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Witness: Charlotte T. Emery  
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Sponsoring Party: The Empire District  
Electric Company  
File No. ER-2020-0311  
Date Testimony Prepared: August 2020

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

**Surrebuttal Testimony**

**of**

**Charlotte T. Emery,  
Senior Manager Rates and Regulatory Affairs**

**On Behalf Of  
The Empire District Electric Company,  
a Liberty Utilities Company**

**August 7, 2020**



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CHARLOTTE T. EMERY  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI  
FILE NO. ER-2020-0311

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SURREBUTTAL TESTIMONY  
OF  
CHARLOTTE T. EMERY  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI  
FILE NO. ER-2020-0311

1 **I. INTRODUCTION**

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

3 A. My name is Charlotte T. Emery, and my business address is 602 South Joplin  
4 Avenue, Joplin, Missouri.

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

6 A. My employer is Liberty Utilities Services Corp., and I serve as a Senior Manager in  
7 the Rates and Regulatory Affairs Department for Liberty Utilities' Central Region,  
8 which includes The Empire District Electric Company ("Empire" or "Company").

9 **Q. ARE YOU THE SAME CHARLOTTE T. EMERY THAT FILED DIRECT  
10 AND SUPPLEMENTAL DIRECT TESTIMONY IN THIS CASE ON  
11 BEHALF OF EMPIRE?**

12 A. Yes. I submitted Direct Testimony on April 1, 2020, and Supplemental Direct  
13 Testimony on June 30, 2020.

14 **Q. PLEASE SUMMARIZE YOUR PREVIOUSLY FILED TESTIMONY IN  
15 THIS DOCKET WHICH SERVES TO SUPPORT EMPIRE'S FAC TARIFF?**

16 A. On April 1, 2020, Empire filed its initial Direct Testimony to support its Fuel &  
17 Purchased Power Adjustment Clause ("FAC") tariff filing designed to reflect its  
18 actual cost of purchased power for the accumulation period ending February 2020

1 and a true-up of under-collection for the recovery period ending November 2019.  
2 On April 6, 2020, the Company filed a substitute tariff to correct a transposition  
3 error reported on page 1 of the FAC tariff sheet. On June 30, 2020, the Company  
4 filed Supplemental Direct Testimony explaining why the coal inventory adjustment  
5 and undistributed coal expenses disputed by the Office of the Public Counsel  
6 (“OPC”) should be recovered through the FAC.

7 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

8 A. The purpose of my Surrebuttal Testimony is to respond to arguments put forth by  
9 Commission Staff (“Staff”) and OPC regarding the FAC rate tariff sheet that was  
10 originally filed by Empire on April 1, 2020 and corrected on April 6. These  
11 arguments focus on a disputed coal inventory adjustment and certain undistributed  
12 coal expenses included in the proposed FAC rate in this filing.

13 **II. EMPIRE’S RESPONSE TO STAFF’S REBUTTAL TESTIMONY**

14 **Q. DOES STAFF WITNESS BOLIN HAVE CONCERNS WITH THE COAL  
15 INCLUSION OF THE INVENTORY ADJUSTMENT IN THE FAC?**

16 A. Yes. Ms. Bolin elaborates on the concern that Asbury has at least a portion of  
17 basemat coal included in its fuel inventory as part of base rates.<sup>1</sup> Specifically, Ms.

18 Bolin states,

19 If Empire actually recorded an amount for the basemat coal in its plant  
20 accounts, and also included the basemat amount in fuel inventory, Empire  
21 may have double recovered by earning a return on the basemat coal in  
22 inventory and also earning a return of the basemat coal in plant through  
23 depreciation expense.<sup>2</sup>

24 **Q. IN ADDITION, MS. BOLIN MENTIONED STAFF WAS WAITING ON A**

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<sup>1</sup> Rebuttal Testimony of Kimberly K. Bolin, page 3, lines 1-7.

<sup>2</sup> Rebuttal Testimony of Kimberly K. Bolin, page 3, lines 17-20.

1           **DATA REQUEST RESPONSE REGARDING CAPITALIZED BASEMAT**  
2           **FOR ASBURY. HAS THAT DATA REQUEST BEEN ANSWERED?**

3    A.       Yes. The Company timely served the response indicating that the Company has  
4           capitalized an amount of \$301,427.60 in FERC plant account 312.

5    **Q.    IS THIS AMOUNT DIFFERENT THAN THE BASEMAT WHICH MS.**  
6           **BOLIN MENTIONS AS BEING INCLUDED IN INVENTORY BALANCES**  
7           **IN DOCKET ER-2019-0374?**

8    A.       Yes, it appears that the capitalized basemat recorded in FERC account 312 is  
9           different from the amounts included in the inventory balances.

10   **Q.    WHEN WERE THE AMOUNTS COMPRISING THE \$301,427.60 ADDED**  
11          **TO FERC PLANT ACCOUNT 312?**

12   A.       The dates vary but the initial transaction occurred in 1971 and continued through  
13           2007. It is my understanding the seven transactions comprising the \$301,427.60  
14           consisted of transactions for either new coal piles or when an existing coal pile was  
15           expanded.

16   **Q.    DID THE COMPANY PREVIOUSLY PROVIDE CONTRADICTIONARY**  
17          **INFORMATION REGARDING WHETHER THE COMPANY HAD**  
18          **CAPITALIZED BASEMAT FOR ASBURY?**

19   A.       Unfortunately, yes. It appears that a data request response provided in Docket No.  
20           ER-2010-0130 inaccurately stated that Empire did not have a capitalized amount  
21           for basemat.

22   **Q.    DO YOU KNOW WHY THIS CONTRADICTION OCCURED?**

23   A.       No, I do not. I have attempted to research the response and discuss with other

1 Company personnel as that particular Company respondent is no longer with the  
2 Company. However, I have verified with our Accounting Department and can  
3 confirm the Company does have a portion of basemat in Plant and it has been  
4 recorded there since 1971.

5 **Q. WHY WOULD THERE BE AN AMOUNT OF BASEMAT CAPITALIZED**  
6 **IN PLANT AND ALSO A DIFFERENT AMOUNT INCLUDED IN**  
7 **INVENTORY?**

8 A. It is my understanding that the basemat can change overtime due to many factors  
9 such as weather and contaminants. And due to the guidance used to capitalize  
10 basemat (property accounting only capitalized costs initially for a new coal pile or  
11 an expansion of a coal pile) it appears to me that as more coal became  
12 unrecoverable and a value was attempted to be assigned this amount was  
13 reported/recorded in inventory.

14 **Q. WILL THE TARIFFS BEING DESIGNED TO COMPLY WITH THE**  
15 **COMMISSION'S AMENDED REPORT AND ORDER IN DOCKET ER-**  
16 **2019-0374 REFLECT AN AMOUNT OF BASEMAT IN COAL INVENTORY**  
17 **FOR ASBURY?**

18 A. Yes, it is my understanding that the inventory balance for Asbury which was  
19 included in the revenue requirement to comply with the Commission's Amended  
20 Report and Order does contain a portion of basemat coal.

21 **Q. WILL THE CASE NO. ER-2019-0374 COMPLIANCE TARIFFS REFLECT**  
22 **AN AMOUNT OF BASEMAT IN PLANT FOR ASBURY?**

23 A. Yes, it is also my understanding that the Asbury plant balances includes a small

1 portion of undepreciated basemat coal.

2 **Q. DO YOU SHARE THE SAME CONCERNS AS MS. BOLIN ABOUT THE**  
3 **DOUBLE RECOVERY FROM CUSTOMERS?**

4 A. No. There will be no double recovery, as the amounts are two different values  
5 which are both appropriate to recover. However, I do believe the recent rate case  
6 order provides a mechanism which would provide additional assurance that no  
7 harm occurs for our customers as it relates to aspects of the retirement of Asbury.

8 **Q. PLEASE EXPLAIN HOW THE MECHANISM THE COMMISSION**  
9 **ORDERED IN EMPIRE'S MOST RECENT RATE CASE<sup>3</sup> PROVIDES AN**  
10 **OPPORTUNITY TO ADDRESS THE POTENTIAL CONCERN RELATED**  
11 **TO DOUBLE RECOVERY.**

12 A. According to the Commission's Amended Report and Order in Case No. ER-2019-  
13 0374, any costs still on Empire's books associated with the Asbury generation  
14 facility should be recorded in the Commission-authorized Accounting Authority  
15 Order ("AAO"), with ratemaking decisions to be made in a subsequent rate case.  
16 Since the Asbury-related plant and fuel inventory accounts would be booked to the  
17 AAO, Empire would ensure that its customers are not harmed by any potential for  
18 double recovery.

19 **Q. DOES STAFF WITNESS BOLIN INDICATE THAT THE COAL**  
20 **INVENTORY ADJUSTMENT WAS UNREASONABLE OR**  
21 **UNNECESSARY?**

22 A. No. However, Ms. Bolin does express concern that it would be inappropriate to  
23 charge the costs tied to a long-lived asset (such as basemat coal) to an expense in a

1 one lump-sum amount upon retirement through the FAC or through any other rate  
2 mechanism.

3 **Q. DOES STAFF WITNESS BOLIN PROVIDE A RECOMMENDATION ON**  
4 **HOW THE COMPANY SHOULD ACCOUNT FOR THE ACTUAL**  
5 **INVENTORY ADJUSTMENT MADE BY THE COMPANY?**

6 A. Yes, Ms. Bolin recommends that the fuel inventory adjustment be deferred and  
7 recorded in Account 182.3, Other Regulatory Assets, for future ratemaking  
8 determination in Empire's next general rate case.

9 **Q. IS THE COMPANY OPPOSED TO THIS RECOMMENDATION?**

10 A. No. While the Company believed the appropriate method for recording the  
11 inventory adjustment was to FERC 501 which is an eligible account for FAC  
12 purposes, the Company understands the concerns and the rationale expressed by  
13 Ms. Bolin. Due to Staff's concern coupled with the Company's desire to  
14 demonstrate that there is resulting harm to customers, the Company is not opposed  
15 to the deferral recommendation of Staff witness Ms. Bolin.

16 **Q. WOULD EMPIRE CONTINUE TO SEEK RECOVERY OF THE COAL**  
17 **INVENTORY ADJUSTMENT IN THE FAC THROUGH THIS FILING?**

18 A. No. To ensure the timing of the recovery of the adjustment is appropriate, Empire  
19 would not seek recovery of the coal inventory adjustment in this filing. Rather it  
20 will seek recovery in its next general rate case.

21 **Q. PLEASE DESCRIBE STAFF WITNESS FORTSON'S ADDITIONAL**  
22 **RECOMMENDATIONS REGARDING OTHER ISSUES RAISED IN THIS**  
23 **FILING?**

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<sup>3</sup> Case No. ER-2019-0374, Amended Report and Order issued July 23, 2020, effective August 2, 2020.



1 A. Staff agrees that costs “attributable to undistributed coal burn expenses...can be  
2 included for recovery in the FAC”<sup>4</sup> because they were “based on maintaining the  
3 plant in a safe and reliable manner.”<sup>5</sup>

4 **Q. HOW SHOULD THE COMPANY REFLECT THESE ELIGIBLE COSTS IN**  
5 **ITS FAC CALCULATIONS SINCE THEY HAVE NOW BEEN REMOVED**  
6 **PURSUANT TO OPC’S OBJECTION AND THE COMMISSION’S PRIOR**  
7 **ORDER IN THIS CASE?**

8 A. I would recommend these costs be incorporated as an eligible cost to be recovered  
9 from Missouri retail customers through the next semi-annual FAC update.

10 **III. EMPIRE’S RESPONSE TO OPC’S REBUTTAL TESTIMONY**

11 **Q. DOES OPC WITNESS MANTLE HAVE CONCERNS WITH EMPIRE’S**  
12 **COAL INVENTORY ADJUSTMENT?**

13 A. Yes. Ms. Mantle contends the adjustment is not a fuel adjustment included in  
14 commodity and transportation costs as allowed by the tariff for the following  
15 reasons:

16 This is not an adjustment included in the commodity cost because the cost  
17 of the commodity, including any adjustments, was recorded in FERC  
18 account 151 when the coal was purchased. Such an adjustment will only  
19 become a 501 cost when that coal is burned. Instead, this is an adjustment to  
20 [bring] the total balance of the remaining coal inventory down to zero  
21 because the Asbury generating facility was shutdown. It is therefore  
22 effectively a decommissioning cost.<sup>6</sup>

23 **Q. WAS THE COAL INVENTORY ADJUSTMENT MADE AS PART OF A**  
24 **REGULAR PROCESS TO RECONCILE PHYSICAL AND ACCOUNTING**  
25 **RECORDS?**

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<sup>4</sup> Rebuttal Testimony of Brad J. Fortson, page 10, lines 9-10.

<sup>5</sup> Id. at line 16.

1 A. Yes. As required by Generally Accepted Accounting Principles (“GAAP”),  
2 Empire must ensure its books reflect any known changes in its inventory level. In  
3 this case, no recoverable coal was left, so Empire made an adjustment to bring this  
4 inventory to zero.

5 **Q. WAS THE ASBURY PLANT RETIRED WHEN EMPIRE MADE THE**  
6 **COAL INVENTORY ADJUSTMENT IN DECEMBER 2019?**

7 A. No. Asbury was not de-designated from the SPP market – or retired as a coal plant  
8 - until the end of the day on March 1, 2020. Empire did not make this adjustment  
9 because the plant was retired. Rather, the Company made the adjustment to ensure  
10 its books reflected the actual recoverable coal inventory at the time, which was  
11 zero. As stated in my Supplemental Direct Testimony,<sup>7</sup> the Company actively  
12 sought to procure economic fuel prior to and up until that date.

13 **Q. DOES MS. MANTLE EXPRESS ANY ADDITIONAL CONCERNS WITH**  
14 **THE COAL INVENTORY ADJUSTMENT?**

15 A. Yes. Ms. Mantle states,

16 This “adjustment” is not a cost of coal burned. It is the cost of coal that  
17 cannot be burned. No electricity was generated from this coal and no  
18 electricity ever will be generated from it. It is a write-off of an asset that  
19 cannot be used. Again, effectively a decommissioning cost that Empire is  
20 attempting to recover from its customers through the FAC. As such, it is not  
21 an expense incurred to support sales and the FAC is not the appropriate  
22 recovery mechanism for this cost.

23 **Q. DOES THE AMOUNT OF THE DECEMBER 2019 ADJUSTMENT MAKE**  
24 **THIS ADJUSTMENT DIFFERENT FROM PREVIOUS ONES WHICH**  
25 **HAVE BEEN ALLOWED IN THE FAC?**

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<sup>6</sup> Rebuttal Testimony of Lena M. Mantle, page 6, lines 10-16.

<sup>8</sup> Supplemental Direct Testimony of Charlotte T. Emery, pages 7-8, lines 14-23 and 1-4.

1 A. No. Though previous adjustments did not reconcile the recoverable coal inventory  
2 to a zero level, they did reconcile the books to the physical coal inventory. Any  
3 differences as a result of the reconciliation have previously been included in the  
4 FAC.

5 **Q. DID THE UNRECOVERABLE COAL SUPPORT SALES AT THE ASBURY**  
6 **PLANT?**

7 A. Yes. The coal was initially purchased with the intention of burning it as fuel for  
8 electricity. However, as explained in my Supplemental Direct Testimony,<sup>8</sup>  
9 environmental factors caused it to degrade over time, effectively making it a part of  
10 the basemat. Without the basemat, the plant could not operate in a safe and reliable  
11 manner. Contrary to Ms. Mantle's assertion the disputed coal inventory adjustment  
12 was not made as part of decommissioning the Asbury plant. Instead, the  
13 adjustment was made to ensure the Company's books reflected the amount of  
14 burnable fuel available at the plant in December 2019.

15 **Q. DOES OPC WITNESS RILEY MAKE SIMILAR ASSERTIONS ABOUT**  
16 **THE COAL INVENTORY ADJUSTMENT?**

17 A. Yes. Mr. Riley describes the adjustment as a decommissioning cost,<sup>9</sup> says the  
18 adjustment should not be allowed in the FAC since the fuel was unrecoverable,<sup>10</sup>  
19 and expresses concern about double recovery in base rates and the FAC.<sup>11</sup>

20 **Q. DOES THE COMPANY DISAGREE WITH MR. RILEY'S ASSERTIONS**  
21 **FOR THE SAME REASONS IT DISAGREES WITH MS. MANTLE?**

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<sup>8</sup> Supplemental Direct Testimony of Charlotte T. Emery, pages 7-8, lines 14-23 and 1-4.

<sup>9</sup> Rebuttal Testimony of John S. Riley, page 6, lines 8-9.

<sup>10</sup> Id. at page 5, lines 9-10.

<sup>11</sup> Id. at page 6-7, lines 22-26 and lines 1-2.

1 A. Yes.

2 **Q. WOULD RECORDING THE COAL INVENTORY ADJUSTMENT TO THE**  
3 **DEFERRED ACCOUNT AS RECOMMENDED BY STAFF WITNESS**  
4 **BOLIN INSTEAD OF ACCOUNT 501 ADDRESS OPC'S CONCERN**  
5 **ABOUT RECOVERING THE ADJUSTMENT THROUGH THE FAC?**

6 A. Yes. Similar to Staff's concern, recording the adjustment to the Deferred Debit  
7 Account and the utilization of the recently authorized AAO would protect  
8 customers by ensuring there is no double recovery of the adjustment through the  
9 Asbury plant or fuel inventory accounts while also recovering through the FAC.

10 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

11 A. Yes, it does.

CHARLOTTE T. EMERY  
SURREBUTTAL TESTIMONY

**VERIFICATION OF CHARLOTTE T. EMERY**

Charlotte T. Emery, under penalty of perjury, declares that the foregoing document is true and correct to the best of her knowledge, information, and belief.

*/s/Charlotte T. Emery* \_\_\_\_\_  
Charlotte T. Emery