

Exhibit No.: 1018
Issues: Commissioner Questions
Witness: Sheri Richard
Type of Exhibit: Responsive Supplemental Testimony
Sponsoring Party: The Empire District
Electric Company
Case No. ER-2019-0374
Date Testimony Prepared: May 2020

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

Responsive Supplemental Testimony to Address Commissioner Questions

of

Sheri Richard

on behalf of

**The Empire District Electric Company
a Liberty Utilities Company**

May 12, 2020



TABLE OF CONTENTS
RESPONSIVE SUPPLEMENTAL TESTIMONY
TO ADDRESS COMMISSIONER QUESTIONS
OF SHERI RICHARD
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2019-0374

SUBJECT	PAGE
I. INTRODUCTION	1
II. RESPONSE TO OPC WITNESS JOHN A. ROBINETT	1
III. RESPONSE TO OPC WITNESS JOHN S. RILEY	4
IV. RESPONSE TO OPC WITNESS DR. GEOFF MARKE	4
V. RESPONSE TO MS. AMANDA C. CONNER	6

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1 **I. INTRODUCTION**

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

3 A. My name is Sheri Richard. My business address is 602 South Joplin Avenue, Joplin,
4 Missouri.

5 **Q. Are you the same Sheri Richard that previously filed Corrected Direct, Rebuttal,**
6 **Surrebuttal, True-Up Direct, and Supplemental Testimonies in this matter on**
7 **behalf of The Empire District Electric Company (“Empire” or the “Company”)?**

8 A. Yes.

9 **Q. What is the purpose of your responsive supplemental testimony in this**
10 **proceeding?**

11 A. My responsive supplemental testimony addresses other parties’ responses regarding
12 certain questions asked by the Missouri Public Service Commission (“Commission”)
13 through the “Commissioner Questions” issued April 28, 2020. Specifically, I will
14 address the supplemental testimony of Office of Public Counsel (“OPC”) witnesses Mr.
15 John A. Robinett, Mr. John S. Riley, Dr. Geoff Marke and Ms. Amanda C. Conner.

16 **II. RESPONSE TO OPC WITNESS JOHN A. ROBINETT**

17 **Q. Is Mr. Robinett correct that the stipulation and agreement fails to account for**
18 **scrap value or salvage with regard to the Asbury power plant?**

19 A. No. Mr. Robinett appears to misunderstand how salvage values are accounted for
20 including the salvage component of depreciation rates. “For utility properties, FERC

1 provides that upon retirement of an asset, the utility reduces (debits) depreciation
2 reserve by the original cost of the asset retired, increases (credits) reserve by any
3 benefits derived from the sale of assets removed (salvage), and reduces (debits) reserve
4 by the costs attributable to removal. As such, the use of appropriate depreciation rates
5 corresponding to the service life of utility properties will result in accruals to the
6 depreciation reserve which equal the total investment ultimately retired, as adjusted for
7 salvage and cost of removal. Currently, Empire accrues depreciation expense and
8 accumulates reserve by Federal Energy Regulatory Commission (FERC) account.
9 Empire records accruals for recovery of original cost (life portion) separately from
10 recovery of cost of removal less gross salvage (net salvage portion). Within the
11 production function, Empire separately accumulates reserve and calculates
12 depreciation expense for each generating facility.”¹ Empire follows the FERC Uniform
13 System of Accounts, and the Stipulation states in Appendix D the inclusion of
14 Accumulated Depreciation (depreciation reserve) which as described above includes
15 salvage. It is unnecessary to state in the Stipulation all FERC accounting requirements.

16 **Q. Please respond to Mr. Robinett’s assertion that Empire will not book salvage**
17 **values for Asbury?**

18 A. Aside from Mr. Robinett’s misunderstanding of the FERC requirements for accounting
19 for salvage, he also seems to conveniently forget the numerous filings the Company
20 has made with full transparency of Empire’s expected retirement of Asbury. The
21 Company has been clear in its plans to investigate the sale or re-purposing of some or
22 all of the Asbury plant, of the study it is conducting for decommissioning, and of the

¹ Sullivan Direct TJS-2 ER-2016-0023

1 Company's agreement, as part of the Stipulation, to establish an Accounting Authority
2 Order ("AAO") to reflect the impact of the closure of Asbury. In addition, the AAO
3 language contained in the Stipulation states that the Company shall "...*separately track*
4 *and quantify the changes from the base amounts* of the categories of rate base and
5 expense as reflected in Appendix D of the Stipulation." Therefore, any changes
6 including sales of Asbury assets would constitute a change and would be tracked.
7 Finally, the Company's books and records are open and auditable by the Commission
8 at any time.

9 **Q. Should the Commission change its position for utilizing an AAO to account for**
10 **the retirement of the Asbury plant?**

11 A. No. The facts surrounding the retirement of the Asbury plant have not changed. Asbury
12 was operated through March 1, 2020, the Company continued to evaluate the market
13 economics to determine if economical coal procurement was viable using forward
14 market pricing from a third party and indicative pricing for coal delivery. Furthermore,
15 Empire maintained a minimum staffing level at the plant and continued various
16 operations to keep the plant viable until its retirement, and was de-designated from the
17 Southwest Power Pool ("SPP") on March 1, 2020 following a required 6-month
18 notification to SPP of its retirement. This event occurred outside of the true-up period
19 in this proceeding, which ended January 31, 2020. In addition, and as recognized by
20 Mr. Robinett, Empire may sell certain assets related to the Asbury plant. However, the
21 assets are still being evaluated for repurposing or sale, and the decommissioning study
22 is still not complete. Finally, the Stipulation signed by all parties in this case, except
23 OPC, includes a request for an AAO to be established for the impact of the closure of
24 Asbury beginning January 1, 2020. This specific term of the Stipulation provides

1 protection to our customers and allows the Commission the opportunity to review the
2 facts surrounding Asbury's retirement when they are more fully known and
3 measureable. In addition, and as well known by the parties to this case, the Company
4 plans to file a rate case shortly after the conclusion of the current case so there will not
5 be a long delay in addressing the ratemaking treatment for Asbury's retirement.

6 **III. RESPONSE TO OPC WITNESS JOHN S. RILEY**

7 **Q. Do you agree with Mr. Riley when he asserts "if a corporation does not expect to**
8 **owe income tax with its upcoming income tax return, quarterly payments are not**
9 **necessary"?**

10 A. No. As a result of the Tax Cuts and Jobs Act, Empire's taxing paying affiliate (Liberty
11 Utilities (America) Co & Subs), is subject to some consolidation-level federal taxes
12 such as Global Low Tax Intangible Income ("GILTI") tax and Base-Erosion Anti-
13 Abuse Tax ("BEAT") and, therefore, the taxing entity does make quarterly payments.
14 As stated on page 13 of my Supplemental Testimony to Address Commissioner
15 Questions, Exhibit 1017, these quarterly payments amounted to approximately \$8.9
16 million.

17 **IV. RESPONSE TO OPC WITNESS DR. GEOFF MARKE**

18 **Q. Dr. Marke asserts in testimony responding to Commission Questions that Empire**
19 **relied on its 2014 Class Cost of Service Study ("CCOS"). Is that correct?**

20 A. No. The Company prepared a CCOS study in this case based on test year data for the
21 period April 1, 2018 through March 31, 2019. In addition, Company witness Timothy
22 S. Lyons testified to the CCOS and also provided workpapers.

23 **Q. What is your response to Dr. Geoff Marke's allegation that the customer charge**
24 **is a red herring issue deliberately selected to distract the Commission?**

1 A. Dr. Mark’s allegation that the Company is deliberately distracting the parties and the
2 Commission is completely without merit. The Stipulation provides that there shall be
3 no changes to the customer charges in this proceeding. In its Statement of Positions,
4 the Company clearly stated as follows: “Approval of the terms of the Stipulation as a
5 complete resolution of this case will result in just and reasonable rates and will allow
6 Liberty-Empire to continue providing safe and reliable service. As such, approval of
7 the terms of the Stipulation is the proper response to each question contained within
8 the List of Issues submitted by Staff on behalf of all parties. Nonetheless, in this
9 Statement of Positions, the Company will address each issue based upon its pre-filed
10 testimony and other documentation which the Company seeks to have admitted into
11 evidence in this proceeding. Based on the test year as updated and trued-up, the
12 Company is experiencing an annual revenue deficiency of \$21,916,462.” Dr. Marke
13 apparently did not understand that the Company must argue its position in its filed case
14 because the OPC did not sign on to the Stipulation. In any event, the OPC objected to
15 the Stipulation and specifically called out the portions of the Stipulation to which OPC
16 was not objecting. Stipulation paragraph 5, calling for no changes to the customer
17 charges in this proceeding, was objected to by the OPC.²

18 **Q. Dr. Marke further states that Empire is backtracking from the non-unanimous**
19 **Global Stipulation. Is this statement accurate?**

OPC Objection to Settlement Case No. ER-2019-0374. “While it does not object to specific terms and provisions of the Global Stipulation and Agreement identified below, the Office of the Public Counsel objects to and opposes the other terms and provisions of the Global Stipulation and Agreement... The Office of the Public Counsel *does not object to only the following terms* of the Global Stipulation and Agreement: The changes to Empire’s FAC set out in subparagraphs c., d., f., and g. of paragraph 6; paragraph 7; paragraph 9. (Including all of subparagraphs a. to k.); paragraphs 10 to 23; and paragraphs 27 to 29, all of which are set out following:...”

1 A. No, the Company has not waived in its support of the Stipulation as a complete
2 resolution of this case. As noted, in Empire’s Statement of Position the Company stated
3 “approval of the terms of the Stipulation is the proper response to each question
4 contained within the List of Issues submitted by Staff on behalf of all parties.
5 Nonetheless, in this Statement of Positions, the Company will address each issue based
6 upon its pre-filed testimony and other documentation which the Company seeks to have
7 admitted into evidence in this proceeding.”

8 **Q. What terms of the Stipulation is the Company willing to accept regardless of**
9 **whether or not the Stipulation terms are approved in total?**

10 A. Regardless of whether or not the Stipulation terms are approved in total, the Company
11 is willing to accept the following individual terms of the Stipulation in conjunction with
12 a more traditional revenue requirement determination:

- 13 ○ Paragraph 5 (no changes to the customer charges in this proceeding);
- 14 ○ Paragraph 6 (FAC), subparts c, d, e, f and g;
- 15 ○ Paragraph 7 (FAC-wind);
- 16 ○ Paragraph 8 (SRLE mechanism);
- 17 ○ Paragraphs 9 and 10 (Adjustments Related to Meter Reading and Billing);
- 18 ○ Paragraphs 11-19 (Rate Design);
- 19 ○ Paragraphs 20 -22 (Energy Efficiency and Low-Income Programs);
- 20 ○ Paragraph 23 (Stakeholder Meeting on COVID-19 and Capital Expenditures);
- 21 ○ Paragraph 27 and 28 (Retired Employees Provisions); and
- 22 ○ Paragraph 29 (SERP Retirees Provision)

23 **V. RESPONSE TO MS. AMANDA C. CONNER**

1 **Q. Do you agree with Ms. Conner’s recommendation that costs associated with**
2 **employee meals on work premises during meeting or trainings should not be**
3 **included in rates?**

4 A. No, as stated in my Rebuttal Testimony it is reasonable and prudent to provide meals
5 during lunchtime meetings. As often, this is the only time available for an internal
6 meeting, and most, if not all, of the people attending these meetings are not paid for the
7 additional hours of work and do not receive any overtime. In addition, being able to
8 work through/during lunch is cost effective to our customers. Furthermore, Ms. Conner
9 indicates in her response that Empire has no employees and there has been no
10 documentation provided that the meetings or training were caused by Empire.
11 However, as can be seen from the data request issued by OPC and relied upon by Ms.
12 Conner the data request specifically asks “Provide the total amount of the expenses of
13 each and every Liberty Utilities Service Corp. employee who has any expense charged
14 to any expense or asset account of The Empire District Electric Company”.
15 Therefore, her justification for her recommendation to disallow the cost is misleading
16 at best.

17 **Q. Is there anything else Ms. Conner includes as her justification to disallow a**
18 **portion of officer expenses that needs additional clarification?**

19 A. Yes, Ms. Conner recommended a disallowance related to Empire’s officers for charges
20 which were allocated, in part, to Empire’s ratepayers for trips to Bermuda, London, and
21 Peru. The Company’s response to this data request stated that “it should be noted the
22 receipts included on David Pasieka’s expense reports that relate to Bermuda are not
23 allocated through the indirect invoice and have been direct charged to that project.”
24 Said another way, these costs were never allocated to Empire and were not included in

1 its cost of service. Ms. Conner also stated, “I do not know how many other employees
2 went on these trips. However, this is what Empire provided to me in response to my
3 request for the costs of the officers that charged these expenses to Empire ratepayers”.
4 However, the data request specifically asked to “...provide a complete copy of each
5 and every expense report document (including all attachments and all other
6 documentation) that each and every Algonquin Power & Utilities Corp. officer
7 submitted with a request for reimbursement where the expense was charged to an
8 expense or asset account of The Empire District Electric Company for the Period of
9 April 1, 2018, through the end of the true-up period in this case (January 31, 2020,
10 unless otherwise ordered).” The Company fully answered the data request despite Ms.
11 Conner’s assertion to the contrary.

12 **Q. Does this conclude your responsive supplemental testimony?**

13 A. Yes.

VERIFICATION OF SHERI RICHARD

Sheri Richard, under penalty of perjury, declares that the foregoing responsive supplemental testimony is true and correct to the best of her knowledge, information, and belief.

/s/Sheri Richard _____

Sheri Richard

Director, Rates and Regulatory Affairs