

Exhibit No.: \_\_\_\_\_  
Issue(s): Revenue Requirement, Rate Base,  
Income and Expense Adjustments, Trackers  
Witness: Charlotte T. Emery  
Type of Exhibit: Direct Testimony  
Sponsoring Party: The Empire District  
Electric Company  
Case No.: ER-2021-0312  
Date Testimony Prepared: May 28, 2021

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

**Direct Testimony**

**of**

**Charlotte T. Emery**

**on behalf of**

**The Empire District Electric Company**

**May 28, 2021**



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THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. ER-2021-0312

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DIRECT TESTIMONY OF CHARLOTTE T. EMERY  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. ER-2021-0312

1 **I. INTRODUCTION**

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

3 A. My name is Charlotte T. Emery. My business address is 602 South Joplin Avenue,  
4 Joplin, MO, 64802.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Liberty Utilities Service Corp. as a Senior Manager of Rates and  
7 Regulatory Affairs for the Liberty Central Region, which includes The Empire District  
8 Electric Company ("Empire" or "Company").

9 **Q. On whose behalf are you testifying in this proceeding?**

10 A. I am testifying on behalf of Empire.

11 **Q. Please describe your educational and professional background.**

12 A. I graduated from College of the Ozarks, Point Lookout, Missouri, in 2000 with a  
13 Bachelor of Science degree with a major in Accounting. I have been a Certified Public  
14 Accountant ("CPA") in the State of Missouri since 2006. I was hired by Empire in July  
15 2016 as a Rates Analyst and promoted to my current position as a Senior Manager in  
16 the Rates and Regulatory Affairs Department in May 2020.

17 Prior to joining the Company, I worked for six years in the regulated insurance  
18 industry in Springfield, Missouri as a Director of Accounting. In addition, I have nine  
19 years of public accounting experience working for both a national and "Big Four"  
20 accounting firms. My primary roles at these organizations included serving as a  
21 supervisor for financial statement audits and a tax consultant.

1 **Q. Have you previously testified before the Missouri Public Service Commission**  
2 **(“Commission”) or any other regulatory agency?**

3 A. Yes. I have testified on behalf of Empire before this Commission, as well as before the  
4 Kansas Corporation Commission, the Arkansas Public Service Commission, and the  
5 Oklahoma Corporation Commission. The case references are attached to this testimony  
6 as Direct Schedule CTE-16.

7 **Q. What is the purpose of your Direct Testimony in this proceeding?**

8 A. My Direct Testimony serves many purposes. First, I provide and explain the basis for  
9 the Company’s overall revenue requirement and cost to serve its retail electric  
10 customers in Missouri. I support several rate base and income statement pro-forma  
11 adjustments. In addition, I request establishment of a Tax tracker for Excess  
12 Accumulated Deferred Income Taxes and any applicable future federal and state rate  
13 changes and the discontinuance of the Riverton O&M tracker. Lastly, I provide support  
14 for the allocation factors utilized in allocating costs between Empire’s electric retail  
15 and FERC jurisdictions.

16 **Q. Are you sponsoring any schedules with your testimony?**

17 A. Yes. I am sponsoring the following schedules:

Schedule	Description
Direct Schedule CTE-1	Revenue Requirement Summary
Direct Schedule CTE-2	Rate Base Summary
Direct Schedule CTE-3	Rate Base Adjustment Summary
Direct Schedule CTE-3.1	Plant in Service
Direct Schedule CTE-3.2	Accumulated Depreciation/Amortization
Direct Schedule CTE-3.3	Cash Working Capital
Direct Schedule CTE-3.4	Prepayments
Direct Schedule CTE-3.5	Materials, Supplies & Inventory

<b>Direct Schedule CTE-3.6</b>	Customer Deposits
<b>Direct Schedule CTE-3.7</b>	Customer Advances
<b>Direct Schedule CTE-3.8</b>	Regulatory Assets
<b>Direct Schedule CTE-3.9</b>	Regulatory Liabilities
<b>Direct Schedule CTE-3.10</b>	Accumulated Deferred Income Taxes
<b>Direct Schedule CTE-4</b>	Explanation of Rate Base Adjustments
<b>Direct Schedule CTE-5</b>	Income Statement Summary
<b>Direct Schedule CTE-6</b>	Income Statement Adjustment Summary
<b>Direct Schedule CTE-6.1</b>	Revenues
<b>Direct Schedule CTE-6.2</b>	Operation and Maintenance Expenses
<b>Direct Schedule CTE-6.3</b>	Depreciation Expense
<b>Direct Schedule CTE-6.4</b>	Amortization Expense
<b>Direct Schedule CTE-6.5</b>	Taxes Other Than Income Taxes
<b>Direct Schedule CTE-6.6</b>	Interest on Customer Deposits
<b>Direct Schedule CTE-7</b>	Explanation of Income Statement Adjustments
<b>Direct Schedule CTE-8</b>	Weighted Average Cost of Capital
<b>Direct Schedule CTE-9</b>	Weighted Average Cost of Debt
<b>Direct Schedule CTE-10</b>	Income Taxes
<b>Direct Schedule CTE-11</b>	Pro Forma Income Taxes
<b>Direct Schedule CTE-12</b>	Interest Synchronization
<b>Direct Schedule CTE-13</b>	Gross Revenue Conversion Factor
<b>Direct Schedule CTE-14</b>	Composite Tax Rate
<b>Direct Schedule CTE-15</b>	Basis of Jurisdictional Allocations
<b>Direct Schedule CTE-16</b>	Case Reference Listing

1

2 **Q. Was the information contained in the Schedules obtained or derived from the**  
3 **books and records of the Company?**

4 **A. Yes.**

5 **Q. Did Empire provide the Commission timely notice of the Company's intent to file**  
6 **a general rate case?**

1 A. Yes. Pursuant to Commission Rule 20 CSR 4240-4.017, a utility is required to provide  
2 at least 60 days' notice to the Commission of its intent to file a case. On March  
3 26,2021, Empire filed its Notice of Intended Case Filing, which was assigned Case No.  
4 ER-2021-0312, satisfying the requirements of Commission Rule 20 CSR 4240-4.017.

5 **II. GENERAL RATE CHANGE BACKGROUND**

6 **Q. Please describe the Company's recent history of general rate case filings.**

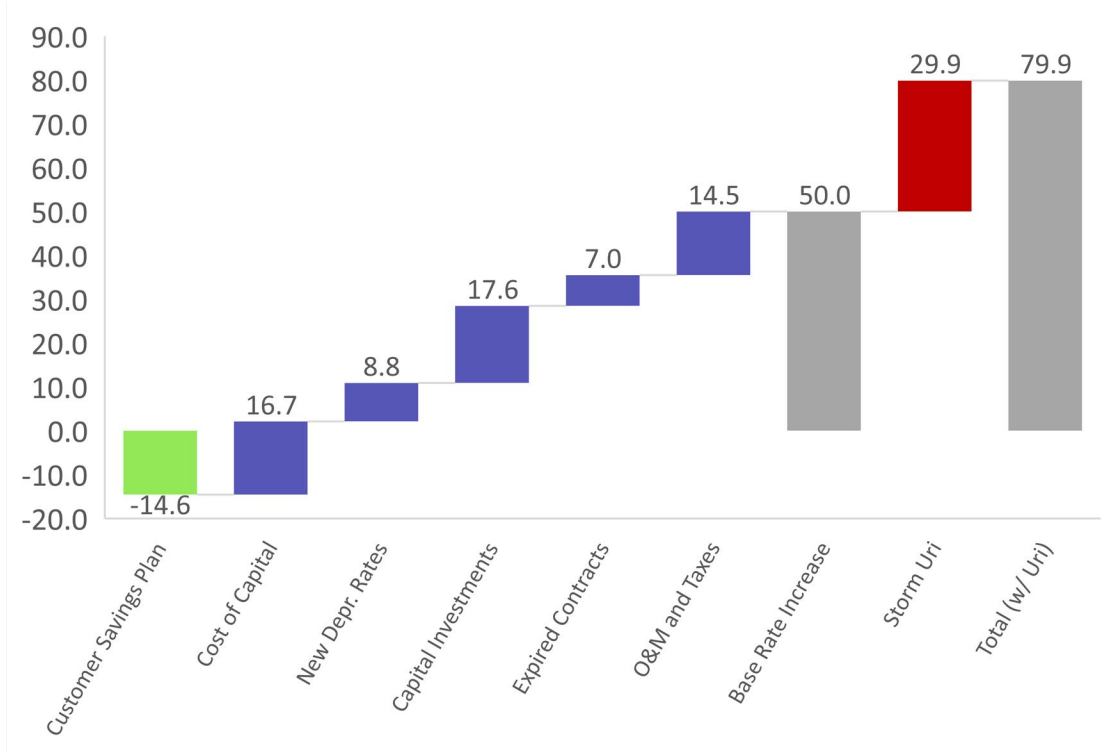
7 A. The Company filed its last general rate case in Missouri in Case No. ER-2019-0374 on  
8 August 14, 2019. The Commission issued its Amended Report and Order with an  
9 effective date of August 2, 2020, and approved compliance tariffs with an effective  
10 date of September 16, 2020. The Company received an annual increase of \$992,367.  
11 The Office of Public Counsel and the Company each separately appealed the  
12 Commission's decision and those appeals have been consolidated and are currently  
13 pending before the Missouri Court of Appeals, Western District.

14 **Q. What is the amount of the annual revenue deficiency requested in this case prior**  
15 **to the incremental impact of Winter Storm Uri?**

16 A. The Company is seeking to recover an annual revenue deficiency of \$50,062,217 based  
17 on a rate base of \$2,169,324,451. This represents a 7.61% increase in total base rate  
18 operating revenue. The following chart reflects the major drivers of the Company's  
19 proposed rate increase:

1

**Revenue Increase Drivers (\$Millions)**



2

3 My Direct Testimony, as well as the Direct Testimony of Empire witness Tisha  
4 Sanderson, address the revenue requirement drivers in the above chart.

5 **Q. Is the Company seeking any cost recovery associated with Winter Storm Uri in this case?**

6 A. Yes. In Case No. ER-2021-0332, Empire requested to defer a significant portion of the  
7 Winter Storm Uri fuel costs for future recovery over a more reasonable period of time  
8 to the benefit of Empire's Missouri customers. If Empire had not requested a more  
9 reasonable recovery period, the FAC filing would have increased the average  
10 residential bill approximately 62%, or a monthly impact of approximately \$81.

11 **Q. What is the amount of the incremental impact of Winter Storm Uri on the annual  
12 revenue deficiency requested in this case?**

13 A. The Company is seeking to recover an incremental increase in revenue of \$29,883,338.  
14 This represents an additional 4.54% increase in total base rate operating revenue.

1 **Q. How did Empire determine its annual revenue deficiency and its need for a**  
2 **general rate change?**

3 A. This request is based on a test year ending September 30, 2020. Adjustments have  
4 been proposed for known and measurable changes to the test year and to normalize  
5 operating results. The direct schedules, as presented, contain all expense items, and  
6 Chart 1 below shows a calculation of the annual revenue deficiency.

7 **Chart 1**

Line No.	Revenue Requirement Component	Reference Schedule	Dollar Amount
1	Total Rate Base	Direct Schedule CTE-1	\$ 2,169,324,451
2	Required Rate of Return	Direct Schedule CTE-1	7.03%
3	Required Net Operating Income	Line 1 x Line 2	152,596,747
5	Operating Income Deficiency	Direct Schedule CTE-1	38,127,335
6	Gross Revenue Conversion Factor	Direct Schedule CTE-1	1.3130
7	Subtotal Revenue Deficiency	Line 5 x Line 6	50,062,217
8	Winter Storm Uri Incremental Impact	Direct Schedule CTE-1	29,883,338
9	Total Revenue Deficiency	Line 7 + Line 8	\$ 79,945,556

8  
9 **III. REVENUE REQUIREMENT**

10 **Q. What is meant by the term “revenue requirement”?**

11 A. A utility’s “revenue requirement” is the sum of its Operation and Maintenance  
12 (“O&M”) expenses, depreciation expense, income and other taxes, and a fair return on  
13 the utility’s rate base. The revenue requirement is often determined based on a  
14 historical test year with pro forma adjustments reflecting reasonably known and  
15 measurable changes to revenues, expenses and rate base items. When the revenue  
16 requirement exceeds the utility’s normalized test year revenues, a revenue deficiency  
17 exists, which is the case here, and a rate increase is required. The calculation presented  
18 in this case is made specific to the Company’s Missouri retail jurisdiction.



1 **Q. What are the general categories of pro forma adjustments proposed by the**  
2 **Company?**

3 A. *Pro forma* adjustments generally fall into one of the following categories:

4 1) Normalization Adjustments - made to rate base and expenses to offset unusual levels  
5 of operations recorded during the test year. An example of such an adjustment  
6 would be the use of a 13-month average for materials and supplies to address the  
7 variable nature of the expense.

8 2) Annualization Adjustments - made to recognize a cost which occurred during the  
9 test year that will be ongoing and must be captured on a prospective basis. An example  
10 of such an adjustment would be the adjustment to payroll to account for salary increases  
11 during the *pro forma* period. This annualization is necessary to adjust payroll costs to  
12 a level reflecting the *pro forma* salary for the entire year.

13 3) Out of Period Adjustments - which consider known and measurable changes that  
14 occur outside the end of the test year. An example of such an adjustment would be  
15 increases in Plant in Service based on Construction Work that is expected to be  
16 complete, used and useful by the end of the pro forma Update period.

17 4) Costs that are not necessary to provide electric service - An example of such an  
18 adjustment would be to remove common plant utilized by Empire's gas or water utility  
19 affiliates.

20 5) Costs recovered elsewhere - made to adjust the test year to reflect any cost recovery  
21 that occurs outside of base rates. An example of such an adjustment would be to remove  
22 franchise fees. This adjustment is necessary to ensure that customers are not double  
23 charged for these costs recovered or passed through a separate mechanism or tariff  
24 condition.

1 **Q. What test year is the Company proposing in this case?**

2 A. The Company is proposing a historical test year based on twelve months ended  
3 September 30, 2020.

4 **Q. Is Empire requesting the test year be updated?**

5 A. Yes. Empire is proposing the test year be updated through June 30, 2021. The impact  
6 of the update process has been included in the Company's revenue requirement  
7 presented in Direct Testimony.

8 **Q. Is Empire requesting a "true-up" process at this time?**

9 A. No.

10 **Q. What is Empire's calculated overall rate of return?**

11 A. Empire's calculated overall rate of return at current rates is 4.44 percent. This rate of  
12 return earned under the current rates is calculated by dividing adjusted test year  
13 operating income by the adjusted test year rate base. Empire's current authorized rate  
14 of return is 6.77%, thus reflecting that the Company is significantly underearning.

15 **Q. Please summarize the rate relief the Company is seeking in this proceeding.**

16 A. As stated above, the Company is seeking to recover an annual revenue deficiency of  
17 approximately \$79.9 million based on a rate base of approximately \$2,351,017,178.

18 **Q. What is the revenue requirement model?**

19 A. A revenue requirement model is the analysis that calculates the various components of  
20 the revenue requirement which was mentioned previously in my testimony and  
21 provides a determination if a utility is earning its authorized rate of return.

22 **Q. Please describe the direct schedules of the revenue requirement model.**

23 A. Direct Schedule CTE-1, Revenue Requirement Summary, presents the Company's  
24 proposed revenue requirement and the overall revenue requirement calculation. Direct

1        **Schedule CTE-2**, Rate Base Summary, reflects the Company’s test year rate base,  
2        including pro-forma adjustments and the resulting pro forma rate base. Rate base is the  
3        value of property on which a public utility is permitted to earn a specified rate of return.  
4        Direct **Schedule CTE-5**, Income Statement Summary, provides the test year statement  
5        of operating income with pro forma adjustments and the resulting pro forma operating  
6        income. Direct **Schedule CTE-3**, Rate Base Adjustment Summary, and Direct  
7        **Schedule CTE-6**, Income Statement Adjustment Summary, provides the known and  
8        measurable adjustments to rate base and operating income that the Company  
9        reasonably expects through the update period. Direct **Schedule CTE-11**, Pro Forma  
10       Income Taxes, calculates income taxes based on state and federal effective tax rates.  
11       Direct **Schedule CTE-12**, Interest Synchronization, calculates the synchronized  
12       interest expense based on the Company’s rate base and weighted cost of debt. The  
13       Interest Synchronization calculation is necessary to properly calculate the amount of  
14       income taxes to be recovered through rates as the Company receives a tax deduction  
15       for interest expense which reduces the Company’s taxable income. Direct **Schedule**  
16       **CTE-8**, Weight Average Cost of Capital, presents the overall cost of capital used in the  
17       calculation of the revenue requirement, which will be addressed in detail by Company  
18       witnesses Todd Mooney (Empire’s capital structure and cost of debt) and John J. Reed  
19       (the reasonableness of Empire’s capital structure and Empire’s cost of equity).

20       **Q. Does Empire allocate its costs to operate across the four states in which it operates**  
21       **as well as for its FERC jurisdictional operations?**

22       A. Yes. Because Empire’s financial information is reported on a total Company basis for  
23       many rate making components (i.e., rate base, production expenses, transmission  
24       expenses, customer expenses), it is necessary to determine a method to allocate costs

1 between the various jurisdictions in which Empire operates. Empire operates in four  
2 retail jurisdictions (Missouri, Arkansas, Kansas and Oklahoma), and the Company also  
3 has two FERC formula rates which are used for transmission and wholesale generation  
4 customers.

5 **Q. Please describe the allocations used to populate the Missouri jurisdictional**  
6 **balances in the Company's revenue requirement.**

7 A. The basis of the Missouri jurisdictional allocations used by the Company to populate  
8 its Missouri balances is determined either directly or indirectly by the allocation of the  
9 Company's demand (12-month average coincidental peak) and energy consumption  
10 (12-month ending KWH sales) at the test year end among each of its five jurisdictions  
11 (four state retail and FERC). In addition, the Company also direct assigns accounts as  
12 appropriate. When assigning allocations to its costs, the Company looks at each  
13 individual general ledger account to determine the appropriate method of allocation.  
14 This helps ensure that accounts that may be jurisdictional specific are either allocated  
15 100% to Missouri or if it is unrelated to Missouri then Missouri customers are assigned  
16 none of those costs. See Direct **Schedule CTE-15** to see a detailed listing of the basis  
17 for the allocations for each category of costs, as well as if there are direct assignments  
18 within those types of costs.

19 Direct **Schedule CTE-15** reflects that the jurisdictional demand drives the  
20 allocation of the production and transmission plant; the distribution plant is direct  
21 assigned as it is specific to each jurisdiction; and the intangible and general plant is  
22 allocated based off the allocation of total production, transmission, and distribution  
23 plant combined. Many of the other cost categories are then allocated based off the  
24 allocation of electric plant (by the demand allocation factor indirectly). Variable

1 expenses, such as fuel inventory and other production expenses, are allocated based on  
2 each jurisdiction's 12-month ending energy consumption at the test year. The  
3 Company also uses its distribution of labor and 12-month average customer count to  
4 allocate the general ledger accounts within the A&G and Customer  
5 Accounts/Assistance categories, respectively. There are also accounts that may be retail  
6 specific or wholesale specific, whereas for example, the Company will create an  
7 allocation of its 12-month average coincidental peak based solely on its retail demand.  
8 By assigning an allocation basis for each specific general ledger account, this helps to  
9 ensure that the Company is including the appropriate amount of costs in its revenue  
10 requirement for its Missouri customers and prevents subsidization of costs among its  
11 five jurisdictions.

12 **IV. RATE BASE**

13 **Q. What is the Company's proposed rate base in this case?**

14 A. As shown in Direct Schedule CTE-2, Rate Base Summary, the Company's pro forma  
15 rate is \$2,351,017,178. It is comprised of the test year rate base of \$1,458,072,889,  
16 with pro-forma adjustments totaling \$892,944,289.

17 **Q. Please explain Rate Base (RB) Adjustment (ADJ) 1 for Plant Additions.**

18 A. RB ADJ 1 increases plant in service and accumulated depreciation for projects  
19 reasonably expected to be placed in service and used and useful by June 30, 2021. This  
20 adjustment consists of three different categories of additions: Wind, Advanced  
21 Metering Infrastructure ("AMI"), and all other investments. The increase for Wind  
22 additions is \$563,518,636, for AMI additions is \$23,654,446, and for all other  
23 investments is \$231,195,826. In total, this results in Missouri jurisdictional plant in  
24 service of \$818,368,908.

1 The accumulated depreciation is split in a similar way as the plant in service. The  
2 increase to accumulated depreciation for Wind is \$2,868,465, for AMI is \$1,020,580,  
3 and for all other investments of \$3,086,876. This results in an increase for total  
4 Missouri jurisdictional accumulated depreciation of \$6,975,920.

5 **Q. Please explain RB ADJ 2 for Common Plant Removal.**

6 A. There are certain general plant assets recorded on Empire's books that are shared  
7 between Empire electric and other non-electric affiliated business entities; therefore, a  
8 portion must be removed from the cost of service to avoid subsidization by Missouri  
9 electric customers. In RB ADJ 2, the Company calculated a "mass rate" to remove a  
10 percentage of common plant utilized by the other businesses, which includes certain  
11 buildings such as the Joplin Corporate Office, the Joplin Kodiak Operations Office,  
12 and the Ozark Call Center. The adjustment results in a decrease to Total Company and  
13 Missouri jurisdictional plant by \$6,703,641 and \$5,769,113, respectively, and reduces  
14 the associated accumulated depreciation reserve by \$4,005,045 Total Company and  
15 \$3,446,718 Missouri jurisdictional.

16 **Q. Please explain RB ADJ 3 for Additional Accumulated Depreciation.**

17 A. RB ADJ 3 decreases the Company's rate base by \$47,996,852 for the Missouri  
18 jurisdiction to account for the additional accumulated depreciation related to the test  
19 year level of assets (less the test year balance of common plant removed) expected to  
20 be incurred by the end of the update period ending June 30, 2021.

21 **Q. Please explain RB ADJ 4 for Additional Accumulated Amortization.**

22 A. RB ADJ 4 decreases the Company's rate base by \$4,916,089 on a Total Company and  
23 a \$4,291,168 on a Missouri jurisdictional basis to account for the additional

1 accumulated amortization related to the test year level of assets expected to be incurred  
2 by the end of the update period ending June 30, 2021.

3 **Q. Please explain RB ADJ 5 for Cash Working Capital.**

4 A. RB ADJ 5 decreases the Company's rate base by \$8,314,971 on a Missouri  
5 jurisdictional basis to account for the appropriate level of cash working capital. Please  
6 refer to Company witness Timothy S. Lyons' Direct Testimony for discussion on the  
7 approach to develop the lead-lag study.

8 **Q. Please explain RB ADJ 6 for the 13 Month Average Adjustments.**

9 A. A thirteen-month average is used to help smooth fluctuations in costs and better  
10 represent a normal level of costs for inclusion in rate base when setting new rates.  
11 When applying this method it results in a decrease to materials and supplies by  
12 \$10,140,503 on a Total Company basis and a decrease of \$8,890,319, for Missouri  
13 jurisdiction. Prepayments were decreased by \$602,196 for Total Company and  
14 decreased by \$525,646 for Missouri. A thirteen-month average results in a decrease of  
15 customer deposits by \$149,528 for Total Company and a decrease of \$139,528 for  
16 Missouri. Customer advances results in a decrease of \$987,304 on a Total Company  
17 basis and \$987,590 on a Missouri jurisdiction basis.

18 **Q. Please explain RB ADJ 7 for the Removal of Water Inventory.**

19 A. Prior to the acquisition of Empire's water assets by Liberty Utilities (Missouri Water)  
20 LLC in June 2020, Empire's water costs were previously included in the same general  
21 ledger as The Empire District Electric Company. Due to this consolidation of books  
22 there were certain costs that must be removed from Empire's general ledger to reflect  
23 electric balances only. The material and supplies inventory account, 154000, recorded  
24 on Empire's balance sheet, included inventory for both the electric and water

1 businesses until Empire Water's acquisition. Although the balance of this account at  
2 the end of the test year (September 2020) would no longer include any water inventory,  
3 through the revenue requirement adjustment process the Company created an  
4 adjustment (RB ADJ 6) to bring the test year balances of materials and supplies  
5 accounts to a 13-month average level. The 13-month average balances used to adjust  
6 account 154000 were inclusive of the water company costs previously included in this  
7 account; therefore, RB ADJ 7 is needed to remove the 13-month average balance  
8 related to water inventory. This adjustment removed \$62,013 Total Company or  
9 \$54,374 Missouri jurisdictional from account 154000.

10 **Q. Please explain RB ADJ 8 for Fuel Inventory Normalization.**

11 A. The Company calculated coal inventories by determining the average daily burn and  
12 multiplying it by the appropriate number of days for inventory for each plant, resulting  
13 in a decrease to Total Company test year coal inventories of \$707,688 or a decrease of  
14 \$623,383 on a Missouri level. For fuel oil, the Company utilized a September 30, 2020  
15 balance of fuel inventory (in gallons) and multiplied it by the weighted average price  
16 per gallon. This resulted in a decrease to test year fuel oil inventory of \$87,712 for  
17 Total Company and a decrease of \$77,263 for Missouri. For all other fuel inventories,  
18 the Company utilized a thirteen-month average, which results in a decrease of \$9,423  
19 for Total Company and a decrease of \$8,301 for Missouri. This results in a Total  
20 Company decrease to fuel inventories by \$804,824 and decrease to Missouri by  
21 \$708,947.

22 **Q. Please explain RB ADJ 9 to Update the Regulatory Assets.**

23 A. RB ADJ 9 was used to adjust the current authorized regulatory asset balances at the  
24 test year, in addition to any new regulatory assets being proposed in this case to the



1 balances expected at the end of the update period, June 2021. The total increase to  
2 regulatory assets is \$206,616,912 Missouri jurisdictional and is inclusive of  
3 adjustments to the following accounts:

- 4 • Iatan 1, Iatan 2, and Plum Point Deferred Carrying Costs: In accordance with  
5 the Amended Report and Order from ER-2019-0374, the Company adjusted its  
6 general ledger balances for the deferred carrying costs to be in compliance. This  
7 adjustment then calculates the balance of the regulatory assets for Iatan 1, Iatan  
8 2, and Plum Point Carrying Costs at the end of the update period. This is done  
9 by reducing the asset balances at the test year by nine months of the authorized  
10 amortization expense from Case No. ER-2019-0374. This results in a Missouri  
11 jurisdictional pro forma adjustment of (\$121,583) for Iatan 1, (\$33,189) for  
12 Iatan 2, and (\$945) for Plum Point. After these adjustments, the Missouri  
13 jurisdictional pro forma balances for Iatan I is \$3,819,745, for Iatan II is  
14 \$2,084,635, and for Plum Point is \$98,107.
- 15 • Customer Demand Program (DSM): In accordance with the Amended Report  
16 and Order from ER-2019-0374, the Company adjusted its general ledger  
17 balances for its Customer Demand Program and the related amortization  
18 expense to be in compliance. The pro forma adjustment for DSM captures the  
19 costs related to Empire's demand-side management programs and includes the  
20 payments to Empire's customers that participate in the programs. Any amounts  
21 incurred prior to the end of Empire's Regulatory Plan (June 15, 2011) are being  
22 amortized over ten years and any amounts incurred after the end of the  
23 Regulatory Plan, but prior to any program implementation under MEEIA, is  
24 being amortized over a period of six years, as approved in the Commission's

1 Report and Order in Case No. ER-2014-0351. The costs incurred in 2010,  
2 January 1 to June 15 of 2011, and 2014 will be fully amortized by the update  
3 period of this case; therefore, this adjustment reduced the regulatory asset for  
4 their balances to zero. The costs incurred in 2015 to 2020 were also adjusted  
5 for the additional months of amortization to be incurred from the end of the test  
6 year through the update period. Finally, costs were projected for October 2020  
7 through June 2021 based on actuals and a four-year average and added to the  
8 regulatory asset balance. The adjustment proposed is reducing the regulatory  
9 asset \$273,228 to reflect a pro forma balance of \$3,548,528 Missouri  
10 Jurisdiction.

- 11 • May 2011 Tornado AAO: This adjustment is to reflect the balances of the  
12 regulatory assets related to the 2011 Tornado AAO at the end of the update  
13 period. This is done by removing nine months of amortization expense from  
14 the balance of the regulatory assets at the test year. This results in a Missouri  
15 jurisdictional pro forma adjustment amount of (\$301,886) and a pro forma  
16 balance of \$704,401.
- 17 • Peoplesoft Regulatory Asset: In Case No. ER-2011-0004, the Commission  
18 ordered the regulatory asset for the intangible PeopleSoft costs to be amortized  
19 over ten years. This adjustment reduces the regulatory asset for nine months  
20 (October 2020 to June 2021) of additional amortization that will be incurred  
21 through the update period. This regulatory asset is a direct assigned account to  
22 Missouri retail customers; therefore, all balances are reported at the Missouri  
23 retail jurisdictional level. The pro forma balance of the Peoplesoft Tracker

1 should be \$39,129, at the update period; therefore, an adjustment of (\$23,477)  
2 is needed to reduce the test year balance.

- 3 • Low-Income Pilot Program (“LIPP”): This adjustment is to reflect the balance  
4 of the low-income pilot program regulatory asset at the end of the update period.  
5 This includes increasing the regulatory asset based on projections of anticipated  
6 participation, as well reducing by nine months of the approved amortization  
7 expense. This results in an increase of \$30,440 and a pro forma Missouri  
8 balance of \$379,106. The Company is requesting the continuation of the  
9 tracking of customer charges in a regulatory asset. Please refer to the Direct  
10 Testimony of Company witness Jon Harrison filed in this proceeding for  
11 additional information regarding Empire’s low-income pilot program including  
12 the Company’s proposal to not only continue but to expand the program.

- 13 • Vegetation Tracker: Per the Stipulation and Agreement in Case No. ER-2016-  
14 0023, the Vegetation/Infrastructure tracker was discontinued, and a regulatory  
15 asset was approved with a five-year amortization. This adjustment reduces the  
16 regulatory asset for nine months (October 2020 to June 2021) of additional  
17 amortization that will be incurred through the update period. This regulatory  
18 asset is a direct assigned account to Missouri retail customers; therefore, all  
19 balances are reported at the Missouri retail jurisdictional level. The pro forma  
20 balance of the Vegetation Tracker should be \$90,934, at the update period;  
21 therefore, an adjustment of (\$327,361) is needed to reduce the test year balance.

- 22 • Pension/OPEB/Prepaid Pension Regulatory Assets: Please see the Direct  
23 Testimony of Company witness James A. Fallert regarding the rate base  
24 adjustments made for Pension and OPEB.

- 1           • MO Solar Initiative: This adjustment reflects the projected Missouri solar  
2           initiatives balance at the end of the update period. This results in an increase to  
3           rate base of \$1,380,964 to make the solar initiative pro forma Missouri balance  
4           equal \$2,264,346.
- 5           • Riverton 12 LTM Tracker: In accordance with the Amended Report and Order  
6           from ER-2019-0374, the Company began using the new Riverton 12 Tracker  
7           base amount in September 2020 and started amortizing the \$14M approved for  
8           the tracker in that docket over five years. This adjustment was then created to  
9           reflect the projected balance at the end of the update period for the Riverton 12  
10          Tracker. This was done by using the 2021 budget, as well as, adjusting for  
11          amortization expense that was approved in the prior case. This results in a pro  
12          forma adjustment of (\$3,461,977), which makes the pro forma Missouri ending  
13          balance for this tracker equal to \$12,754,640.
- 14          • Solar Rebate: Per the Order in Case No. ER-2016-0023, the regulatory asset for  
15          solar rebates was to be amortized over ten years. In addition, Case No. ER-  
16          2019-0374 allowed the 1/31/2020 solar initiative balance (\$14,476,346) to also  
17          be amortized over ten years. This regulatory asset is a direct assigned account  
18          to Missouri retail customers; therefore, all balances are reported at the Missouri  
19          retail jurisdictional level. This adjustment reduces the regulatory asset for nine  
20          months (October 2020 to June 2021) of additional amortization that will be  
21          incurred through the update period. The pro forma balance of the Solar Rebate  
22          Regulatory Asset should be \$16,559,752, at the update period; therefore, an  
23          adjustment of (\$1,550,767), is needed to reduce the test year balance.

- 1           • Asbury Retirement AAO: Please see the Direct Testimony of Company witness  
2           Tisha Sanderson regarding the following rate base adjustments made for the  
3           Asbury Retirement AAO: RB ADJ 9 – Asbury Adjustments.
- 4           • Plant-In-Service Accounting (“PISA”) Regulatory Asset: On August 12, 2020,  
5           Empire filed its notice of election for PISA in EO-2019-0046. Pursuant to  
6           RSMo. §393.1400, the Company may defer 85% of the depreciation and return  
7           associated with plant additions in the Missouri jurisdiction for the time period  
8           between when those plant additions are placed into service and when they are  
9           included in the Company’s rates (so long as the Company meets the provisions  
10          of the statute). The PISA rate base adjustment increases the asset balance by  
11          \$12,951,209 above the test year balance on a Total Company and Missouri  
12          jurisdictional basis to account for actual additions to the asset through January  
13          2021 and projected additions to the asset through the end of the update period  
14          in this case. This results in a Missouri pro forma ending balance of \$13,243,844.
- 15          • COVID-19: On September 17, 2020, Empire requested an accounting authority  
16          order (“AAO”) to identify, track, document, accumulate, and defer in a  
17          regulatory asset from March 1, 2020 forward, certain costs and savings related  
18          to COVID-19 (Case No. AU-2021-0072). The Commission created a new  
19          docket for The Empire District Electric Company (Case No. EU-2021-0145),  
20          and on January 5, 2021 the Company filed a notice voluntarily withdrawing its  
21          request to the Commission for the issuance of an AAO. Therefore, this  
22          adjustment removes \$163,075 from rate base for the test year level of COVID-  
23          19 related costs/savings the Company was tracking prior to the withdrawal of  
24          its application in Case No. EU-2021-0145.

- 1           • Missouri Electric Rate Case Expense: The deferred debit for rate case expense  
2           does not meet the standards for an Accounting Authority Order, therefore, the  
3           Company is not seeking rate base recovery. However, the Company is seeking  
4           recovery as an expense within EXP ADJ 10.
- 5           • SB-EDR: This account did not have a balance at the end of the test year,  
6           however, this regulatory asset was set up to reflect the anticipated discounts  
7           given to customers from October 2020 to June 30, 2021 in accordance with the  
8           provisions of Senate Bill 564 related to economic development (RSMo.  
9           393.1640). This reflects an increase to rate base by \$981,200.
- 10          • Storm Uri Fuel Costs: Per my Direct Testimony in Case. ER-2021-0332, the  
11          Company sought to defer a significant portion of Winter Storm Uri costs from  
12          the FAC rates until the next general rate case to determine a more reasonable  
13          recovery period to benefit Missouri customers. At this time, the Company is  
14          seeking recovery of three components of costs related to Winter Storm Uri. The  
15          first component the Company seeks recovery of is the 95% of fuel and  
16          purchased power costs that were deferred from the April 2021 FAC Semi-  
17          Annual filing. This regulatory asset balance is \$168,720,211. The next  
18          component represents the 5% fuel and purchased power expenses as well as  
19          additional legal expenses to be included in rate base. This component has a  
20          balance of \$9,366,670. Last, is the carrying costs associated with the two  
21          previous components mentioned above. This is calculated using the approved  
22          Weighted Average Cost of Capital (WACC) from the prior case and multiplying  
23          it by four months to capture March through June 2021. This results in a balance

1 of \$4,016,453. In total the increase to rate base (after accounting for the CWC  
2 impact) related to Storm Uri is \$181,692,727 on a Missouri level.

- 3 • Replacement of Existing Meters with New AMI Meters: Please see the Direct  
4 Testimony of Company witness Tisha Sanderson regarding the rate base  
5 adjustments made for the replacement of existing meters with new AMI  
6 Meters.
- 7 • Riverton Environmental Cost Regulatory Assets: The Company has currently  
8 incurred various environmental capital expenditures at its plants that have been  
9 identified as part of the legal obligations associated with the retirement of those  
10 tangible long-lived assets. The incurred capital expenditures include costs paid  
11 to remove asbestos at the Asbury and Riverton generating units; costs paid to  
12 settle obligations for the handling and retirement of coal ash ponds at Asbury,  
13 Iatan, and Riverton; and for costs to settle obligations to dispose of PCB  
14 contaminated oil and equipment, all of which have not been previously  
15 recovered in rates. Per the Amended Report and Order in Case No. ER-2019-  
16 0374, Commission Staff verified the capital expenditures incurred by the  
17 Company through the true-up period in that case (January 2020) were both  
18 prudent and necessary.<sup>1</sup> Therefore, this adjustment is to include in the cost of  
19 service the costs previously deemed prudent by the Commission Staff, the  
20 additional capital expenditures that have been incurred by the Company through  
21 the end of the test year of this current case (September 2020), and any  
22 settlements that are expected to be paid out through the end of the update period  
23 (June 2021). Based on the guidance from the Commission in the Amended

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<sup>1</sup> ER-2019-0374 Amended Report and Order, page 149.

1 Report and Order in Case No. ER-2019-0374, the Company is including the  
2 environmental costs incurred for the Riverton asbestos and ash pond in rate base  
3 as a regulatory asset and is proposing an amortization for this asset in EXP ADJ  
4 9 – Environmental Costs Regulatory Asset Amortization. The adjustment  
5 amount for the Riverton related environmental costs to be included in a  
6 regulatory asset is \$3,399,825 Missouri jurisdictional. It should be noted that  
7 the treatment of the recovery of the costs associated with the Asbury plant is  
8 discussed further in Company witness Tisha Sanderson’s Direct Testimony.

9 **Q. Please explain RB ADJ 10 to Update the Regulatory Liabilities.**

10 A. RB ADJ 10 was used to adjust the regulatory liability balances at the test year, to the  
11 balance at the end of the update period, June 2021. The total decrease to regulatory  
12 liabilities is \$67,220,420 (Missouri jurisdiction) and is inclusive of adjustments to the  
13 following accounts:

- 14 • Pension/OPEB Regulatory Liabilities: Please see the Direct Testimony of  
15 Company witness James A. Fallert regarding the rate base adjustments made  
16 for Pension and OPEB.
- 17 • SWPA: There is no pro forma adjustment required for this regulatory liability,  
18 as it was fully amortized at September 30, 2020.
- 19 • TCJA Excess ADIT: This adjustment is to reflect the balance of the Tax reform  
20 Excess ADIT regulatory liability at the end of the update period. This is done  
21 by removing nine months of amortization expense from the balance of the  
22 regulatory liability at the test year. This results in a pro forma adjustment  
23 reducing the liability in the amount of \$6,114,706 and a Missouri pro forma  
24 ending balance of \$118,184,301.



- 1           • TCJA Stub Period: Based on the Amended Report and Order in the last case,  
2           the Company had a regulatory liability of \$11,728,453 related to the TCJA stub  
3           period revenues that it began amortizing at the effective date of the Order. It  
4           also stated there would be no rate base offset for this regulatory liability;  
5           therefore, there is no adjustment to rate base for this item.
- 6           • Wind Revenue PISA Liability: Reduces the Missouri rate base by \$8,407,065,  
7           which is 85% of Missouri’s portion of the projected net revenues from the new  
8           wind facilities through April 2022. This liability is further described in the  
9           Direct Testimony of Tisha Sanderson.
- 10          • Wind Projects Asset Retirement Obligations (“ARO”): This adjustment  
11          decreases Missouri jurisdictional rate base by \$23,593,959 (\$26,727,540 on a  
12          Total Company basis) to reflect the expected amount AROs associated with the  
13          Wind Projects. In this case, the liability offsets the asset retirement costs  
14          included with the Wind Projects plant-in-service. The proposal to reflect these  
15          costs and obligations on Empire’s books is further discussed in the Direct  
16          Testimony of Company witness Tisha Sanderson.
- 17          • Asbury AAO Liability: Please see the Direct Testimony of Company witness  
18          Tisha Sanderson regarding the rate base adjustments made for the Asbury AAO  
19          Liabilities, which include RB ADJ 10 – Asbury Adjustment, RB ADJ 10 –  
20          Asbury Excess ADIT reclass, and RB ADJ 10 – Asbury ADIT reclass.

21   **Q. Please explain RB ADJ 11 to Update Accumulated Deferred Income Taxes**  
22   **(“ADIT”).**

1 A. RB ADJ 11 increases the amount of accumulated deferred income taxes included in  
2 rate base by \$43,621,919 on a Total Company level and by \$37,486,372 for Missouri  
3 jurisdictional to reflect the expected balance at June 30, 2021.

4 **Q. Please explain RB ADJ 12 for the Change in Missouri Jurisdictional Allocations**  
5 **Caused by the Loss of Contracts for the Generation Formula Rate (GFR)**  
6 **Customers.**

7 A. The Company's general ledger reflects Total Company balances which are inclusive of  
8 five electric jurisdictions: Missouri, Kansas, Arkansas, Oklahoma, and FERC. The  
9 Company then applies allocation factors to the general ledger to determine each  
10 jurisdiction's portion of the ledger balances. The majority of the general ledger  
11 accounts are either directly or indirectly allocated based on each jurisdiction's 12-  
12 month average coincidental peak and their 12-month KWH sales. Effective May 31,  
13 2020 the contracts for three wholesale customers expired. These customers received  
14 service under the Company's FERC Generation Formula Rates ("GFR"). This loss  
15 resulted in a shift in the allocations assigned to the remaining FERC customers, as well  
16 as the retail jurisdictions. This shift was primarily driven due to a change in the retail  
17 coincidental peak which is one of the primary factors used in the Company's  
18 jurisdictional allocations.

19 Due to the test year ending balances only reflecting four months of this change  
20 in allocations, the Company had to determine the annualized effect of the loss of the  
21 GFR customers and adjust its cost of service to increase Missouri's jurisdictional test  
22 year rate base and income statement balances. RB ADJ 14 reflects the rate base portion  
23 of that adjustment, which includes a \$22,916,774 addition to Missouri's net rate base.

1 See REV ADJ 9 and EXP ADJ 18 for the effect on the test year level of revenues and  
2 expenses.

3 **Q. Please explain RB ADJ 13 for the Iatan and PCB Environmental Costs Regulatory**  
4 **Assets.**

5 A. As discussed above in RB ADJ 9 – Environmental Cost Regulatory Asset, the  
6 Company has currently incurred various environmental capital expenditures at its  
7 plants that have been identified as part of the legal obligations associated with the  
8 retirement of those tangible long-lived assets and which have yet to be recovered in  
9 rates. Therefore, based on the guidance from the Commission in the Amended Report  
10 and Order in Case No. ER-2019-0374, the Company is offsetting the Iatan  
11 environmental costs incurred against its remaining accumulated reserve accounts. The  
12 Company has also offset the accumulated reserve accounts for its environment capital  
13 expenditures costs related to PCB Transformers/Sub Transformers Equipment. In  
14 addition, as Asbury was no longer in service at the end of the test year in this case, the  
15 Asbury related capital expenditures are being proposed in RB ADJ 9 – Asbury  
16 Environmental Cost Regulatory Assets, which is supported by Company witness Tisha  
17 Sanderson. In conclusion, the adjustment amount for the Iatan and PCB  
18 transformer/Sub Transformer related capital expenditures that will offset Accumulated  
19 Depreciation is \$5,374,200 Missouri jurisdictional.

20 **Q. Please explain RB ADJ 14 for Asbury ADIT Reclass.**

21 A. Please see the Direct Testimony of Company witness Tisha Sanderson regarding the  
22 rate base adjustment made for the Asbury ADIT Reclass.

23 **Q. Please explain RB ADJ 15 to Update Plant in Service and Accumulated**  
24 **Depreciation Related to the Replacement of Existing Meters.**

1 A. Please see Ms. Sanderson’s Direct Testimony regarding the rate base adjustments made  
2 for the replacement of existing meters with new AMI Meters.

3 **V. OPERATING INCOME**

4 **Q. Has the Company proposed any adjustments to its test year operating income?**

5 A. Yes, the Company has proposed multiple adjustments to normalize and annualize  
6 balances to arrive at what is deemed a normal test year. The various adjustments will  
7 be discussed in further detail later in my testimony.

8 **Q. Do any of the proposed adjustments relate to revenue?**

9 A. Yes. The Company proposes the following adjustments to test year revenue:

- 10 • REV ADJ 1 to Remove FAC Related Revenues;
- 11 • REV ADJ 2 to Remove Unbilled Revenues;
- 12 • REV ADJ 3 to Annualize Customer Counts;
- 13 • REV ADJ 4 to Normalize Test Year Revenues (i.e., weather, COVID, etc.);
- 14 • REV ADJ 5 to Annualize for Customer Load Growth;
- 15 • REV ADJ 6 to reverse out the test year accounting revenue entries pertaining  
16 to the Asbury AAO;
- 17 • REV ADJ 7 to Annualize for Customers who have opted-out of using the AMI  
18 meters;
- 19 • REV ADJ 8 to impute Revenue for customers who received a discount under  
20 the Company’s Economic Development tariff (Schedule EDR);
- 21 • REV ADJ 9 to annualize revenue accounts impacted by the loss of contract for  
22 the GFR customers during the test year;
- 23 • REV ADJ 10 to remove Franchise Fees collected during the test year;

- 1           • REV ADJ 11 to remove the revenue recorded in the Company’s test year  
2           associated with the new wind generation;
- 3           • REV ADJ 12 to normalize revenue received from the Southwest Power Pool  
4           (“SPP”);
- 5           • REV ADJ 13 to annualize the rate increase received as result of the Company’s  
6           last general rate case (ER-2019-0364) which occurred during the test year;
- 7           • REV ADJ 14 to annualize the anticipated revenue to be received from the  
8           Company’s investment in the Wind Projects; and
- 9           • REV ADJ 15 to normalize the reconnect/disconnect and late fee revenues as a  
10          result of COVID.

11 **Q. Do any of the proposed adjustments relate to expense?**

12 A. Yes. The Company proposes the following adjustments to test year expenses:

- 13           • EXP ADJ 1 to normalize fuel and purchased power expenses;
- 14           • EXP ADJ 2 to normalize non-labor O&M generation expenses;
- 15           • EXP ADJ 3 to normalize the non-labor, non-fuel expenses for Asbury  
16           departments 110, 115, and the new department 150;
- 17           • EXP ADJ 4 to remove expenses incurred in the Company’s test year associated  
18           with the new wind generation;
- 19           • EXP ADJ 5 to reflect the increase in the Plum Point Contract;
- 20           • EXP ADJ 6 to normalize the electronic customer payment fees;
- 21           • EXP ADJ 7 to increase test year depreciation expense for the amount that was  
22           removed related to the PISA regulatory asset;
- 23           • EXP ADJ 8 to annualize the uncollectible expense account;
- 24           • EXP ADJ 9 to annualize amortization expense;

- 1 • EXP ADJ 10 to include an annualized of rate case expense;
- 2 • EXP ADJ 11 to remove acquisition costs from the test year;
- 3 • EXP ADJ 12 to normalize the level of expected insurance premium expense;
- 4 • EXP ADJ 13 to normalize the amount of injuries and damages and worker's
- 5 compensation claims paid out;
- 6 • EXP ADJ 14 to include an annualized amount of customer education expenses
- 7 related to Time of Use rates;
- 8 • EXP ADJ 15 to remove non-recoverable expenses from the test year;
- 9 • EXP ADJ 16 to annualize payroll and payroll tax expense;
- 10 • EXP ADJ 17 to annualize expenses for employee benefits;
- 11 • EXP ADJ 18 to annualize expense accounts impacted by the loss of contract
- 12 for the GFR customers during the test year;
- 13 • EXP ADJ 19 to annualize the Public Service Commission Assessment for
- 14 2020;
- 15 • EXP ADJ 20 to annualize depreciation expense;
- 16 • EXP ADJ 21 to annualize amortization expense;
- 17 • EXP ADJ 22 to annualize property tax related to non-wind plant;
- 18 • EXP ADJ 23 to remove franchise fees expenses from the test year;
- 19 • EXP ADJ 24 to include interest on customer deposits as an operating expense;
- 20 • EXP ADJ 25 to annualize the expenses incurred from the Company's
- 21 investment in the Wind Projects;
- 22 • EXP ADJ 26 to include outside service expenses related to the AMI project;
- 23 • EXP ADJ 27 to normalize the training and travel expenses;

- 1           • EXP ADJ 28 to normalize the pension and OPEB expenses;
- 2           • EXP ADJ 29 to reflect the savings related to the reduction of meter readers;
- 3           and
- 4           • EXP ADJ 30 to normalize federal and state income taxes.

5   **Q.   Please explain REV ADJ 1 to Remove FAC Related Revenues.**

6   A.   REV ADJ 1 is to remove FAC related revenues from the revenue requirement. These  
7       revenues represent the amount recovered/refunded to customers as a result of the FAC  
8       tariff. As FAC rider revenue simply collects the under/over collection of fuel costs,  
9       there is no need to seek recovery of these revenues through base rates. This results in a  
10      pro forma adjustment to decrease revenues by \$69,190.

11   **Q.   Please explain REV ADJ 2 to Remove Unbilled Revenues.**

12   A.   This adjustment removes \$9,802,736 of revenues from test year that were not billed to  
13      or received from customers during the test year and which billing determinants were  
14      not reflected in the billing determinants used to calculate a weather normalized level of  
15      revenue. Therefore, this adjustment is required in order to avoid a double counting of  
16      revenue.

17   **Q.   Please explain REV ADJ 3 for Customer Annualization.**

18   A.   Please see the Direct Testimony of Company witness Gregory W. Tillman regarding  
19      the details pertaining to the revenue customer annualization adjustment.

20   **Q.   Please explain REV ADJ 4 for Revenue Normalization.**

21   A.   Please see Mr. Tillman's Direct Testimony regarding the details pertaining to the  
22      revenue normalization adjustment.

23   **Q.   Please explain REV ADJ 5 for Customer Load Growth.**

1 A. Please see Mr. Tillman's Direct Testimony regarding the details pertaining to customer  
2 load growth adjustment.

3 **Q. Please explain REV ADJ 6 for the Reversal of Revenues Related to the Asbury**  
4 **Retirement AAO.**

5 A. Please see the Direct Testimony of Company witness Tisha Sanderson regarding the  
6 revenue adjustment made for the Asbury Retirement AAO.

7 **Q. Please explain REV ADJ 7 for AMI Opt-Out Fees.**

8 A. Please see Ms. Sanderson's Direct Testimony regarding the income statement  
9 adjustments made for the AMI Opt-Out Fees.

10 **Q. Please explain REV ADJ 8 for Economic Development Rider (EDR) Revenues.**

11 A. REV ADJ 8 increases operating revenues by \$330,495 on a Total Company and  
12 Missouri jurisdictional level to reflect the discounts provided to customers in  
13 accordance with Missouri retail Empire's Economic Development Rider (Schedule  
14 EDR).

15 **Q. Please explain REV ADJ 9 for the Change in Missouri Jurisdictional Allocations**  
16 **Caused by the Loss of Contracts for the GFR Customers.**

17 A. As discussed in RB ADJ 14, the Company is making an adjustment to reflect the change  
18 in allocation factors due to the loss of three of its customers on its GFR FERC tariff.  
19 The Company determined the annualized effect of the loss of those GFR customers and  
20 made an adjustment to increase Missouri's jurisdictional test year non-retail revenues  
21 by \$516,787.

22 **Q. Please explain REV ADJ 10 for Franchise Fees Revenues.**

23 A. REV ADJ 10 reduces test year revenues by \$9,148,128 for the Missouri jurisdiction to  
24 ensure the revenues from Franchise Fees are not included in the Company's base rates.



1 Franchise Fees are collected by the Company on behalf of local governments and then  
2 remitted to those governments. An additional adjustment is made to test year O&M  
3 expenses (EXP ADJ 23) to ensure Franchise Fees expenses are not included in base  
4 rates.

5 **Q. Please explain REV ADJ 11 for the Removal of Test Generation Wind Revenue.**

6 A. REV ADJ 11 removes \$6,010 (Total Company) or \$5,292 (Missouri) of test revenues  
7 Empire received from the SPP Integrated Marketplace for the North Fork Ridge wind  
8 facility during the test year. This results in a Missouri pro forma ending balance of \$0.  
9 The reversal of these balances occurred after the test year end so it is appropriate to  
10 make this adjustment to reflect a normalized amount which should be zero.

11 **Q. Please explain REV ADJ 12 for Fuel and Purchased Power Revenues.**

12 A. REV ADJ 12 adjusts revenues based on the Company's fuel production model used to  
13 set up an appropriate level of fuel in base rates. This results in a Total Company pro  
14 forma ending balance of \$209,701,056 which increases Total Company revenues by  
15 \$188,064,229 and Missouri revenues by \$165,472,974. The Direct Testimony of  
16 Company witness Todd Tarter further discusses the production model and base fuel  
17 calculations.

18 **Q. Please explain REV ADJ 13 for the 2019 General Rate Case Revenues.**

19 A. REV ADJ 13 increases test year revenues by \$945,265 to reflect the additional base  
20 rate revenue received as a result of the Amended Report and Order from Cause No.  
21 ER-2019-0374. The revenues ordered in that case fully accounted for the federal tax  
22 rate reduction resulting from the Tax Cuts and Jobs Act of 2017, therefore no additional  
23 adjustment was made to revenues for the federal tax rate change in this case. It should  
24 be noted the adjustment is less than the Commission's authorized increase because a

1 portion of the rate increase took effect during the test year (tariff effective date was  
2 September 16, 2020).

3 **Q. Please explain REV ADJ 14 for the Wind Operating Revenues.**

4 A. REV ADJ 14 increases Missouri jurisdictional operating revenues by \$2,312,726 and  
5 \$2,619,885 for Total Company for revenues related to the Wind Projects not included  
6 in the FAC. This adjustment is further discussed in the Direct Testimony of Tisha  
7 Sanderson.

8 **Q. Please explain REV ADJ 15 for the Normalization of Late Fees and Disconnect  
9 Revenues.**

10 A. Due to the effects of COVID being reflected in a portion of the test year balance, the  
11 Company is proposing to adjust its late fee and disconnect revenues to a five-year  
12 average to normalize those revenues. This adjustment increases revenues by \$423,505  
13 at a Total Company and Missouri Jurisdictional level.

14 **VI. EXPENSE ADJUSTMENTS**

15 **Q. Please explain EXP ADJ 1 for Fuel and Purchased Power Expenses.**

16 A. EXP ADJ 1 adjusts expenses based on the Company's fuel production model used to  
17 set up an appropriate level of fuel in base rates. This results in a Total Company pro  
18 forma ending balance of \$274,560,332, which increases Total Company expenses by  
19 \$120,126,992 and Missouri expenses by \$104,980,721. Company witness Todd Tarter  
20 further discusses the production model and base fuel calculations.

21 **Q. Please explain EXP ADJ 2 to Normalize the Generation O&M Expenses.**

22 A. EXP ADJ 2 increases test year expenses by \$3,142,832 on a Total Company basis and  
23 \$2,763,099 on a Missouri jurisdictional basis in order to reflect the appropriate amount  
24 of non-labor O&M expense for Empire's generation facilities. This adjustment results

1 in a Missouri pro forma ending balance of \$21,639,919. In order to capture a major  
2 maintenance overhaul cycle, Empire utilized a five-year average for most of its  
3 generating units. However, Empire utilized a four-year average for the Riverton Plant.  
4 Riverton 12 which comprises the majority of Riverton generation and O&M expenses  
5 was converted to a combined cycle unit and entered service in May 2016. Including the  
6 fifth year of data would have not been representative of normal ongoing combined  
7 cycle maintenance since it captures a partial year of service and warranty period.  
8 Currently, Empire expects Riverton to have a maintenance cycle of 7-8 years, but this  
9 amount of data is not yet available. The Company utilized a six-year average for  
10 Stateline Combined Cycle in order to capture a major maintenance overhaul cycle in  
11 the adjustment. The last steam turbine outage occurred in the spring of 2015 and  
12 another steam turbine outage began in February of 2021. The six-year average will  
13 allow the Company to ensure adequate maintenance expense is captured in rates going  
14 forward. In Empire's prior rate case, Staff recommended a six-year average for Iatan  
15 1. However, the Company is proposing a five-year average in line with most of the  
16 Company's other generating units. The five-year average captures a major  
17 maintenance cycle for Iatan 1 and does not significantly differ from a six-year average  
18 in this case.

19 **Q. Please explain EXP ADJ 3 which serves to Normalize O&M Expenses after the**  
20 **retirement of Asbury.**

21 A. EXP ADJ 3 removes the test year non-labor, non-fuel O&M amounts for the Asbury  
22 generating plant (Departments 110 & 150) as the test year is no longer representative  
23 of normal O&M costs as the Asbury plant was retired on March 1, 2020. In addition,  
24 the Company is adjusting for a newly created department (Department 115), which was

1 established to account for the projected costs to support services for many of Empire's  
2 generating facilities, including the new solar and Wind Projects. The projected costs  
3 for the Department 115 is based on the budget for 2021, less those costs specifically  
4 accounted for in EXP ADJ 25 for the Wind O&M costs. Therefore, this adjustment  
5 reduces the Company's annual non-labor, non-fuel O&M expenses by \$220,528 at a  
6 Total Company level or \$186,734 at a Missouri jurisdictional level, resulting in a pro  
7 forma balance of \$678,385 Total Company or \$605,885 Missouri jurisdiction.

8 **Q. Please explain EXP ADJ 4 for the Removal of Test Wind Expenses.**

9 A. EXP ADJ 4 removes \$43 Total Company or \$38 Missouri of test expenses Empire  
10 booked from the SPP Integrated Marketplace for the North Fork Ridge wind facility  
11 during the test year. This results in a Missouri pro forma ending balance of \$0. The  
12 reversal of these balances occurred after the test year end so it is appropriate to make  
13 this adjustment to reflect a normalized amount which should be zero.

14 **Q. Please explain EXP ADJ 5 for Plum Point Demand Charges.**

15 A. EXP ADJ 5 increases operating expenses on a total company level by \$477,127 or  
16 \$421,188 on a Missouri level for the contracted demand charge for Empire's Plum  
17 Point generating unit. The new demand charge will become effective in September  
18 2021; therefore, this adjustment is annualizing the contract change.

19 **Q. Please explain EXP ADJ 6 Related to Customer Payment Fees.**

20 A. EXP ADJ 6 increases Missouri jurisdictional operating expenses by \$685,352 to  
21 capture the fees incurred by customers to make payments through kiosks, over the  
22 phone, and through electronic payment systems. In its Amended Report and Order  
23 issued on July 23, 2020 in Case No. ER-2019-0374, the Commission authorized Empire  
24 to recover \$1,165,283 for fees that were previously incurred directly by the customer

1 when making credit card payments. Following approval of its compliance tariffs in  
2 September 2020 (and at the end of the test year for this case), the Company ceased  
3 charging its Missouri customers for credit card payments. Around the same time,  
4 Empire switched vendors for online and over the phone payments. Empire's new  
5 payment vendor charges a lower fee for transaction costs absorbed by the Company,  
6 resulting in a significant savings to customers.

7 Empire's Missouri annualized cost for over the phone and electronic payments in this  
8 case is \$650,339. In addition, the Company is proposing to include \$35,013 (for a total  
9 of \$685,352) in the revenue requirement for Missouri kiosk payment fees incurred  
10 directly by some of our Missouri retail customers<sup>23</sup>. If the Commission approves this  
11 adjustment, Empire's customers will be able to make payments through multiple  
12 convenient methods without incurring any additional individual fees, while achieving  
13 an approximately 41% decrease in overall customer payment costs.

14 **Q. Please explain EXP ADJ 7 for the PISA Depreciation Adjustment.**

15 A. EXP ADJ 7 reverses the test year Missouri direct assigned depreciation expense offset  
16 of \$5,482 to ensure the annualized amount of depreciation expense is not impacted by  
17 the PISA depreciation offset. The amortization for the PISA Regulatory Asset is  
18 explained in EXP ADJ 9.

19 **Q. Please explain EXP ADJ 8 for Uncollectible Expense.**

20 A. EXP ADJ 8 increases Missouri uncollectible expenses by \$882,316 by normalizing  
21 uncollectible expense based on a 5-year historical uncollectible percentage. The 5-  
22 year historical average used to calculate the uncollectible percentage excluded the test

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<sup>2</sup> Customers that use a Kiosk in Joplin, Ozark and Branson locations do not pay a Kiosk fee.

<sup>3</sup>

1 year as it was impacted by the various payment plans provided to customers related to  
2 COVID-19. In addition, the adjustment reflects the incremental increase in  
3 uncollectible expense anticipated for the requested revenue deficiency.

4 **Q. Please explain EXP ADJ 9 to Annualize Amortization Expense for the Regulatory**  
5 **Assets and Liabilities.**

6 A. EXP ADJ 9 reflects the adjustment to amortization expense for certain regulatory assets  
7 and liabilities in order to annualize the expense at the update period. The total increase  
8 to amortization expense is \$4,801,432 Missouri jurisdictional and is inclusive of  
9 adjustments to the following accounts:

- 10 • Iatan 1, Iatan 2, Plum Point Deferred Carrying Costs Amortization: This  
11 adjustment is to reflect the annual amortization that was approved in the prior  
12 case, which is \$84,729 for Iatan 1, \$44,828 for Iatan 2, and \$1,987 for Plum  
13 Point.
- 14 • May 2011 Tornado Amortization: This adjustment is to reflect an annual  
15 amount of amortization expense of \$402,515 based on the Commission's  
16 approval in Case No. ER-2019-0374. This results in an increase to amortization  
17 expense by \$168,267.
- 18 • TCJA Protected and Unprotected Excess ADIT Amortization: This adjustment  
19 reflects the annual amortization of \$8,540,550, of Unprotected Excess  
20 Accumulated Deferred Income Taxes ("Excess ADIT"), which represents three  
21 years of amortization as ordered in Case No. ER-2019-0374. The Protected  
22 Excess ADIT is calculated based on the Average Rate Assumption Method or  
23 ARAM. Due to IRS rules, the Company cannot accelerate the return or  
24 amortization of the Protected portion of the Excess ADIT. As a result, the

1 Protected portion of Excess ADIT will flow back to customers over the average  
2 remaining life of the related assets. This results in an annual amortization of  
3 \$2,739,109 for Protected Excess ADIT. This amount differs from the  
4 \$2,263,671 of annual amortization approved in ER-2019-0374 due to updates  
5 to the ARAM calculation. I discuss later in my testimony a tracker proposal to  
6 help ensure customers receive the full benefit of yearly variances related to this  
7 item. The total annual amortization expense for Excess ADIT (Unprotected and  
8 Protected) is \$11,279,658.

- 9 • TCJA Stub Period Amortization: This adjustment is reflecting an annual  
10 amortization of \$2,345,691 for the \$11,728,453 TCJA stub period regulatory  
11 liability, which is being amortized over five years, as ordered in Case No. ER-  
12 2019-0374.
- 13 • SWPA Amortization: The regulatory liability for SWPA was fully amortized  
14 at September 30, 2020, therefore, this adjustment is to reflect a zero balance of  
15 annual amortization expense. This results in a pro-forma adjustment to  
16 amortization expense of \$2,088,832.
- 17 • Riverton 12 Tracker Amortization: The Company is seeking an annual  
18 amortization amount of \$2,550,928 related to the Riverton 12 Tracker  
19 regulatory asset. This amount represents both Total Company and Missouri  
20 jurisdictional as these expense accounts are 100% allocated to Missouri, and  
21 were setup specifically to amortize the Riverton 12 Tracker regulatory asset.  
22 This adjustment results in an increase to Total Company and Missouri expenses  
23 by \$6,602,376. This represents a five-year amortization period for the ending  
24 balance of the regulatory asset.

- 1           • Vegetation Tracker Amortization: This adjustment removes \$345,548 from test  
2           year expenses for the Missouri jurisdiction to reflect the expected amortization  
3           level of the Vegetation Tracker at the update period ending June 30, 2021. Per  
4           the Report and Order issued in Case No. ER-2016-0023, the asset is expected  
5           to be fully amortized mid-September 2021; therefore, the expense is being  
6           annualized for 2½ months of amortization.
- 7           • Low Income Pilot Amortization: Per the Stipulation and Agreement in Case No.  
8           ER-2016-0023, if the Commission ordered a Low-Income Pilot Program then  
9           the cost of the program was to receive the same regulatory asset/rate base  
10          treatment as the Demand Side Management (DSM) costs. Therefore, the  
11          Company is proposing a six-year amortization period consistent with the  
12          treatment of DSM costs based on the pro forma ending balance of the regulatory  
13          asset. This results in a new proposed annual amortization is \$63,184.
- 14          • SB-EDR Amortization: The amortization of the projected economic  
15          development discounts to be provided to customers during the update period  
16          results in an increase to operating expenses by \$196,240. This regulatory asset  
17          proposed to be amortized over five years was set up in accordance with  
18          Empire’s Limited Large Customer Economic Development Rider (SBEDR).
- 19          • MO Solar Initiative Amortization: The Company is proposing a ten-year  
20          amortization of the Missouri solar initiative balance it projects for June 2021.  
21          This adjustment increases the cost of service \$226,435, for the annual amount  
22          of amortization expenses related to this regulatory asset.
- 23          • Customer Demand Program (DSM): As discussed previously in RB ADJ 9, this  
24          adjustment is annualizing the amortization expense related to the projected



1 DSM balance at June 2021, reducing the amount by \$405,281 at the Total  
2 Company and Missouri jurisdictional level. This adjustment accounts for costs  
3 that will become fully amortized by the update period, as well as, additional  
4 costs that started amortizing in 2021 to reflect a pro forma balance of  
5 \$1,068,803.

- 6 • MO Solar Rebate Amortization: This adjustment is reflecting an annual  
7 amortization of the Missouri Solar Rebate amounts that were approved in Case  
8 Nos. ER-2016-0023 & ER-2019-0374. The annual amount of amortization for  
9 the solar rebates based on the approved ten-year amortizations is \$2,067,689 at  
10 the Total Company and Missouri jurisdictional level; therefore, an adjustment  
11 of \$1,387,317 (Total Company and Missouri jurisdiction) must be made to the  
12 test year.

- 13 • Asbury Retirement AAO Amortizations: Please see the Direct Testimony of  
14 Company witness Tisha Sanderson regarding the following amortization  
15 expense adjustments made for the Asbury Retirement AAO: EXP ADJ 9 –  
16 Asbury Adjustments.

- 17 • Wind Revenue Liability Amortization: As further described in the Direct  
18 Testimony of Tisha Sanderson, the Company is proposing to book the revenues,  
19 net of all expenses, from the new wind facilities in a regulatory liability and  
20 return these revenues to customers over a two-year period. This adjustment  
21 decreases operating expenses by \$4,203,532 to amortize the proposed  
22 regulatory asset over a two-year period. To ensure customers receive the full  
23 benefit of this estimated adjustment the Company would not be opposed to flow

1 the difference between the Company's estimate of the revenue and actual  
2 revenue through the Fuel Adjustment Clause.

3 • Riverton Environmental Cost Regulatory Assets Amortization: The Company  
4 is proposing a three-year amortization period for the environmental cost  
5 regulatory asset (RB ADJ 9) related to the Riverton asbestos and ash pond,  
6 resulting in an additional \$1,133,275 Missouri jurisdictional added to  
7 amortization expense in the cost of service.

8 • PISA Asset Amortization: Empire is utilizing a 20-year amortization period for  
9 the PISA Regulatory Asset. This amortization period is authorized pursuant to  
10 Section 393.1400.4, RSMo., and results in an additional \$662,192 in  
11 amortization expense on a Missouri jurisdictional and Total Company basis.

12 • Wind ARO Amortization: Empire is proposing a 30-year amortization period  
13 for the AROs associated with the Wind Projects. This adjustment results in an  
14 additional \$762,685 of amortization expense on a Missouri jurisdictional basis  
15 \$863,979 on a Total Company basis. The wind AROs are discussed further in  
16 the Direct Testimony of Tisha Sanderson.

17 **Q. Please explain EXP ADJ 15 for Non-Recoverable Expenses.**

18 A. EXP ADJ 15 reduces Missouri jurisdictional operating expenses by \$93,528 or  
19 \$106,659 on a Total Company basis for expenses allocated to Empire by APUC and its  
20 subsidiaries that are not appropriate to recover through customer rates. Examples of  
21 these expenses include charitable donations, meals, and entertainment. Because these  
22 costs are incurred by Empire's parent companies, only a portion is allocated to Empire  
23 and subsequently removed from rates by this adjustment.

24 **Q. Please explain EXP ADJ 16 for Payroll Annualization.**

1 A. This adjustment is to include in the cost of service an annualized level of payroll and  
2 payroll taxes expected at the end of the update period. To calculate this the Company  
3 obtained the annual salary amount for each active employee at the end of the test year  
4 and applied a 2% merit increase which became effective in March 2021. The Company  
5 also included in its adjustment a portion of annualized payroll related to overtime. This  
6 annualized amount of overtime was determined by using an overtime percentage  
7 computed for the non-union and union employees based upon a two-year average of  
8 overtime hours actually incurred and the overtime rate as of September 30, 2020. This  
9 rate was then applied to the Company's pro forma base payroll amounts as previously  
10 described. In addition to annualizing the base salaries and overtime, the Company also  
11 included in its cost of service payroll related to open positions the Company anticipates  
12 to be filled by the end of the update period. These amounts were then compared back  
13 to the test year amounts included in the cost of service and an adjustment was made for  
14 the difference.

15 The annualized level of payroll related to the base salaries with the incorporated  
16 merit increase mentioned above is \$34,448,198 Total Company, the annualized level  
17 of payroll related to overtime is \$4,904,946 Total Company, and the annualized level  
18 of payroll related to the open positions anticipated to be filled by the update period is  
19 \$1,830,210 Total Company, resulting in a total pro forma level of payroll of  
20 \$41,183,354 Total Company or a Missouri pro forma balance of payroll of  
21 \$36,213,462. To adjust the test year to this pro forma balance an adjustment of  
22 \$9,644,204 Total Company or \$8,543,880 Missouri jurisdiction was necessary.

23 **Q. Was an adjustment made for payroll taxes?**

1 A. Yes, the Company made an adjustment to its test year level of payroll taxes based on  
2 the pro forma level of payroll included in the cost of service and applying the 2021 tax  
3 rates. The pro forma amount of payroll taxes included in the cost of service is  
4 \$2,944,237 Total Company or \$2,581,766 on a Missouri jurisdictional basis, resulting  
5 in a pro forma adjustment to increase the test year balances by \$681,600 Total  
6 Company or \$597,687 Missouri jurisdiction.

7 **Q. Please explain EXP ADJ 17 for Employee Benefits.**

8 A. Empire currently offers a variety of benefits, such as, Medical, Dental, Vision, Life  
9 Insurance, Accidental Death and Dismemberment, Accident Insurance, Short and  
10 Long-Term Disability, and a 401k match, to its employees. For EXP ADJ 17, the  
11 Company obtained the annualized amounts it was incurring for each employee at the  
12 test year end and included benefit amounts for any open positions that the Company  
13 anticipates being filled by the end of the update period. To determine an annualized  
14 401k expense, the actual 401k match rates that each employee was receiving at the test  
15 year end was used and then the Company match rate was used for the open positions.  
16 These rates were then applied to the pro forma salary amounts calculated in EXP ADJ  
17 16 and then compared back to the test year amounts included in the cost of service. The  
18 annualized pro forma balance of benefits related to active employees at the test year  
19 end is \$7,927,543 Total Company and an annualized pro forma balance of benefits for  
20 open positions that are anticipated to be filled by the end of the update period is  
21 \$518,303 Total Company, resulting in a total pro forma balance of \$8,445,846. To  
22 adjust the test year to this pro forma balance an adjustment of \$913,840 Total Company  
23 or \$801,335 Missouri jurisdiction is needed.

1 **Q. Please explain EXP ADJ 18 for the Change in Missouri Jurisdictional Allocations**  
2 **Caused by the Loss of Contracts for the GFR Customers.**

3 A. As discussed in RB ADJ 14 and REV ADJ 9, the Company is making an adjustment  
4 to reflect the change in allocation factors due to the loss of three of its customers on  
5 its GFR FERC rate. The Company determined the annualized effect of the loss of  
6 those GFR customers and made an adjustment to increase Missouri's jurisdictional  
7 expenses by \$5,450,263.

8 **Q. Please explain EXP ADJ 19 to Annualize Public Service Commission assessment.**

9 A. EXP ADJ 19 represents an annualized amount of Public Service Commission  
10 Assessment, which became effective July 1, 2020. This increases Missouri operating  
11 expenses by \$88,457, which results in a Missouri pro forma balance of \$1,817,336.

12 **Q. Please explain EXP ADJ 20 to Annualize Depreciation Expense.**

13 A. EXP ADJ 20 represents an annual depreciation expense based on plant in service at the  
14 end of the update period including plant additions in RB ADJ 1. This adjustment  
15 consists of two different components, one to adjust the depreciation expense based on  
16 current depreciation rates, as well as, the incremental increase related to the updated  
17 depreciation rates from the most recent depreciation study. The amount of depreciation  
18 expense related to the current rates results in an increase to expenses of \$22,099,885,  
19 and the incremental increase from the new depreciation rates results in an increase of  
20 \$8,838,989. This results in a total increase to operating expenses of \$30,938,874, on a  
21 Missouri jurisdictional level.

22 **Q. Please explain EXP ADJ 21 to Annualize Amortization Expense.**

23 A. EXP ADJ 21 reflects a net increase in Missouri jurisdictional operating expenses of  
24 \$1,697,502. This adjustment consists of removing annual amortization expense that

1 will be fully amortized during the update period, as well as, including the additional  
2 amortization expense for the increase in intangible plant included in plant in service  
3 from RB ADJ 1.

4 **Q. Please explain EXP ADJ 22 to Annualize Non-Wind Property Tax Expense.**

5 A. This adjustment represents the annualized amount of property tax expense expected to  
6 be incurred for the Company's pro forma non-wind plant that is included in its cost of  
7 service. The property tax rate utilized by the Company in this adjustment is based on  
8 its estimated 2021 property tax liability. This results in a Missouri pro forma balance  
9 of non-wind property tax expense of \$26,501,098 and a Missouri pro forma adjustment  
10 of \$2,666,316.

11 **Q. Please explain EXP ADJ 23 to Remove Franchise Tax Expense.**

12 A. In conjunction with REV ADJ 10 discussed above, EXP ADJ 23 removes \$10,026,432  
13 for total company or \$9,148,128 for Missouri related to franchise tax expenses from its  
14 revenue requirement calculation.

15 **Q. Please explain EXP ADJ 24 for Interest on Customer Deposits.**

16 A. EXP ADJ 24 increases operating expense by \$590,827 to include interest paid to  
17 Missouri customers on their deposit accounts, as the test year revenue requirement does  
18 not reflect an account for customer deposit interest expense. The Company utilized the  
19 interest rate set by the Commission which went into effect in January 2021.

20 **Q. Please explain EXP ADJ 25 for Wind Related Expenses.**

21 A. EXP ADJ 25 increases Missouri jurisdictional operating expenses by \$19,145,789 and  
22 \$21,763,281 for Total Company for expenses related to the Wind Projects not included  
23 in the FAC. This adjustment is further discussed in the Direct Testimony of Tisha  
24 Sanderson.

1 **Q. Please explain EXP ADJ 26 for the Addition of AMI Related Expenses.**

2 A. Please see the direct testimony of Company witness Tisha Sanderson regarding the  
3 adjustments made for the AMI expenses.

4 **Q. Please explain EXP ADJ 27 for the Normalization of Test Year Training and  
5 Travel Expenses due to COVID.**

6 A. Due to the travel restrictions surrounding COVID-19, the test year level of training and  
7 travel expenses were lower than what is normally incurred. Therefore, the Company  
8 compared a five-year average to the test year balances to determine a “normalized”  
9 amount of training and travel expenses that the Company can expect to incur. This  
10 resulted in a \$91,495 Total Company or a \$78,557 Missouri jurisdictional increase to  
11 the travel/training expense accounts.

12 **Q. Please explain EXP ADJ 28 for Pension and OPEB Expense.**

13 A. Please see the Direct Testimony of Company witness James A. Fallert regarding the  
14 expense adjustment made for Pension and OPEB.

15 **Q. Please explain EXP ADJ 29 for Savings related to removal of AMI Meter Readers.**

16 A. Company witness Tisha Sanderson sponsors the adjustment to reduce expenses  
17 relating to savings generated by the installation of AMI meters.

18 **Q. Please explain EXP ADJ 30 for the Update of Income Taxes.**

19 A. EXP ADJ 30 is to annualize income taxes based on pro forma income statement  
20 balances. This results in a decrease to income taxes on a Missouri level of \$1,680,787.

21 **VII. CONTINUATION AND IMPLEMENTATION REQUESTS FOR TRACKERS**

22 **Q. Does Empire request to continue the Riverton 12 tracker?**

23 A. No. The conversion of the Riverton 12 unit from a simple cycle to a combined cycle  
24 occurred in 2016 and therefore, is no longer a new unit. The costs for this unit are no

1 longer fluctuating as much as they were when the conversion happened and therefore,  
2 the Company is not seeking to continue this tracker going forward.

3 **Q. Does Empire request any new trackers?**

4 A. Yes. Empire requests a Tax Tracker for Excess Accumulated Deferred Income Taxes  
5 and any future tax changes. The Company proposes that the tracker be created to  
6 capture the differences between Protected Excess ADIT returned to customers as part  
7 of the revenue requirement in this case, and the actual amortization recorded by the  
8 Company using ARAM. The tracker would also capture the Unprotected Excess ADIT  
9 as well. The need for the tracker is due to the yearly variances in amortization on the  
10 Protected Excess ADIT and the impact weather and other factors have on customer  
11 usage. For instance, as mentioned above the amount of Protected Excess ADIT  
12 amortization does fluctuate from year to year. In addition, weather and other factors  
13 have an impact on the amount returned to customers. Rates are based on a normalized  
14 usage amount and any variances from this amount means that customers may not  
15 receive the full annual amount of Unprotected and Protected Excess ADIT amortization  
16 or they could also receive too much of a benefit. I would propose that a per KWH  
17 amount be determined for both the Unprotected and Protected Excess ADIT  
18 amortization and then tracked each year to ensure customers receive the full benefits  
19 of the Tax Cuts and Jobs Act. In addition, the tracker can capture any future changes  
20 in federal and/or state tax rate changes.

21 **Q. Does this conclude your Direct Testimony?**

22 A. Yes.



**VERIFICATION**

I, Charlotte T. Emery, under penalty of perjury, on this 28th day of May, 2021, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Charlotte T. Emery