

Exhibit No.
Issue: Annual ECA-ACA Filing
Witness: Gregory W. Tillman
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District Electric
Docket No. 20-EPDE-242-ACA
Date Testimony Prepared: January 2020

Before the Kansas Corporation Commission

Direct Testimony

Of

Gregory W. Tillman

**In Support of the
Annual Energy Cost Adjustment ACA Filing**

January 20, 2020

TABLE OF CONTENTS
OF
GREGORY W. TILLMAN
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
KANSAS CORPORATION COMMISSION
DOCKET NO. 20-EPDE-242-ACA

TABLE OF CONTENTS

I. INTRODUCTION1

II. PURPOSE.....3

III. BACKGROUND4

IV. ACA APPLICATION.....5

V. CONCLUSION.....9

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1 **I. INTRODUCTION**

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

3 A. My name is Gregory W. Tillman 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. I am employed by Liberty Utilities Service Corp. as a Senior Manager of Rates and
7 Regulatory Affairs for Liberty Utilities' Central Region, which includes The Empire
8 District Electric Company ("Liberty-Empire" or "Company").

9 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
10 **BACKGROUND.**

11 A. I earned a Bachelor of Science in Electrical Engineering from the University of Tulsa
12 in 1987. Prior to joining Liberty Utilities in May, 2019, I had over 26 years of
13 experience in the regulated and deregulated energy industry including roles in
14 regulatory, pricing, billing, and metering information. In 1990, after serving on active
15 duty as a Signal Officer in the United States Army, I joined Public Service Company
16 of Oklahoma ("PSO"). From 1990 through 1997, I was employed in various positions
17 at PSO, including in the Information Services, Business Planning, Rates and

1 Regulatory, and Ventures departments. During my tenure with the Rates and
2 Regulatory Department, I served as the Supervisor of Power Billing and Data
3 Collection. In this position, I managed the billing for large industrial and commercial
4 customers and led the implementation of PSO's real-time pricing program. I also
5 managed the implementation of real-time pricing for the three remaining utilities in
6 the Central and South West Corporation – Southwestern Electric Power Company,
7 Central Power and Light, and West Texas Utilities.

8 In 1997, I joined the Retail Energy Department of the Williams Energy
9 Company as the Manager of Systems for the retail gas and electric data and billing. I
10 also managed the customer billing function at Williams Thermogas as well as the
11 billing and accounting systems support functions at Williams Communications. From
12 2000 to 2002, I served as the Vice President of Energy Solutions for Automated
13 Energy. In 2008, following several assignments as a consultant and project manager
14 in various industries, I joined Oklahoma Gas & Electric Company ("OG&E") as a
15 Senior Pricing Analyst. I was promoted to Manager of Pricing in January 2010 and
16 became the Product Development Pricing Leader in 2013. While at OG&E, I was
17 instrumental in developing and managing OG&E's pricing strategy and products,
18 including the design and implementation of OG&E's SmartHours™ rate. From
19 November, 2015 to May, 2019, I was employed at Walmart, Inc. as a Senior Manager
20 of Energy Regulatory analysis. In that role, I advocated for Walmart's positions in
21 regulatory proceedings throughout the nation. I have been in my current position with
22 Liberty Utilities since May, 2019.

1 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE THE**
2 **KANSAS CORPORATION COMMISSION (“COMMISSION”) OR ANY**
3 **OTHER STATE REGULATORY COMMISSION?**

4 A. I have not previously presented testimony before the Commission. However, I have
5 testified in 39 proceedings before the Arizona Corporation Commission, the Arkansas
6 Public Service Commission, the Connecticut Public Utilities Regulatory Authority,
7 the Indiana Utility Regulatory Commission, the Illinois Commerce Commission, the
8 Iowa Utilities Board, the Kentucky Public Service Commission, the Michigan Public
9 Service Commission, the Public Utility Commission of Nevada, the New Jersey
10 Board of Public Utilities, the Oklahoma Corporation Commission, the Pennsylvania
11 Public Utility Commission, the Rhode Island Public Utilities Commission, the South
12 Carolina Public Service Commission, the Public Utilities Commission of Texas, the
13 Commonwealth of Virginia State Corporation Commission, the Public Service
14 Commission of West Virginia, and the Wisconsin Public Service Commission. My
15 testimony addressed the topics of revenue requirement, rate design, revenue
16 allocation, pricing, customer impacts, tariffs, and terms and conditions of service.

17 **II. PURPOSE**

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

19 A. My testimony will support Liberty-Empire’s request to the Commission for an order
20 approving the Annual Cost Adjustment (“ACA”) factor submitted to the Commission
21 as part of Liberty-Empire’s approved Energy Cost Adjustment (“ECA”) tariff.

1 **Q. WHAT IS THE ACA PERIOD THAT IS ADDRESSED IN YOUR**
2 **TESTIMONY?**

3 A. The historical ACA period discussed in my testimony is the twelve month period
4 November 1, 2018 through October 31, 2019 (“ACA period”). I also discuss the
5 ECA projection for calendar year 2020.

6 **III. BACKGROUND**

7 **Q. PLEASE PROVIDE A GENERAL BACKGROUND OF THE FILING AND**
8 **WHY IT IS BEING MADE AT THIS TIME.**

9 A. On October 4, 2005, Liberty-Empire and the Staff of the Commission ("Staff")
10 reached a settlement agreement in Docket No. 05-EPDE-980-RTS ("980 Docket").
11 One of the specific terms of the agreement reached with the Staff involved the
12 implementation of an ECA for Liberty-Empire’s Kansas retail customers. Part of the
13 terms of the ECA tariff approved by the Commission requires Liberty-Empire to file
14 an annual “true-up” of its Kansas energy costs. In this particular instance, Liberty-
15 Empire and Staff reached an agreement to make this annual ECA true-up as a formal
16 application for approval with the Commission.

17 **Q. PLEASE DESCRIBE LIBERTY-EMPIRE’S ELECTRIC OPERATIONS.**

18 A. Liberty-Empire operates an integrated electric system that covers portions of four
19 states, Kansas, Missouri, Oklahoma, and Arkansas. Liberty-Empire provides electric
20 service in an area of approximately 10,000 square miles in the southwest corner of
21 Missouri and the adjacent corners of Kansas, Oklahoma, and Arkansas. Liberty-
22 Empire's operations are regulated by the utility regulatory commissions of these four

1 states as well as the Federal Energy Regulatory Commission ("FERC"). The service
2 area contains 133 incorporated communities in 26 counties in the four-state area.

3 **Q. PLEASE BRIEFLY DESCRIBE THE SOUTHWEST POWER POOL**
4 **INTEGRATED MARKETPLACE ("SPP IM").**

5 A. The SPP IM is a full-scale energy market consisting of a day-ahead market, real-time
6 balancing market and transmission congestion market. The SPP IM was active
7 during the entire ACA period. Within the SPP IM, SPP not only commits and
8 dispatches generation to serve load, but also acts as a consolidated balancing
9 authority in order to effectively operate a market-based reserve market. The
10 expected result of the SPP IM is a more efficient commitment and dispatch of
11 regional generation and operating reserves across the SPP footprint, resulting in
12 anticipated shared savings among pool members. Company Witness Todd Tarter
13 discusses the operations of the SPP in greater detail.

14 **IV. ACA APPLICATION**

15 **Q. WERE THE ATTACHMENTS TO THE ACA APPLICATION PREPARED**
16 **BY YOU OR PREPARED UNDER YOUR DIRECT SUPERVISION?**

17 A. Yes.

18 **Q. PLEASE DESCRIBE THE ATTACHMENTS?**

19 A. The attachments to the ACA application support the ACA and display the actual
20 energy costs incurred by Liberty-Empire during the ACA period ending October 31,
21 2019, as well as the actual ECA revenue billed to the Kansas retail customers during
22 the ACA true-up period to arrive at the (over)/under ACA recovery balance. In

1 addition, the attached schedules display a monthly energy cost forecast for calendar
2 year 2020 as required by Liberty-Empire's ECA tariff. This monthly forecast of 2020
3 energy costs was developed using a production cost model that is discussed in
4 Company witness Todd Tarter's testimony. As required by the settlement approved
5 by the Commission in the 712 Docket, this forecast excludes the effect of the
6 financial instruments Liberty-Empire had in place to hedge the price of natural gas for
7 calendar year 2020.

8 **Q. DID LIBERTY-EMPIRE CONSIDER THE SPP IM IN ARRIVING AT ITS**
9 **2020 ECA FORECAST?**

10 A. Yes. Liberty-Empire utilized a production cost model to simulate a market approach
11 for this Kansas ECA forecast. The production cost model yields a forecast of the
12 monthly resource generation and fuel requirements at each of the Company's power
13 plants. It also provides a forecast of the monthly resource generation and costs
14 associated with purchased power agreements. This generation from Liberty-Empire
15 resources is sold into the SPP IM. Monthly revenue from those sales and native load
16 costs from market purchases are also products of the production cost model in order
17 to arrive at a monthly net fuel and purchase power figure.

18 **Q. PLEASE EXPLAIN HOW THE SPP IM HAS CHANGED THE OFF-SYSTEM**
19 **PROFIT FACTOR IN THE CALCULATION OF THE KANSAS ECA?**

20 A. As discussed by Company witness Todd Tarter, the Company's entrance into the SPP
21 IM has changed the way Liberty-Empire does business. Within the SPP IM, Liberty-
22 Empire purchases 100 percent of its native load requirement from the market and

1 sells energy from its generating resources into the market, and as such, the off-system
2 gross profit factor has become obsolete going forward.

3 With the SPP IM, any bilateral deals or import/export deals with
4 counterparties will flow through the ACA calculation rather than the off-system profit
5 factor. Thus, there is no balance for off-system sales gross profit that needs to be
6 incorporated into the ACA factor for calendar year 2019. This is reflected on
7 Attachment A, Schedule 2. As indicated, the energy cost over-recovery of \$257,295
8 has been used to arrive at an ACA factor of (\$0.00111)/Kwh for calendar year 2020.
9 This ACA factor is designed to remain constant for each month of calendar year
10 2020.

11 **Q. PLEASE EXPLAIN THE SIGNIFICANT CHANGE IN ACA FACTOR WHEN**
12 **COMPARED TO THE 2019 ACA FACTOR.**

13 A. The total ACA cost for the current ECA year decreased by 134 percent from the 2019
14 ECA year. The decrease is a result of the correction regarding the billing system
15 being updated during the prior year. Liberty-Empire developed a process in which
16 the rates are verified and approved with the billing department each month prior to
17 being implemented. In addition, the 2019 rate resulted in an over recovery for the
18 September and October 2019 periods.

19 **Q. WHAT WAS THE (OVER)/UNDER RECOVERY BALANCE AT THE END**
20 **OF OCTOBER 2019 AS FILED?**

21 A. As reflected on Attachment A, Schedule 2, there was an over recovery at October 31,
22 2019 of \$257,295. The overall ACA balance has been adjusted to reflect the

1 exclusion of the gains/losses associated with the financial instruments used to hedge
2 natural gas purchases during the ACA period and the gains/losses associated with any
3 sale of excess natural gas.

4 **Q. HOW DID THE INITIAL 2019 FORECAST OF KANSAS ECA ENERGY**
5 **COSTS COMPARE TO THE ACTUAL KANSAS ECA ENERGY COSTS FOR**
6 **THE CURRENT ACA PERIOD?**

7 A. The actual Kansas ECA average energy cost, including the natural gas transportation,
8 for the twelve-months ending October 31, 2019 were lower than those originally
9 forecast in the last ACA filing prepared roughly a year ago. The average energy cost
10 was originally forecast as \$27.66 per Mega-Watt hour ("MWh"). The actual energy
11 costs came in at \$24.18 per MWh, \$3.48 per MWh or about 12.58% lower than the
12 original forecast. In terms of overall eligible energy costs for Liberty-Empire's
13 Kansas jurisdiction, the ACA period energy costs were \$5.6 million versus a budget
14 of \$6.3 million.

15 **Q. PLEASE DESCRIBE THE FORECAST OF ECA FACTORS FOR THE**
16 **UPCOMING CALENDAR YEAR OF 2020.**

17 A. Attachment A, Schedule 1 of the ACA filing, reflects the forecast of the ECA factor
18 for each month for calendar year 2020. This forecast combines the results of the
19 (over)/under recovery of eligible energy costs and the Kansas ECA forecast of 2020
20 fuel and energy costs to arrive at a monthly forecast of 2020 Kansas ECA factors. As
21 indicated, these factors range from a high of \$0.02717 in February of 2020 to a low of
22 \$0.01879 in May of 2020. The forecast of energy costs for 2020 also incorporates

1 Liberty-Empire's current estimate of fuel prices excluding the impact of the financial
2 instruments used to hedge Liberty-Empire's natural gas requirements for calendar
3 year 2020 and the inclusion of the cost of air quality control consumables through
4 June 2020.

5 **V. CONCLUSION**

6 **Q. DO THE ENERGY COSTS REFLECTED IN THE LIBERTY-EMPIRE ACA**
7 **CONSTITUTE A FAIR, REASONABLE AND EFFECTIVE METHOD OF**
8 **PROCURING THE FUEL AND ENERGY REQUIREMENTS FOR THE**
9 **COMPANY AND LIBERTY-EMPIRE'S KANSAS ELECTRIC CUSTOMERS?**

10 A. Yes. The calculation of the ACA has been made in accordance with the Liberty-
11 Empire ECA tariff authorized by the Commission. It also reflects the actual results of
12 a reasonable and effective management policy related to the operation of Liberty-
13 Empire's generating units and a structured approach to the acquisition of fuel for the
14 generating units that has been in place for a number of years. The fuel acquired for
15 the units was acquired in the competitive marketplace under competitive conditions.
16 I believe approval of the ACA factor proposed by Liberty-Empire for calendar year
17 2020 in its entirety is reasonable, prudent and in the public interest and recommend
18 approval by the Commission.


19 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

20 A. Yes it does.

AFFIDAVIT OF GREGORY W. TILLMAN

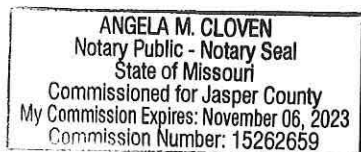
STATE OF MISSOURI)
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COUNTY OF JASPER)

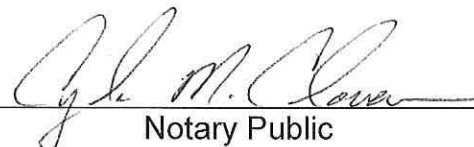
On the 20th day of January 2020, before me appeared Gregory W. Tillman, to me personally known, who, being by me first duly sworn, states that he is the Senior Manager of Rates and Regulatory Affairs of The Empire District Electric Company – Liberty Utilities Central and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.



Gregory W. Tillman

Subscribed and sworn to before me this 20th day of January 2020.





Notary Public

My commission expires: 11/06/23.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the Direct Testimony of Todd W. Tarter was sent via electronic mail, this 20th day of January, 2020, addressed to:

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