

Exhibit No.: _____
Issue(s): Pension and OPEB
Witness: James A. Fallert
Type of Exhibit: Direct Testimony
Sponsoring Party: The Empire District Gas
Company
Case No.: GR-2021-0320
Date Testimony Prepared: August 2021

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

Direct Testimony

of

James A. Fallert

on behalf of

The Empire District Gas Company

August 2021



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FOR THE DIRECT TESTIMONY OF JAMES A. FALLERT
THE EMPIRE DISTRICT GAS COMPANY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. GR-2021-0320

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DIRECT TESTIMONY OF JAMES A. FALLERT
THE EMPIRE DISTRICT GAS COMPANY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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1 **I. INTRODUCTION**

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

3 A. My name is James A. Fallert and my business address is 3507 Burgundy Way Dr., St.
4 Louis, MO, 63129.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am a consultant doing business as James Fallert Consultant LLC.

7 **Q. On whose behalf are you testifying in this proceeding?**

8 A. I am testifying on behalf of The Empire District Gas Company (“EDG” or
9 “Company”).

10 **Q. Please describe your educational and professional background.**

11 A. I graduated from Southeast Missouri State University in 1976 with a Bachelor’s degree
12 in Business Administration, majoring in administrative management. I received a
13 Master’s in Business Administration in 1981 from Saint Louis University, with a major
14 in Finance.

15 I was employed by Laclede Gas Company (now known as Spire Missouri Inc.)
16 from 1976 until February 2012, when I retired as Controller of the Company. In this
17 position, I was responsible for the Company’s GAAP accounting (including pension
18 accounting), budgeting, management information reporting, and financial planning
19 functions. Subsequent to my retirement from Laclede, I have provided consulting
20 services regarding regulatory matters.

21

1 **Q. Have you previously testified before the Missouri Public Service Commission**
2 **(“Commission”) or any other regulatory agency?**

3 A. Yes. While employed at Laclede Gas Company I provided testimony before the
4 Commission in numerous rate cases and other matters. As a consultant, I have provided
5 testimony before the Commission on behalf of Liberty Utilities, Laclede Gas Company,
6 and The Empire District Electric Company (“Empire”). Additionally, I have provided
7 testimony on behalf of Empire in Kansas and Oklahoma.

8 **Q. What is the purpose of your Direct Testimony in this proceeding?**

9 A. I support the Company’s request for the amount of Pension and Other Post-
10 Employment Benefit (“OPEB”) costs to be included in the revenue requirement in this
11 case and the continuation of the pension and OPEB trackers as established in previous
12 cases and most recently continued in File No. GR-2009-0434. I also support the
13 inclusion in rate base of the prepaid pension asset and tracker balances.

14 **Q. Are you sponsoring any schedules with your testimony?**

15 A. Yes. I am sponsoring Direct Schedule JAF-1 which is the expense adjustments for
16 Pension and OPEB (EXP ADJ 17) and Direct Schedule JAF-2 which is the rate base
17 adjustments for Pension and OPEB that are included in (RB ADJ 7 and RB ADJ 8).

18 **Q. Was the information contained in the schedules obtained or derived from the**
19 **books and records of the Company?**

20 A. Yes.

21 **II. PENSION AND OPEB EXPENSE**

22 **Q. What is the amount of pension expense that EDG is requesting in this case?**

23 A. This case includes total annual Missouri pension expense of \$2,705,839. This amount
24 consists of (1) 2021 non-service cost expense in accounts 426581 and 426591 of

1 \$566,451 (which is made up of \$261,403 of 2021 FAS 87 expense as determined by
2 the Company's actuary and pension settlement expense of \$305,048 based on
3 experience in 2017 through 2020), (2) 2021 service cost expense in accounts 926148
4 and 926150 of \$282,644 as determined by the actuary, and (3) five-year amortization
5 of \$1,856,744 in account 926149 related to the tracker authorized in prior cases.

6 **Q. What is the amount of OPEB expense that EDG is requesting in this case?**

7 A. This case includes a total annual Missouri OPEB credit to expense of \$(297,059), which
8 includes the five-year amortization of \$(567,807) in account 926326 related to the
9 tracker authorized in prior cases and the 2021 OPEB expenses determined by the
10 Company's actuary of \$53,360 (non-service cost in account 426585) and \$217,388
11 (service cost in account 926328).

12 **Q. Are these the final expenses for both pension and OPEB costs?**

13 A. The pension and OPEB costs are based on the most recently available actuarial
14 calculation of 2021 costs as of this filing. To the extent that a newer valuation of these
15 costs becomes available during the pendency of this case, it would be appropriate to
16 consider this valuation. The tracker amortization is based on estimated balances as of
17 September 30, 2021. It would be appropriate to update these calculations to the actual
18 balances as of the final update period in this case.

19 **Q. Have there been any noteworthy changes to the plans of which the Commission
20 should be aware?**

21 A. Yes. EDG's Employee's Retirement Plan (the "EDG Plan") was merged into the
22 Liberty Utilities Defined Benefit Pension Plan on December 31, 2019. As part of this
23 merger, a portion of the EDG Plan, which consisted of the benefits for participants

1 hired after January 1, 2014, was spun-off and merged with the Liberty Utilities Cash
2 Balance Pension Plan.

3 **Q. What are the implications of these changes on the calculation of the appropriate**
4 **expense for ratemaking purposes?**

5 A. The Empire employees are now included in the broader Liberty Utilities defined benefit
6 and cash balance plans. However, the actuary will still track and report the portion of
7 the plans applicable to Empire separately. It will simply be necessary to include in the
8 adjustment the Empire portion of both the defined benefit and cash balance plans as
9 reported by the actuary.

10 **III. RATE BASE**

11 **Q. What is the amount of rate base related to pensions and OPEBs that you are**
12 **requesting in this case?**

13 A. This case includes total rate base related to pensions and OPEBs of \$6,048,863. This
14 amount includes the prepaid pension asset of \$824,366, regulatory assets related to the
15 trackers of \$8,063,532 for pensions, and regulatory liabilities related to OPEBs of
16 \$(2,839,035). The rate base amounts are based on the assets and liabilities projected
17 forward to September 30, 2021.

18 **Q. Are these the final rate base amounts for both pension and OPEB costs?**

19 A. Since these amounts are based on estimated balances as of September 30, 2021, it
20 would be appropriate to update these calculations to the actual balances as of the final
21 update period in this case.

22 **IV. PENSION AND OPEB TRACKERS**

23 **Q. Please describe the pension and OPEB trackers currently being employed**
24 **by Empire.**

1 A. These trackers were ordered by the Commission in prior cases, most recently
2 in File No. GR-2009-0434. The trackers defer the difference between pension
3 and OPEB expense as recorded and expense allowed in rates. This difference
4 is accumulated in a regulatory asset or liability account, as appropriate, and is
5 included in rates in a subsequent rate case via a five-year amortization.

6 **Q. Why were these trackers established?**

7 A. Pension and OPEB costs are subject to considerable volatility due to forces
8 outside of the control of the Company. The trackers ensure that the costs
9 associated with these employee benefits are neither over- nor under-recovered
10 in rates. The Company believes that the trackers promote rate continuity, are
11 beneficial to all parties and should be continued in this case.

12 **V. CONCLUSION**

13 **Q. Does this conclude your direct testimony?**

14 A. Yes.

VERIFICATION

I, James A. Fallert, under penalty of perjury, on this 23rd day of August, 2021,
declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ James A. Fallert