

Exhibit No.: _____
Issue(s): Cash Working Capital
Hedging Policy/Deferred Income Tax
Witness/Type of Exhibit: Riley/Response to
Commission Questions
Sponsoring Party: Public Counsel
Case No.: ER-2019-0374

**TESTIMONY IN RESPONSE TO
COMMISSION QUESTIONS**

OF

JOHN S. RILEY

Submitted on Behalf of the Office of the Public Counsel

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

***** Denotes Redacted Highly Confidential Information *****

May 6, 2020

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

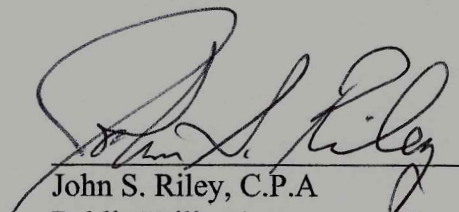
In the Matter of The Empire District)
Electric Company's Request for Authority)
to File Tariffs Increasing Rates for Electric) Case No. ER-2019-0374
Service Provided to Customers in its)
Missouri Service Area)

VERIFICATION OF JOHN S. RILEY

John S. Riley, under penalty of perjury, states:

1. Attached hereto and made a part hereof for all purposes is my testimony in response to Commission questions in the above-captioned case.

3. My answer to each question in the attached testimony in response to Commission questions is true and correct to the best of my knowledge, information, and belief.



John S. Riley, C.P.A.
Public Utility Accountant III
Office of the Public Counsel

JOHN S RILEY, CPA

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

1 **Q. What is your name?**

2 A. John S. Riley, the same John S. Riley who testified for Public Counsel in pre-filed direct
3 (Exhibit No. 214), rebuttal (Exhibit No. 215HC), and surrebuttal (Exhibit No. 216) testimony.

4 **Q. To which of the Commission's questions are you responding?**

5 A. I am responding to the following Commission's questions:

6
7 **10. Cash Working Capital**

8
9 1. Empire - Has Empire's parent or its tax paying affiliate made a quarterly payment to
10 the IRS during the test year or true-up period in this case? If yes, how much was paid?

11
12 **Questions Regarding Hedging**

13
14 3. OPC- What is OPC's opinion of Empire's changes to its hedging risk management
15 plan? Please provide OPC's opinion on limiting hedges to physical hedges alone?

16
17 **Q. What is your response to the Commission's question about cash working capital?**

18 A. As evidenced by the two most recent consolidated income tax returns Public Counsel
19 offered as evidence—Exhibits 279HC (2017) and 280HC (2018), Liberty Utilities
20 (America) Co. ("LUCo") was not required to remit Federal Taxes. If a corporation does not
21 expect to owe income tax with its upcoming income tax return, quarterly payments are not
22 necessary. Quarterly payments would not have been necessary for LUCO and any quarterly
23 payments would have been refunded.

1 **Q. What is your response to the Commission’s questions about Empire’s hedging**
2 **practices directed to Public Counsel?**

3 A. Because they are somewhat more restrictive than Empire’s previous practice Public Counsel
4 favors Empire’s changes to its hedging risk management program; however, Public Counsel
5 believes they are not sufficient and that Empire should also limit its hedges to 36 months
6 since Empire’s recent fuel reports indicate that Empire has lost in excess of **_____ 1**
7 in legacy hedges after January 31, 2020.

8 **Q. Do you have anything else to say in response to Commission questions?**

9 A. No.

10
11
12
13
14
15

1 ** _____
_____ **