Exhibit No.: _____
Issues: MPPM and Revenue Requirements – Wind, AMI, and Asbury
Witness: Tisha Sanderson
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: The Empire District Electric Company
Case No.: ER-2021-0312
Date Testimony Prepared: December 2021

Before the Public Service Commission of the State of Missouri

Rebuttal Testimony

of

Tisha Sanderson

on behalf of

The Empire District Electric Company

December 2021

Liberty™

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THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Tisha Sanderson. My business address is 602 South Joplin Avenue, Joplin, MO, 64802.

Q. Are you the same Tisha Sanderson who provided Direct Testimony in this matter on behalf of The Empire District Electric Company ("Empire" or the "Company")?

A. Yes.

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

A. In this testimony, I respond to Office of the Public Counsel (OPC) witnesses Dr. Geoff Marke and John A. Robinett, Midwest Energy Consumers Group (MECG) witness Greg R. Meyer, and Commission Staff (Staff) witnesses Amanda C. McMellen and Mark L. Oligschlaeger regarding the appropriateness of Empire's full recovery of the "return of" and "return on" the remaining unrecovered investment of the Asbury power plant through a regulatory asset mechanism. I also respond to Staff witness McMellen regarding the plant in service adjustment (P-194) to remove stranded meters. Finally, I will respond to a question raised by OPC witness Lena Mantle concerning the market price protection mechanism.

Q. What are the specific revenue requirement issues being addressed by you in rebuttal testimony?

A. The table below provides an outline of the revenue requirement topics I address along with the respective party testifying on the issue.

Sponsoring Party	Description
Staff	Recovery of Wind Non-FAC Revenues/Expenses
Staff/OPC/MECG	Recovery of Asbury
Staff/OPC	Recovery of AMI Related Costs

II. WIND

Q. Does Staff's revenue requirement capture an appropriate amount of Wind Non-FAC Expenses?

A. No. Staff's adjustment excludes approximately $ 1,458,022 of total company transactional service costs, calculated as of the June 30th update period, related to the Operations and Maintenance Agreement (OMA) and the Asset Management and Services Agreement (AMA). In addition, Staff's adjustment does not account for approximately $3,379,225 of total company expenses, calculated as of the June 30th update period, related to the Affiliate Services Agreement costs, Insurance costs, and Post Construction Environmental Costs.

Q. Why does the Company believe that the Non-FAC Expenses, mentioned above, should be recoverable?

A. First, the OMA transactional services include procurement of third-party parts, repairs, testing and oil sample analysis on balance of plant systems, utility meter calibration and utility costs while the AMA transactional services include the cost of third-party, external legal, accounting, and professional services associated with services such as the management of warranty claims or preparation of income tax returns. The Affiliate Services Agreement is an agreement between Algonquin Power Fund and Empire in which Algonquin agrees to provide training on the operation and maintenance of the Wind

Projects. These costs should be included in Staff's revenue requirement because the services provided help ensure that the Wind Projects are operated efficiently and effectively. Second, the Company has purchased insurance coverage for the Wind Projects. Therefore, the Company believes that it is appropriate for Staff to include the associated costs in their revenue requirement. Finally, in Appendix A to the Stipulation and Agreement Concerning Wildlife Issues, in Case No. EA-2019-0010, the Company agreed to conduct post-construction monitoring of eagle fatality and disturbances and bat fatalities in accordance with USFWS Guidance. The Company also agreed to conduct additional surveys as required by the HCP/ECP. Therefore, the Company believes that the associated costs should be included in Staff's revenue requirement calculation.

Q. Does Staff's revenue requirement capture an appropriate amount of Non-FAC Wind Revenues?

A. No. Staff did not include an adjustment for Non-FAC Wind Revenues.

Q. Why does the Company believe that Staff should include an adjustment to capture the Non-FAC Wind Revenues?

A. It is appropriate to account for the total company revenue, in the amount of $2,619,885, that will be received as a result of the following three contracts: Asset Management Services Agreement (AMA); Energy Management Services, Agreement (EMSA); and Operations and Maintenance Agreement (OMA). This revenue will offset the associated expenses included in the Wind Non-FAC Expenses adjustment referenced above.

III. ASBURY

Q. Please describe Staff's rate base treatment of the Asbury related costs?

A. Staff included in its cost of service for Asbury the related environmental costs, the impact to the cash working capital allowance for Asbury's retirement, as well as the Asbury AAO liability. Staff is also including ADIT and Excess ADIT in its cost of service, and part of those balances represent Asbury's portion; therefore, Staff is including the Asbury ADIT and Excess ADIT in its balance of rate base as well. Staff did not include in its rate base two items related to Asbury: 1) the unrecovered Asbury net plant costs; and, 2) the Asbury coal inventory costs, which the Company was ordered to put into a regulatory asset in Case No. ER-2020-0311.

Q. What is the Company's position on Staff's rate base treatment?

A. The Company is not in agreement with Staff's treatment. First, the amount of environmental costs included in Staff's cost of service was based on a workpaper provided in the Company's direct filing, which included projections to determine the environmental costs for Asbury settled and paid out by June 2021. The actual amount of Asbury environmental costs at June 2021 that Staff should be including is $1,649,407 at the Total Company level or $1,395,636 at the Missouri level. Second, the amount for the allowed cash working capital included by Staff related to Asbury was also based on a workpaper included in the Company's direct filing. Through the data request process of this case it was determined that the Company inappropriately calculated the amount of actuals for the Asbury cash working capital. Cash working capital is the measurement of daily cash expenses to operate the utility, which ceased at the date of Asbury's retirement in March 2020. Therefore, the cash working capital allowance included by Staff for Asbury should be brought to zero. Next, if the Company were to be allowed the return on the unrecovered Asbury investment costs then the Company is in agreement with Staff's inclusion of the Asbury related ADIT and Excess ADIT in its rate base; however, the Excess ADIT balance used by Staff needs to be updated to the actuals at June 2021 ($15,799,016 Missouri jurisdictional) instead of using a projected amount. Having said that, if the Commission were to go with Staff's approach and disallow the unrecovered Asbury investment costs, then the Company believes the related cash working capital allowance, ADIT, and Excess ADIT should also be removed from Staff's rate base. It would not be appropriate for Staff to exclude the remaining plant balance for Asbury, but include other retired Asbury costs that ultimately lower the Company's rate base.

Q. Does the Company agree with disallowing a return on the unrecovered Asbury generating unit costs?

A. No, Empire should be permitted to fully recover the return of and on the remaining undepreciated past investment costs of the Asbury power plant through a regulatory asset mechanism as the costs were prudent and necessary at the time they were incurred. See the rebuttal testimony of witness Frank C. Graves for further discussion.

Q. What about the coal inventory that was deferred for future ratemaking in ER-2020-0311?

A. As previously stated, these were prudent costs at the time they were incurred, and therefore, should be included in Staff's cost of service as proposed by the Company in its direct filing.

Q. Does the Company agree with the balance of Staff's Asbury AAO Liability?

A. No. The Asbury AAO liability tracks differences in the monthly actuals compared to the baseline established in the Company's cost of service in Case No. ER-2019-0374 for the retirement of Asbury. The liability balance Staff included in its cost of service included the monthly changes back to January 2020 for the following items:

a. Rate of return on Asbury Plant,
b. Accumulated Depreciation,
c. Accumulated and Excess Deferred Income Tax,
d. Fuel inventories assigned to the Asbury Plant,
e. Depreciation expense,
f. All non-fuel/ non-labor operating and maintenance expenses,
g. All labor charges for maintaining and operating the Asbury Plant,
h. Property taxes assigned to the Asbury Plant, and
i. Any costs associated with the retirement of the Asbury Plant, including dismantlement and decommissioning, non-Empire labor excluded.
j. Cash working capital and income tax gross up associated with Asbury,
k. Any fuel or SPP revenues or expenses associated with Asbury that do not flow through the FAC, and
l. Revenue from scrap value or value of items sold.

Q. With what items does Empire disagree?

A. There are several items with which the Company disagrees. 1) The Company believes the costs for the Asbury unrecovered investment was prudent at the time it was incurred, and therefore, should not have to flow the return on the rate base items back to its customers for Asbury. 2) The monthly changes included in the AAO liability should only go back to March 2020, as that was the date of Asbury's retirement; flowing back costs prior to that date would be inappropriate as the unit was not yet retired. 3) The Asbury AAO liability balance included by Staff was based off of a workpaper filed by the Company with its Direct Testimony, which included projections for several of the monthly change amounts. When considering the amounts to include in the Asbury AAO, the actual amounts at June 2021 should be used. In order to comply with the Amended Report and Order from ER-2019-0374 for the Asbury AAO, a balance of $44,382,535 represents the actual monthly changes from January 2020 to June 2021. This amount also includes the correction to the cash working capital balance as mentioned above. To clarify, however, this is not the balance the Company proposes should be given back to customers for the reasons stated above in items 1 and 2.

Q. What amortization period was used by Staff for the Asbury related items?

A. Staff used a 15-year amortization period for the Asbury related environmental costs, cash working capital allowance, ADIT, Excess ADIT, and Asbury AAO liability. Staff based their amortization period on the most recent depreciation rates used for Asbury which was based on a retirement date of 2035. The Company, however, believes the Commission should approve the Company's proposed two-year amortization for the Asbury AAO liability and a 26-year amortization for the rest of the Asbury related items. The 26-year amortization is based on the Company's Notice of Change in Preferred Plan which was filed in 2018. The Change in Preferred Plan was linked to the Customer Savings Plan ("CSP") of 30 years; and when the rates become effective for this current case in 2022, the benefits of retiring Asbury will have 26 years remaining since the preferred plan was modified.

Q. Are there any other issues the Company wants to raise regarding Staff's treatment of Asbury?

A. Yes. It needs to be noted that the balance used by Staff for the Asbury Excess ADIT is double counted in its corrected Accounting Schedules. The $4,519,443 listed as the Asbury retirement amortization in Accounting Schedule 9 of Staff's Accounting Schedules includes ($1,070,374) related to the Asbury excess ADIT and then in Accounting Schedule 11 the ($1,070,374) is included by Staff again. To correct this Staff, needs to remove the ($1,070,374) from the Accounting Schedule 9 as it is already included in their calculation of income taxes and including it in both would understate the cost of service.

IV. AMI

Q. Should the Company be allowed a full return on and of the balance of undepreciated meters?

A. Yes, the Company should be allowed to earn a return on and of the stranded meter costs as proposed by the Company in its direct filing. The undepreciated balance is comprised of costs that have already been deemed as prudent and the decision to replace the previous meters with AMI was made to better serve our customers and provide them with future savings as discussed in my Direct Testimony. As discussed in the Rebuttal Testimony of witness Chad C. Hook, the Company replaced an antiquated infrastructure with AMI, an industry-standard integrated system of meters, communication networks, and data management system that directly benefits customers today. Denying companies the opportunity to fully recover investment costs just because they are no longer in service and deemed "used and useful", although prudently incurred, deters utilities from exploring alternatives that could give customers future savings, as well as, provide them with a better customer experience.

Q. If the Commission were to agree with Staff's treatment and disallow a return on the stranded meter costs, is the Company in agreement with the amounts removed by Staff?

A. No. Staff removed $8,608,472 from both the plant and accumulated depreciation balances. This methodology is inappropriate as the June 2021 plant balances in Staff's Accounting Schedules do not include any costs related to the stranded meters, therefore, no adjustment is needed to remove those from the plant in service balance. Currently, the net balances of the stranded meters are included in the Accumulated Depreciation balance only. In addition, the $8,608,472 removed from Accumulated Depreciation is inclusive of projected retired meter costs for the update period and Staff should update to actuals at June 2021; which was $9,631,010 (Missouri level).

Q. Should Staff include a return of the stranded meters in its cost of service?

A. Yes. Even if Staff doesn't allow a return on the undepreciated balance of the Company's stranded meters, they should at least allow the related amortization to be captured in its cost of service. Staff allowed the Company the amortization expense related to the Asbury unrecovered investment, therefore, a consistent treatment should be used for the unrecovered meter costs. The Company would propose the Commission approve the Company's 18-year amortization period, which results in amortization expense for the stranded meters at June 2021 of $535,056 (Missouri jurisdictional).

Q. Please explain Staff's adjustment for the AMI Outside Services.

A. Staff includes the Missouri AMI Outside Services expense in the outside service expense adjustment. For accounts 923045 and 923047, Staff uses a five-year average, based on the five years ending June 2021. In addition, Staff includes the Missouri AMI Outside Service Expense and compares the sum of the three components to the amount of outside service expense included in the test year. As a result, Staff makes a total company adjustment to increase to amount of outside service expense included in the test year.

Q. Does the Company agree with the amount of AMI Outside Services Expense included in Staff's adjustment to normalize Outside Service Expense?

A. No. Staff has calculated AMI Outside Services expenses in the Amount of $1,205,127 for Missouri. When incorporating this amount into the adjustment, Staff multiplies it by a Missouri allocation factor of 87%. Because this is a total company adjustment, the amount is brought down further by the jurisdictional allocation in Staff's EMS run. To accurately capture the amount of AMI Outside Services expense, Staff should start with the total company balance instead of the Missouri balance.

Q. Did Staff include any costs for the Time of Use ("TOU") education campaign in its cost of service?

A. No.

Q. Why does the Company believe these costs should be considered in the cost of service of this case?

A. It is critical that customers be provided sufficient education to understand the new tariff and how their behavior and decisions will impact their bill. Therefore, it is necessary that the Company develop plans to educate customers about TOU rates through a variety of communication mediums and budgeted costs.

Q. Has the amount of TOU education campaign costs included in the Company's cost of service changed since its direct filing?

A. Yes. Since the direct filing of its case, the Company has revised the campaign costs it believes will be needed to sufficiently educate its customer on time of use rates as shown below in Figure 1 and Figure 2. The updated TOU education proposed by the Company results in a Total Company pro forma adjustment of $187,500 and a Missouri pro forma adjustment of $166,965.

Figure 1

General Customer TOU Education

Target Audience: Liberty's Missouri Electric Service Areas

Communication Medium	Target Audience	Budget
Bill Insert	All MO Electric Customers	$7,000
Informational Video	All MO Electric Customers	$3000
Website Landing Page	All MO Electric Customers	$0
Customer Email	All MO Electric Customers	$0
Social Media – Boosted	Select communities in service areas	$1000
Digital Campaign – 120 days	Select communities in service areas	$15,000
Radio Spot – 90 days (production & schedule)	Select communities in service areas	$50,000
Total		**$76,000**

Figure 2

Pilot Program Education

Target Audience: 50,000 customers (Liberty's AMI Sector 1 & 2: Joplin / Webb City / Carl Junction)

Pilot Goal: 1,000

Communication Medium	Target Audience	Budget
Customer Survey	Sector 1 & 2	$5,000
Direct Mail	Sector 1 & 2	$37,500
Informational Video	Sector 1 & 2	$3000
Website Landing Page	Sector 1 & 2	$0
Targeted Digital Campaign – 120 days	Sector 1 & 2	$6,000
Customer Email	Sector 1 & 2	$0
TV Spot – 60 days (production & schedule)	Sector 1 & 2	$30,000
Radio Spot – 90 days (production & schedule)	Sector 1 & 2	$30,000
Total		**$111,500**

V. MARKET PRICE PROTECTION MECHANISM

Q. At what frequency will the rate base shown in Appendix B to the Non-Unanimous Stipulation and Agreement be calculated as an input to the market price protection mechanism?

A. The rate base should not be formulaic and decreasing every single year, if Empire's customers base rates are not changing every year. Therefore, it would be appropriate for the rate base for the wind projects to be updated at the conclusion of each general rate case. For further discussion on the matter, refer to the Rebuttal Testimony of Company witness Aaron J. Doll.

Q. Does this conclude your Rebuttal Testimony?

A. Yes.

VERIFICATION

I, Tisha Sanderson, under penalty of perjury, on this 20th day of December, 2021, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Tisha Sanderson