

Exhibit No.: _____
Issue(s): Revenue Requirement, Rate Base,
Income and Expense Adjustments
Witness: Charlotte T. Emery
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: The Empire District
Electric Company
Case No.: ER-2021-0312
Date Testimony Prepared: January 2022

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

Surrebuttal Testimony

of

Charlotte T. Emery

on behalf of

The Empire District Electric Company

January 2022



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FOR THE SURREBUTTAL TESTIMONY OF CHARLOTTE T. EMERY
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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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. Are you the same Charlotte T. Emery who provided Direct and Rebuttal**
6 **Testimony in this matter on behalf of The Empire District Electric Company**
7 **(“Empire” or the “Company”)?**

8 A. Yes.

9 **Q. What is the purpose of your Surrebuttal Testimony in this proceeding before the**
10 **Missouri Public Service Commission (“Commission”)?**

11 A. My Surrebuttal Testimony addresses several topics. First, I provide the Company’s
12 updated revenue deficiency request and the drivers contributing to the changes.
13 Second, I address the rebuttal testimony of Commission Staff (“Staff”) witness Ms.
14 Courtney Horton regarding insurance expense. Finally, I address the testimony of
15 Office of the Public Counsel (“OPC”) witnesses Mr. David Murray regarding his
16 recommendation to disallow Credit Agency Fees and Ms. Lena M. Mantle regarding
17 recommendations related to the Company’s extraordinary Winter Storm Uri costs.

18 **Q. Are you sponsoring any schedules with your Surrebuttal Testimony?**

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

CHARLOTTE T. EMERY
SURREBUTTAL TESTIMONY

Schedule	Description
Surrebuttal Schedule CTE-1	Revenue Requirement Summary - Update
Surrebuttal Schedule CTE-2	Rate Base Summary- Update
Surrebuttal Schedule CTE-3	Rate Base Adjustment Summary - Update
Surrebuttal Schedule CTE-3.1	Plant in Service - Update
Surrebuttal Schedule CTE-3.2	Accumulated Depreciation/Amortization - Update
Surrebuttal Schedule CTE-3.3	Cash Working Capital – Update
Surrebuttal Schedule CTE-3.4	Prepayments – Update
Surrebuttal Schedule CTE-3.5	Materials, Supplies & Inventory – Update
Surrebuttal Schedule CTE-3.6	Customer Deposits – Update
Surrebuttal Schedule CTE-3.7	Customer Advances – Update
Surrebuttal Schedule CTE-3.8	Regulatory Assets - Update
Surrebuttal Schedule CTE-3.9	Regulatory Liabilities – Update
Surrebuttal Schedule CTE-3.10	Accumulated Deferred Income Taxes – Update
Surrebuttal Schedule CTE-4	Explanation of Rate Base Adjustments – Update
Surrebuttal Schedule CTE-4.1	Rate Base Adjustment Listing - Update
Surrebuttal Schedule CTE-5	Income Statement Summary – Update
Surrebuttal Schedule CTE-6	Income Statement Adjustment Summary - Update
Surrebuttal Schedule CTE-6.1	Revenues - Update
Surrebuttal Schedule CTE-6.2	Operation and Maintenance Expenses – Update
Surrebuttal Schedule CTE-6.3	Depreciation Expense – Update
Surrebuttal Schedule CTE-6.4	Amortization Expense – Update
Surrebuttal Schedule CTE-6.5	Taxes Other Than Income Taxes – Update
Surrebuttal Schedule CTE-6.6	Interest on Customer Deposits – Update
Surrebuttal Schedule CTE-7	Explanation of Income Statement Adjustments – Update
Surrebuttal Schedule CTE-7.1	Income Statement Adjustment Listing - Update
Surrebuttal Schedule CTE-8	Weighted Average Cost of Capital – Update
Surrebuttal Schedule CTE-9	Weighted Average Cost of Debt – Update
Surrebuttal Schedule CTE-10	Income Taxes – Update
Surrebuttal Schedule CTE-11	Pro Forma Income Taxes – Update
Surrebuttal Schedule CTE-12	Interest Synchronization – Update

Surrebuttal Schedule CTE-13	Gross Revenue Conversion Factor – Update
Surrebuttal Schedule CTE-14	Composite Tax Rate - Update
Surrebuttal Schedule CTE-15	Company Data Request Response OPC 3035

1 **II. SURREBUTTAL REVENUE DEFICIENCY**

2 **Q. What is the amount of the annual revenue deficiency the Company is requesting**
3 **in this case?**

4 A. The Company is seeking to recover an annual revenue deficiency of \$52,564,536. This
5 deficiency is based off the Company’s direct filing updated with June 2021 financial
6 information and reflects the Company’s election to securitize Storm Uri costs and the
7 Company’s remaining cost of service components in its Asbury generating plant
8 pursuant to RSMo. §393.1700 in lieu of seeking traditional rate recovery in this
9 proceeding. In addition, it incorporates the Company’s movement to Staff’s
10 recommended natural gas prices as addressed in Staff witness Mr. Charles Poston’s
11 rebuttal testimony filed on December 20, 2021, and Empire witness Todd Tarter’s
12 surrebuttal testimony. The revenue deficiency of \$52,564,536, is premised on a rate
13 base of \$2,021,967,718. The revenue deficiency represents a 7.83% increase in total
14 base rate operating revenue. Chart 1 below shows the calculation of the annual revenue
15 deficiency.

16 **Chart 1**

Line No.	Revenue Requirement Component	Reference Schedule	Dollar Amount
1	Total Rate Base	Surrebuttal Schedule CTE-1	\$ 2,021,967,718
2	Required Rate of Return	Surrebuttal Schedule CTE-1	7.06%
3	Required Net Operating Income	Line 1 x Line 2	142,664,206
4	Operating Income Deficiency	Surrebuttal Schedule CTE-1	40,033,098
5	Gross Revenue Conversion Factor	Surrebuttal Schedule CTE-1	1.3130
6	Subtotal Revenue Deficiency	Line 4 x Line 5	\$ 52,564,536

17

1 **Q. What are the major drivers contributing to the difference between the Company's**
2 **direct testimony and its surrebuttal position as it relates to the revenue deficiency?**

3 A. The four items driving the change in revenue deficiency are as follows: 1) pro-forma
4 adjustments have been updated to reflect June 2021 financial data; 2) the natural gas
5 prices included in the revenue requirement have been updated to reflect Staff
6 recommendations filed in rebuttal; 3) Storm Uri costs have been removed from the
7 revenue requirement; and 4) removal of all components of the revenue requirement
8 related to the Asbury generating unit.

9 **Q. Why did the Company update their pro-forma adjustments to June 30, 2021**
10 **financial information?**

11 A. The Company updated its applicable pro-forma adjustments to comply with the
12 requirements outlined in the "Order Establishing Procedural Schedule and Other
13 Procedural Requirements" issued on August 4, 2021 where the Commission ordered
14 the parties shall utilize a test year starting October 1, 2019, and ending September 30,
15 2020, updated through June 30, 2021.

16 **Q. Have you prepared schedules to reflect the updated pro-forma adjustments?**

17 A. Yes. For a listing of the respective rate base pro-forma adjustments please refer to
18 **Surrebuttal Schedule CTE-4.1**. For a listing of the respective income statement pro-
19 forma adjustments please refer to **Surrebuttal Schedule CTE-7.1**.

20 **Q. Please describe the change in natural gas price mentioned above.**

21 A. As described in the surrebuttal testimony of Company witness Todd W. Tarter, the
22 Company used a natural gas price of \$2.09/MMBtu in its direct filing, which was
23 calculated prior to the filing of this case. In Staff's direct filing, Staff witness Poston
24 included a natural gas price of \$2.42/MMBtu, which was derived based on more recent

1 prices. The Company acknowledges that while it's estimate was reasonable at the time
2 of its direct filing, it is too low for establishing an accurate FAC base factor based on
3 the current natural gas market and Staff's price would reflect a more appropriate level.
4 Incorporating this change into the Company's updated revenue requirement, increased
5 the annual revenue deficiency approximately \$7.2M.

6 **Q. Please describe the Company's direct filing position as it relates to Winter Storm**
7 **Uri?**

8 A. As described in the direct testimony of Timothy N. Wilson¹ the Company was aware
9 that legislation enabling securitization of extraordinary storm costs was passed and was
10 pending final signing into law. If enacted, Empire would update its filing to reflect
11 securitization of these costs.

12 **Q. Is the Company continuing to seek recovery of its extraordinary Winter Storm**
13 **Uri costs in this case?**

14 A. No. The Company has now removed the extraordinary storm costs from the case. The
15 Company seeks to recover these costs through Case No. EO-2022-0040. The Company
16 filed its Verified Petition for Financing Order on January 19, 2022. For further
17 discussion on this matter please refer to the surrebuttal testimony of Company witness
18 Timothy N. Wilson.

19 **Q. Why has the Company removed the Asbury generating unit components from its**
20 **rate request?**

21 A. As further discussed in Company witness Timothy N. Wilson's surrebuttal testimony,
22 while it is appropriate that the remaining components of Asbury should be recovered

¹ Wilson Direct Testimony at pp. 6-7.

1 from customers, the Company will seek recovery of these balances through an election
2 to securitize under RSMo. §393.1700.

3 **Q. Please list the pro-forma adjustments related to Asbury the Company has**
4 **removed from the Company's proposed cost of service due to its decision to elect**
5 **securitization?**

6 A. See **Chart 2** below for the listing of pro-forma adjustments made to remove Asbury
7 generating unit from its updated cost of service.

8 **Chart 2**

Section	Adjustment Description	Missouri Jurisdictional Amount
Rate Base	RB ADJ 9 - Asbury Stranded Assets	\$ (167,916,307)
Rate Base	RB ADJ 9 - FAC Asbury Coal	(1,532,832)
Rate Base	RB ADJ 10 - Asbury AAO Liability	13,890,879
Rate Base	RB ADJ 10 - Asbury Excess ADIT	15,799,016
Rate Base	RB ADJ 14 - Asbury ADIT	32,338,406
Income Statement	EXP ADJ 9 - Asbury Excess ADIT Amortization	\$ 607,654

9
10 **III. INSURANCE EXPENSE**

11 **Q. Did Staff make any corrections to the insurance expense included in their cost of**
12 **service?**

13 A. Yes. In Staff witness Horton's rebuttal testimony she explained that the captive
14 insurance fees were removed from the insurance expense balance included in their cost
15 of service due to them being a one-time cost.

16 **Q. Does the Company take issue with this correction?**

17 A. No. The Company agrees with the correction made by Staff, and this correction has
18 been reflected in the Company's updated revenue requirement.

1 **IV. CREDIT AGENCY FEES**

2 **Q. Did OPC witness Mr. David Murray make any recommendations surrounding**
3 **Empire's Credit Agency Fees?**

4 A. Yes. Beginning on page 18 of his rebuttal testimony Mr. Murray recommends the
5 disallowance of rating agency fees in the amount of \$431,779.

6 **Q. Do you agree with his recommendation?**

7 A. No. These costs were paid by Empire during the test year for services charged by the
8 Credit Agency. However, Mr. Murray brings up a valid point, and it should be noted
9 that the Company continuously reviews its various Credit Agency Fees to determine if
10 any are duplicative in nature and therefore should be discontinued. Please see
11 **Surrebuttal Schedule CTE-15** for the Company's Supplemental Data Request
12 response to OPC DR 3035 which provides the general ledger details supporting the
13 prudently incurred Credit Agency Fees Empire directly paid during the test year.

14 **V. RESPONSE TO OPC STORM URI COSTS TREATMENT**

15 **Q. Do you agree with the recommendations set forth by OPC witness Ms. Lena M.**
16 **Mantle regarding the treatment of the extraordinary winter storm costs as**
17 **outlined in her rebuttal testimony starting on page 2?**

18 A. No.

19 **Q. Why?**

20 A. For many reasons, but the foundational reason surrounds the accusation Ms. Mantle
21 makes that the Company failed in its obligation to serve our customers during this
22 historic cold weather event and therefore the Company should not be allowed to seek
23 full recovery of these prudently incurred extraordinary costs.

1 **Q. With the Company's decision to no longer seek recovery of the extraordinary**
2 **Winter Storm Uri costs through this case and elect to securitize the costs, are the**
3 **recommendations of Ms. Mantle still an issue in this case?**

4 A. No. However, I did want the record to reflect that the Company is opposed to her
5 unsupported recommendations and assertions.

6 **Q. Does this conclude your Surrebuttal Testimony?**

7 A. Yes, at this time.

VERIFICATION

I, Charlotte T. Emery, under penalty of perjury, on this 20th day of January, 2022,
declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Charlotte T. Emery