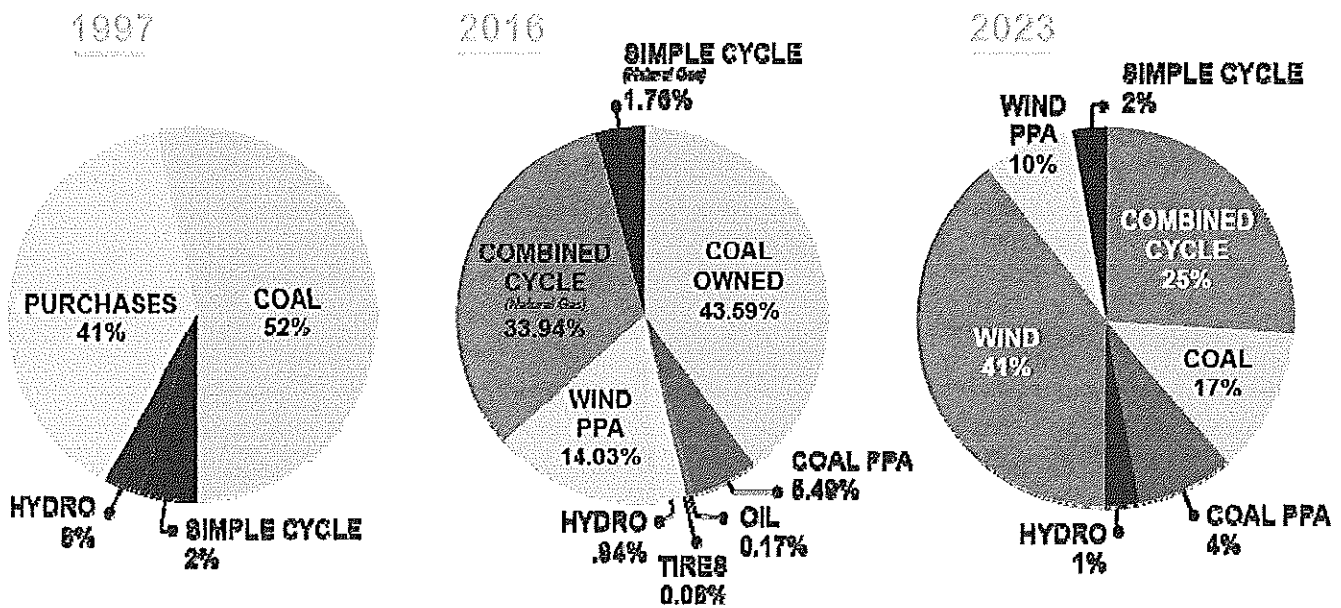
Adopting New Practices and Technology in  
Response to Changing Industry and Markets



## Evolving Resource Mix

### Our Goal:

Generate and deliver more cost effective, diverse and sustainable energy. Deliver *value* for our customers.



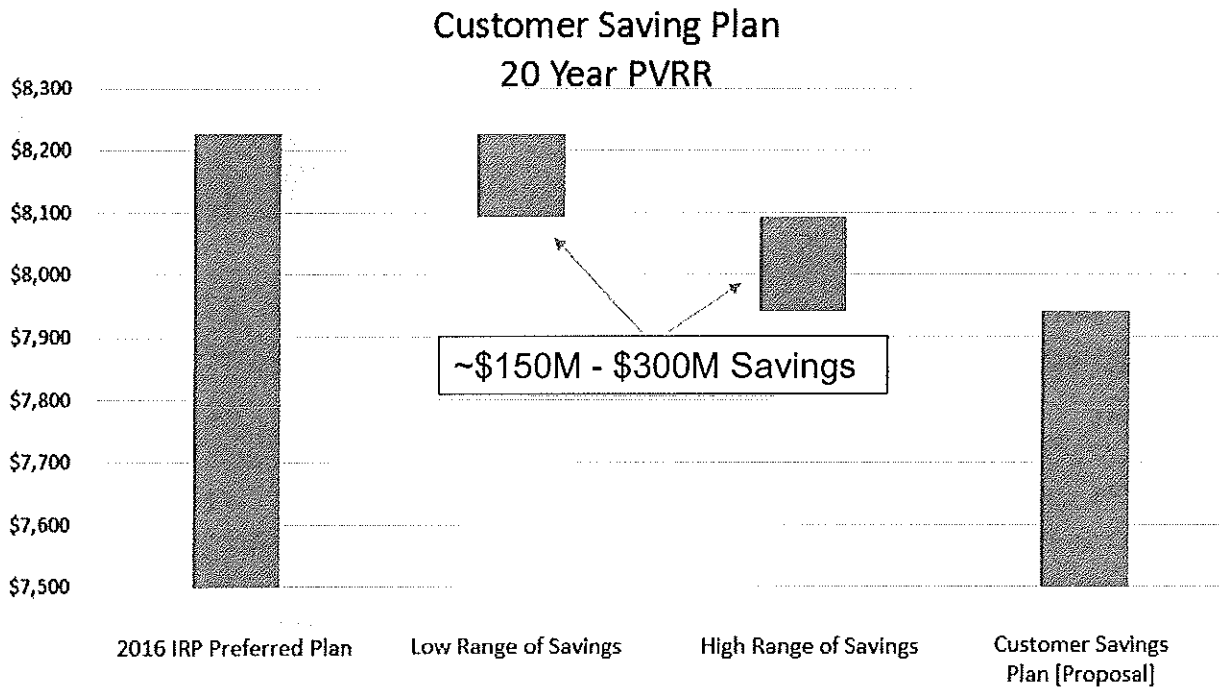
## Generation Resource Modeling Results

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- 2016 Integrated Resource Plan
- Completed Special Study Analysis:
  - “Generation Fleet Savings Analysis”
- Results:
  - 20 Year PVRR
  - ~\$150M - \$300M Savings
- Fleet Changes:
  - Install 800 MW wind
  - Retire Asbury w/o stranded costs



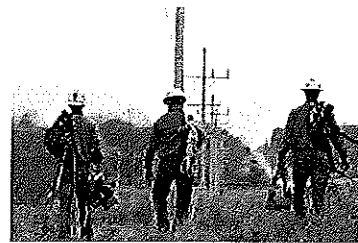
## Generation Resource Modeling Results



## Why We Are Filing ---> *Regulatory Validation*

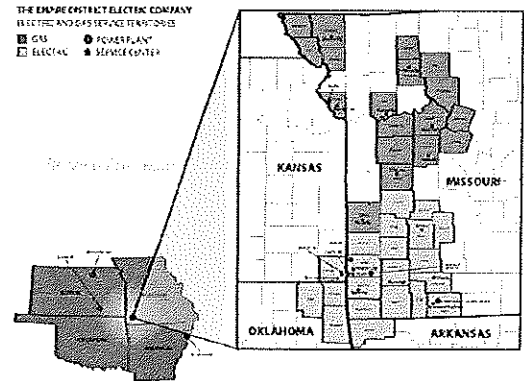
- Significant capital investment:

- Gross Investment: \$1.5 billion
- Tax Equity: \$800 million
- Net investment: \$700 million



- Impact on stakeholders:

- Employees, Customers and Community
- Effective Order by June 30, 2018 to proceed





## Generation Fleet

### Company Owned & Operated

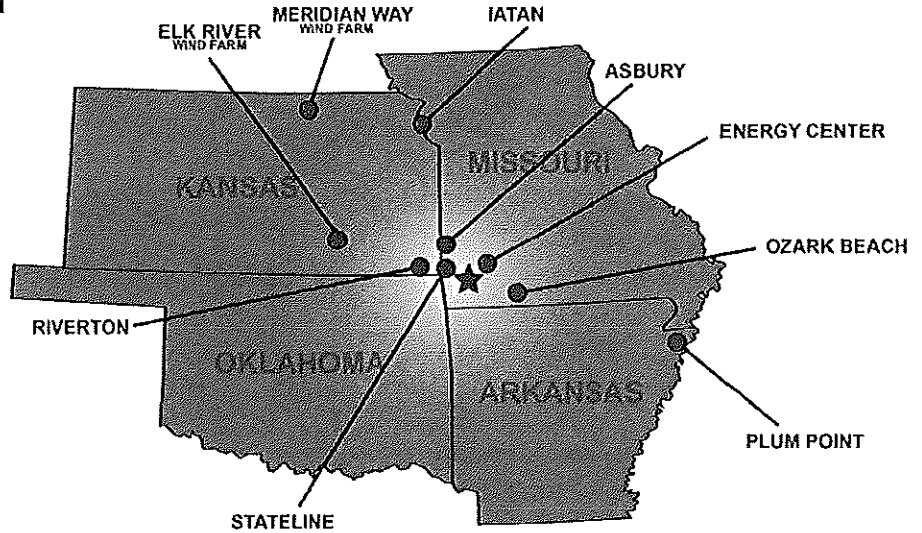
Asbury – 1970  
Energy Center – 1980 & 2003  
Ozark Beach – 1936  
Riverton – 2016  
Stateline – 2001

### Co-Owned

Iatan I & II  
Plum Point

### Non-Owned

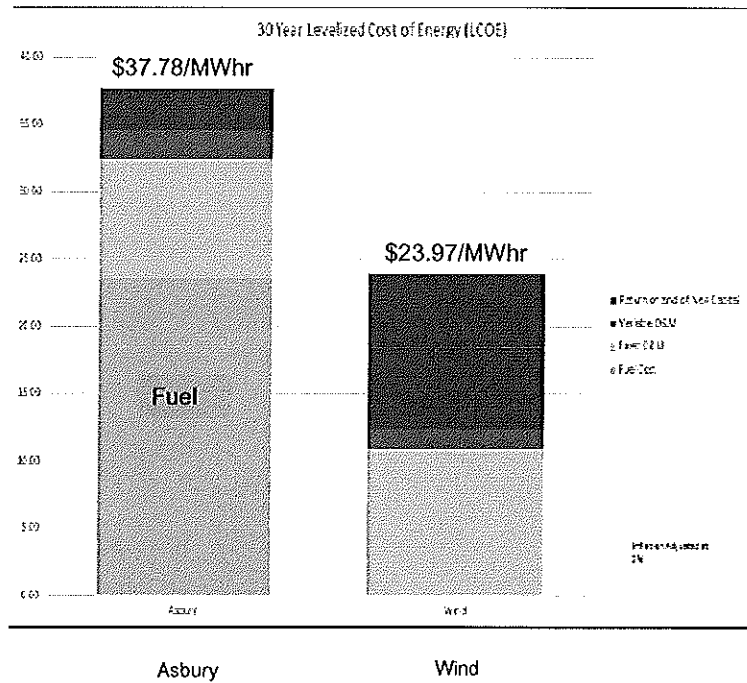
Elk River  
Meridian Way



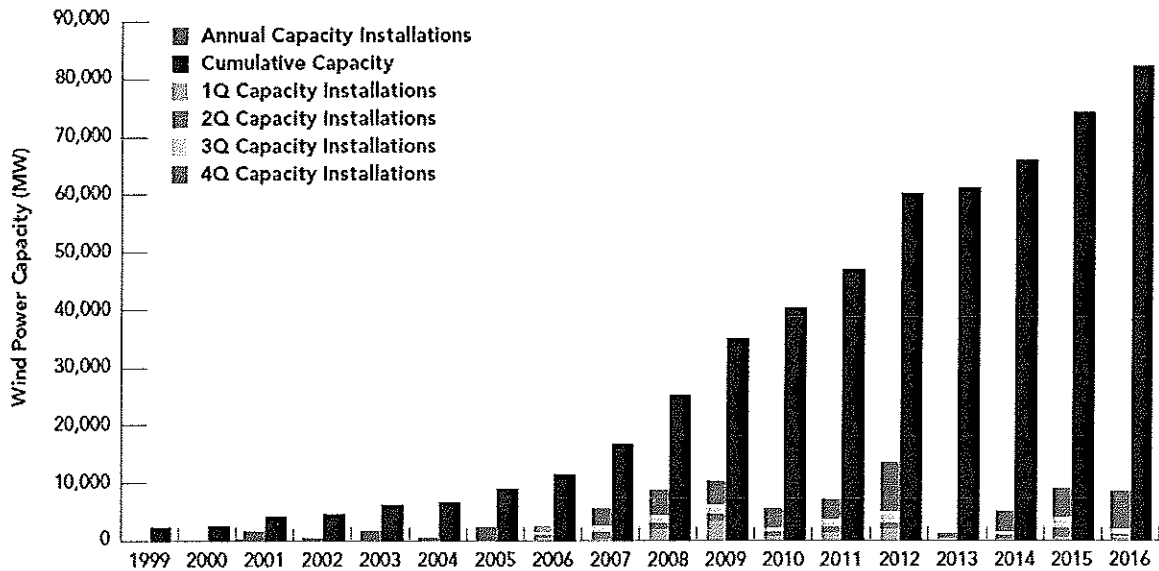
## Focus on Cost-Effective Energy Mix

Based upon economics:

- *Anticipate April 2019 closure*
- *Employees continue operations support until plan approval*
- *Working to ensure best possible transition for employees*



## U.S. Wind Energy Capacity Statistics

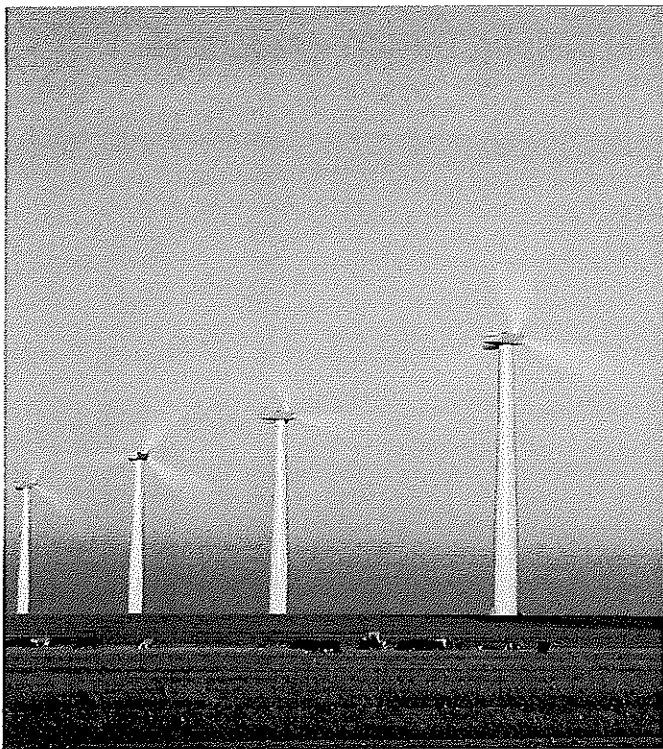


## Why Now?



- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"><li>◦ Lower wind production costs</li><li>◦ Technology advancements</li><li>◦ Availability of low-cost natural gas</li></ul> | <ul style="list-style-type: none"><li>◦ 100% tax credits expire EOY 2020</li><li>◦ Additional Asbury coal handling upgrades required by April 2019</li><li>◦ High costs to operate 45-year-old Asbury relative to wind generation</li></ul> | <ul style="list-style-type: none"><li>◦ Innovation, technology and changing markets</li><li>◦ Opportunities to create value</li><li>◦ \$300M in savings over 20 yrs, relative to what costs would have been</li></ul> |
|--|---|---|

## Expanding Our Wind Resources



### ***HOW MUCH***

800 MW wind  
generating capacity

### ***WHERE:***

Up to 500 MW in SW MO

### ***WHEN:***

In service by EOY 2020

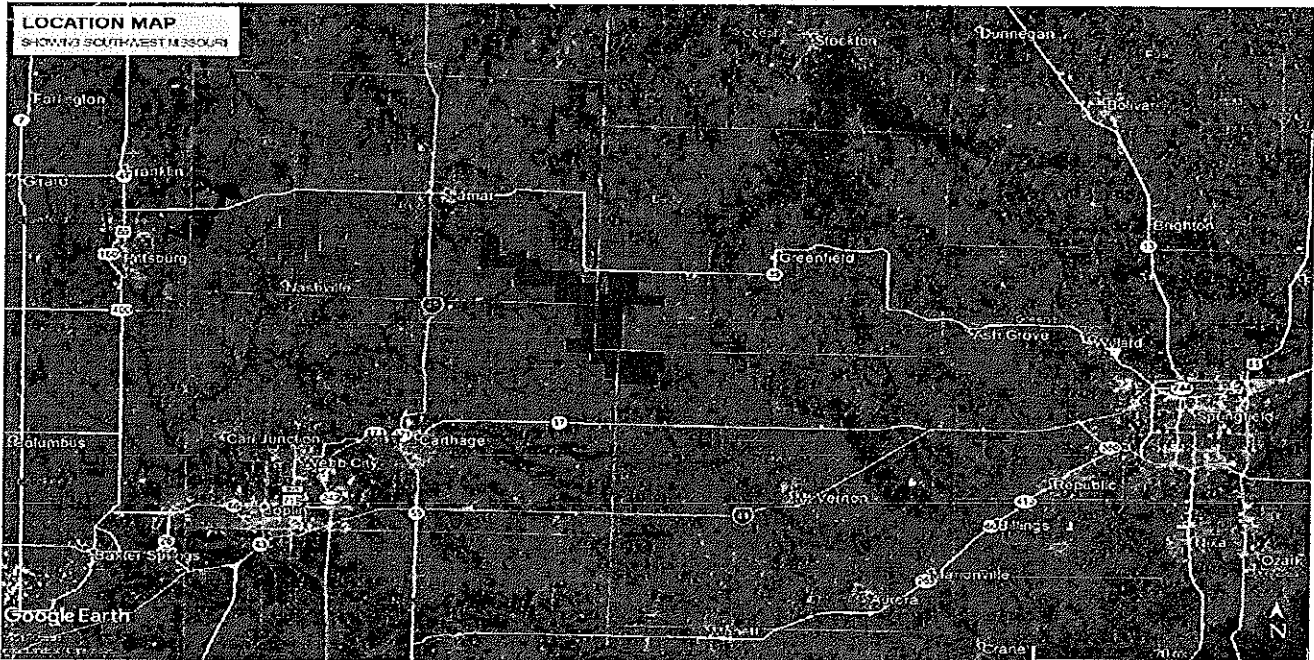
### ***WHY:***

- Long term affordability
- \$300M in savings for customers over 20 years, compared to current resource plan
- Evolution throughout industry



## Local Site Development

- Over 40,000 acres secured in rural Jasper, Barton, Dade and Lawrence counties, MO



SUB ATTACHMENT 0125-1  
PAGE 24 OF 29

## What's Next?

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Continue conversations with community on wind production

Continue conversations with regulators

Continue planning for employee transition

Special study  
filed with  
regulators on  
Oct. 31, 2017

RFP to build  
wind project  
issued 10-2017

RFP responses  
due end of 2017

Regulatory decision  
anticipated by June  
2018



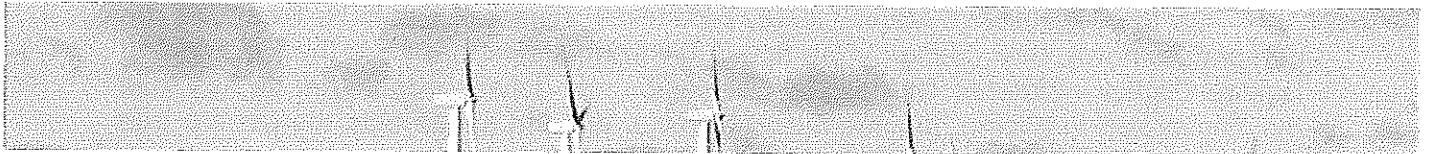
## How Wind Benefits Our Community

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Innovation at Home	Economic Development Edge	Local Investment	Local Income	Healthier Community
◦ Bringing innovation and latest technology to our area keeps costs affordable and lets us control our own energy future	◦ Keeping energy costs competitive keeps our community competitive in retaining jobs and attracting development	◦ Generating up to 800 MW in our region means \$1.5 billion in investment	◦ Landowners get a new source of steady income AND tax revenue is created for local communities where the wind is produced	◦ Cleaner energy makes our community healthier, and more sustainable








# QUESTIONS?




**AFFIDAVIT OF DAVID R. SWAIN**

STATE OF MISSOURI )  
                                  ) ss  
COUNTY OF JASPER )

On the 12th day of March, 2018, before me appeared David R. Swain, to me personally known, who, being by me first duly sworn, states that he is the President of Empire District – Liberties Utilities Central Region and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_  
David R. Swain

Subscribed and sworn to before me this 12th day of March, 2018.

  
\_\_\_\_\_  
Notary Public

My commission expires: NOV. 16, 2018

