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Witness: Brad P. Beecher
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District Electric
Case No.: ER-2016-0023
Date Testimony Prepared: October 2015

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

Direct Testimony

of

Brad P. Beecher

October 2015



Empire Exhibit No. 1
Date 6-2-16 Reporter KKE
File No. ER-2016-0023



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OF
BRAD P. BEECHER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
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DIRECT TESTIMONY
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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Brad P. Beecher, and my business address is 602 S. Joplin Avenue,
4 Joplin, Missouri, 64801.

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

6 A. The Empire District Electric Company ("Empire" or "Company") is my employer. I
7 hold the position of President and Chief Executive Officer.

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
9 **BACKGROUND.**

10 A. I graduated from Kansas State University in 1988 and hold a Bachelor of Science
11 Degree in Chemical Engineering. I was first employed by Empire in May of 1988
12 through August 1999. During that time, I held roles as a Staff Engineer at Empire's
13 Riverton power plant, and in budgeting and fuel procurement in Empire's Energy
14 Supply Department. In 1995, I became Director of Strategic Planning. I held that
15 position until I left Empire in August of 1999. Between August of 1999 and February
16 of 2001, I was employed at Black & Veatch in various roles including, Service Area
17 Leader for the Strategic Planning Group and as Associate Director of Marketing and
18 Strategic Planning. I rejoined Empire as General Manager-Energy Supply in February
19 of 2001. I was elected Vice President-Energy Supply in April of 2001. In this

1 position, I was responsible for Empire’s energy supply function including power plant
2 construction, operation and maintenance and fuel procurement. In April 2006, I
3 became the Electric Chief Operating Officer, and, in February 2010, I was named
4 Executive Vice President. I assumed my current position in June, 2011

5 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE THE**
6 **MISSOURI PUBLIC SERVICE COMMISSION (“COMMISSION”)?**

7 A. Yes.

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

9 A. The purpose of my testimony is to give a brief description of the Company and the
10 amount of the rate increase we are requesting and to describe Empire’s efforts to meet
11 current environmental challenges posed by the enactment of more stringent rules by
12 the Environmental Protection Agency (“EPA”) and regulatory mandates in such areas
13 as renewable energy and energy efficiency.

14 **DESCRIPTION OF COMPANY**

15 **Q. PLEASE DESCRIBE EMPIRE.**

16 A. Empire is a Kansas corporation with its principal office and place of business at 602
17 South Joplin Avenue, Joplin, Missouri, 64801. Empire is engaged in the business of
18 providing electrical utility services in Missouri, Kansas, Arkansas, and Oklahoma;
19 water utility services in Missouri; and, through a wholly-owned subsidiary, has a
20 certificate of service authority issued by the Commission to provide certain
21 telecommunications services. In addition, through a wholly owned subsidiary, The
22 Empire District Gas Company, Empire operates a natural gas distribution business in
23 northwest, north central, and west central Missouri, providing gas service in 48
24 communities.

1 **Q. PLEASE DESCRIBE THE AREA SERVED BY EMPIRE**

2 A. Empire provides electric service in an area of approximately 10,000 square
3 miles in southwest Missouri and the adjacent corners of the states of Kansas,
4 Oklahoma, and Arkansas. Empire's operations are regulated by the utility regulatory
5 commissions of these four states, as well as by the Federal Energy Regulatory
6 Commission ("FERC"). Empire's service area embraces 119 incorporated
7 communities in 21 counties in the four-state area. Most of the communities in
8 Empire's service area are small, with only 32 containing a population in excess of
9 1,500. Only 10 communities have a population in excess of 5,000, and the largest
10 city, Joplin, Missouri, has a population of approximately 50,000. The economy in our
11 service area is diversified. The service territory features small to medium
12 manufacturing operations, medical, agricultural, entertainment, tourism, and retail
13 interests.

14 **Q. HOW MANY ELECTRIC CUSTOMERS DOES EMPIRE CURRENTLY**
15 **SERVE?**

16 A. At June 30, 2015, Company-wide, Empire served approximately 142,205 residential
17 customers, 24,350 commercial customers, 351 industrial customers, 2,088 public
18 authority and street and highway customers, and four wholesale customers. As of
19 June 30, 2015, in Missouri, Empire served approximately 126,598 residential
20 customers, 21,640 commercial customers, 281 industrial customers, 1,708 public
21 authority and street and highway customers, and three wholesale customers. Empire
22 also provides regulated water service to approximately 4,450 customers in the
23 Missouri communities of Aurora, Marionville, and Verona, and through its wholly-

1 owned subsidiary, The Empire District Gas Company, provides natural gas service to
2 approximately 42,230 gas customers.

3 **RATE REQUEST**

4 **Q. WHAT IS THE AMOUNT OF THE RATE INCREASE**
5 **EMPIRE IS REQUESTING?**

6 A. Empire is requesting an overall increase in its Missouri retail electric rates of \$33.4
7 million, exclusive of applicable fees or taxes – approximately a 7.28 percent increase.

8 **Q. WHY DOES EMPIRE NEED A MISSOURI RETAIL RATE INCREASE AT**
9 **THIS TIME?**

10 A. The dominant factor driving the need for a Missouri rate increase at this time is
11 Empire's investment in the conversion of its Riverton 12 generating unit to a
12 combined cycle, which is the final component of Empire's compliance plan to meet
13 EPA rules on air quality regarding SOx, NOx, and mercury (Hg). In addition to the
14 conversion of Riverton 12, the final components of Empire's plan included the
15 retirement of two of Empire's oldest coal fired units located at Riverton. Empire
16 witness Bryan Owens also will discuss Empire's major rate case drivers in his direct
17 testimony, and Empire witness Tim Wilson will discuss the conversion of Riverton
18 12 to combined cycle, in greater detail in his direct testimony.

19 **ENVIRONMENTAL COMPLIANCE**

20 **Q. PLEASE DESCRIBE EMPIRE'S MAJOR CONSTRUCTION PROJECTS**
21 **DUE TO THE RECENT ENACTMENT OF MORE STRINGENT**
22 **ENVIRONMENTAL RULES.**

23 A. In recent years, the EPA has tightened air quality standards for SOx, NOx, and Hg.
24 These new standards affected the operations of several of Empire's power plants.

1 Empire's Asbury and Riverton power plants were most affected by these revised
2 standards. Environmental retrofits were already completed on Iatan 1, and the Plum
3 Point and Iatan 2 facilities were constructed to meet the new standards. In response to
4 the EPA's revised standards, Empire implemented a compliance plan. Empire's
5 compliance plan called for the installation of a scrubber, fabric filter, and powder
6 activated carbon injection system at the Asbury plant (collectively referred to as the
7 "Asbury air-quality control system" or "AQCS") by early 2015. The addition of this
8 air quality control equipment also required the retirement of Asbury Unit 2, a small
9 steam turbine that was used for peaking purposes. The retirement of this unit took
10 place in December of 2013, and the environmental project at Asbury was in service
11 on December 31, 2014. Empire's most recent Missouri rate case, completed in July
12 2015, included the bulk of the investment in the environmental retrofit at Asbury.

13 Empire's compliance plan also originally called for the eventual retirement of
14 Riverton Units 7, 8, and 9 in 2016, though retirement of the units actually occurred
15 slightly ahead of schedule as reported to the Commission as required in the
16 Company's 2013 Triennial Compliance Filing, File No. EO-2013-0547. Unit 9 was a
17 small combustion turbine that requires steam from Unit 7 for start-up. Units 7 and 8
18 began operation in 1950 and 1954, respectively.

19 **RENEWABLE MANDATES**

20 **Q. HOW HAVE THE RENEWABLE MANDATES AFFECTED**
21 **EMPIRE'S OPERATIONS?**

22 A. As I mentioned earlier, Empire operates in four different states. Missouri, has
23 mandated that Empire acquire specified levels of renewable resources as part of its
24 supply resource mix. The Missouri requirements are based upon specific levels of

1 energy, which also includes a solar mandate. Empire is currently able to meet the
2 bulk of Missouri's renewable mandate with its current diversified generation mix,
3 which includes renewable resources (wind and hydro energy). Only recently has
4 Empire been ordered to meet the solar requirements in Missouri. Since the summer
5 of 2015, Empire has been actively paying solar rebates to its Missouri customers who
6 have installed solar systems. Empire witness Bryan Owens will discuss this solar
7 related activity in greater detail in his direct testimony, as well as Empire's request to
8 recover the costs Empire has incurred in connection with Missouri's solar mandate.

9 **COMMUNICATION ACTIVITIES**

10 **Q. HAS EMPIRE COMMUNICATED WITH ITS CUSTOMERS CONCERNING**
11 **THE ENVIRONMENTAL COMPLIANCE EFFORTS AND THE**
12 **POTENTIAL IMPACT ON ELECTRIC RATES?**

13 A. Yes. Empire representatives have attended various community forums and discussed
14 our environmental compliance plan and how that plan may ultimately result in
15 increased electrical rates for our customers. In addition to these public presentations
16 at various community forums, we have held meetings with community leaders and
17 with our larger customers to discuss our environmental compliance activities and the
18 estimated impact these activities will have on our electric rates. We have also
19 contacted the communications media in our service territory to discuss our
20 environmental compliance plan and its estimated impact on electric rates.

21 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY AT THIS TIME?**

22 A. Yes, it does.

