Exhibit No.: _____
Issue: Policy
Witness: Timothy N. Wilson
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: The Empire District Electric Company
Case No.: ER-2021-0312
Date Testimony Prepared: January 2022

Before the Public Service Commission of the State of Missouri

Surrebuttal Testimony

of

Timothy N. Wilson

on behalf of

The Empire District Electric Company

January 2022

TABLE OF CONTENTS
FOR THE SURREBUTTAL TESTIMONY OF TIMOTHY N. WILSON
THE EMPIRE DISTRICT ELECTRIC COMPANY
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CASE NO. ER-2021-0312

SUBJECT **PAGE**

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Timothy N. Wilson, and my business address is 602 S. Joplin Avenue, Joplin, Missouri, 64801.

Q. Are you the same Timothy N. Wilson who provided Direct and Rebuttal in this matter on behalf of The Empire District Electric Company ("Empire" or the "Company")?

A. Yes.

Q. What is the purpose of your Surrebuttal Testimony in this proceeding before the Missouri Public Service Commission ("Commission")?

A. My testimony serves two purposes. First, I explain how the Company has removed the unrecovered balance of both the costs associated with Winter Storm Uri and the Asbury Generating Station ("Asbury") from its revenue request in this proceeding and describe the Company's plan to request the Commission's permission to recover those amounts through securitization. Second, I respond to the Rebuttal Testimony of Dr. Geoff Marke of the Office of the Public Counsel ("OPC").

II. SECURITIZATION

Q. In your Direct Testimony, you referenced new legislation that would allow for the securitization of the Company's Storm Uri costs and said that if the legislation became law, the Company would update its filings in this rate case to reflect the securitization of these costs. Through the rebuttal testimonies of Geoff Marke,

Lena Mantle, and John Robinett, OPC takes issue with various aspects of these costs. Now that RSMo. §393.1700 is in effect, has the Company moved forward to securitize the Storm Uri costs?

A. Yes, and as such, the Storm Uri costs are no longer an issue in this proceeding. On January 19, 2022, the Company filed its Verified Petition for Financing Order seeking authorization to issue securitized utility tariff bonds to recover the extraordinary costs Empire incurred on behalf of its customers during Storm Uri (Commission Case No. EO-2022-0040). Additionally, as reflected in the Surrebuttal Testimony of Company witness Charlotte Emery, the Company's rate request has been revised to reflect the Company's election to securitize the Storm Uri costs in lieu of pursuing traditional rate recovery in this proceeding.

Q. In your Direct Testimony, you reference the retirement of the Asbury generating plant and the importance of the recovery of Empire's remaining investment in the plant. Has the Company reached a new decision regarding the use of RSMo. §393.1700 with respect to all components of the revenue requirement related to the Asbury generating unit?

A. Yes. On January 20, 2022, the Company filed its Notice of Intent with the Commission (Commission Case No. EO-2022-0193). As such, the components of the revenue requirement related to the Asbury generating unit are no longer at issue in this proceeding. The Company's petition in Case No. EO-2022-0040 is the first of its kind under subsection (2) of RSMo. §393.1700.2, and the Company may also be the first Missouri utility to seek securitization of "energy transition costs" under subsection (1) of RSMo. §393.1700.2. Due to the Company's decision to exercise its rights under RSMo. §393.1700.2(1), as reflected in Ms. Emery's Surrebuttal Testimony, the

Company's rate request has been revised to reflect the Company's election to securitize all components of the revenue requirement related to the Asbury generating unit in lieu of pursuing traditional rate recovery in this proceeding.

Q. Why has the Company decided to pursue securitization regarding Asbury at this time?

A. After reviewing rebuttal testimony of certain parties urging securitization, recognizing the potential future rate impacts that the Asbury costs may have on customers, and seeking a means to create additional customer benefits, the Company made a business decision to elect the alternative option allowed by the securitization statute.

Q. Do the Company's decisions to remove the Storm Uri costs and the components of the revenue requirement related to the Asbury generating unit from this case change the Company's prior positions on the Company's right to obtain traditional rate recovery as originally requested by the Company?

A. Absolutely not. The Company's decision to revise its rate request in this proceeding in favor of securitization does not change the fact that all of those costs were necessary, reasonable, and prudently incurred by the Company in providing electric service to customers. The securitization statute presents an alternative to traditional rate recovery, that may be exercised at the election of the utility, and Empire has made the management decision to exercise that election with regard to its Storm Uri costs and the Company's remaining investment in its Asbury generating plant.

III. RESPONSE TO MARKE REBUTTAL

Q. Please summarize this section of your testimony.

A. In this section of my testimony I describe my analysis of Dr. Marke's Rebuttal Testimony and provide additional information to the Commission which provides a more complete analysis of some of the issues that he raises. Specifically, Dr. Marke presents information which compares Empire's rates to those of the other Investor Owned Utilities ("IOUs") in Missouri and also a comparison of Empire's requested revenue increase to the one recently filed by Ameren Missouri ("Ameren"). In each instance, Dr. Marke's selection of some, but not all, is the primary determinant of his result. As I explain, when an arithmetic error is corrected and when additional data are considered, the results support different conclusions. I think it would be helpful for the Commission to have the complete information in front of it as it considers Dr. Marke's testimony.

Q. What information has Dr. Marke excluded from his presentation of the rates charged to electric utility customers in Missouri?

A. Dr. Marke presents in his Rebuttal Testimony electric rate data from the Summer 2020 version of the Edison Electric Institute's *Typical Bills and Average Rates Report* (the "EEI Report"*)*, which appear in Table 1 of his testimony. Dr. Marke claims that Table 1 shows that Empire's customers are burdened with higher electric costs than those of the other IOUs in Missouri. For convenience, I have reproduced Table 1 from Dr.

Marke's Rebuttal Testimony below. The data indicates on the basis of "total retail average rates," Empire's rates are the highest in Missouri.[1]

Table 1. EEI 2020 Missouri Total Retail Average Rates *(c/kWh)*

Ameren Missouri	8.44
Empire	11.51
Evergy West	9.71
Evergy Metro	10.73
Average for Missouri IOU	9.23

Q. Does Dr. Marke reference his conclusion that Empire's rates are the highest among IOU customers in his Rebuttal Testimony?

A. Frequently. He claims that "all of Empire's customers are already paying more on average" and that any increase in rates would "exacerbate higher rates on this small customer base…"[2,3] Elsewhere, Dr. Marke asserts (without support) that "Empire's high cost of service" is a result of the Company's inability to conduct Integrated Resource Planning effectively, discusses the need for Time of Use rates that will allow customers "to attempt to control their high bills," and expresses his concerns about the Company's recovery of costs it incurred during Storm Uri since its customers already

[1] Table 1 in Dr. Marke's Rebuttal Testimony also includes an average for Missouri for 2019 that includes customers taking service from municipal and co-operative utilities. I have omitted that information for simplicity.
[2] Marke Rebuttal Testimony at p. 5, line 10; emphasis in the original.
[3] *Id.,* line 13.

have some of the highest rates in the state.[4,5,6] There are other instances throughout the testimony.

Q. Do you agree with Dr. Marke's statements on this subject?

A. No. I agree that Table 1 has been accurately reproduced from the EEI Report but I disagree with Dr. Marke on its significance. The rates in Table 1 are "total retail average rates" in the sense that they are derived via a very simple calculation of dividing all of the utility's revenues by all of its sales volumes for some period.[7] These results do not differentiate between customer types or customer classes or even use actual utility rates in effect for the period being reported. The EEI Report contains a number of more detailed rate comparisons whose results may better reflect relative costs among customers of Missouri electric IOUs.

Q. Have you reviewed these other comparisons?

A. Yes, I have.

Q. Were you able to do so using the data that Dr. Marke provided with his testimony?

A. No. A complete copy of the EEI Report was not provided as an attachment. Additionally, Schedule GM-1, which the testimony indicated provided the basis for Table 1, included the wrong information.[8] I am including the full EEI report as attached **Surrebuttal Schedule TNW-1**.

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[4] Marke Rebuttal Testimony at p. 14, line 16.
[5] Marke Rebuttal Testimony at p. 25, lines 7-8.
[6] Marke Rebuttal Testimony at p. 32, line 14.
[7] The EEI Report actually reports survey data and Empire is a participant in the survey. One result of that circumstance is that Company experts are familiar with the calculations whose results EEI is reporting.
[8] **Surrebuttal Schedule TNW-2**.

Q. What did you find in the EEI Report with regard to the information presented in Dr. Marke's Table 1?

A. The EEI Report contains many different comparisons of electric rates and costs for IOU customers, including several comparisons of the rates and costs paid by IOU customers in Missouri. Of these, the comparison that Dr. Marke extracted for use in his Rebuttal Testimony is the only one that supports his assertion that "all of Empire's customers are already paying more." [*emphasis in original*]

Q. What do the other comparisons in the EEI report show?

A. That the answer changes when different data and methods are used. It is clear that the comparison Dr. Marke reports in his Table 1 reflects the least amount of data and the simplest method for comparison. More detailed approaches yield deeper insights that support different conclusions, which I think are important for the Commission to consider.

Q. Please provide an example.

A. As I mention earlier, there are alternatives to the "average retail rate" comparisons that Dr. Marke relies upon, which account for customer type and size, use consumption data that is differentiated between demand and volumetric usage, and which rely upon actual utility rates, including volumetric charges for fuel and other adders. I compiled data from the EEI report to compare costs for the customers of the four Missouri IOUs on a total bill basis, the results of which are shown below:

Table 2. Total Monthly Bill Cost Comparison from the EEI Report[9]

	Residential	Commercial	Industrial
Demand (kW)	-	*40*	*1,000*
Consumption (kWh)	*750*	*14,000*	*200,000*
Ameren Missouri	$99.37	$1,500	$24,117
Empire	$107.29	$1,518	$26,035
Evergy West	$99.26	$1,397	$26,053
Evergy Metro	$117.30	$1,669	$30,551

Using these data, Empire's rates are not the most expensive of any class. For these residential and commercial customers, Evergy Metro is more expensive than Empire and Empire's industrial customers have lower monthly bills than Every Metro and Evergy West.

Q. Does the EEI Report also include data to support other comparisons?

A. Yes, it includes even more detailed cost comparisons for different types of customers. One such comparison is conducted on the basis of bill costs based on annualizations of actual rates for residential, commercial, and industrial customers of different sizes and load factors. Comparisons are made of total bill costs by IOU for typical small, medium, and large residential customers. Small, medium, and large commercial customers are separated into those with low load factors and those with medium load factors for bill comparison. Industrial bills are compared separately for small, medium, and large industrial customers who have low, mid, and high load factors. This means that separate comparisons are conducted based on the basis of bills for eighteen different types of typical customers. Results of those comparisons are shown below:

[9] EEI Report at pgs. 17, 54, 91.

Table 3. Monthly Bill Cost Comparison for Various Typical Customer Types[10]

(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	*(k)*
	Cost Rank *(1=most expensive)*	**Residential**			**Commercial**			**Industrial**		
		Small	**Mid**	**Large**	**Small**[11]	**Mid**	**Large**	**Small**	**Mid**	**Large**
Low load	**1**	Evergy Metro	Evergy Metro	**Empire**	**Empire**	Evergy Metro	Evergy Metro	Evergy Metro	Evergy Metro	**Empire**
	2	**Empire**	**Empire**	Evergy Metro	Evergy West	**Empire**	**Empire**	**Empire**	**Empire**	Evergy Metro
	3	Evergy West	Evergy West	Evergy West	Ameren	Ameren	Evergy West	Evergy West	Evergy West	Evergy West
	4	Ameren	Ameren	Ameren		Evergy West	Ameren	Ameren	Ameren	Ameren
Mid load	**1**				**Empire**	Evergy Metro	Evergy Metro	Evergy Metro	Evergy Metro	**Empire**
	2				Evergy West	**Empire**	**Empire**	**Empire**	**Empire**	Evergy Metro
	3				Ameren	Ameren	Evergy West	Evergy West	Ameren	Evergy West
	4					Evergy West	Ameren	Ameren	Evergy West	Ameren
High load	**1**							Evergy Metro	**Empire**	**Empire**
	2							**Empire**	Evergy Metro	Evergy Metro
	3							Evergy West	Evergy West	Evergy West
	4							Ameren	Ameren	Ameren

Q. Please summarize the findings shown in Table 3.

A. Table 3 includes eighteen separate comparisons of energy costs for different types of customers for each of the four Missouri IOUs. For example, Column C shows the comparison among small, low-load residential customers, and indicates that costs for such a customer would be highest in Evergy Metro, second highest in Empire, followed by Evergy West, then Ameren. The non-shaded portion of Column J shows the comparison for mid-sized, mid-load commercial customers, from whom the costs of

[10] Company analysis using data from the EEI Report. See **Surrebuttal Schedule TNW-1**.
[11] The EEI Report does not include costs for small commercial customers in the Evergy Metro service territory. Therefore, the rankings for the low-load and mid-load small commercial customers are comprised only of typical customers for the other three IOUs.

taking service from Evergy Metro would be highest, followed by Empire, Ameren, and Evergy West.

Q. What do these findings and those shown in Table 2 indicate about the robustness of Dr. Marke's characterizations of Empire's cost competitiveness?

A. That Dr. Marke's characterization about costs borne by Empire's customers is not nearly as conclusive as he represents it to be. Here, of the eighteen instances in which a comparison is made, the customer taking service would have costs higher than the same customer being served by any of the other Missouri utilities in only 7 instances (39%). When compared on the basis shown in Table 2, Empire is never the most expensive. It appears that Dr. Marke was cherry picking data to support his position.

Q. Are there other issues where Dr. Marke's testimony does not tell the whole story?

A. Yes. Beginning at p. 4 of his Rebuttal Testimony, Dr. Marke makes comparisons between the size of the Company's requested rate increase, which was $50.1 million at the time it was filed, and Ameren's recently requested rate increase, which was $300 million when it was filed. He explains that while Empire's request, at first glance, "sounds a lot more reasonable" when compared to Ameren's, this is not the case when the rate increases are contextualized.[12] Using data shown in Figure 1 of his testimony, Dr. Marke estimates that there are 9.5 Ameren customers for every Empire customer.[13] As a result, Empire's requested increase actually compares poorly. Although not stated, it appears that Dr. Marke is implying that Empire's requested revenue increase,

[12] Marke Rebuttal Testimony at p. 4, line 9.
[13] *Id.*, line 11.

which is roughly 1/6th of the increase that Ameren requested, is too high since Empire is only about 1/10th the size of Ameren. Based on that reasoning, Dr. Marke would presumably look more favorably on Empire's request if its relationship with Ameren's were in the same proportion as the sizes of the two utilities.

Q. Are there arithmetic errors in Dr. Marke's position?

A. Yes. Figure 1 shows that there are 1,235,265 Ameren customers and 157,395 Empire customers, meaning that there are approximately 7.8 Ameren customers for every Empire customer.

Q. Is that the only issue with this calculation?

A. No, this comparison appears to be another example of Dr. Marke cherry picking the data that support the points he wants to make.

Q. Please explain.

A. The same Energy Information Administration ("EIA") dataset from which Dr. Marke extracted his customer count information also includes annual utility revenues, among other things. The premise of Dr. Marke's argument is that Empire's requested rate increase is too large, compared to Ameren's, because it is out of proportion with the relative size of the two utilities. Since the objective of the comparison is to measure the reasonableness of the two utilities' requested revenue increases, it is most logical to compare the sizes of Empire and Ameren on the basis of revenues. I did so using the same EIA data that Dr. Marke relied upon. My results are shown in Table 4.

Table 4. Comparison of Empire and Ameren Revenues and Requested Increases

	Empire	Ameren	Ratio
Residential revenues *($,000)*	$220,751	1,371,554	
Commercial revenues *($,000)*	$159,661	$1,040,749	
Industrial revenues *($,000)*	$73,435	$261,052	
Total revenues *($,000)*	$453,846	$2,673,355	**5.9**
Requested increase *($ MM)*	$50.1	$300	**6.0**

Q. What do these results indicate?

A. That circumstances are precisely opposite what Dr. Marke describes them to be in his Rebuttal Testimony. Ameren is unequivocally not 9.5 times as large as Empire. Moreover, when the two utilities are compared on the most appropriate basis (their revenues), we find that Ameren is 5.9 times as large as Empire. That ratio is almost exactly the same as the ratio between each utility's requested rate increase. In fact, when the two are normalized on this basis, Empire's revenue request is slightly smaller than Ameren's.

Q. What do you conclude regarding the comparisons Dr. Marke makes regarding Empire's rates and Empire's requested revenue increase?

A. That the analyses underlying Dr. Marke's comparisons are flawed for the reasons I describe above and that the comparisons should therefore be disregarded by the Commission.

IV. SUMMARY

Q. Please summarize the portions of your testimony related to Storm Uri and Asbury.

A. In the first section of my testimony, I explained that the Company has removed the extraordinary costs it incurred during Storm Uri and also all elements of the revenue requirement associated with Asbury in its calculation of its updated rate request. As I

discuss, the Company has already filed our request with the Commission for a financing order that will authorize us to securitize the Storm Uri costs and a notice that it will do the same with regard to its unrecovered Asbury balances.

Q. Please summarize the portions of your testimony that respond to Dr. Marke's Rebuttal Testimony.

A. In the second section of my testimony, I discussed the comparisons between Empire's rates to those of other IOUs and between the revenue increase that Empire originally filed in this case with Ameren's. I explained how Dr. Marke's analyses included arithmetic errors and relies on cherry-picked data and that his conclusions are therefore not supported and should be disregarded.

Q. Does this conclude your testimony?

A. Yes, at this time.

VERIFICATION

I, Timothy N. Wilson, under penalty of perjury, on the 20th day of January, 2022, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Timonthy N. Wilson