

Filed
May 07, 2015
Data Center
Missouri Public
Service Commission

Exhibit No. 102
Issue: Rate Case Overview
Witness: Brad P. Beecher
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District Electric
Case No. ER-2014-0351
Date Testimony Prepared: August 2014

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

Direct Testimony

of

Brad P. Beecher

August 2014



Empire Exhibit No. 102
Date 4-14-15 Reporter KF
File No. ER-2014-0351

TABLE OF CONTENT
DIRECT TESTIMONY
OF
BRAD P. BEECHER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2014-0351

<u>SUBJECT</u>	<u>PAGE</u>
INTRODUCTION.....	1
DESCRIPTION OF COMPANY.....	2
RATE REQUEST.....	4
ENVIRONMENTAL COMPLIANCE.....	4
RENEWABLE MANDATES.....	6
COMMUNICATION ACTIVITIES.....	6

DIRECT TESTIMONY
OF
BRAD P. BEECHER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2014-0351

1 **INTRODUCTION**

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

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

5 **Q. WHO IS YOUR EMPLOYER AND WHAT POSITION DO YOU HOLD?**

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

8 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL**
9 **EXPERIENCE.**

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

1 in April of 2001. In this position, I was responsible for Empire's energy supply function
2 including power plant construction, operation and maintenance and fuel procurement. In
3 April 2006, I became the Electric Chief Operating Officer, and, in February 2010, I was
4 named Executive Vice President. I assumed my current position in June, 2011.

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

7 A. Yes.

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

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

14 **DESCRIPTION OF COMPANY**

15 **Q. PLEASE DESCRIBE EMPIRE.**

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

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

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

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

14 A. At April 30, 2014, Company-wide, Empire served approximately 141,384 residential
15 customers, 24,105 commercial customers, 345 industrial customers, 2,218 public authority
16 and street and highway customers, and four wholesale customers. As of that date in
17 Missouri, Empire served approximately 125,750 residential customers, 21,463 commercial
18 customers, 276 industrial customers, 1,845 public authority and street and highway
19 customers, and three wholesale customers. In addition to electric service, Empire also
20 provides regulated water service to approximately 4,500 customers in the Missouri
21 communities of Aurora, Marionville, and Verona, and through its wholly-owned subsidiary,
22 The Empire District Gas Company, provides natural gas service to approximately 43,300
23 gas customers.

1 **RATE REQUEST**

2 **Q. WHAT IS THE AMOUNT OF THE RATE INCREASE EMPIRE IS**
3 **REQUESTING?**

4 A. Empire is requesting an overall increase in its Missouri retail electric rates of \$24.3 million,
5 exclusive of applicable fees or taxes – approximately a 5.5 percent increase.

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

8 A. The dominant factor driving the need for a Missouri rate increase at this time is Empire's
9 capital investment at its Asbury generating unit, which is required to meet EPA rules on air
10 quality. In addition to the environmental investment at Asbury, EPA's air quality rules will
11 substantially contribute to the retirement of two of Empire's oldest coal fired units and the
12 conversion of our Riverton 12 unit to a combined cycle. Empire witness Kelly Walters will
13 discuss Empire's major rate case drivers in her direct testimony, and Empire witness Blake
14 Mertens will discuss the required environmental retrofit at our Asbury unit in greater detail
15 in his direct testimony.

16 **ENVIRONMENTAL COMPLIANCE**

17 **Q. PLEASE DESCRIBE EMPIRE'S MAJOR CONSTRUCTION PROJECTS DUE TO**
18 **THE RECENT ENACTMENT OF MORE STRINGENT ENVIRONMENTAL**
19 **RULES.**

20 A. In recent years, the EPA has tightened air quality standards for SO_x, NO_x, and Hg. These
21 new standards affected the operations of several of Empire's power plants. Empire's
22 Asbury and Riverton power plants were most affected by these revised standards.
23 Environmental retrofits were already completed on Iatan 1, and the Plum Point and Iatan 2

1 facilities were constructed to meet the new standards. In response to the EPA's revised
2 standards, Empire implemented a compliance plan. Empire's compliance plan called for
3 the installation of a scrubber, fabric filter, and powder activated carbon injection system at
4 the Asbury plant (collectively referred to as the "Asbury air-quality control system" or
5 "AQCS") by early 2015. The budgeted cost for this project ranged from \$112 million to
6 \$130 million. The addition of this air quality control equipment also required the retirement
7 of Asbury Unit 2, a small steam turbine that was used for peaking purposes. The retirement
8 of this unit took place in December of 2013. Empire is requesting that the cost of the
9 investment in the environmental retrofit at Asbury at December 31, 2014 be included in
10 Empire's overall revenue requirement in this case. The retrofit is scheduled to be complete
11 and in service on February 1, 2015.

12 Empire's compliance plan also called for the transition of the Riverton Units 7 and 8 from
13 operation on coal to full operation on natural gas after the summer of 2012, and the
14 eventual retirement of Units 7, 8, and 9 in 2016. Unit 9 is a small combustion turbine that
15 requires steam from Unit 7 for start-up. Units 7 and 8 began operation in 1950 and 1954,
16 respectively. Due to an electrical malfunction at Unit 7 earlier this year, Unit 7 was retired
17 from service on June 30, 2014.

18 **Q. PLEASE CONTINUE WITH A DESCRIPTION OF THE IMPACT OF EPA RULES**
19 **ON THE OPERATIONS AT THE RIVERTON GENERATING STATION.**

20 A. Riverton Units 7 and 8 operated primarily as small coal units since the early 1950's until
21 they were transitioned to natural gas only operation in September 2012. Prior to its recent
22 retirement, Unit 7 was rated at 38 MW, but since its partial conversion to western coal in
23 1990 to meet tightening EPA SO₂ requirements; it could only operate at a maximum of

1 about 24 MW net on coal. Unit 8 is rated at 54 MW and prior to its transition to sole
2 operation on natural gas, operated at a maximum of 45 MW net on coal since the partial
3 western coal conversion in 1990. As previously described, Empire's strategy to comply
4 with the most recent EPA rules at Riverton calls for the retirement of Unit 7 (which
5 occurred at the end of June 2014), and the retirements of Units 8 and 9 at the completion of
6 the construction and conversion of Riverton Unit 12 to a combined cycle unit (which
7 should occur in mid-2016).

8 **RENEWABLE MANDATES**

9 **Q. HOW HAVE THE RENEWABLE MANDATES AFFECTED EMPIRE'S**
10 **OPERATIONS?**

11 A. As I mentioned earlier, Empire operates in four different states. Two of these states,
12 Missouri and Kansas, have mandated that Empire acquire specified levels of renewable
13 resources as part of its supply resource mix. The specific mandates are unique to each
14 state. For example, in Missouri the requirements are based upon specific levels of energy,
15 while the requirements in Kansas are based upon specific levels of generating capacity.
16 Empire is currently able to meet each state's renewable mandate with its current diversified
17 generation mix, which includes renewable resources (wind and hydro energy).

18 **COMMUNICATION ACTIVITIES**

19 **Q. HAS EMPIRE COMMUNICATED WITH ITS CUSTOMERS CONCERNING THE**
20 **ENVIRONMENTAL COMPLIANCE EFFORTS AND THE POTENTIAL IMPACT**
21 **ON ELECTRIC RATES?**

22 A. Yes. We have attended various community meetings and discussed our environmental
23 compliance plan and how that plan may ultimately result in increased electrical rates for our

1 customers. In addition to these public presentations at various community meetings, we
2 have held meetings with community leaders and with our larger customers to discuss our
3 environmental compliance activities and the estimated impact these activities will have on
4 our rates for electric service. We have also contacted the communications media in our
5 service territory to discuss our environmental compliance plan and its estimated impact on
6 electric rates.

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

8 A. Yes, it does.

AFFIDAVIT OF BRAD P. BEECHER

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 26th day of August, 2014, before me appeared Brad P. Beecher, to me personally known, who, being by me first duly sworn, states that he is the President and CEO of The Empire District Electric Company and acknowledged that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.

Brad P. Beecher

Brad P. Beecher

Subscribed and sworn to before me this 26th day of August, 2014

Sherril J. Blalock

Notary Public

My commission expires: Nov. 16, 2014

