Exhibit No.: _____
Issues: Revenue Requirement, Rate Base, Income and Expense Adjustments, Retiree Issues, Storm Uri, Trackers
Witness: Charlotte T. Emery
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: The Empire District Electric Company
Case No.: ER-2021-0312
Date Testimony Prepared: December 2021

Before the Public Service Commission
of the State of Missouri

Rebuttal Testimony

of

Charlotte T. Emery

on behalf of

The Empire District Electric Company

December 2021

Liberty™

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THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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I. INTRODUCTION

Q. Please state your name and business address.

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

Q. Are you the same Charlotte T. Emery who provided Direct Testimony in this matter on behalf of The Empire District Electric Company ("Empire" or the "Company")?

A. Yes.

Q. What is the purpose of your Rebuttal Testimony in this proceeding before the Missouri Public Service Commission ("Commission")?

A. First, I adopt the Direct Testimony prepared and filed herein by Zachary Quintero on behalf of Empire[1]. Second, I address the Company's concerns with direct testimony filed by the Staff of the Commission ("Staff"), Office of the Public Counsel ("OPC"), and Midwest Energy Consumers Group ("MECG") surrounding certain revenue requirement calculations and/or balances. Thirdly, I address jurisdictional allocators, tax tracker components, and Storm Uri costs. Finally, I address the direct testimony of two organizations representing Empire retirees.

Q. Are you sponsoring any schedules with your Rebuttal Testimony?

A. Yes. I am sponsoring **<u>Rebuttal Schedule CTE-1</u>** which is a revised list of FAC Subaccounts.

[1] Zachary Quintero resigned from the Company after filing his Direct Testimony.

Q. Why are you needing to provide a Revised FAC Subaccount schedule?

A. Since the filing of the Company's Direct Testimony, the Company has learned more about the specific accounting classifications for its new Wind Projects and accordingly, we have determined that some of the FAC subaccounts originally indicated should be revised.

Q. Do any of these revisions impact the total revenue requirement request as originally submitted by the Company in its Direct Filing?

A. No. The revisions are related to account classifications only and do not impact the Company's requested revenue requirement and/or the Company's proposed FAC base.

II. RATE BASE COMPONENTS

Q. What are the specific rate base issues being addressed by your Rebuttal Testimony?

A. The table below provides an outline of the rate base topics I address along with the respective sponsoring party. However, to the extent that I do not address a specific issue, this should not be considered acceptance of the position of other stakeholders. Instead, I would propose the balance the Company filed in its original application be utilized when calculating the allowed revenue requirement[2].

Rate Base	
Sponsoring Party	**Description**
Staff	Common Plant Removal
Staff	DSM Regulatory Asset
Staff	Iatan/PCB Environmental Costs
Staff	Low-Income Pilot Program
Staff/OPC	AMI Stranded Meters
Staff/OPC/MECG	Asbury

[2] As appropriate amounts should be updated to June 30, 2021 balances.

Staff	Excess ADIT
Staff	ADIT
Staff	Customer Deposits
Staff	Materials and Supplies
Staff	Water Inventory
Staff	Fuel Inventory
Staff/OPC	Cash Working Capital

Q. Does the Company agree with Staff's adjustment that removes certain common plant assets from the Company's plant in service pro forma balance.

A. The Company agrees an adjustment must be made to remove certain common plant assets, which I also proposed in my Direct Testimony (pg. 12), but the Company does not agree with the amount Staff removed from the plant in service balance. It appears that Staff may have transposed the amount they removed for common plant as it relates specifically to computer equipment (Account 391). In Staff's Corrected Accounting Schedules filed on November 4, 2021, Staff removed $2,754,516, whereas, the actual amount of total company common plant at June 30, 2021 for common computer equipment that should have been removed was $2,574,516.

Q. Does the Company have any other issues with Staff's common plant adjustment?

A. Yes. The amounts removed by Staff for common plant represent total company balances, however, in their Corrected Accounting Schedules they reflected the balances as Missouri jurisdictional amounts. Since Staff did not apply a Missouri retail jurisdictional allocation, the amount of common plant they removed is overstated. Therefore, the Company believes Staff needs to apply a Missouri retail jurisdictional allocation to the balances being removed. In addition, this issue also has an impact on the related accumulated depreciation balances.

Q. Does the Company agree with Staff's DSM regulatory asset balance?

A. No. Staff witness Newkirk calculated the June 30, 2021, balance for DSM to be $3,134,402. Staff's calculation included $818,708 for the incurred 2019 vintage costs, while the Company included $1,037,848 for the 2019 vintage costs. The Company's balance is consistent with the 2019 vintage costs approved by the Commission in the Amended Report and Order in ER-2019-0374. Furthermore, the 2019 vintage costs balance was provided in the Company's response to Staff Data Request 0053 in this case.

Q. Does the Company agree with Staff's adjustment for the Iatan/PCB Environmental Costs?

A. I agree an adjustment is needed for the Iatan/PCB Environmental Costs, as I proposed a similar adjustment in my Direct Testimony (pg. 25). However, I do not agree with the balance that Staff has included for this item in their corrected cost of service. Staff included costs paid through the test year, but did not include costs settled and paid out through June 30, 2021[3] , which is the agreed upon update period in this case. The Company believes Staff should update their adjustment to include the balance of the actual Iatan/PCB environmental costs incurred through June 30, 2021, which is $6,653,0415 at the Total Company level or $5,633,873 at the Missouri jurisdictional level.

Q. Does the Company agree with Staff's adjustment for the Low-Income Pilot Program (LIPP)?

A. No. In Case No. ER-2019-0374, the Commission ordered the continuation of Empire's residential Low-Income Pilot Program with no changes and ordered the Company to

[3] Per "Order Establishing Procedural Schedule and Other Procedural Requirements issued August 4, 2021.

track all costs until the next rate case. However, Staff is incorrectly only including a LIPP regulatory asset balance of $286,109. This balance is reflective of 1) the unamortized balance of the $250,000 cap and 2) the additional costs incurred after September 16, 2020 (effective date of the Amended Report and Order in case number ER-2019-0374) through the June 2021 update period of this case. However, the appropriate balance is $379,114. The difference between the Company's and Staff's balance includes all costs that were incurred by the Company above the $250,000 cap. The difference between Staff's incorrect balance and the correct balance represents assistance the Company provided to its low-income customers who continued taking service under the low-income pilot program. These were costs that the Company prudently incurred and therefore should not be denied recovery.

Q. Please describe Staff's rate base treatment of the stranded meter costs?

A. Staff indicates on page 26 of their Staff Report they made an adjustment to plant in service to remove the amounts associated with the meters that were replaced.

Q. Is the Company in agreement with Staff's stranded meter adjustment?

A. No, as the Company believes it should be allowed a return on and of its prudently incurred meter plant balances that remain unrecovered. However, if the Commission agrees with Staff's recommendation, the error in Staff's calculation, which removed the stranded meter costs from both the plant and accumulated depreciation balances at June 2021, would need to be corrected. For further discussion related to this matter, please refer to the Rebuttal Testimony of Company witness Tisha Sanderson.

Q. Please describe Staff's treatment of Asbury.

A. As described in Staff Report's on page 136, "Staff's view is that, concerning, Asbury, it is appropriate to share the economic impacts resulting from the early Asbury closure between the utility and its customers. This is best accomplished by including a 'Return of' Asbury unrecovered investment in Empire's rates resulting from this case, but not allowing a 'return on' that investment in rate base". In addition, Staff has also included the entire Asbury AAO regulatory liability which was established in ER-2019-0374. The Asbury AAO tracked the difference in actuals from the baseline established in that case since January 2020. Furthermore, Staff propose a 15-year amortization for all Asbury respective rate base balances (assets and liabilities).

Q. Is the Company in agreement with Staff's treatment of Asbury?

A. No. For discussion on the issues the Company has in respect to Staff and other Stakeholder treatment associated with Asbury refer to the Rebuttal Testimony of Company witnesses Tisha Sanderson and Frank C. Graves.

Q. Does the Company agree with the Excess ADIT balance included in Staff's rate base calculation?

A. No. Staff's Corrected Accounting Schedules (Rate Base Schedule) includes a balance of $118,184,300 in rate base as it relates to Excess ADIT. While this amount is consistent with the Company's June 2021 projections calculated in the Company's initial filing. it should be updated to reflect the actual Excess ADIT balance as of June 30, 2021. Therefore, the appropriate amount of Excess ADIT to be included in rate base is $118,268,434.

Q. Does the Company agree with the ADIT balance included in Staff's rate base calculation?

A. No, due to two reasons. First, Staff's adjusted balance excludes the FAS123 Deferred Tax Asset, account 190125. Second, Staff includes the balance associated with account 190330 in their ADIT calculation.

Q. Please describe FAS123 Deferred Tax Asset, account 190125.

A. This account represents the deferred tax asset for stock-based compensation.

Q. Should FAS123 Deferred Tax Asset, account 190125 be included in the ADIT balance?

A. Yes. In today's very competitive job market the Company must offer a compensation package which as appropriate includes stock-based compensation so it can attract talented employees which in turn helps to ensure that the Company has the best employees to provide the reliable and safe services our customers come to expect. Therefore, by attracting better talent our customers do receive benefit from offering stock-based compensation. As such, stock-based compensation should be recoverable through rates, along with the respective balance of accumulated deferred income tax.

Q. Should the Deferred Tax Asset recorded in account 190330 be included in the ADIT balance?

A. No. This is a non-electric account that should be excluded from Staff's rate base calculation.

Q. Does the Company agree with the Customer Deposit balance included in Staff's rate base calculation?

A. No. Staff's Accounting Schedules indicates a balance of $14,053,714 in rate base as it relates to Customer Deposits. Staff's adjustment incorrectly reduces the total Missouri Customer Deposit balance by $67,028. The $67,028 represents non-electric customer deposits for water customers. However, the Customers Deposits related to water was actually removed at the Total Company level. Therefore, no additional adjustment is needed to reflect the proper balance for the direct assigned Missouri electric Customer

Deposits. Therefore, the total Missouri Customer Deposit balance at June 2021 should be $14,120,742.

Q. Does the Company agree with the amount of Materials and Supplies included in Staff's rate base calculation?

A. No, for the following reasons. First, Staff's adjustment excludes clearing accounts. Second, Staff is removing water inventory in the amount of $54,374.

Q. Why should clearing accounts be included in the balance of Materials and Supplies?

A. These accounts should be included in Staff's rate base as these are costs that have been prudently incurred by the Company but because of timing issues sit in a clearing account before they are cleared to their appropriate account. A timing issue should not preclude the Company from receiving recovery for these costs. In addition, the Company recommends a thirteen-month average methodology be applied to the balances since they fluctuate during the test year, which is a similar approach to calculate other material and supplies accounts.

Q. Why is Staff incorrect in their removal of water inventory from their electric Materials and Supplies thirteen-month average balance?

A. Staff should not be removing any amounts related to the water inventory because their balance has been updated to reflect a thirteen-month average as of June 2021. The balance at June 30, 2021 would not contain any water inventory and hasn't contained any water inventory since June of 2020 (the date Empire Electric sold its water assets to Liberty Utilities (Missouri Water), LLC).

Q. Are there any modifications you would like to make to the pro-forma adjustment discussed in your Direct Testimony surrounding the balance of Materials and Supplies?

A. Yes, like Staff, I also proposed an adjustment to smooth fluctuations in costs associated with Materials and Supplies to better represent a normal level of costs for inclusion in rate base, see my Direct Testimony (pg.13). However, Staff included additional amounts related to Plant Composite accounts in their Materials and Supplies balance. The proposed adjustment included in my Direct Testimony did not include the Plant Composite accounts. However, after further review the Company agrees that these accounts should be included in the rate base calculation for materials and supplies.

Q. Does the Company agree with Staff's Water Inventory balance?

A. No. Staff's Water Inventory balance was calculated using a thirteen-month average as of September 2020. If Staff were to use a thirteen-month average as of the Ordered update period of June 2021, the Water Inventory balance would be $0.

Q. Does the Company agree with Staff's Fuel Inventory adjustment?

A. No. The fuel inventory adjustment the Company used in the Direct Filing is the most accurate way to calculate these balances. However, if the Commission should use Staff's fuel inventory amount, the Company believes the Commission should incorporate the impact of the below needed corrections into Staff's Fuel Inventory adjustment.

Q. What are the changes that should be made if the Commission agrees with Staff's Fuel Inventory adjustment?

A. First, there is a formula error in Staff's Fuel and Purchased Power Workpaper. For Riverton Units 10 & 11 and Energy Center, tab "Fuel Inventory Analysis" has hard coded zeros. The Company believes the zeros are inaccurate and the balances should be pulling from tab "Oil 2018-2021". This tab is utilized for State Line, Iatan and Plum Point so it should also be used to calculate the oil inventory for Riverton and Energy Center as well. If the totals from this tab were applied, it would bring the balance for Riverton to 141,412.12 gallons and Energy Center to 3,939,498.93 gallons. Additionally, Staff's calculations do not include a weighted average price per gallon for either Riverton or Energy Center which is incorrect. This is incorrect because the price is calculated based off purchase price and gallons purchased for the thirteen months prior to the update period. Even though there were not purchases for those thirteen months, there are still balances in inventory for these units and as such there should be a price associated with them. The weighted average prices used by the Company would be the most appropriate as they consist of the beginning balance (dollars and barrels) as well as the purchases for each month rather than just the purchases.

Q. Did the Company propose rate base adjustments that Staff and the other parties did not address in their Direct Testimony?

A. Yes. The Company made an adjustment for SB-EDR, but no other party made mention of this item.

Q. Why does the Company believe its Cost of Service should include a rate base adjustment for the SB-EDR?

A. As mentioned in my Direct Testimony (pg. 20), this is a regulatory asset that was set up to reflect the anticipated discounts given to customers from October 2020 to June 2021 in accordance with the provisions of Senate Bill 564 related to economic development (Section 393.1640, RSMo).

Q. What is the amount of the SB-EDR Regulatory Asset that should be included in the Company's rate base?

A. The Company's Cost of Service should include $775,056 in rate base for the SB-EDR Regulatory Asset. This amount represents the actual discount provided to Customers as of June 30, 2021, as allowed under the Schedule SBEDR (Limited Large Customer Economic Development Rider).

Q. Does the Company agree with the Direct Testimony filed by Staff and OPC regarding the appropriate balance to include in the Cost of Service related to Cash Working Capital?

A. No, the Company is not in agreement with the methodologies and/or balances presented by Staff and OPC surrounding the appropriate balance of Cash Working Capital that should be included in the Company's cost of service. For further details regarding the issues please refer to the Rebuttal Testimony of Company witness Timothy S. Lyons.

Q. Are there rate base balances/adjustments Staff has recommended that the Company does not oppose?

A. Yes. While the Company may not agree with the methodology sometimes used by Staff to derive the June 30, 2021 amounts, the ending balances are materially accurate. Therefore, the Company does not oppose the following balances and/or adjustments by Staff:

- Plant Additions since the test year,
- Accumulated Depreciation,
- Customer Advances,
- Prepayments,
- Iatan and Plum Point Deferred Carrying Costs,

- Peoplesoft,
- PISA Regulatory Asset,
- Prepaid Pension Asset,
- Riverton Environmental Costs,
- Solar Initiative,
- Solar Rebate,
- Tornado AAO,
- Pension/OPEB Tracker Liability

III. INCOME STATEMENT COMPONENTS

Q. Which specific income statement issues will you address in your Rebuttal Testimony?

A. The table below provides an outline of the income statement topics I address along with the respective party sponsoring the issue. To the extent that I do not directly address a specific issue, this should not be considered acceptance of the position of other stakeholders. Instead, I would propose the balance/position that the Company filed in its original application be utilized when calculating the allowed revenue requirement[4].

Income Statement	
Sponsoring Party	**Description**
Staff	Adjustment to Normalize Wind O&M
Staff	Adjustment for Dues and Donations
Staff	Adjustment to Bad Debt Expense
Staff	Adjustment to Payroll
Staff	Adjustment to Incentive Compensation
Staff	Adjustment to Employee Benefits
Staff	Adjustment to Rate Case Expense

[4] As appropriate amounts should be updated to June 30, 2021 balances

Staff	Adjustment to Depreciation Expense
Staff	Adjustment to DSM Amortization
Staff	Adjustment to LIPP Amortization
Staff	Adjustment to Tornado AAO Amortization
Staff	Adjustment to Annualize Amortization Expense
Staff	Adjustment to Normalize Generation O&M Expenses
Staff	Adjustment to Normalize Outside Service Expense
Staff	Adjustment to Advertising Expense
Staff	Adjustment to SWPA Amortization Expense
Staff	Adjustment to Peoplesoft Amortization Expense
Staff	Adjustment to Pension/OPEB Expense
Staff	Adjustment to Property Taxes
Staff	Adjustment to Excess ADIT Amortization

Q. Does the Company believe the adjusted amount it included in its cost of service represent a normalized amount of wind O&M expense?

A. Yes. The Company brought its test year balance up to a normalized level of expected costs based on its 2021 annual budget for Department 115 which the Company believes is reflective of the appropriate normalized costs going forward.

Q. Please describe the methodology used by Staff to normalize the wind project non-labor, non-FAC Operation and Maintenance (O&M) costs.

A. To determine a normalized amount of *operation* costs to include in the Company's cost of service, Staff used the costs incurred as of the twelve months ending June 2021. For *maintenance* costs, Staff annualized the costs incurred in the ten months ending June 2021, as twelve months' worth of data was not available.

Q. Is Staff's approach to determine a normalized level of wind O&M costs appropriate?

A. No, primarily due to the timing of when the Wind Projects became fully operational. The Wind Projects became fully operational during the update period and as such the twelve-month period ending June 30, 2021, does not reflect a normal year of costs. Therefore, it is appropriate to perform an adjustment to annualize these costs. However, Staff's adjustment to annualize these costs is not representative of an annual normalized amount of expense that the Company can expect to incur going forward. Staff used 10 months of actual monthly data for Department 115 as of June 30, 2021. However, Department 115 is a new Department established primarily for the Wind Projects and the balances included in the earlier months of Staff's adjustment are much lower because the Wind Projects were not fully operational. Therefore, it would be more reasonable to base the normalized level of costs by taking the costs incurred for the month of June 30, 2021 (all Wind Projects were fully operational during the month) and multiplying it by twelve to get an annual amount.

Q. Do you agree with Staff's adjustment to remove dues and donations?

A. No. The Company does not agree with the removal of the Edison Electric Institute ("EEI") dues that are unrelated to lobbying. The Company allocated EEI costs to its shareholders (lobbying costs) and already recorded these costs to a non-operational expense account which is deemed "below the line." By recording these costs below the line, it excludes them from the cost of service used in designing base rates. Therefore, Staff's adjustment is inappropriate and contributes to an inaccurate amount of operating costs to form the Company's cost of service.

Q. Please describe how the Company's participation in EEI benefits customers.

A. EEI, much like NARUC, conducts research, and seeks to educate its members or other users of its published information, and also communicates to its members to keep them apprised of current developments. EEI has a Restoration, Operations, and Crisis Management Program which is aimed at improving industry-wide responses to major outages, continuity of industry and business operations, and support and coordination of the industry during times of crisis such as during COVID-19. EEI provided important information to its members during the unprecedented COVID-19 pandemic that could not have otherwise been replicated. This information helped our company consider approaches with industry-specific information in hand. EEI also focuses on advancing the application of new technologies that will strengthen and transform the power grid. The EEI membership is committed to an affordable, reliable, secure, and clean energy future and it promotes the sharing of information, ideas, and experiences among the electric power industry.

Q. Does the Commission utilize EEI information for the benefit of Empire's customers?

A. Yes. As shown in Staff's Direct Report on pages 12, 13, and 14, Staff utilized information from EEI's 2020 Financial Review to assess the economic. In addition, on page 19 of Staff's Direct Report, Staff utilized EEI's regulated utility index in the development of its proxy group for determining the cost of equity.

Q. Does Staff's assertion that EEI benefits are not quantified automatically require disallowance?

A. No. The Company has clearly shown that the Company's involvement in EEI benefits customers by providing information for the use of regulators and by providing services to the industry, both of which are used for the benefit of customers. Staff's use of EEI information in testimony clearly demonstrates the value of EEI.

Q. Does the Company agree with Staff's adjustment to bad debt expense?

A. Partially. The Company generally agrees with the methodology that Staff applied to determine a percentage of bad debt expense, which they used to calculate a normalized level of bad debt at the test year. However, Staff includes no calculation of bad debt expense on the additional revenues the Company is expected to start receiving at the conclusion of this case. By excluding this, the Company's pro forma balance of bad debt expense is understated for additional costs that can be expected to be incurred when the new rates from this case become effective.

Q. Does the Company agree with Staff's payroll related adjustments?

A. No. While the Company does not necessarily take issue with the approach Staff used to calculate the pro forma balance of the payroll related adjustments, the Company does take issue with the test year balance being used by Staff for payroll.

Q. Please describe the issue with Staff's test year level of payroll expense.

A. In Staff witness Newkirk's testimony workpaper, she included $40,758,160 (total company) for the test year level of payroll expense. Also, included in the workpaper was a reference stating that the test year balance excluded Iatan and Plum Point costs, however, this is incorrect. The $40,758,160 of test year payroll does in fact include $3,829,318 of Iatan related costs and because the Iatan costs were not removed from Staff's test year balance, this caused Staff's payroll adjustment to be understated.

Q. What would Staff's adjustment be if they had used the correct test year balance of payroll?

A. Staff's filed adjustment to increase payroll expense was $9,479,438 (total company). If Staff corrected their test year balance for the Iatan costs, this would bring their adjustment to $13,308,756 (total company).

Q. Did Staff make adjustments to their cost of service for incentive compensation?

A. Yes, Staff proposes disallowing certain portions of the Company's scorecard metrics for short-term incentive compensation ("STIP") and Shared Bonus Plan ("SBP") and proposes disallowing 100% of all costs related to the other incentive plans, asserting they do not benefit customers. Although Staff agreed to allow a portion of nonfinancial based STIP and SBP incentive compensation for non-APUC employees, Staff proposes disallowing 100% of APUC's short-term incentive, 100% of APUC's Stock Options, and 100% of the Long-Term Incentive Plan ("LTIP") for all employees, based on Staff's misunderstanding they were only awarded for increasing shareholder value, not benefiting customers.

Q. Does the Company agree with the Staff's reasoning for such a dramatic reduction to prudent employee compensation?

A. No. Staff's reasoning for adjusting incentive compensation completely misses the mark of providing a competitive compensation package. In addition, Staff's witness offers no evidence that the total level of salaries (base compensation plus incentive compensation) is too high or imprudent. Also, Staff's witness also does not give consideration that lower O&M expense is a contributor to increased earnings for the Company. Customers do benefit from employees being focused on holding down or reducing O&M costs. In addition, increased earnings are routinely reinvested into operations and assets, not just returned to shareholders. It is important to keep in mind the incentive compensation plans offered by Empire are a routine and widely-accepted mechanism for motivating employees to strive for excellence in whatever service, function, task or activity they are undertaking on behalf of the business and the customers it serves. It has become an essential part of the overall compensation package necessary to attract and retain employees, especially in the kind of challenging environment we have today for attracting talent.

Q. Does incentive compensation based on financial or earnings-related metrics benefit customers?

A. Yes. There are two aspects of utility service that are of paramount interest to customers – the quality of the utility service they receive and the cost of that service. The Commission has recognized that incentive compensation based on operational or service goals can benefit customers by improving the quality, timeliness or other customer-centric attributes of the service they receive. However, customers also benefit when employees respond positively to financially-based incentives. Whether that response results in increased revenues or decreased costs (and produces better earnings in the short-term), customers ultimately reap the benefits.

Q. Please describe Staff's assessment of prudence for the Company's compensation plans?

A. Upon review of Staff witness Caroline Newkirk's explanation regarding Staff's incentive adjustment it does not appear they made a determination as to whether the overall cost for acquiring and retaining an employee is prudent, rather they looked at the calculation of the components of compensation without analysis or evidence of prudence of total compensation. For example, the Company could pay a plant operator a market-based salary of $130,000 a year and few would question that expenditure. However, if the combination of the base compensation and incentive compensation for that plant operator totals to the same market-based salary, some would challenge the appropriateness of the compensation related to incentive pay. This approach doesn't seem logical. The question should be whether $130,000 is an appropriate level of pay or not.

Q. Have other regulatory commissions evaluated and approved compensation as a whole, including incentive pay?

A. Yes. "Some U.S. regulatory commissions have explicitly acknowledged that utilities' employee compensation strategies are developed to attract, retain, and motivate employees, and that the proper concern of regulators is whether a utility can demonstrate that the overall level of employee compensation expenses is reasonable."[5] In Indiana, regulators evaluated a utility's compensation package, including incentive compensation, and approved the utility's compensation request. Similarly, in Nevada, the Nevada Public Utilities Commission (NPUC) evaluated a combined compensation package of payroll and benefit costs and approved the utility's compensation request. Also, in Tampa Electric's rate case 080307-EI, Order No. PSC-09-0283-FOF-EI, the Florida Commission approved inclusion of incentive compensation.

Q. Did Staff make an adjustment for employee benefits?

A. Yes. Staff brought the test year expenses for health, dental, vision, and life insurance to a three-year average and then applied an O&M allocator to determine an annualized expense amount.

Q. Does the Company agree with this adjustment?

A. No. Staff should utilize the same approach to calculate employee benefits as they did to calculate payroll expense, if they did it would be consistent with the Company's proposed methodology for employee benefits included in my Direct Testimony.

[5] March 2012 Labor Costs and the Rate Case, www.fortnightly.com.

Q. Please describe the Company's proposed methodology to determine the appropriate amount of employee benefits to include in its cost of service?

A. The annualized amount of employee benefit expense for health, dental, vision, life insurance, accident insurance, accidental death & dismemberment, and short and long-term disability should be based on the annual amount of expenses the Company would expect to incur for each active employee at June 30, 2021. Although the Company believes this methodology represents the most appropriate amount of employee benefit expense to include in the cost of service, if the Commission were to go with Staff's approach, Staff would need to make a correction to their calculation. As stated above, Staff applied an O&M allocator to their adjustment calculation for employee benefits. However, this is inappropriate, as the test year balance and the three-year average that Staff is utilizing in their adjustment is already at the expense level and does not include any capitalized benefit costs; therefore, it would not be appropriate to apply an O&M allocation.

Q. Please describe Staff's adjustment to normalize rate case expense.

A. First, Staff witness Niemeier included the annual amount of line loss study costs that were approved in ER-2019-0374; and excluded the remaining amounts of rate case expense and depreciation study costs that were also approved in ER-2019-0374. Second, Staff excluded all of the 2019 rate case costs which were incurred after the January 2020 true-up period of the last case. Next, in consideration of the current case costs, Staff applied various allocation factors to determine a Missouri amount and applied a 50% sharing mechanism and three-year amortization for non-depreciation and AMI cost/benefit analysis related costs. For AMI, Staff disallowed all costs not related to the cost/benefit analysis, as they stated no one from Charles River Associates

("CRA") filed testimony and the Company made no reference to any of the analysis in its initial filing. Staff then applied a five-year amortization to the current depreciation study and AMI cost/benefit analysis costs.

Q. Does the Company agree with Staff's adjustment to normalize rate case expense?

A. No, the Commission should accept the balance for rate case expense as proposed by the Company in its Direct Testimony, updated for actuals. However, if the Commission adopts Staff's approach, the following items should be considered for correction. First, in the Amended Report and Order from ER-2019-0374, the Commission authorized the Company to recover $71,676 annually for two years, which included $14,227 of depreciation study costs and $53,499 of 2019 rate case expense annually. These authorized amounts would not be fully amortized until August 2022; therefore, it is inappropriate for Staff to exclude amounts the Company has already received approval to recover. Next, it is inappropriate for Staff to ignore the 2019 rate case costs that were incurred after the January 2020 true-up period, as those costs were not disallowed. By Staff not including projections for rate case expense for the entire rate case proceeding, and also not allowing consideration of costs that are past the true-up/update period of cases to be considered in the following case, the Company will never be able to recover a large portion of its incurred expense.

In addition, the Company takes issue with Staff's approach to apply a Missouri jurisdictional allocation for the costs incurred for Anderson Byrd LLP, Itron, and Brydon, Swearengen, and England invoices. These specific invoices are prudent direct expenses for the current case (ER-2021-0312) and do not relate to any other jurisdictional rate case. Therefore, these invoices should not have an allocation applied.

Q. Please explain the concerns the Company has regarding the amounts Staff included in rate case expense for AMI?

A. Staff indicates on page 90 of the Staff Report, because no CRA personnel supplied direct testimony in this case and no mention was made by the Company of the other work completed by CRA, all other CRA costs were disallowed[6]. This reasoning for disallowance lacks merit, as I understand the general criteria for rate case expense to be allowed in rates are the prudency of the costs. While it is accurate that CRA did not file testimony, that does not mean the costs incurred by CRA were not necessary for the preparation of this rate proceeding. CRA assisted with the revenue requirement associated with AMI, which was provided as a workpaper to support the direct testimony of Company witness Tisha Sanderson. CRA has also supported the rate case by assisting with drafting data request responses. In addition, even though Staff indicated they will allow recovery of costs pertaining to the AMI Cost/Benefit Analysis Staff is inconsistent with its methodology. Staff used the Company's response to MPSC data request 0044.1 to determine the cost/benefit hours billed for associate/analyst level employees at CRA, however, Staff applied an allocation to determine the amount used for Principals/Partners work on the cost/benefit analysis, even though their direct hours worked on the case were stated on the invoices, and then Staff gave no consideration to other Principals/Partners costs with no explanation given.

Q. Does the Company take issue with the amortization periods proposed by Staff for rate case expense?

[6] Staff allowed invoices for Charles River Associates for the AMI Cost/Benefit Analysis that was recommended by OPC witness Geoff Marke in the previous rate case No. ER-2019-0374.

A. The Company does not necessarily take issue with the proposed three-year amortization for rate case expense, however, the Company is concerned with the five-year amortization proposed for the depreciation study and AMI cost/benefit analysis costs. As described above, Staff is not even allowing the Company to receive full recovery of rate case costs that were already approved by the Commission in ER-2019-0374. The Company is concerned that if the rate case expense approved isn't fully amortized by the time it comes in with its next rate case, that Staff will disallow those costs again.

Q. Does the Company agree with Staff's adjustment to reflect a sharing of rate case expense?

A. No. Staff witness Niemeier stated "…Rate case expenses subject to a sharing mechanism do not include internal labor costs as these are included in the cost of service through the payroll annualization and are not incremental expenses resulting from the rate case process. These costs are fully paid for by ratepayers." Applying a sharing mechanism to all of the consultant costs, other than the line loss study, depreciation study, and AMI cost/benefit costs, unfairly harms Empire, as the Company does not have in-house rate design or cost of service department, for example, and must contract out for these services. Other larger utilities have these personnel in-house and are allowed to recover those costs through rates. The Company must contract for expertise when it does not have that expertise in house. Staff has made no indication that any of the Company's rate case expense costs were imprudent, but automatically disallows 50% of what they deem are "discretionary" expense based solely on that fact that they are from an outside third party, whereas, if they were internal personnel costs the Company would be getting full recovery. Finally, the notion of sharing these costs with shareholders is at best misapplied. Rate case expense is a cost of supplying service to our customers and therefore should be included in the cost of service.

Q. Does the Company agree with Staff's adjustment to depreciation expense?

A. The Company does not take issue with the methodology, however because the Company takes issue with the Common Plant and Stranded Meter adjustment mentioned above, the Company takes issue with the depreciation expense derived from these balances.

Q. Does the Company have any other issues with Staff's adjustment to depreciation expense?

A. Yes. In addition to the pro forma plant balances, Staff proposed different depreciation rates than those proposed by the Company in its Direct Testimony. For further discussion on the concerns surrounding Staff's proposed depreciation rates see the Rebuttal Testimony of Company witness Dane Watson.

Q. Does the Company take issue with the balance of DSM amortization included in the cost of service by Staff?

A. The Company does not take issue with the methodology, however, because the Company takes issue with the rate base calculation of DSM, as described above, the Company takes issue with the balance of the related amortization.

Q. Does the Company take issue with the balance of LIPP amortization included in the cost of service by Staff?

A. The Company does not take issue with the methodology, however, because the Company takes issue with the rate base calculation of LIPP, as described above, the Company takes issue with the balance of the related amortization.

Q. Does the Company agree with Staff's adjustment to the Tornado AAO Amortization?

A. No. Staff is proposing to extend the amortization of the Tornado AAO two years from what has been previously proposed by Staff and included in rates in previous Empire cases. The Company believes the Commission should order to continue the same $402,515 of annual amortization which has been authorized in previous proceedings.

Q. Does the Company agree with the annualized amortization expense included in Staff's cost of service?

A. No. The Company believes the adjustment calculated in our Direct filing is the most accurate way of calculating an annualized amortization expense. However, if the Commission decides to use Staff's method, the Company believes Staff should update the projects related to wind as they have not had seventeen months of accumulated amortization. As of June 30, 2021, North Fork Ridge had five months and Neosho Ridge and Kings Point had two months. If Staff updated the calculation for these projects, their pro forma ending balance would be $7,234,154.

Q. Does the Company agree with Staff's adjustment for Generation O&M (Non-Asbury)?

A. No. The Generation O&M Normalization adjustment the Company used in its Direct filing is the most appropriate way to calculate these balances; however, if the Commission should use Staff's adjustment, the Company believes an inflation rate should be applied to reflect costs in today's dollars.

Q. Please describe the adjustment made by Staff to Normalize Outside Service Expense.

A. Staff uses a five-year average, based on the five years ending June 2021, for accounts 923045 and 923047. In addition, Staff includes the Missouri AMI Outside Service Expense and compares the sum of the three components to the amount of outside service included in the test year. As a result, Staff makes a total company adjustment to increase the amount of outside service expense included in the test year.

Q. Does the Company agree with Staff's Adjustment to Normalize Outside Service Expense?

A. Partially. The Company agrees that it is reasonable to use a five-year average to normalize the amount of outside service expense in accounts 923045 and 923047. However, the Company disagrees with the amount of AMI Outside Service Expense included in Staff's adjustment. Please refer to the rebuttal testimony of Company witness Tisha Sanderson for further discussion.

Q. Does the Company agree with Staff's Advertising Expense Adjustment?

A. No. Staff's adjustment should represent only the amount disallowed at the Missouri Jurisdictional level. However, the amount they recommend removing is a total Company amount instead. Advertising costs are not directed assigned and are for the benefit of all jurisdictions. Therefore, the adjustment should be made at the Total Company level and allocated to Missouri accordingly.

Q. Does the Company agree with Staff's SWPA Amortization adjustment?

A. No. Staff used the general ledger detail, provided in response to DR006, to calculate the amount of expense included in the test year. However, the general ledger detail includes an entry for period 999. Period 999 is a year-end entry used to roll the current year expense to retained earnings (999). Therefore, the 999 entry should not be included in Staff's test year balance. If staff were to remove the year-end entry, in the amount of

$2,389,556, from the test year calculation the test year balance would be $(2,088,832). As a result, Staff's adjustment should be $2,088,832.

Q. Please describe Staff's Peoplesoft Amortization proposal.

A. The Company currently amortizes $2,609 per month for PeopleSoft software costs. The amortization for this asset is scheduled to end in September 2022. Staff is proposing to decrease the monthly amortization expense from $2,609 to $434 to align with the 3-year rate case cycle. Per Staff's proposal, this would take effect in April 2022.

Q. Does the Company agree with Staff's proposal?

A. No. The Company believes that the Commission should continue the same amount of monthly amortization, that was authorized by the Report and Order in Case No. ER-2011-0004, until the amortization ends in September 2022.

Q. Does the Company agree with Staff's adjustment for Pension and OPEB expense?

A. No. Please see the Rebuttal Testimony of Company witness James A. Fallert for further discussion.

Q. Does Staff's adjustment to property tax reflect the expected level of property tax the Company will incur when new rates are established?

A. No. The rates for the current case will go into effect in 2022 and Staff has based their calculation of property based on the value of property at 12/31/2020. This is inappropriate for multiple reasons. First, it is my understanding that the State of Missouri uses the Income Approach in its evaluation of property tax assessments in addition to the property value. Utilizing just the one approach can significantly miscalculate the property tax and does not reasonably represent the property taxes the Company anticipates paying in 2021 or 2022. Next, while Staff included $1M for property tax expense related to the Neosho Ridge wind farm, Staff excluded any amounts for the other two wind farms because they were not included in plant in service at 12/31/2020. This is inappropriate given the magnitude that North Fork Ridge and King's Point has on the plant in service balance. By not considering the values of the other two windfarms, which are known and measurable at June 2021, Staff is understating the property tax that will be paid by the Company going forward on a normalized basis.

Q. Does the Company agree with Staff's adjustment for Amortization of Excess Deferred Income Taxes?

A. No. The amount of $(16,100,344) which Staff has included for Amortization of Excess ADIT is too much. It appears Staff may have inadvertently included the Excess ADIT amortization amount twice in their adjustment. However, it is my understanding based on discussions with Staff they are going to review and determine if a correction to their revenue requirement is necessary.

Q. Are there any Company proposed Income Statement adjustments that no other party addressed in Direct Testimony?

A. Yes. The table below provides an outline of the income statements adjustments that were not addressed by any other party.

Expense	
Sponsoring Party	**Description**
Liberty	Removal of Test Wind Revenues
Liberty	Wind Non-FAC Revenues
Liberty	SB-EDR Amortization Expense
Liberty	Removal of Test Wind Expenses
Liberty	Removal of PISA Depreciation Expense
Liberty	Time of Use Education Costs

Q. Does Staff or any other party include an adjustment to Remove Test Generation Wind Revenue from the test year?

A. No.

Q. Why does the Company believe it is appropriate to Remove Test Generation Wind Revenue from the test year?

A. As mentioned in my Direct Testimony, the Company received test revenues from the SPP Integrated Marketplace in the amount of $6,010 (Total Company) or $5,292 (Missouri), for the North Fork Ridge facility during the test year. The reversal of these revenues occurred after the test year end. Therefore, the Company believes that it is appropriate to remove the test revenues from the test year.

Q. Does the Company believe an adjustment for Wind Non-FAC must be included in the cost of service for this case?

A. Yes. See the rebuttal testimony of Company witness Tisha Sanderson for this discussion.

Q. Does Staff or any other party account for amortization expense related to the SB-EDR?

A. No.

Q. What amount of SB-EDR amortization expense should be included in the Company's revenue requirement?

A. The Company has proposed a five-year amortization period for the SB-EDR Regulatory Asset balance. Therefore, the Company believes that the appropriate amount of amortization expense associated with this Regulatory asset to be include in the cost of service is $155,011.

Q. Does Staff or any other party include an adjustment to Remove Test Wind Expenses from the test year?

A. No.

Q. Why does the Company believe that it is appropriate to Remove Test Wind Expenses from the test year?

A. As mentioned in my Direct Testimony, the Company booked test expenses, in the amount of $43 (Total Company) or $38 (Missouri), from the SPP Integrated Marketplace for the North Fork Ridge wind facility during the test year. The reversal of these expenses occurred after the test year end. Therefore, the Company believes that it is appropriate to remove the test expenses from the test year.

Q. Does Staff or any other party include an adjustment to Remove the PISA Depreciation Expense that's included in the test year?

A. No.

Q. Why does the Company believe that it is appropriate to Remove the PISA Depreciation Expense?

A. As mentioned in my Direct Testimony, the test year includes a Missouri direct assigned depreciation expense offset of $5,482. The Company believes that it is appropriate to remove this from the test year to ensure that the annualized amount of depreciation expense is not impacted by the PISA depreciation offset.

Q. Should an amount for a Time of Use education campaign be included in the cost of service approved in this case?

A. Yes. See the rebuttal testimony of Tisha Sanderson for further discussion.

Q. Are there Income Statement adjustments Staff has recommended that the Company does not oppose?

A. Yes. While the Company may not agree with the methodology sometimes used by Staff, the balances are materially accurate. Therefore, the Company does not oppose the following adjustments proposed by Staff:

- FAC Revenue,
- Forfeited Discount,
- Miscellaneous Rent Revenue,
- Missouri Reconnect Charges,
- Normalized Other Direct Assigned Revenue,
- Removal of Franchise Tax Revenue,
- Removal of Unbilled Revenue,
- 401K Expense,
- Customer Deposit Interest,
- Customer Payment Fees,
- Injuries and Damages,
- Lease Expense,
- Non-Recoverable Expense,
- Payroll Taxes,
- PISA Amortization,
- PSC Assessment,
- Removal of Test Year Regulatory Commission Expense,
- Riverton Environmental Cost Amortization,
- Software Expense,
- Solar Rebate Amortization,

- TCJA Stub Period Amortization, and
- Vegetation Tracker Amortization.

IV. OTHER ITEMS

Q. Are there any other issues which you believe should be addressed in your Rebuttal Testimony?

A. Yes, I will briefly address the following:

Other Issues	
Sponsoring Party	**Description**
Staff	Jurisdictional Allocators
Staff	Tax Tracker
All Parties	Winter Storm Uri Costs

a. Jurisdictional Allocators

Q. Does the Company agree with Staff's jurisdictional allocation factors?

A. No. The Company believes the Commission should approve the jurisdictional allocation methodology proposed by the Company. The Company assigns allocations for each general ledger account which helps to ensure the jurisdictions are not subsidizing costs for other Empire electric jurisdictions. This is not always the case with Staff's methodology, as they assign an allocation for an entire FERC grouping, even though all the general ledger accounts within that FERC group might not have the same type of costs and therefore, it would be inappropriate to allocate all costs recorded to each FERC group classification the same way.

Q. Are there specific issues with Staff's jurisdictional allocations?

A. Yes, I will be addressing two specific issues with Staff's allocators in my Rebuttal Testimony. First, is the allocator used for payroll taxes. Per the jurisdictional allocation workpaper supplied by Staff witness Newkirk, the jurisdictional allocation being used by Staff for payroll taxes is 63.6% and it's noted that this is an O&M composite allocation. Jurisdictional allocations and O&M allocations are not the same and should be used for different purposes when calculating the cost of service. It is inappropriate for Staff to be using an O&M allocation as a jurisdictional allocation, and this is made apparent when looking at Staff witness Newkirk's payroll tax adjustment workpaper where the 63.6% is being used to determine how much payroll and related payroll tax is expensed and then when the adjustment flows into Staff's Corrected Accounting Schedules as a total company adjustment the 63.6% is then applied again as a jurisdictional allocation. All other Missouri allocations calculated by Newkirk range from roughly 85% to 92%, other than the direct assigned accounts, therefore Staff needs to revise the jurisdictional allocation used for payroll tax as there is no plausible reason why the Missouri percentage of payroll taxes should be so much lower than all the other Missouri allocation percentages used by Staff. Even the jurisdictional allocations for the payroll, which Staff uses to calculate the Missouri level of payroll taxes, uses a much higher jurisdictional allocation.

The second item I will be discussing is regarding the misappropriation of direct assigned revenue accounts by Staff. Below is a listing of the revenue general ledger accounts which include revenues for Empire's wholesale customers; see **Figure 1**. In Staff's Direct Accounting Schedule, Staff applied a jurisdictional allocation of 89.04% for the 456 FERC accounts and 88.28% for the 457 FERC accounts. These accounts include revenues unrelated to retail jurisdictions and therefore, should be applied at an allocation of 0%. By Staff allowing a portion of these revenues to flow through the cost of service, this incorrectly represents the amount of revenues the Company has received to cover its cost of service.

Figure 1

GL Account	Description
456081	Ot Elec Rev Off Sys Monett
456082	Ot Elec Rev Off Sys Mt Vernon
456083	Ot Elec Rev Off Sys Chetopa
456084	Ot Elec Rev Off Sys Lockwood
457131	Oth El Rev-Sched Sys Ctrl&Disp
457143	Sch 9 City of Monett
457144	Sch 9 City of Mt Vernon
457145	Oth El Rev-Off-Sys Dist
457146	Sch 9 City of Lockwood
457147	Sch 9 City of Chetopa
457148	Sch 9 Kepco
457149	Sch 11 NITS Monett
457150	Sch 11 NITS Mt Vernon
457151	Sch 11 NITS Lockwood
457153	Sch 11 NITS Chetopa
457154	Sch 11 NITS Kepco

b. <u>Tax Tracker</u>

Q. Do you agree with the recommendation of Staff witness Kimberly K. Bolin in regard to the components to include in the Company's proposed tax tracker?

A. Partially. I am supportive that the tracker capture the differences between protected and unprotected Excess ADIT returned to customers as part of the revenue requirement approved in this case and the actual amortization recorded by the Company using ARAM for protected Excess ADIT balances and the 3 year amortization period for the non-stub period unprotected Excess ADIT. However, I continue to believe the tracker should also capture any future tax changes. Including any future tax changes ensures that both customers and the Company would be protected from an expense that the Company has no control over.

c. Winter Storm Uri

Q. Has the Company removed the Winter Storm Uri costs from this case?

A. No. Currently, the Company's rate request includes recovery of 100% of the costs it prudently incurred on behalf of customers during the anomalous weather event of February 2021 ("Winter Storm Uri"). However, the Company has filed a notice with the Commission regarding its intent to seek a financing order that authorizes the issuance of securitized utility tariff bonds for 100% of the Winter Storm Uri costs.

Q. Is it still the Company's intention to seek to securitize the costs associated with Winter Storm Uri?

A. Yes. However, the Company needs an Order granting its AAO request[7] regarding certain of the Winter Storm Uri costs incurred by the Company. If the Company does not receive Commission approval of the AAO request, then it may be necessary for the Company to recover the Winter Storm Uri costs through this case.

V. RETIREE TESTIMONY

a. The Empire District Electric Retirees and Spouses Association, LLC ("EDERA")

Q. Does the Company agree with the assertion of EDERA witness William L. Gibson in respect to his concerns around the Company not honoring the obligation in the Stipulation and Agreement to continue retiree benefits beyond ten years?

A. While I can appreciate the concern that is expressed by Mr. Gibson, I am not aware of any basis for the concern, nor of any reason why the Company would not continue to provide the benefits earned by the retirees.

[7] Case No. EU-2021-0274, In the Matter of The Empire District Electric Company's Fuel Costs Related to the Extraordinary Weather Event of February 2021.

Q. Mr. Gibson indicates there are discrepancies in the data request responses provided by the Company related to health care benefits. Are there discrepancies?

A. No, there are no discrepancies in the responses. However, what may be causing the confusion is that Liberty does not generally offer health care benefits to its retirees. That said, there are limited circumstances where Empire and other subsidiaries of Liberty Utilities Co. are required to provide health care to retirees based on the terms of a particular acquisition agreement that applies only to that entity. Those agreements do not govern other retirees, which appears to be Mr. Gibson's opinion. In other words, Mr. Gibson appears to be reading a "most favored nations" obligation into the merger stipulation provision on retiree benefits. If one took Mr. Gibson's argument to its logical conclusion, any time Liberty Utilities Co. completed an acquisition of another utility, those terms would be applied to all previously acquired utilities, thereby eviscerating the "bargained for exchange" that the parties entered into at the time of any transaction.

b. <u>The Empire District Electric SERP Retirees ("EDESR")</u>

Q. Does the Company agree with the recommendation that Mr. Gibson makes on behalf of EDESR in regard to requiring Empire to externally fund its SERP benefits through a Rabbi trust?

A. No, not based on the facts currently before the Commission. If the criteria the Commission approved in Case No. ER-2019-0374 surrounding the funding of the Rabbi trust in place of the current SERP funding are met, then Empire will fund SERP benefits via a Rabbit trust within 30 days of execution of the contemplated written agreement.

Q. What are the criteria you reference in the prior response?

A. The approved terms indicate if an agreement is reached between EDESR, the Company, Staff, and OPC in which: (1) EDESR, Staff and OPC agree that, using reasonable assumptions, the annual costs and expenses of funds contributed by Empire using a Rabbi trust (including contributions to the trust) to provide benefits are essentially the same or less than the costs and expenses to customers of providing the alternate of SERP benefits from Empire's general funds and (2) none of these parties (EDESR, Staff, OPC) oppose the rate recovery of the Rabbi trust consistent with the Willis Towers Watson SERP funding analysis dated July 17, 2019 (but with currently approved weighted average cost of capital) in place of the SERP funded from general funds and will support said rate recovery in future cases, Empire will fund SERP benefits via a Rabbi trust within 30 days of execution of the written agreement.

Q. Does the updated Willis Towers Watson SERP Funding analysis dated July 17, 2019 (but with currently approved weighted average cost of capital) indicate that the costs and expenses to customers are essentially the same as the SERP funded from general funds?

A. No. A number of different funding strategies were modeled, ranging from fully funding the Rabbi trust in the first year to funding the Rabbi trust gradually for 5, 10, 15 and 20 years. In the cases modeled where a trust is funded over a short time, the cost to customers of reimbursing benefits as they are paid (a "Pay-as-You-Go" basis) was lower than the cost of pre-funding the Rabbi trust.

For example, under the scenario where the Rabbi trust is fully funded immediately, Empire would contribute a one-time sum exceeding $10M and would be reimbursed in full in the following year by customers. This is in contrast to the current reimbursement approach where customers fund the benefit payments from the trust, which are approximately $1M per year.

The exception is that funding the Rabbi trust is projected to be beneficial to the customers when the Rabbi trust is funded over a longer time period, such as 15 or 20 years. This assumes there is no return provided on the rate base for the contributions. In prior analysis where a return was assumed to be provided, the cost to customers of reimbursing benefits as they are paid (a "Pay-as-You-Go" basis) was lower than the cost of pre-funding the Rabbi trust.

Q. Does this conclude your Rebuttal Testimony?

A. Yes, at this time.

VERIFICATION

I, Charlotte T. Emery, under penalty of perjury, on this 20th day of December, 2021, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Charlotte T. Emery