

# Exhibit No. 127

*Exhibit No.:*  
*Issue(s):* *Non-FAC Wind Revenues,  
ADIT and Excess ADIT,  
Iatan/PCB Environmental  
Costs, Market Price  
Protection Mechanism,  
Winter Storm Uri*  
*Witness:* *Kimberly K. Bolin*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Surrebuttal Testimony*  
*Case No.:* *ER-2021-0312*  
*Date Testimony Prepared:* *January 20, 2022*

**MISSOURI PUBLIC SERVICE COMMISSION**  
**FINANCIAL & BUSINESS ANALYSIS DIVISION**  
**AUDITING DEPARTMENT**

**SURREBUTTAL TESTIMONY**

**OF**

**KIMBERLY K. BOLIN**

**THE EMPIRE DISTRICT ELECTRIC COMPANY,  
d/b/a Liberty**

**CASE NO. ER-2021-0312**

*Jefferson City, Missouri*  
*January 2022*

**SURREBUTTAL TESTIMONY**

**OF**

**KIMBERLY K. BOLIN**

**THE EMPIRE DISTRICT ELECTRIC COMPANY,  
d/b/a Liberty**

**CASE NO. ER-2021-0312**

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Executive Summary .....1

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ADIT and Excess ADIT .....2

Iatan/PCB Environmental Costs .....3

Market Price Protection Mechanism .....3

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1 **NON-FAC WIND REVENUES**

2 Q. On page 3 of Empire witness Tisha Sanderson's rebuttal testimony she states  
3 that Staff did not include an adjustment for Non-FAC Wind Revenues in its case. Is this correct?

4 A. Yes. Staff overlooked the Non-FAC Wind revenues and did not include the  
5 revenues in its filed direct revenue requirement. Staff will correct this omission.

6 **ADIT AND EXCESS ADIT**

7 Q. On page 5 of Empire witness Sanderson's rebuttal testimony she argues that if  
8 the unrecovered balance of the retired Asbury plant is not included in rate base then the  
9 remaining ADIT and Excess ADIT associated with the Asbury plant should also not be included  
10 as an offset to rate base. Do you agree?

11 A. No. The amount of ADIT and Excess ADIT, based upon an expected federal tax  
12 rate of 35%, were recorded prior to the retirement of the Asbury plant. Customers have paid  
13 higher amounts of income tax expense in rates than what Empire actually paid to taxing  
14 authorities for income tax purposes, and thus has contributed capital to Empire in this regard.  
15 This is especially true with the return of the Excess ADIT caused by passage of the TCJA in  
16 2017. The only difference between plant that has been sold or retired and current plant in regard  
17 to the EADIT flowback required under the TCJA is the timing of when the companies will settle  
18 the 21 percent of ADIT now payable to the IRS with that agency. In both cases the excess ADIT  
19 is based on the 14 percent (the difference between the assumed 35% federal tax rate and the  
20 actual tax rate of 21% following from the TCJA) previously collected from the customers that  
21 will no longer be payable to the IRS. Customers are entitled to a return of that amount.

22 Q. On page 7 of Empire witness Sanderson's rebuttal testimony she states that the  
23 Asbury Excess ADIT is double counted in Staff's direct accounting schedules. Is this correct?

Surrebuttal Testimony of  
Kimberly K. Bolin

1 A. Yes. Staff has made the correction.

2 Q. On page 6, Empire witness Charlotte Emery's rebuttal testimony, she states that  
3 Staff needs to update the Excess ADIT to reflect actual balances as of June 30, 2021. Does Staff  
4 agree with this point?

5 A. Yes. At the time of the direct filing for Staff, Empire had only provided an  
6 estimated amount of Excess ADIT as of June 30, 2021. Now that the actual balance as of  
7 June 30, 2021 is known, Staff has updated the Excess ADIT balance accordingly.

8 **IATAN/PCB ENVIRONMENTAL COSTS**

9 Q. On page 4 of Empire witness Emery's rebuttal testimony she states Staff should  
10 update the adjustment for the Iatan/PCB environmental costs. Do you agree?

11 A. Yes. At the time of the direct filing for Staff, Empire had only provided actual  
12 costs through September 20, 2020 and estimated costs through June 30, 2021. Now that the  
13 actual costs through June 30, 2021 are known Staff has updated the costs to reflect a total  
14 company level of \$6,653,045.

15 **MARKET PRICE PROTECTION MECHANISM**

16 Q. On page 35 of Office of the Public Counsel witness Lena Mantle's rebuttal  
17 testimony she states the terms of the MPPM are unclear. Is Staff opposed to clarifying the terms  
18 of the MPPM?

19 A. No, Staff is not opposed to working with the parties to clarify the terms of the  
20 MPPM. However, Staff is not agreeable to changing major elements of the MPPM as set out  
21 in the Non-Unanimous Stipulation and Agreement filed in Case No. EO-2019-0010 or  
22 eliminating the MPPM.

Surrebuttal Testimony of  
Kimberly K. Bolin

1 Q. Do the terms of the MPPM affect the revenue requirement in this proceeding?

2 A. No. The MPPM will not affect customer rates until at least 10 years after this  
3 rate case.

4 Q. On page 41 of OPC witness Mantle's rebuttal testimony she states, "For  
5 assuming all this risk, customers get a promise that they will get up to \$26.25 million in ten  
6 years...." What is the guarantee amount to customers listed in the MPPM?

7 A. The amount listed in the MPPM is \$52,500,000. For example if at the end of  
8 the ten years the accumulated annual wind value (AWV) is a loss of \$105 million, the annual  
9 sharing value (ASV) would be \$52.5 million. Ratepayers would receive \$52,500,000 under that  
10 scenario, not \$26.25 million. For any AWV loss greater than \$105 million, the customers will  
11 get \$52,500,000 under the terms of the MPPM, and amounts over the guarantee would be  
12 presented to the Commission for determination. At that time, parties are not bound to support  
13 any sharing value, and may argue for whatever treatment a party deems appropriate.

14 Q. Is an example also provided in Appendix B to the Stipulation and Agreement in Case  
15 No. EA-2019-0010 showing that customers would receive more than \$26.25 million?

16 A. Yes. The last regulatory liability example provided in Exhibit D to Appendix B indicates  
17 that customers would receive a total of \$39,712,233.

18 Q. OPC witness Mantle suggests that the rate base amount in the MPPM should  
19 only change when new rates go into effect.<sup>1</sup> Is Staff opposed to this suggestion?

20 A. No. The MPPM does not clearly spell out if the rate base amount  
21 changes annually or when new rates go into effect. Staff assumed the rate base amount would  
22 change annually since all other items measured in the MPPM would also change annually.

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<sup>1</sup> Pages 41 and 42 of Lena Mantle's Rebuttal Testimony in Case No. ER-2021-0312.

1 However, if the other parties agree this value should not be changed annually, Staff is not  
2 opposed to clarifying that the rate base amount changes only when new rates go into effect.

3 Q. Has Empire agreed with Ms. Mantle's suggestion?

4 A. Yes. On pages 9 and 10 of Empire witness Aaron J. Doll's rebuttal testimony he  
5 states, "For example, Ms. Mantle states that the wind revenue requirement ought to not be  
6 formulaic, decreasing every single year, if Empire's customers are not paying a progressively  
7 reducing rate for the wind farms. The Company does not disagree with this position and  
8 requests that the parties work in good faith to accurately capture customers' benefits and costs  
9 as a result of the wind investment."

10 Q. OPC witness Mantle asserts on page 50 of her rebuttal testimony that hedge  
11 payments should not be included in the MPPM calculations and at page 51 she states that the  
12 hedge payments should also not be included in the FAC. Does Staff agree?

13 A. The hedge payments should be treated the same for the MPPM and the FAC. In  
14 other words, if the hedge payments are included in the FAC then they should be included in the  
15 MPPM and vice versa.

16 Q. What if the hedge payments are not included in the FAC but included in the  
17 revenue requirement, should the hedge payments be included in the MPPM?

18 A. Yes. However, if the hedge payments are not included in the revenue  
19 requirement they should also not be included in the MPPM.

20 **WINTER STORM URI**

21 Q. Is it Staff's understanding the Empire is no longer pursuing recovery of  
22 Winter Storm Uri costs in this case?



Surrebuttal Testimony of  
Kimberly K. Bolin

1           A.     Yes. During a conference call with Empire, Empire informed Staff and  
2 other parties to this case that Empire would no longer pursue recovery of Winter Storm  
3 Uri costs in this case. Instead, they will pursue the recovery of part of Winter Storm Uri costs  
4 in Case No. EU-2021-0274 and ultimately recovery of all Winter Storm Uri costs in Case No.  
5 EO-2022-0040.

6           Q.     Does this conclude your surrebuttal testimony?

7           A.     Yes.

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

In the Matter of the Request of The Empire            )  
District Electric Company d/b/a Liberty for            )  
Authority to File Tariffs Increasing Rates            )  
for Electric Service Provided to Customers            )  
in its Missouri Service Area                            )

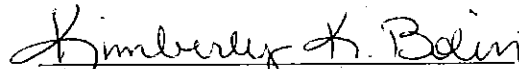
Case No. ER-2021-0312

**AFFIDAVIT OF KIMBERLY K. BOLIN**

STATE OF MISSOURI        )  
  )        ss.  
COUNTY OF COLE        )

**COMES NOW KIMBERLY K. BOLIN**, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal Testimony of Kimberly K. Bolin*; and that the same is true and correct according to her best knowledge and belief.

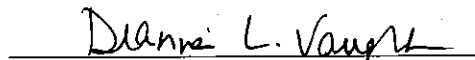
Further the Affiant sayeth not.

  
**KIMBERLY K. BOLIN**

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 7<sup>th</sup> day of January, 2022.

DIANNA L. VAUGHT  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: July 18, 2023  
Commission Number: 15207377

  
Notary Public