Issue: Market Price Protection
Witness: David Holmes
Type of Exhibit: Affidavit in Support
Sponsoring Party: The Empire District Electric Company
Case No: EO-2018-0092
Date: April 24, 2018

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

AFFIDAVIT IN SUPPORT OF NON-UNANIMOUS STIPULATION AND AGREEMENT

OF

DAVID HOLMES

APRIL 24, 2018

Affidavit of David Holmes

PROVINCE OF ONTARIO)
) ss.
CANADA)

I, David Holmes, first being duly sworn, on my oath state as follows:

1. My name is David Holmes and my business address is 354 Davis Road, Oakville, ON L6J 2X1. My employer is Liberty Utilities (Canada) Corp., and I serve as the Director, Enterprise Asset Management Strategy.

2. Attached hereto and made a part hereof for all purposes is a Statement in Support of the Non-Unanimous Stipulation and Agreement filed on April 24, 2018, in Missouri Public Service Commission Cases Nos. EO-2018-0092 and ER-2018-0228.

3. Also attached hereto and made a part hereof for all purposes is a description of my educational background and professional experience. I have not previously filed testimony in Case No. EO 2018-0092 (Empire's Customer Savings Plan docket), nor in Case No. ER-2018-0228 (the rate case opened by the Commission to address the impact on Empire of the Tax Cuts and Jobs Act of 2017.

4. I hereby swear and affirm that the that the statements contained herein are true and correct to the best of my information, knowledge and belief.

David Holmes, Affiant

Subscribed and sworn to before me by David Holmes, who personally appeared before me and is known to me to be the person described in and who executed the foregoing affidavit, and acknowledged that he executed the same as his free act and deed.

In Witness Whereof, I have hereunto set my hand and affixed my official seal on this 24th day of April, 2018.

_______________, Notary Public

My Commission/Appointment Expires: N/A

Nadine A. Schweishelm
Barrister & Solicitor
1457 Mosley Street, Unit 2
Wasaga Beach, ON L9Z 2S4

STATEMENT IN SUPPORT OF
NON-UNANIMOUS STIPULATION AND AGREEMENT

1. The purpose of this Statement in Support of Non-Unanimous Stipulation and Agreement ("Statement") is to provide support for the Market Price Protection Provision contained in the Non-Unanimous Stipulation and Agreement ("Stipulation") executed and filed in this proceeding on April 24, 2018.

2. Paragraph 17.c and Appendix A of the Stipulation includes a carefully crafted Market Price Protection Provision that protects customers against potential risks associated with making sales of the output of the Wind Projects[1] into the Southwest Power Pool Integrated Marketplace ("SPP IM"). In testimony of various parties in Case No. EO-2018-0092, those parties expressed concern about the amount of energy from the Wind Projects that would be sold into the SPP IM, and the role of that revenue in supporting the costs to acquire the Wind Projects. As a result, Empire and the Signatories created a mechanism to provide a buffer against this risk, while still providing the customers with an opportunity to experience the projected benefits.

3. The Market Price Protection Provision effectively provides a $35 million aggregate buffer to Missouri customers by calculating each year, for a ten year period following the time that the last Wind Project is placed in-service, the amount of revenue generated by sales from the Wind Projects into the SPP IM against the revenue requirement of the Wind Projects. The Market Price Protection Provision further takes into account the value that the Wind Projects will have in replacing lost energy and capacity associated with the Elk River and Meridian Way wind Power Purchase Agreements that expire in 2026 and 2029, respectively.

4. As set forth in the flow chart included in Appendix A to the Stipulation, the market price mechanism goes into effect on the first day of the month after a Wind Project is first placed into rates and remains in effect for 10 years following the effective date of rates resulting from the first general rate case in which all Wind Projects are included in rates. Described at a high level, the market price mechanism requires that each year during that period, Empire compares the amount of revenue generated from sales of energy from each Wind Project into the

[1] The term "Wind Projects" as used in this affidavit refers to Empire's acquisition of a nameplate capacity of up to 600 MW of wind generation in or near Empire's service territory including related transmission interconnection assets.

SPP IM to the revenue requirement associated with the Wind Projects (and to the value of replacing the energy from the Elk River and Meridian Way PPAs once they have expired). The provision can be broken down into the following steps and conditions:

a. First, on an annual basis, calculate how sufficient/deficient were SPP IM sales relative to the Wind Projects revenue requirement and the PPA replacement value. The formula is Annual Wind Value = Wind Revenue Requirement – SPP IM sales + PPA Value.
b. Second, that amount (the Annual Wind Value) is subject to a $2 million "deadband", meaning that if the amount is positive $2 million or negative $2 million ($4 million total range), the sharing mechanism for that year is not implemented. However, if the Annual Wind Value is negative by more than $2 million, $2 million is subtracted from the Annual Wind Value, and that amount is split equally, 50/50 between customers and Empire's shareholders. This is the "Annual Sharing Value". If the Annual Wind Value is greater than the positive $2 million deadband, Empire can use that greater difference to offset lower amounts from prior years or future years Annual Sharing Value.
c. Third, the annual over and under amounts are summed and, if the Annual Sharing Value is more than $2 million negative in total, a refund, if necessary will be returned to customers in Empire's rate case cases during the ten year period. If the Annual Sharing Value is positive, no customer refund is necessary.
d. Fourth, during the ten year period, the maximum amount to be paid by Empire shareholders is limited to $35 million (Missouri jurisdictional amount).
e. Fifth, during the ten years, Empire can "make up" any losses (prior customer refunds) if the aggregate sum of the Annual Wind Value is higher than it was during the prior rate case refunds. For example, if the Annual Wind Values totaled negative $40 million, the Wind Projects must earn back the $5 million negative increment before it can recoup any of the $35 million negative Annual Wind Value.

5. Stipulation Appendix A provides examples of this calculation – one in a High market case, one in Base market case, and one in a Low market case (all three market cases are discussed in Mr. McMahon's affidavit). The intent of these three calculations are to show the

extent to which the market protection mechanism protects customers under different market prices scenarios. Finally, a fourth scenario is also reflected which captures a low market case and a low wind production scenario.

SUMMARY OF EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE

1. In 2002, I graduated from Queens University with a BSc. Eng., Mechanical Engineering. I am a Professional Engineer and am licensed by the Professional Engineers Ontario.

2. I am employed by Liberty Utilities (Canada) Corp. as the Director, Enterprise Asset Management Strategy. In this capacity, I am responsible for Enterprise Asset Management, GIS, SCADA, OMS and AMI systems for the Algonquin Power & Utilities Corp. family of businesses. I have worked in the utility industry for the past thirteen years, and have extensive experience in engineering, operations and asset management as it relates to renewable energy assets.