Exhibit No.:	
Issue(s):	*Market Price Protection Mechanism/PISA Reporting*
Witness:	*J. Luebbert*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Surrebuttal Testimony*
Case No.:	*ER-2021-0312*
Date Testimony Prepared:	*January 20, 2022*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENGINEERING ANALYSIS DEPARTMENT

SURREBUTTAL TESTIMONY

OF

J LUEBBERT

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

CASE NO. ER-2021-0312

Jefferson City, Missouri
January 2022

****** Denotes Confidential Information ******

SURREBUTTAL TESTIMONY

OF

J LUEBBERT

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

CASE NO. ER-2021-0312

Q. Please state your name and business address.

A. My name is J Luebbert, and my business address is Missouri Public Service Commission, P.O. Box 360, Jefferson City, Missouri, 65102.

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

A. I am employed by the Missouri Public Service Commission ("Commission") as an Associate Engineer in the Engineering Analysis Department of the Industry Analysis Division.

Q. Are you the same J Luebbert that contributed to Staff's Cost of Service Report, which was filed on October 29, 2021 and rebuttal testimony, which was filed on December 20, 2021 in this case?

A. Yes, I am.

Q. What is the purpose of your surrebuttal testimony?

A. My testimony will provide some background information on the Purchased Power Agreement replacement value ("PPA RV"), which is included as a term in the Market Price Protection Mechanism ("MPPM") resulting from the Commission ordered in the *Non-Unanimous Stipulation and Agreement* in Case No. EA-2019-0010. I will address the rebuttal testimony of the Office of the Public Counsel ("OPC") witness Lena Mantle regarding the PPA RV associated with the MPPM. I will also address OPC witness

Geoff Marke's recommendation regarding reporting requirements for Empire's future plant in-service accounting ("PISA") investments.

PPA Replacement Value

Q. How would you summarize OPC witness Mantle's rebuttal testimony as it pertains to the PPA RV of the MPPM?

A. In her rebuttal testimony, Ms. Mantle generally describes the PPA RV as described in the Commission's Report and Order in Case No. EA-2019-0010 as well as the *Non-Unanimous Stipulation and Agreement* from the same docket. Specifically, Ms. Mantle notes that the Commission's Report and Order does not specify a calculation methodology for the PPA RV while recommending that the Commission "completely remove the PPA replacement value from the MPPM."[1] She then proceeds to explain that Empire does not need all of the energy produced by the current Elk River and Meridian Way wind PPAs to satisfy Missouri's Renewable Energy Standard, concluding that if "the PPA replacement value is included in the calculation of the MPPM, it should be only for the amount of resources needed and not based on the energy produced by Elk River and Meridian Way."[2]

Q. Did Staff address the PPA RV as related to the MPPM in prior rounds of testimony in this case?

A. No, nor did Staff address the PPA RV in testimony in EA-2019-0010.

Q. Why didn't Staff address the issue of PPA RV in prior rounds of testimony of this case?

[1] Page 53, lines 20-21 of OPC witness Lena Mantle's Rebuttal testimony.
[2] Page 55, lines 1-5 of OPC witness Lena Mantle's Rebuttal testimony.

A. The MPPM Guarantee Period, as defined by Appendix B of the aforementioned stipulation and agreement, begins at the first day of the month after the first Wind Projects[3] are placed into rates and will run until the end of the 10th full year (120 months) after the last Wind Project is entered into rates.[4,5] My understanding is that the wind PPAs in question, Meridian Way and Elk River, do not expire until December of 2025 and December of 2028,[6] respectively. The PPA RV associated with the MPPM will not be relevant until after the expiration of the respective PPAs and should include actual production values of the new wind projects in the years that follow the expiration dates, which is well beyond the review period that is relevant to this case. To put it simply, unless the existing PPA contracts are altered, the PPA RV as it pertains to the MPPM will not need to be determined until a date much closer to 2026. It is also worth noting that 20 CSR 4240-20.090(10)(A) states in part that, "the electric utility must file a general rate case with the effective date of new rates to be no later than four (4) years after the effective date of the commission order implementing the RAM", which should provide an opportunity for all parties to review more relevant production data from the existing PPAs, the wind projects included within the context of this rate case, and any additional relevant information or context necessary to provide recommendations to the Commission.

Q. What information regarding the PPA RV was included within the Stipulation and Agreement in the EA-2019-0010 case?

A. The PPA RV is defined by Appendix B to mean the "value associated with replacing the existing wind PPAs during the period of the guarantee, as shown on

[3] The wind projects referenced in the MPPM are North Fork Ridge, Kings Point, and Neosho Ridge.
[4] Non-unanimous Stipulation and Agreement in Case No. EA-2019-0010.
[5] Assuming all three wind projects are included in their entirety in rates resulting from this general rate case, the MPPM Guarantee period will begin on the first day of the month after the effective date of rates.
[6] Empire response to OPC data request 8004 and Empire's 2019 integrated resource plan triennial compliance filing.

Exhibit C (row 15 excel).” Exhibit C – PPA Replacement Value included estimated gigawatt hours (“GWh”) of production from each of the respective wind farms, an estimate of the number of PPA replacement GWh replaced by new wind during the guarantee period, an estimation of allocated benefit of PPA replacement GWh, and an estimate of the reduction in revenue requirement from the PPA replacement.

Q. Does Appendix C of the Stipulation and Agreement define how to calculate the “allocated benefit of PPA replacement GWh” or “reduction in revenue requirement from PPA replacement”?

A. No. Exhibit C of the Stipulation and Agreement is a PDF of an excel file. The actual attachment does not define the terms “PPA replacement GWh replaced by New Wind during the Guarantee Period, Allocated Benefit of PPA replacement GWh, or Reduction in Revenue Requirement from PPA replacement, nor does the Exhibit show the methodology that should be utilized to estimate those terms.

Q. Has Empire provided a consistent methodology for determining the PPA RV in response to OPC’s data requests in this rate case?

A. There is some inconsistency in the responses provided by Empire as they pertain to the PPA RV calculation methodology. Empire’s response to OPC data request 8075 appears to indicate that ** [redacted] ** while Empire’s response to DR 8091 includes ** [redacted]. ** What is consistent between the differing methodologies provided by Empire in the responses is that the ** [redacted] ** in a given year during the MPPM guarantee period.

Q. What was Empire's response regarding the purpose of the PPA RV with respect to the MPPM?

A. Empire's response to OPC data request 8090 suggests that "[t]he purpose of the PPA Replacement value in the MPPM is to reflect the value that the new wind farms will have regarding meeting the Renewable Energy Standards as a replacement for the current wind purchase power agreements when they expire (December 2024 for Elk River Wind Farm and December 2028 Meridian Way Wind Farm)."

Q. Will the wind farms contribute to Empire's compliance with the Renewable Energy Standard ("RES")?

A. Based on Empire's current Missouri electric retail sales, expected generation of the new wind farms, Renewable Energy Credits ("RECs") generated by other Empire owned or purchased renewable energy resources, and current RES requirements, Empire should be able to comply with the RES requirements by utilizing a portion of the RECs generated by the new wind projects once the PPAs expire. The exact number of RECs (and accordingly the portion of the RECs generated by the new wind projects) necessary for future compliance is unknown at this time and is dependent on Empire's future Missouri electric retail sales, RECs generated by other Empire owned or purchased renewable energy resources, and the RES requirements.

Q. Do the methodologies provided by Empire in response to OPC data request 8075 and 8091 accurately "reflect the value that the new wind farms will have regarding meeting the Renewable Energy Standards as a replacement for the current wind purchase power agreements when they expire (December 2024 for Elk River Wind Farm and December 2028 Meridian Way Wind Farm)."[7]

A. Based on the information available at this time, both of Empire's methodologies to calculate the PPA RVs likely overvalue the impact that the new wind farms will have regarding meeting the RES requirements.

Q. Does Staff concur with Ms. Mantle's conclusion that Empire does not need all of the energy produced by the Elk River and Meridian Way wind PPAs to satisfy the RES requirements?

A. Yes. Based on Empire's 2021 Annual Renewable Energy Standard Compliance Plan,[8] Empire expects to produce RECs in excess of the non-solar RES requirement by more than 14% in years 2021, 2022, and 2023.[9] The projected compliance information includes REC production from Empire's Ozark Beach Hydroelectric facility, but projected REC production from the Meridian Way and Elk River PPAs also exceed the expected non-solar REC production requirement.

Q. Ms. Mantle refers to Liberty's response to a data request regarding the calculation methodology of the PPA RV within her rebuttal testimony. Should the estimation provided by Liberty be relied upon to set a PPA RV as it pertains to the MPPM within the context of this case?

A. No. The estimation of the PPA RV provided by Empire in response to the OPC data request assumes production values for multiple future years. The PPA RV should be based

[7] Empire response to OPC data request 8090.
[8] Case No. EO-2021-0344.
[9] It is important to note that Empire's Annual Renewable Energy Standard Compliance Plan is based upon projections of Empire's Missouri electric retail sales and production values from renewable resources. Future compliance with the Missouri RES requirements are dependent on realized Empire Missouri electric retail sales and actual production from the renewable generation resources.

upon the most contemporary actual generation data and other relevant information available at the point in time that the PPA RV is relevant in the context of the MPPM.

Q. Does the PPA RV affect the revenue requirement or rates that will be set within the context of this rate case?

A. No.

Q. Is it appropriate to assign a PPA RV as it pertains to the MPPM in future years within this rate case?

A. No. As stated on the attachments to the non-unanimous stipulation and agreement in Case No. EA-2019-0010, "All numbers utilized, unless specified elsewhere in the STIP, are for example only, actual values will be input into the calculation during the life of the MPP."

Q. Alternatively, is it appropriate for the Commission to clarify how the PPA RV as it pertains to the MPPM should be calculated at the time that the relevant information and the most contemporary actual production values are available?

A. If the Commission determines that clarification of the calculation methodology for the PPA RV is necessary within the context of this case given the ambiguity of the EA-2019-0010 Stipulation and Agreement, an order describing the methodology may be appropriate. However, the MPPM will not be finally calculated and included in rates until the end of guarantee period, a period of ten years. It is possible that the Commission would have the benefit of a more substantially complete record upon which to make a decision regarding the issue of the PPA RV by abstaining from a decision in this case.

PISA Reporting Requirement Recommendation

Q. Please provide a brief overview of OPC witness Geoff Marke's recommendation to the Commission regarding reporting requirements for Empire's future PISA investments.

A. Dr. Marke recommends that the Commission order Liberty to conform to the same, or very similar, standards that were agreed upon between the signatories of the Unanimous Stipulation and Agreement in Ameren Missouri's most recent general rate case.[10]

Q. Does Staff agree with Dr. Marke's recommendation regarding reporting requirements for Empire's future PISA investments?

A. Yes.

Q. Why is it important for an objective quantitative evaluation methodology for future PISA investments to be developed?

A. It is important because in a future case at least one of the investor-owned utilities is likely to request an extension of Plant in Service Accounting ("PISA") beyond 2023 as contemplated in 393.1400.5. RSMo. That statute states in part that:

The commission shall have the authority to grant or deny such approval based upon the commission's evaluation of the costs and benefits of such continuation to electrical corporations and consumers, but shall not be authorized to condition such approval or otherwise modify the deferrals authorized by subsection 2 of this section, or the discounts authorized by section 393.1640. **In deciding whether to extend the program for an additional five years, the commission shall develop an objective analytical framework to determine whether there is a continuing need. [Emphasis added.]**

[10] Unanimous Stipulation and Agreement filed on November 24, 2021, and approved on December 22, 2021 in Case No. ER-2021-0240.

The level of capital expenditure projected by Liberty and the language within 393.1400.5, RSMo, highlight the importance of a transparent review process regarding the decision making for the associated projects. The information included within Mr. Marke's recommendation will afford all parties, and the Commission, a more transparent review process for the substantial capital expenditures associated with Liberty's PISA capital expenditure plans, provide all parties another data point for consideration of the prudency of a given project, and potentially aid the Commission in determining whether an extension of the opportunities afforded by 393.1400 RSMo is reasonable and necessary. It is worth noting that Liberty is financially incentivized to build rate base through investments and given that incentive it is important to ensure that the costs of the projects are prudent and necessary to provide safe and reliable service.

Q. Does this conclude your surrebuttal testimony?

A. Yes.

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 Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area	)))))	Case No. ER-2021-0312

AFFIDAVIT OF J LUEBBERT

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW J LUEBBERT and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal Testimony of J Luebbert*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

J Luebbert

J LUEBBERT

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 12th day of January, 2022.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377

Dianna L. Vaught

Notary Public