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Issue: Tartan Factors; Staff Report
Witness: Blake A. Mertens
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Sponsoring Party: The Empire District Electric Company
Case No. EA-2019-0010
Date Testimony Prepared: March 5, 2019

Before the Public Service Commission of the State of Missouri

Surrebuttal Testimony

of

Blake A. Mertens
March 5, 2019

Liberty Utilities®
EMPIRE DISTRICT

3P
Empire Exhibit No. EP
Date 4-8-19 Reporter TK
File No. EA-2019-0010

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Blake A. Mertens and my address is 602 Joplin Street, Joplin, Missouri, 64801.

Q. WHO IS YOUR EMPLOYER AND WHAT POSITION DO YOU HOLD?

A. I am employed by Liberty Utilities Service Corp. as the Vice President Operations - Electric at The Empire District Electric Company ("Empire" or "Company"). My primary responsibilities include power plant operations, fuel supplies, energy procurement and marketing, and energy supply services. I am also responsible for engineering and commercial operations and am accountable for the proper budgeting and accounting of capital, operating, and maintenance expenses for Empire's generation, transmission and distribution assets, both individually and jointly-owned.

Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes. My professional background and qualifications are contained in that prior testimony.

II. PURPOSE

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN THIS CASE?

A. The purpose of my testimony is to respond to Rebuttal Testimony filed by the Office of the Public Counsel ("OPC") as it relates to the Tartan Factors considered by the Commission in regard to the Company's application for certificates of convenience and necessity ("CCNs") for authority to acquire three wind generation projects that will be

constructed in or near Empire's service territory (the "Wind Projects"). Specifically, my testimony will respond to issues raised by Ms. Lena Mantle and Dr. Geoff Marke, witnesses for the Office of the Public Counsel ("OPC"). I will also respond to portions of the Report filed by the Staff of the Commission ("Staff Report") as it relates to Staff's recommendation that Empire be granted the requested CCNs.

Q. HOW WILL EMPIRE RESPOND TO THE REBUTTAL TESTIMONY FILED IN THIS CASE?

A. The Staff testimony is generally supportive of the project. However, I, along with Empire witness David Holmes, will respond to certain of the Staff recommended conditions. The OPC testimony raises a number of issues to which Empire will respond in my testimony, along with the testimony of Todd Mooney, James McMahon and David Holmes. Empire witness Timothy N. Wilson will respond to the wildlife concerns raised by the MDC testimony.

Q. DOES EMPIRE BELIEVE IT IS NECESSARY TO RESPOND TO THE DIVISION OF ENERGY TESTIMONY?

A. No. The Division of Energy testimony does not require Empire's response as it is supportive of Empire's application, addresses the economic development benefits that the proposed projects would create and the long-term benefits the projects offer by improving the diversity and security of Missouri's energy supply, and suggests that the projects would support Missouri's ability to perform more competitively on the national economic stage. (Hyman Reb., p. 2)

III. TARTAN FACTORS

Q. WHAT FACTORS DOES THE COMMISSION USUALLY CONSIDER IN REVIEWING APPLICATIONS FOR CCNS?

A. I am not an attorney, however, I have been advised by counsel that the Commission will generally consider what has been referred to as the *Tartan* factors. Those five factors are as follows: (1) need for the service; (2) the applicant's qualifications to provide the proposed service; (3) the applicant's financial ability to provide the service; (4) the economic feasibility of the proposal, and; (5) promotion of the public interest.

Q. WHICH OF THESE FACTORS WILL YOU ADDRESS IN YOUR SURREBUTTAL TESTIMONY?

A. I will primarily address the "need for service" in response to the Surrebuttal Testimony of OPC Witness Mantle as well as the "promotion of the public interest" factor raised by OPC witnesses.

IV. NEED FOR SERVICE

Q. OPC WITNESS MANTLE STATES ON PAGE 2 OF HER SURREBUTTAL TESTIMONY THAT "EMPIRE DOES NOT NEED THE ADDITIONAL CAPACITY OR ENERGY FROM THESE FARMS TO PROVIDE SERVICE TO ITS CUSTOMERS NOW OR FOR THE FORESEEABLE FUTURE. EMPIRE CURRENTLY HAS MORE THAN ENOUGH GENERATION TO MEET ITS FORECAST OF ITS CUSTOMERS' CAPACITY AND ENERGY REQUIREMENTS THROUGH THE NEXT DECADE." PLEASE EXPLAIN

WHY EMPIRE HAS A CAPACITY REQUIREMENT THAT WOULD BE SATISFIED BY THE WIND PROJECTS.

A. As the Company explained in its Customer Savings Plan docket, Case No. EO-2018-0092, two of Empire's existing PPAs, for a total of 255 MWs, will expire after the 600 MW of wind comes online in January of 2021 - expiration of the Elk River wind farm in 2025 (150 MW) and the Meridian Way wind farm in 2028 (105 MW). These expiring contracts represent all of Empire's current wind capacity and more than 40% of the new capacity that was described in Case No. EO-2018-0092. In addition, as the Company indicated in Docket No. EO-2018-0092, Asbury's continued operation will be addressed in its 2019 Triennial Integrated Resource Plan.

While I understand that the timing of acquisition of the Wind Projects does not match perfectly with the Company's energy and capacity needs, the Company would be remiss if it did not take advantage of available Production Tax Credits to substantially reduce the cost of renewable generation while it is available. If the Company were to adopt Ms. Mantle's view, the Company would turn a blind eye towards existing opportunities in the marketplace and adopt a more passive "wait and see" approach towards the acquisition of any future generation. In short, these projects are being added with a view to prudent planning and providing a variety of benefits to Empire customers.

Q. WHAT ARE THOSE BENEFITS?

A. The proposed Wind Projects will take advantage of real opportunities that exist today to add generation to Empire's fleet at reduced cost given the availability of Production Tax Credits, which in turn will provide low cost energy for Empire's customers for years to

come. Empire witness McMahon's testimony also describes the reduced risk customers will benefit from by adding these projects to Empire's portfolio.

Further, the Wind Projects satisfy the stated public policy objective of conserving natural resources and pursuing renewable energy sources as reflected in the State Energy Policy and the Renewable Energy Standards (RES). The Commission summarized this benefit as follows in its Report and Order in Case No. EO-2018-0092:

> It is the public policy of this state to diversify the energy supply through the support of renewable and alternative energy sources. In past decisions, the Commission has stated its support in general for renewable energy generation, which provides benefits to the public. Empire's proposed acquisition of 600 MW of additional wind generation assets is clearly aligned with the public policy of the Commission and this state.

Rep. Ord., p. 20.

Q. OPC WITNESS MANTLE STATES IN HER SURREBUTTAL TESTIMONY (P. 2) THAT EMPIRE IS "PLANNING ON THIS LARGE INVESTMENT BECAUSE IT SPECULATES THAT THE REVENUES FROM THE SALES OF ENERGY" TO SPP "WILL EXCEED WHAT EMPIRE CUSTOMERS PAY FOR THE WIND FARMS IN THEIR RATES." DO YOU AGREE WITH THAT SUGGESTION?

A. No.

Q. WHY NOT?

A. The term "speculation" suggests that Empire performed no empirical analysis prior to proceeding with acquisition of the Wind Projects. This is simply not the case. Mr. McMahon provided extensive testimony in Case No. EO-2018-0092 regarding the Generation Fleet Savings analysis, and the analysis in support of the Non-Unanimous Settlement Agreement based on acquisition of 600 MW of wind generation. This

analysis included sensitivity analyses that tested the validity of Empire's assumptions, and even under "low" case scenarios, demonstrated over $67 million in savings over twenty years for Empire's customers. I hardly consider this "speculation" as Ms. Mantle suggests.

Q. OPC WITNESS MANTLE ALSO ALLEGES (P. 4) THAT "THE BENEFITS TO THE CUSTOMERS ARE ENTIRELY RELIANT ON SPP MARKET PRICES" AND THAT "SPP MARKET PRICES ARE NEARLY IMPOSSIBLE TO PREDICT TWO YEARS INTO THE FUTURE, LET ALONE 30 YEARS INTO THE FUTURE." DO YOU AGREE WITH THAT ASSESSMENT?

A. No, I do not. Applying Ms. Mantle's logic, one would never conduct or rely on any market forecast. Yet in order to conduct resource planning, which Empire must, it has to conduct and rely on market forecasts, otherwise its decision making would truly be speculative. The more apt inquiry is whether the market forecasts conducted in support of the Company's decision making are sufficiently relevant to form the basis for Commission and Company actions. I believe that the Commission already found that these forecasts are sufficiently relevant and reliable in its Report and Order issued in Case No. EO-2018-0092. Ms. Mantle seeks to relitigate the issue, which the Commission should decline to do.

Q. OPC WITNESS MANTLE FURTHER SUGGESTS (P. 4) THAT THE WIND FARMS WILL ". . . PUT INCREDIBLE ECONOMIC RISKS ON EMPIRE'S CUSTOMERS" AND HAVE A SUBSTANTIAL "HARMFUL IMPACT ON CUSTOMERS AND SOUTHWEST MISSOURI." DO YOU AGREE WITH THAT ASSESSMENT?

A. Absolutely not. The Wind Projects will bring substantial benefits to the Company's customers as well as to the local economy. As Empire witness McMahon explains in his Surrebuttal Testimony, even by conservative estimates, the Wind Projects will generate real savings for customers, with lower risk. The two Wind Projects located in Missouri alone will require over 200 construction employees at the peak of construction and, over the projected 30-plus years of its life, will create approximately 20 permanent jobs directly hired to maintain and operate the facilities. There will also be longer term benefits, in the form of property taxes or similar payments to support local governments and schools, indirect permanent jobs to support the workers and the required needs of the facilities, and technical training for the local workforce, just to name a few. Our customers and the communities in which we serve in Missouri and Kansas have demonstrated their support for the acquisition of the Wind Projects as evidenced by the testimony provided at the recent local hearing in Joplin on January 23, 2019, which supported generating power locally, generating power from a renewable resource, and generating local economic benefits instead of benefitting economies outside the State of Missouri.

Q. OPC WITNESS MARKE (P. 20) IDENTIFIES SEVERAL PROJECTS FROM EMPIRE'S 2019-2024 CAPITAL BUDGET THAT HE SUGGESTS WILL CREATE ADDITIONAL INCREASES IN RATES. HOW WOULD YOU DESCRIBE THE BUDGET ITEMS IDENTIFIED IN REGARD TO EMIPRE'S PLANNING?

A. OPC Witness Marke identifies four specific investments in the 2019 – 2024 Capital Budget that he contends will create additional increases in rates, those being a

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_____ ***. Let me address each of those individually.

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_____ .*** This project is still in the early stages of development.

As Dr. Marke points out in his testimony, *** _____ *** is simply a place holder until we complete our 2019 IRP. That IRP will not only assess the future of Asbury, *** _____
_____ .*** Again, this is in the assessment stage and decisions will not be made until additional analysis has been completed.

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Finally, *** _____
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As you can see, while the initiatives Dr. Marke cites may have an initial capital cost, they are projects that should provide efficiencies and/or cost savings to customers by reducing operation and maintenance costs. All of that aside, those projects should have no bearing on a project, i.e. the Customer Savings Plan, that has repeatedly shown through rigorous modeling to provide customers a benefit through lower costs than the status quo.

Q. OPC WITNESS MARKE FURTHER CITES TO TWO CITIES THAT HAVE TERMINATED THEIR WHOLESALE POWER CONTRACTS WITH EMPIRE, CREATING WHAT HE ALLEGES IS A LOSS OF LOAD. HOW DO YOU RESPOND?

A. While it is true that two cities have decided to sign a contract with a third party and as a result will no longer be served through our wholesale tariff agreement, what is not pointed out by Dr. Marke is that Empire will continue to provide capacity and energy to the two cities via a contract with that third party. In other words, despite our efforts to continue to serve the two cities directly, we will continue to serve the cities via a third-party contract. This point is being covered in our ongoing IRP discussions and should have no impact on the Customer Savings Plan analysis.

Q. ARE YOU AWARE OF A GOOD SUMMARY OF THE REASONS THAT THE PUBLIC INTEREST WOULD BE FURTHERED BY THE ACQUISITION OF THE WIND PROJECTS?

A. Yes. As quoted in my Direct Testimony, the Commission's Report and Order in Case No. EO-2018-0092 provided a nice summary of several of these reasons:

> Adding wind generation to Empire's portfolio significantly reduces financial risk for Empire customers. Wind in the portfolio mitigates the impact that rising fuel and market prices have on Empire's retail rates. In a rising market price environment, Empire would be able to sell wind output at higher prices without any incremental fuel costs. Empire's credible analysis shows that adding up to 600 MW of wind to its portfolio would result in lower risk to that portfolio under three different market scenarios, relative to Empire's current resource plan.

Rep. Ord., p. 14-15.

V. STAFF REPORT

Q. THE STAFF REPORT FILED IN THIS CASE SUPPORTS A GRANT OF THE REQUESTED CCNS, SUBJECT TO CERTAIN CONDITIONS. HAVE YOU HAD A CHANCE TO REVIEW THAT REPORT?

A. Yes, I have.

Q. THE STAFF REPORT (P. 4) RECOMMENDS THAT THE COMMISSION CONDITION APPROVAL OF THE CCNS ON IMPLEMENTATION OF THE MARKET PROTECTION PROVISION AS PROPOSED IN APPENDIX A TO THE NON-UNANIMOUS STIPULATION AND AGREEMENT BETWEEN EMPIRE, MIDWEST ENERGY CONSUMERS GROUP ("MECG"), STAFF, RENEW MISSOURI ADVOCATES, AND MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT – DIVISION OF ENERGY ("DE") FILED ON APRIL 24, 2018 IN CASE NO. EO-2018-0092 WITH CERTAIN CHANGES. WHAT ARE THOSE CHANGES?

A. Staff recommends the following changes:

1. Remove the guarantee cap which was a negotiated value equal to $35 Million;

2. Limit the value of PPA Replacement to the amount calculated based upon the number of MWh generated to produce RECs in order to comply with the RES;

3. Incorporate mutually agreeable provisions to adequately balance risks and performance related to Transmission Congestion Rights ("TCRs") and Auction Revenue Rights ("ARRs") related to the Neosho Ridge interconnection point to Empire's load serving area.

Q. WHAT IS EMPIRE'S POSITION AS TO THE REMOVAL OF THE GUARANTEE CAP?

A. Empire does not agree with Staff's recommendation to remove this guarantee cap. This recommendation is contrary to the regulatory compact between customers and shareholders, which attempts to balance risks and rewards between customers and shareholders. Regulated utilities, in this case Empire, limit the amount of earning potential they can receive on an investment in return for some certainty from customers to pay a fair rate of return, as set by commissions, that takes into account risks and rewards for both customers and shareholders. Empire has shown through modeling performed by a third party that customers stand to benefit from lower rates through the shareholder investments, i.e. the Wind Projects. The Market Protection Provision approach taken in Case No. EO-2018-0092 provided customers with 100% of the upside benefits, while providing a significant cushion in regard to downside risk. This guarantee, even if limited, has already provided customers with significant, and unique, protection. By completely removing the cap, Empire would have to effectively guarantee market conditions for the next 30 years, something that is not a part of other decisions and actions of a utility, which are merely reviewable for prudence at the time the decision is made.

Q. DOES EMPIRE PROPOSE ANY CHANGES TO THE GUARANTEE CAP OF THE MARKET PROTECTION PROVISION PROVIDED IN CASE NO. EO-2018-0092.

A. Yes. Please refer to Mr. Holmes Surrebuttal Testimony for a complete listing of proposed updates to the Market Protection Provision. As it relates to the guarantee cap, Empire is proposing to lower the cap from $35 million to $25 million, Missouri jurisdictional.

Q. WHY DOES EMPIRE PROPOSE A REDUCTION IN THE CAP FROM $35 MILLION TO $25 MILLION IN THIS PROCEEDING?

A. Mr. Holmes fully covers this issue in his Surrebuttal Testimony, but in short, since the inception of the original Market Protection Provision Empire has entered into specific agreements and gathered more data for specific projects to provide more certainty about the overall economics of the Wind Projects.

Q. PLEASE DESCRIBE THE ISSUE SURROUNDING THE PPA REPLACEMENT VALUE AS IT RLATES TO THE MARKET PROTECTION PROVISION.

A. The Market Protection Provision was a negotiated provision in which the company and certain stakeholders worked to find a mutual outcome. As part of that agreement, the settling parties agreed that there should be some recognition that the Elk River and Meridian Way PPAs would be expiring shortly after the Wind Projects that are the subject of this docket would come online. This took the form of the "PPA replacement value" in the Market Protection Provision, which represented the prorated amount of the new Wind Projects' revenue requirement, based on the energy output from the current

PPA wind projects (Elk River and Meridian Way) post PPA expiration over the new Wind Projects' energy production during the ten year guarantee.

Q. WHAT IS EMPIRE'S POSITION AS TO THE PPA REPLACEMENT LIMITATION?

A. Again, Empire does not agree with the PPA Replacement Limitations suggested by Staff. Empire's existing PPA's with Elk River and Meridian Way Wind Farms produce in excess of 850,000 MWh of energy annually. The costs associated with these PPA's currently flow through Empire's fuel adjustment clause (i.e. customers pay for all the energy from these wind farms). The Wind Projects that are the subject of this docket will produce electricity that is cheaper than these wind farms on a levelized cost of energy basis and, thus, customers will benefit by replacing all of this energy from the new wind farms as those wind farms roll out of our resource mix. It is also important to note that Empire entered into both of these PPA's before the implementation of the Missouri, or any other state's, renewable portfolio standard ("RPS") to act as a hedge for natural gas prices. In other words, they were not implemented to comply with a RPS and have value to customers separate and apart from RPS compliance. Therefore, it does not make sense to limit the replacement value to only the amount of energy used to comply with an RPS.

Q. WHAT IS EMPIRE'S POSITION AS TO THE TRANSMISSION CONGESTION RIGHTS ("TCRS") AND AUCTION REVENUE RIGHTS ("ARRS") RELATED TO THE NEOSHO RIDGE INTERCONNECTION POINT?

A. Empire does not agree that provisions for TCR's and ARR's should be agreed upon for the Neosho Ridge interconnection point. Empire has diligently worked to identify sites that are within or relatively close to its service territory to limit TCR/ARR risks. We do

not have such provisions for interconnection points at our existing wind farms, Iatan 1, Iatan 2, or Plum Point, all of which are much further away from Empire's load than these new wind farm assets, so it does not make sense to treat these interconnection points differently. These ARR/TCR risks are addressed by the Southwest Power Pool's continual review of its system, a process in which Empire and members of the Missouri Public Service Commission actively participate.

Q. STAFF SUGGESTS (P. 5) THAT THE MARKET PROTECTION PROVISION "WOULD PROVIDE SHARING OF RISK BETWEEN CUSTOMERS AND SHAREHOLDERS ASSOCIATED WITH THE POSSIBILITY OF REDUCED MARKET PRICES AND WIND PRODUCTION" AND "PROMOTES THE PUBLIC INTEREST BY PROVIDING AN APPROPRIATE TREATMENT OF RISK ASSOCIATED WITH THE PROJECTS." DO YOU AGREE?

A. I agree that a Market Protection Provision is a good approach to providing a balance of these interests. However, I do not agree that it should be limitless. As explained in Mr. Holmes' Surrebuttal Testimony, there should be a cap on the guarantee which is both time limited and limited in amount.

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A. _____

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Interconnection Cost Issues

Q. THE STAFF REPORT (P. 33-34), AFTER A DISCUSSION OF POSSIBLE INTERCONNECTION COSTS, STATES AS FOLLOWS IN REGARD TO THE STAFF'S RECOMMENDATION:

THE INTERCONNECTION COST ISSUES STAFF IS RAISING WILL BE ALLEVIATED WITH THE PROPER INCLUSION OF NETWORK INTERCONNECTION COSTS IN THE UPDATED MPP AS PROPOSED BY STAFF. IN THE ALTERNATIVE, STAFF RECOMMENDS THE COMMISSION CONDITION THE CCN ON AN EMPIRE COMMITMENT TO CAP THE TOTAL NETWORK UPGRADE COSTS FOR WHICH RECOVERY MAY BE SOUGHT AT EMPIRE'S ESTIMATE PLUS A 10% CONTINGENCY.

DO YOU AGREE THAT THERE ARE UNKNOWNS IN REGARD TO THE INTERCONNECTION COSTS?

A. Yes.

Q. DOES EMPIRE AGREE THAT THEY SHOULD BE ADDRESSED IN ONE OF THE WAYS PROPOSED BY STAFF?

A. No. The Market Protection Provision found in the Non-Unanimous Stipulation and Agreement in Case No. EO-2018-0092 and, as proposed in Empire witness Holmes' Surrebuttal Testimony includes network upgrades costs as part of the initial capital

investment in the Wind Projects. Thus, these costs are already taken into account in the customer protection mechanism and customers are protected from excessive risk associated with this cost. Empire would already be incentivized by the Market Protection Provision to work diligently throughout the SPP interconnection and network upgrade study processes to minimize these costs and thus minimize shareholder exposure to refunds to customers.

Grid Availability Curtailment/Dispatch Down

Q. THE STAFF REPORT (P. 34) FURTHER DESCRIBES ISSUES RELATED TO POSSIBLE CURTAILMENTS AND SUGGESTS THAT "ALL OF THESE CONCERNS WOULD BE ALLEVIATED IF PROPERLY TAKEN INTO ACCOUNT IN THE UPDATED MPP AS PROPOSED BY STAFF." DO YOU AGREE THAT THESE ISSUES MAY BE ADDRESSED BY THE MPP?

A. I agree that the Market Protection Provision as found in the Non-Unanimous Stipulation and Agreement in Case No. EO-2018-0092, without the Staff's modifications and revisions, and as proposed in Mr. Holmes Surrebuttal Testimony, alleviates concerns related to possible curtailments and is one of the reasons Empire is agreeable to a Market Protection Provision.

Q. THE STAFF REPORT FURTHER RECOMMENDS THAT THE CCNS BE CONDITIONED ON "THE COMPLETION OF A SENSITIVITY ANALYSIS ON CURTAILMENT AND THE DISPATCHING DOWN OF EACH WIND PROJECT" (P.3). IS THAT NECESSARY OR APPROPRIATE?

A. I do not believe that is necessary or appropriate for a few reasons. First, as stated above, I believe that the Market Protection Provision as originally envisioned already provides

the assurances required to mitigate the risks associated with curtailments. Further, curtailments often occur in the real time market due to "instantaneous" condition changes caused by unit or transmission outages or rapid and unpredicted weather changes. These real time market implications are not able to be modeled with any accuracy in a production cost model as they usually occur over short periods of time on 5-minute intervals rather than the hourly modeling utilized in production cost modeling. To address the fact that Empire's modeling could not fully reflect real-time market conditions, Empire ran scenarios that significantly lowered the price at the generator node where Empire's wind projects were expected to be located. These scenarios were intended to evaluate risk associated with locational challenges, like curtailment in the real time market. Thus, this has already been considered in the analysis that the Company performed.

In-Service Criteria

Q. THE STAFF REPORT (P. 35-38) PROPOSES A SET OF IN-SERVICE CRITERIA TO BE USED TO "DETERMINE WHETHER A NEW UNIT IS 'FULLY OPERATIONAL AND USED FOR SERVICE.'" WHAT IS EMPIRE'S POSITION AS TO THOSE PROPOSED CRITERIA?

A. Empire is in agreement with the proposed in-service criteria.

VI. HOLD HARMLESS

Q. OPC WITNESS MARKE PROPOSES A "HOLD HARMLESS CONDITION" (P. 23) WHEREBY EMPIRE WOULD BE REQUIRED TO "MAKE ITS CUSTOMERS WHOLE THROUGH RATES FOR EACH YEAR DURING THE

LIFE OF THE WIND FARMS WHEN THE WIND FARMS DO NOT GENERATE NET CASH THROUGH THE HOLDCOS EQUAL TO OR GREATER THAN THE COST TO CUSTOMERS." DO YOU BELIEVE THIS IS NECESSARY?

A. No.

Q. WHY NOT?

A. The Market Protection Provision as found in the Non-Unanimous Stipulation and Agreement in Case No. EO-2018-0092, and updated in Empire witness Holmes' Surrebuttal Testimony, properly balances the risks and rewards between customers and shareholders as I have discussed throughout my Surrebuttal Testimony.

Q. OPC WITNESS MANTLE SUGGESTS THAT "IF A SHAREHOLDER IS CONFIDENT THAT A WIND FARM WILL GENERATE MORE REVENUES THAN IT COSTS TO BUILD, OWN, MAINTAIN AND OPERATE, AND MORE REVENUES THAN IT WOULD GENERATE THROUGH CUSTOMER RATES, THEN SHAREHOLDERS SHOULD PREFER TO OWN AND OPERATE THE WIND FARM AS AN [INDEPENDENT POWER PRODUCER] WHERE THEY RECEIVE ALL OF THE NET REVENUES." (P. 17-18) WHAT SHOULD THE COMMISSION TAKE FROM THE FACT THAT EMPIRE IS PROPOSING TO BUILD THESE WIND FARMS THOUGH ITS REGULATED OPERATIONS?

A. The Commission should know that Empire understands it is a public utility. Empire has a duty to its customers to provide safe and adequate electric service at just and reasonable

rates. In doing so, Empire seeks to invest in ways that will provide its customers with opportunities for savings and that will reduce price risks in the future. The Wind Projects for which Empire seeks CCNs in this case fit this description. The weighing of unregulated vs. regulated profit potential, as suggested by OPC witness Mantle, is not anything in which Empire should or does engage.

VII. CONCLUSION

Q. IS THERE A NEED FOR THE WIND PROJECTS FOR WHICH EMPIRE SEEKS CCNS?

A. Yes. Empire's acquisition of wind generation at a significant discount using the tax equity partnership structure will benefit customers through lower future energy costs without negatively impacting Empire's ability to provide those customers reliable service.

Q. DO YOU BELIEVE THAT ACQUISITION OF THE WIND PROJECTS PROMOTES THE PUBLIC INTEREST?

A. Absolutely, for all the reasons the Commission identified in its July 11, 2018 Report and Order and for those reasons I have stated above.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes, it does.

AFFIDAVIT OF BLAKE A. MERTENS

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 1st day of March, 2019, before me appeared Blake A. Mertens, to me personally known, who, being by me first duly sworn, states that he is Vice President – Electric Operations of The Empire District Electric Company – Liberty Utilities Central and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.

Blake A. Mertens

Subscribed and sworn to before me this 1st day of March, 2019.

Sherri J. Blalock
Notary Public

My commission expires: Nov. 16, 2022

SHERRI J. BLALOCK
Notary Public - Notary Seal
Newton County - State of Missouri
Commission Number 14969626
My Commission Expires Nov 16, 2022

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