

Exhibit No.:
Issue: Fuel Adjustment – True-Up
Witness: Jill M. Schwartz
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District Electric
File No. EO-2018-
Date Testimony Prepared: March 2018

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

Direct Testimony

Of

Jill M. Schwartz

March 2018



DIRECT TESTIMONY
OF
JILL M. SCHWARTZ
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI
FILE NO. EO-2018-

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. My name is Jill M. Schwartz and my business address is 602 S. Joplin Avenue,
3 Joplin, Missouri.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Liberty Utilities Services Corp. as the Senior Manager of Rates
6 and Regulatory Affairs for Liberty Utilities Central Region, which includes Liberty
7 Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities, The Empire District
8 Electric Company, and Liberty Utilities (Missouri Water) LLC.

9 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

10 A. I am testifying on behalf of The Empire District Electric Company (“Empire” or
11 “Company”).

12 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
13 BACKGROUND FOR THE COMMISSION.**

14 A. In 2001, I completed my Bachelor of Science in Accounting from the John E.
15 Simon School of Business at Maryville University in St. Louis, Missouri and I am
16 currently pursuing a Masters of Accountancy. Before working for Liberty Utilities,
17 I was employed by The Boeing Company for approximately fourteen years in a
18 variety of accounting capacities, ensuring compliance with the Federal Acquisition

1 Regulation Mandatory Disclosure rule and developing and delivering labor
2 compliance training for all Boeing employees.

3 **Q. HAVE YOU EVER TESTIFIED BEFORE THIS OR ANY OTHER STATE**
4 **UTILITY COMMISSION?**

5 A. Yes. I have provided written testimony on behalf of Liberty Utilities (Midstates
6 Natural Gas) Corp. before the Missouri Public Service Commission
7 (“Commission”), the Illinois Commerce Commission and the Iowa Utilities Board.

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

9 A. The purpose of my testimony is to identify and explain the true-up amount included
10 in the Company’s most pending Fuel & Purchased Power Adjustment Clause
11 (“FAC”) filing. Empire is filing to adjust the Fuel Adjustment Rate (“FAR”) in a
12 separate filing, and the true-up amount (with interest) is a component of the FAR.
13 The true-up is the over or under recovery of FAC balance from the prior recovery
14 period. In other words, the true-up adjustment of the fuel & purchased power
15 adjustment (“FPA”), as defined by tariff, is the difference between the FPA
16 revenues billed and the FPA revenues authorized for collection during the true-up
17 recovery period, i.e. the true-up adjustment.

18 **Q. PLEASE BRIEFLY EXPLAIN THE FAC PROCESS.**

19 A. The Commission’s rule governing fuel and purchased power cost recovery
20 mechanisms for electric utilities – specifically 4 CSR 240-20.090(5) – requires
21 Empire to make periodic FAC filings designed to enable Commission review of the
22 actual fuel costs, purchased power costs, cost of consumables associated with the
23 power plants’ air quality control system (“AQCS”), net cost of emission

1 allowances, revenue from the sale of renewable energy credits (“REC”) and off-
2 system sales revenues (collectively referred to as total energy costs) the Company
3 has incurred during an Accumulation Period. In addition, these periodic filings are
4 designed to adjust the FAC rates up or down, to reflect the actual energy costs
5 incurred during the Accumulation Period. Empire’s FAC tariff calls for two annual
6 filings: a filing covering the six-month Accumulation Period running from
7 September through February and a second filing covering the Accumulation Period
8 running from March through August. Any increases or decreases in rates approved
9 by the Commission, or that take effect by operation of law, are then collected from
10 or refunded to customers over two six-month Recovery Periods: June through
11 November and December through May. In this instance, Empire is seeking an
12 increase in its FAC rates to reflect 95% of the difference between the base energy
13 costs built into its base Missouri rates and Empire’s actual Missouri energy costs
14 for the Accumulation Period, plus a true-up of the costs recovered during the
15 Recovery Period ending November 30, 2017. This recovery via FAC rates will be
16 reflected on the Missouri customers’ bills over the six-month Recovery Period from
17 June 2018 through November 2018.

18 **Q. WHAT WAS THE TIMING OF THE ACCUMULATION AND RECOVERY**
19 **RELATING TO THIS TRUE-UP?**

20 A. The Accumulation Period was from September 1, 2016 through February 28, 2017.
21 The Recovery Period for that Accumulation Period was June 1, 2017 through
22 November 30, 2017.

23 **Q. WHY WOULD THERE BE A DIFFERENCE BETWEEN WHAT WAS**

1 **ACCUMULATED (PLUS OVER- OR UNDER-RECOVERY) AND THE**
2 **AMOUNT BILLED DURING THE RECOVERY PERIOD?**

3 A. The FAR is calculated based on projected kWh sales for the recovery period. Since
4 the projected sales can vary from actual, such as due to weather, once the actual
5 sales are recorded, a difference exists between the estimate and the actual kWh
6 billed. This difference is “trued-up” in the subsequent FAC filing.

7 **Q. WHAT WAS THE OVER- OR UNDER-RECOVERY FOR THE**
8 **RECOVERY PERIOD AT ISSUE IN THIS FILING?**

9 A. The FAC was under-collected by \$1,076,500. As indicated above, the true-up
10 amount during the Recovery Period is due to the difference between actual and
11 estimated kWh sales. The true-up amount is the net difference between the FPA
12 revenues billed and the FPA revenues authorized for collection during the true-up
13 recovery period. Schedule JMS-1, which is attached to this testimony, contains
14 details of the calculations that produce the amount to be recovered from customers.

15 **Q. HOW WILL THAT AMOUNT BE REFLECTED IN CUSTOMER RATES?**

16 A. As mentioned earlier, the true-up amount plus interest is a component of the FAR.
17 As defined in the FAC tariff, the true-up amount plus interest is added into the
18 FPA. The adjustment to the FAR rate is being filed concurrently in a separate
19 docket.

20 **Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

21 A. Yes, it does.

The Empire District Electric Company
 Fuel & Purchased Power Adjustment Clause
 True-Up Amount
 Schedule JMS-1

Period 17

Accumulation Period

	(Over)/Under
Sep-16	(638,743.55)
Oct-16	1,449,502.66
Nov-16	541,240.55
Dec-16	1,433,502.71
Jan-17	725,846.17
Feb-17	3,943.79

True Up Period #15

5,815.95
 3,521,108.28 Acct 182362
 or 254162

Recovery Period

Jun-17	427,032.43
Jul-17	(608,384.72)
Aug-17	(667,160.73)
Sep-17	(579,917.92)
Oct-17	(532,183.99)
Nov-17	(483,993.70)
	(2,444,608.63)

Balance

1,076,499.65 Acct 182363
 or 254163

