**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application of The Empire District Electric Company for Approval of the Commission to Make Certain Changes in its Charges for Electric Service.	**)))))**	**Docket No. 19-EPDE-223-RTS**

REDACTED DIRECT TESTIMONY

PREPARED BY

JUSTIN T. GRADY

UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

May 13, 2019

[redacted]DENOTES CONFIDENTIAL TESTIMONY

Contents

I. Introduction, Qualifications, Purpose of Testimony

Q. Please state your name and business address.

A. My name is Justin T. Grady and my business address is 1500 Southwest Arrowhead Road, Topeka, Kansas, 66604.

Q. By whom and in what capacity are you employed?

A. I am employed by the Kansas Corporation Commission (KCC or Commission) as the Chief of Accounting and Financial Analysis.

Q. Please summarize your educational and employment background.

A. I earned a Master of Business Administration degree, with a concentration in General Finance which includes emphases in Corporate Finance and Investment Management, from the University of Kansas in December of 2009. I also hold a Bachelor of Business Administration degree with majors in Finance and Economics from Washburn University. I have been employed by the KCC in various positions of increasing responsibility within the Utilities Division since 2002. I have been employed in my current capacity since May 2012.

While employed with the Commission, I have participated in and directed the review of various tariff/surcharge filings and rate case proceedings involving electric, natural gas distribution, water distribution, and telecommunications utilities. In my current position, I have supervisory responsibility for the activities of the Commission's Audit section within the Utilities Division. In that capacity, I plan, manage, and perform audits relating to utility rate cases, tariff/surcharge filings, fuel cost recovery mechanisms, transmission delivery charges, alternative-ratemaking mechanisms, and other utility filings which may have an impact on utility rates in Kansas including mergers, acquisitions, and restructuring filings.

Q. Have you previously submitted testimony before this Commission?

A. Yes. I have submitted written and oral testimony before this Commission on multiple occasions regarding various regulatory accounting and ratemaking issues. This work includes testimony filings in 58 dockets, including this one. A list of the other dockets that encompass this experience is available upon request.

Q. What is the purpose of your testimony in the review of this rate case filing made by The Empire District Electric Company, (Empire), in Docket No. 19-EPDE-223-RTS?

A. In the testimony that follows, I will present and support Staff's positions regarding the following topics, in the order that they will appear in my testimony:

1. Staff's recommendation for how to treat the amortization of excess Accumulated Deferred Income Taxes (EDIT) created when the Tax Cuts and Jobs Act (TCJA) became effective on January 1, 2018. In this section I will also present Staff's position on Empire's requested Tax Change Rider (TCR);

2. Staff's recommendation that all of the deferred revenue (tax savings) associated with the passage of the TCJA, that has accumulated in the Regulatory Liability from January 1, 2018, through August 29, 2019[1], with interest, should be returned to customers as a one-time bill credit;

3. Staff's response to Empire's proposed Capital Tracker; and

[1] This is the date that rates are projected to go into service based on the current procedural schedule. If rates are effective before or after that date, Staff's recommended bill credit will need to be modified to reflect the date that new rates go into effect.

4. Staff's recommendation that the Commission order Empire to file a special regulatory tariff entitled the Asbury Retirement Credit Tariff (ARCT), if the Asbury Coal Fired Generating Unit is retired within the next three years.

II. Executive Summary

Q. Please provide an executive summary of your testimony.

A. In the testimony that follows, I will present and support the following conclusions:

- The Commission should accept Staff's recommended amortization of Excess Accumulated Deferred Income Taxes (EDIT) in the determination of Empire's revenue requirement in this Docket. Staff's recommended amortization totals $(416,841) on a Kansas-jurisdictional basis, which is reflected as an offset to income taxes calculated in Staff's Revenue Requirement Schedules as sponsored by Staff witness William Baldry.[2] Staff's recommended EDIT amortization amount should be used because it relies on Empire's recently-finalized EDIT calculations, and because Staff's recommendation amortizes Empire's "unprotected" EDIT balance over five years instead of Empire's recommended 10-year amortization.[3] Staff contends that a shorter amortization period for Empire's unprotected EDIT is appropriate in this Docket given the significant rate increase

[2] See Staff Exhibit JTG-1 for support and derivation of Staff's recommended EDIT amortization amount of $(416,841).
[3] "Protected" refers to the normalization requirements in Section 13001 of the TCJA. This provision requires EDIT related to book/tax timing differences originating from the difference between accelerated depreciation for tax purposes and straight-line depreciation for regulatory purposes to be amortized over the life of the assets using the Average Rate Assumption Method (ARAM) or acceptable alternative (Reverse South Georgia Method) if ARAM is not possible due to Company record keeping practices. "Unprotected" EDIT is, therefore, EDIT that is not subject to IRS Tax normalization rules and, therefore, may be amortized over any time period that the Commission deems just and reasonable. Both Staff and Empire utilize ARAM for the amortization of protected EDIT.

Empire is seeking from its Kansas customers. Compared to Empire's recommended EDIT amortization of $(212,800), Staff's recommendation reduces Empire's requested revenue requirement by $279,172.[4]

- The Commission should accept a revised version of Empire's proposed Tax Change Rider (TCR) that includes only the provision of the proposed rider that pertains to the annual true up of the amortization of protected EDIT.[5] This is appropriate because Empire's calculations suggest that the amortization of protected EDIT will differ significantly over the next several years compared to the amount of amortization included in Staff's revenue requirement recommendation;
- The Commission should not accept Empire's proposal to include in the TCR the deferred tax savings from the implementation of the TCJA that have accumulated in a Regulatory Liability created as a result of the settlement agreement between Empire, Staff, and the Citizens Utility Ratepayer Board (CURB) in Docket No. 18-GIMX-248-GIV (18-248 Docket).[6] Instead, the Commission should Order Empire to provide its Kansas customers bill credits totaling $2,095,516[7] in the fashion that Staff witness Dr. Robert Glass recommends in his Direct Testimony. This bill credit total represents the annual Regulatory Liability amount of $1,229,466 from Appendix 1 of the Empire Settlement Agreement in the 18-248 Docket, as adjusted

[4] This calculated value accounts for the fact that direct changes to income tax expense, such as an amortization of EDIT, is grossed-up for taxes in the calculation of a revenue requirement. Accordingly, even though Staff's EDIT amortization amount is $204,041 more than Empire's recommended amortization, the impact on the revenue requirement is approximately 1.3610 times that amount (1/.7347=1.3610).

[5] As discussed in more detail below, the amortization of the unprotected portion of EDIT will occur on a straight-line basis over the number of years approved by the Commission in this Docket. Therefore, it is unnecessary to utilize the TCR to track the amortization of unprotected EDIT.

[6] *See* Joint Motion for Approval of Settlement Agreement Regarding the Empire District Electric Company, filed on June 22, 2018, http://estar.kcc.ks.gov/estar/ViewFile.aspx/S20180622144618.pdf?Id=89cfdc7d-79c9-4086-8bc6-96bbe0de5db6.

[7] See Staff Exhibit JTG-2 for support of the amount of $2,095,516.

to reflect the addition of the Commission-approved interest rate on the deferred amounts and a projected date of August 29, 2019, for rates from this proceeding to take effect.[8]

- Staff's recommendation that Empire should be required to provide customers a bill credit, representing the amount of deferred revenue in the Regulatory Liability resulting from the TCJA (with interest), is necessary in order to ensure that the benefit of this significant reduction in corporate income tax expense does not result in a windfall for Empire's shareholders. Instead, Empire's ratepayers should receive the benefits of this significant financial event in total, without consideration of any other offsetting costs. This treatment is no different from several other instances where Empire has been able to utilize deferral accounting to isolate, on a single-issue basis, the negative financial impacts of events that are outside of its control. These deferrals are later recovered from ratepayers in a future rate case without consideration of other offsetting costs that may have occurred during the time of the original event. Examples include the Ice Storm accounting authority order granted in Docket No. 08-EPDE-714-ACT (08-714 Docket), Empire's Pension Tracker, and the Energy Cost Adjustment (ECA). The Commission should not resist using deferral accounting to benefit ratepayers in this instance, as there are ample instances in which it has been used to the benefit of Empire's shareholders.
- The Commission should reject Empire's proposed Capital Tracker. Staff's contention is Empire has not met its burden of demonstrating the necessity or

[8] If rates go into effect before or after that date, Staff's recommended bill credit will need to be recalculated accordingly.

reasonableness of this proposed tracker in this Docket. Many of Empire's claims about the necessity and benefits of the Capital Tracker are unsupported or are inconsistent with the record in this case, as I will demonstrate in my testimony. Additionally, Staff believes it is premature to consider additional alternative ratemaking mechanisms for electric utilities at this time while legislative study efforts codified in Substitute for Senate Bill 69, which took effect on April 18, 2019, are taking place.

- The Commission should require Empire to file a special regulatory tariff titled the Asbury Retirement Credit Tariff (ARCT) in the event that Empire decides to retire the recently environmentally retrofitted Asbury Coal Fired Generating Unit (Asbury). This tariff should be filed within 30-days of a decision by Empire to retire Asbury, and should become effective commensurate with the retirement date of Asbury. This special regulatory tariff is necessary to protect Empire's Kansas ratepayers for continuing to pay the full revenue requirement (return on and of Asbury, plus non-labor maintenance expenses included in the cost of service) for an asset, which is no longer used and required to be used in the provision of electric service. Based on Staff's recommended depreciation rates, Return on Equity (ROE), and non-labor operating and maintenance expenses, the revenue requirement associated with Asbury is $1,768,283. That is a significant part of Staff's total recommended revenue requirement for Empire's Kansas operations of $16,462,195. If Asbury were to retire prematurely, and this revenue requirement was still being included in Empire's Kansas rates, those rates would certainly become unjust and unreasonable. Another possible result would be that Empire would use the Asbury revenue requirement included in rates to support its future wind projects, which would be directly contrary to the procedure that Empire, Staff, and CURB recently agreed to use when Empire seeks recovery of its first rate based wind investments.[9]

- Staff is not asking the Commission to rule in this Docket on the ratemaking treatment that should be afforded to Asbury if it is retired early. The Commission can decide that issue when Empire files the ARCT in the future in the event that Empire decides to retire Asbury. However, for transparency purposes and Empire's planning, Staff suggests that it is likely that we will recommend that Empire receive a "return of" Asbury over its original remaining life of 16 years, with no "return on" or carrying charges during this time.[10] This is consistent with Staff's Direct Testimony in the 18-EPDE-184-PRE (18-184 Docket).[11]

III. Tax Cuts and Jobs Act of 2017

A. Background

Q. Please provide a background discussion on this topic.

A. The Tax Cuts and Jobs Act (TCJA) was signed into law on December 22, 2017.[12] Among other changes, the law changed the federal corporate tax rate from an inclining rate with a maximum rate of 35% to a flat 21%. In anticipation of the law taking effect, Staff requested

[9] *See* Empire's Motion to Withdraw Application Without Prejudice, April 25, 2018, http://estar.kcc.ks.gov/estar/ViewFile.aspx/S20180425100701.pdf?Id=756c94c6-5d1b-4c99-bf75-a3ca7824d0bd.
[10] Empire's current projected retirement date is 2035 according to the depreciation studies filed in this Docket.
[11] *See* Direct Testimony of Justin T. Grady, filed March 1, 2018, http://estar.kcc.ks.gov/estar/ViewFile.aspx/S20180301145503.pdf?Id=1520a73a-7dc2-423b-ba9e-0cc0a8d2751f.
[12] *Tax Cuts and Jobs Act*, Public Law No. 115-97; Statute 131 Stat. 2054 (Dec. 22, 2017).

the Commission open a General Investigation into the effects of the TCJA and requested that the Commission take action to preserve, for the benefit of ratepayers, the reduction in federal tax benefits. On January 18, 2018, the Commission issued its Order Opening General Investigation and Issuing Accounting Authority Order Regarding Federal Tax Reform in Docket No. 18-GIMX-248-GIV (18-248 Docket).[13]

B. General Investigation (Docket No. 18-GIMX-248-GIV)

Q. What did the Commission's Order in the 18-248 Docket require?

A. The Commission's Order required all jurisdictional public utilities in Kansas that are taxable at the corporate level to defer to a Regulatory Liability, the difference between the cost of service last approved by the Commission and the cost of service that would have resulted had the provision for federal income taxes been based upon a 21% corporate tax rate. Additionally, the Commission confirmed that taxable utilities operating in Kansas should consider the portion of their operating revenue that reflects the higher corporate income tax expense to be interim, subject to refund, with interest. Last, the Commission confirmed that it intended to capture excess ADIT[14] for the benefit of ratepayers using a methodology that is consistent with Internal Revenue Service (IRS) Tax Normalization Rules, whether contained within the TCJA itself or IRS Tax Normalization Rules, as applicable.

[13] See http://estar.kcc.ks.gov/estar/portal/kscc/page/docket-docs/PSC/DocketDetails.aspx?DocketId=1314e178-bfbd-4925-b3e3-7dfa0ff11744.

[14] EDIT pertains to the excess portion of ADIT created when the federal corporate tax rate was lowered from 35% to 21% on January 1, 2018. While ADIT by its nature reflects the accumulation of temporary tax timing differences, giving rise to temporary cost free capital that can be used by the utility to finance rate base, EDIT refers to that portion of ADIT that has now become a permanent source of cost free capital, that is until a regulated utility begins to pass back this EDIT to customers. The method of passing back the EDIT to customers is to amortize the balance as a credit to income taxes in the cost of service.

C. Developments after the Commission Order in 18-248 Docket

Q. What has transpired since the Commission issued its Order in the 18-248 Docket?

A. After the Commission's Order in the 18-248 Docket, Staff discussed with each of the major utilities operating in Kansas their plan for complying with the Commission's Order and to revise permanent rates to reflect the reduction in the federal corporate tax rate. Specific to Empire, both prior to and after the Commission issued its Order in the 18-248 Docket, Staff met with Empire to discuss the impact of the TCJA on Empire's revenue requirement in Kansas. On June 22, 2018, Empire, CURB and Staff filed with the Commission a Joint Motion for Approval of Settlement Agreement Regarding Empire (Settlement).

The Settlement confirmed the amount of the Regulatory Liability being recorded, by month, associated with Empire's base rates and its Asbury Environmental and Riverton Rider (AERR) charge, and confirmed that all other substantive issues related to the implementation of the TCJA and its impact on Empire's rates were deferred to a rate case to be filed within 150-days from a Commission Order approving the Settlement. The Commission approved the Settlement on July 12, 2018. The issues that are ripe for Commission determination in this rate case are:

- the amount of EDIT that should be returned to customers;
- the appropriate time period over which the unprotected EDIT is amortized;
- how the Regulatory Liability that contains the tax savings associated with the TCJA should be treated; and
- how customer credits (if any) associated with that Regulatory Liability should be calculated.

D. The Impact of the TCJA on Empire's Application

Q. What is the impact of the TCJA on Empire's Revenue Requirement in this Docket?

A. When Empire filed its rate case on December 7, 2018, it included the effect of the TCJA on its revenue requirement request, including the amortization of EDIT as a credit against the provision for income tax expense in the revenue requirement. Empire reflected the impact of the TCJA on its revenue requirement by utilizing the lower federal income tax rate in the calculation of current income taxes and by making an adjustment to reduce deferred income taxes by the amount of the EDIT amortization of $(212,800). The impact of these two changes resulted in a revenue requirement that was approximately $1,277,217 lower than would have otherwise been the case before the implementation of the TCJA. In other words, had the TCJA not been implemented, Empire's requested net revenue requirement increase in this Docket would have been $3,783,211, instead of the $2,505,994 that its Application is based on. Additionally, Empire disputes that any credit is due to customers from the Regulatory Liability that has been accumulating the tax savings from the TCJA since January 1, 2018.

E. The Impact of the TCJA on Staff's Revenue Requirement

Q. What is the impact of the TCJA on Staff's recommended Revenue Requirement in this Docket?

A. Staff's revenue requirement recommendation contains the effects of a revenue requirement reduction of $1,365,698 associated with the federal corporate tax reduction. This consists of the following: 1) Staff's calculated lower current and deferred tax expense amounts, which lowered our recommended revenue requirement by $795,369; and 2) Staff's recommended further reduction of $570,329, which reflects the reduction in tax expense associated with the amortization of Empire's protected and unprotected EDIT amounts. Staff's recommendation is to use Empire's recently finalized EDIT calculations, and to amortize the protected EDIT using Empire's recently finalized ARAM amortization schedule. For Empire's unprotected EDIT, Staff recommends amortizing these balances over 5-years.[15] Additionally, Staff recommends that Empire be required to provide a bill credit of $2,095,516,[16] to its Kansas customers, which represents the Regulatory Liability required by the Commission Order in the 18-248 Docket adjusted to account for interest expense compounded monthly during the period of January 1, 2018, to August 29, 2019. Staff witness Robert Glass provides the Commission Staff's recommendation on how to distribute the $2,095,516 bill credit to customers.

IV. EDIT Amortization

A. Empire's Position on EDIT Amortization

Q. Please describe Empire's position regarding the amortization of EDIT in this Docket.

A. Empire witness Jill Schwartz addresses the issue of EDIT in her Direct Testimony. While Ms. Schwartz does not directly discuss or support the amount of EDIT amortization in Empire's revenue requirement, on page 25 of her testimony, she states that Empire's proposal is to utilize the Tax Change Rider to issue an annual bill credit to customers for the amortization of EDIT. In response to Staff Data Request No. 247, Empire clarified that its proposal is to compare the actual yearly amortization of EDIT in the future to the amount of EDIT amortization included in the revenue requirement approved in this case. The

[15] See Staff Exhibit JTG-1 for support of the amount of EDIT amortization in Staff's revenue requirement recommendation.
[16] See Staff Exhibit JTG-2 for support of the amount of $2,095,516.

difference would then be returned/collected from customers through the TCR. This response also identifies that some of the possible changes in EDIT amortization amounts could be changes to the amortization amounts after finalizing corporate tax returns, audit adjustments, etc.

While Empire did not file detailed testimony supporting its EDIT calculations, it did provide work papers in response to Staff Data Request No. 1 that supported the EDIT amortization amount of $(212,800) included in the Application. Empire's EDIT amortization amount consisted of a protected EDIT amortization amount of $(167,198), which was based on an estimated ARAM schedule of 40-years and an unprotected EDIT amortization amount of $(45,602), which was based on an amortization schedule of 10 years.

B. Staff's Position on Empire's EDIT Amortization

Q. What is Staff's position on the appropriate treatment of Empire's EDIT amortization?

A. Staff recommends the Commission update the level of EDIT amortization in this Docket to reflect Empire's most recent revisions to the EDIT amounts, including revisions to the amounts of EDIT that are protected under IRS Tax Normalization Rules, the amortization schedule for those balances, and the EDIT balances that are unprotected. Thereafter, Empire should be required to file an annual true up using the TCR to correct for the difference between the protected EDIT amortization included in the cost of service in this case and the actual protected EDIT amortization on Empire's books (finalized once a corresponding tax years' income tax returns are finalized). This TCR true up filing should also account for the income tax gross up impact of any changes in the protected EDIT amortization.

Q. What is Staff's recommended amount of EDIT amortization?

A. Staff's recommended EDIT amortization to be included in this Docket amounts to $(416,841). This consists of a protected EDIT amortization amount of $(112,208), which reflects an amortization period of 53.58 years and an unprotected EDIT amortization amount of $(304,633), which reflects an amortization period of five years. Empire provided the updated EDIT balances and the updated ARAM amortization schedule utilized to perform these calculations in response to Staff Data Request No. 303.

Q. Why is Staff recommending a five-year amortization of unprotected EDIT in this Docket?

A. Staff recommends utilizing the shorter amortization period for unprotected EDIT because of the significant rate increase being requested by Empire in this case. As discussed in Mr. Blake Merten's Direct Testimony, [17] the bill impact of Empire's proposed increase in this case is nearly $20/month for residential customers. Staff contends that it is reasonable and necessary for the Commission to consider the significance of this requested rate increase when determining the period over which to pass back unprotected EDIT benefits to ratepayers. Shortening the amortization period of unprotected EDIT has a significant effect on the requested revenue requirement in this case, as Staff's recommendation reduces Empire's requested revenue requirement by $279,172,[18] more than 10% of Empire's requested net increase of $2,505,994.

[17] On April 15, 2019, Sheri Richard filed testimony wherein she adopted the Direct Testimony of Mr. Mertens.
[18] This calculated value accounts for the fact that direct changes to income tax expense, such as an amortization of EDIT, is grossed-up for taxes in the calculation of a revenue requirement. Accordingly, even though Staff's EDIT

Q. Has Staff's recommended amortization period for unprotected EDIT been consistent in recent rate cases?

A. No. Staff's recommendations have been based on the facts and circumstances of each recent rate case where this issue has existed. For example, Staff recommended a longer amortization period for unprotected EDIT in the recent Westar Energy, Inc. and Kansas City Power and Light (KCP&L) rate cases (Docket Nos. 18-WSEE-328-RTS and 18-KCPE-480-RTS, respectively). In each of those Dockets Staff recommended to amortize non-plant EDIT over ten years. In the recent Kansas Gas Service (KGS) rate case, Staff agreed with KGS's position to utilize ARAM for all EDIT balances, both protected and unprotected. However, each of these cases contained situation specific factors that affected Staff's recommended period for the EDIT amortization.[19] Additionally, the settlements filed in both the KCP&L and KGS rate cases included a provision to amortize unprotected EDIT over 5 years. As this history suggest, the time period for amortizing unprotected EDIT is a case-by-case determination that should be based on the facts and circumstances of each case.

C. Staff's Position on Empire's Requested TCR Tariff

Q. What is Staff's position on the Empire's Requested TCR Tariff?

A. Staff recommends that the Commission adopt the proposed TCR tariff, with revisions. First, Staff does not recommend the inclusion of the tax savings that have accumulated in a Regulatory Liability pursuant to the Commission-approved Settlement Agreement in the 18-248 Docket, be included in the TCR tariff. As discussed by Staff witness Robert Glass,

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amortization amount is $204,041 more than Empire's recommended amortization, the impact on the revenue requirement is approximately 1.3610 times that amount (1/.7347=1.3610).

[19] For more specifics relative to these filings, please see my Direct Testimony as filed in each of those dockets.

Staff recommends those tax savings be distributed to customers as a one-time bill credit at the conclusion of this Docket.

Second, Staff recommends that only the protected EDIT amortization amounts be included in the yearly TCR filing. This is reasonable because only the protected EDIT amounts exhibit the kind of variability that would support the use of a rider to capture and true-up the actual changes in the amortization over time. The unprotected EDIT amortization, as shown in Empire's response to Staff Data Request No. 303, is a static amount amortized on a straight-line basis over the time period chosen by the Commission in this Docket. Once that time period is set, there is no need to track or true up that amortization amount. This can be seen in the following chart:

	2018	2019	2020	2021	2022	2023
Total Company Annual Amortization of Protected Excess ADIT-Per Deloitte	(2,202,930)	(2,690,857)	(2,937,471)	(3,246,745)	(3,761,048)	(4,037,154)
Kansas Allocator	5.09%	5.09%	5.09%	5.09%	5.09%	5.09%
Total Kansas Protected Amortiztion:	(112,208)	(137,061)	(149,623)	(165,376)	(191,572)	(205,636)
Total Company Unprotected:	(29,903,565)	(29,903,565)	(29,903,565)	(29,903,565)	(29,903,565)	(29,903,565)
Kansas Allocator:	5.09%	5.09%	5.09%	5.09%	5.09%	5.09%
Total Kansas Unprotected Excess ADIT:	(1,523,163)	(1,523,163)	(1,523,163)	(1,523,163)	(1,523,163)	(1,523,163)
Proposed Amortization Period (In Years):	5	5	5	5	5	5
Annual Amortization:	(304,633)	(304,633)	(304,633)	(304,633)	(304,633)	(304,633)
Total Unprotected and Protected Excess ADIT Amortization:	(416,841)	(441,694)	(454,255)	(470,008)	(496,205)	(510,268)

Lastly, Staff recommends that language be added to the TCR tariff that explicitly recognizes the tax gross up effect of any changes in EDIT amortization that flow through the rider. As discussed earlier in my testimony, any direct change in income taxes (such as the amortization of EDIT) is grossed up for purposes of calculating the impact on that change to the revenue requirement. This is inherent in Empire's revenue requirement model as well as Staff's. In order to minimize future controversy and ensure accuracy of the rate credits calculated by the TCR in the future, this clarification should be added to the tariff.

V. Disposition of Tax Savings Regulatory Liability

A. Background/Overview

Q. Please discuss Staff's recommendation for the disposition of the Regulatory Liability Empire is recording due to the Settlement Agreement in the 18-248 Docket.

A. Staff recommends Empire be required to issue a bill credit to its Kansas customers in the amount of $2,095,516 in the fashion recommended by Staff witness Robert Glass. This credit represents the annual regulatory liability of $1,229,466 from Appendix 1 of the Empire Settlement Agreement in the 18-248 Docket, as adjusted to reflect the addition of the Commission-approved interest rate on the deferred amounts and a projected date of August 29, 2019, for rates from this proceeding to take effect.[20]

B. Empire's Position on the Disposition of the Regulatory Liability

Q. What is Empire's recommendation for the disposition of this Regulatory Liability?

A. Empire's position is that customers should only receive a bill credit for the tax savings accumulated in the 18-248 Docket Regulatory Liability in the event that the Commission finds that Empire's rates in this proceeding should be reduced from their current level. This position is discussed on pages 22 through 27 of the Direct Testimony of Empire witness Jill Schwartz. Essentially Empire's view is that because it has demonstrated through this

[20] If rates go into effect before or after that date, Staff's recommended bill credit will need to be recalculated accordingly.

filing that it was experiencing a revenue deficiency as of June 30, 2018, that it has experienced offsetting cost increases that have more than offset the reduction in federal income tax that the occurred with the passage of the TCJA. On pages 23 and 24 of her Direct Testimony Ms. Schwartz refers to a passage in the Commission's Order in the 18-248 Docket that she suggests supports Empire's position in this docket. The passage is as follows:

> Any affected utility that believes other components of their cost of service have more than offset the decrease in its income tax expenses will have the ability to file such information and supporting data with the Commission, to be considered on a case-by-case basis. The Commission's intention here is not to materially impact regulated utilities' profitability, but rather, ensure that the affected utilities are neither positively nor negatively impacted by the passage of federal income tax reform.

Mr. Schwartz relies on this passage of the Commission's Order to conclude "[T]he Commission clearly states that a utility will be afforded an opportunity to show it has experienced increases in its cost of service that offset the decrease in income tax expense."

Another argument advanced by Ms. Schwartz is the fact that Empire was under a rate moratorium at the time of the implementation of the TCJA. To support this position, on page 26 of her Direct Testimony she refers to two provisions of the Settlement Agreement between Staff, CURB and Empire in the 16-EDPE-410-ACQ (16-410) Docket. These provisions of the Settlement Agreement pertain to Empire's agreement to withdraw its then-pending rate case and not refile it until at least May 1, 2018. Also, the Settlement Agreement contained the standard caveat language that shows up in some form with all utility rate moratoriums, that is, in the event of a material adverse impact on Empire, it could seek to get out from under the rate moratorium.

On page 27 of her Direct Testimony, Ms. Schwartz uses these two provisions of the Settlement Agreement to argue that, because Empire took the risk of cost increases during the rate moratorium, and because the material adverse impact language referred to above only reserves the right for Empire to seek relief from the moratorium, Empire should be allowed to keep the reduction in federal income taxes that has accumulated in the Regulatory Liability. Ms. Schwartz completes this section with the following statement: "The customers received far more benefit from the rate moratorium, which clearly provided that base rates could not be changed prior to January 1, 2019, than the amount of the reduction in tax expense."

C. Staff's Response to Empire's Position on the Regulatory Liability

Q. How do you respond to Empire's position on the proper disposition of the Regulatory Liability related to the tax savings generated by the TCJA?

A. Staff disagrees that Empire should be allowed to write-off the Regulatory Liability without giving a rate credit to Empire customers for the amount that has been recorded to the Regulatory Liability. The fact that Empire may have experienced offsetting cost increases in its cost of service should be a factor that contributes to the setting of Empire's base rates, as the Commission will do in this Docket, but it should not influence whether Empire is required to pass the deferred benefits of tax reform that have accrued between January 1, 2018, and August 29, 2019, onto its Kansas customers. The amount of tax savings that have accumulated into the Regulatory Liability should be treated like other extraordinary cost changes that are afforded deferred accounting treatment. That is, they should be evaluated in isolation of all other cost of service items and passed through to customers. This has been Staff's view since the original Report and Recommendation (R&R) was filed on December 13, 2017, in the 18-248 Docket. This is evident by examining the last paragraph on page four, continuing through the first two paragraphs of page five, of Staff's R&R which state as follows:

> Although the Commission generally examines a utility's revenue requirement from its overall cost of service, this situation warrants a different approach as a significant reduction in income tax expense should not become a windfall for utilities but should rather be captured and flowed back to ratepayers. Just as the Commission has allowed ratemaking for single issues without the examination of other components of cost of service in certain extraordinary circumstances, such as the costs of fuel, energy efficiency expenses, environmental expenditures, cyber security expenditures, etc., Staff contends that this circumstance calls for a mechanism to isolate the financial impact of the lower corporate tax rates in order to preserve these lower cost of service benefits for ratepayers.
>
> However, in the event that a utility believes that other costs of service have more than offset the decrease in its income tax expenses, it will have the ability to file such information and supporting data with the Commission to be reviewed and evaluated on a case-by-case basis.
>
> The intent behind the use of this deferred accounting mechanism is to ensure that a utility is neither positively nor negatively affected by the passage of federal income tax reform. As income taxes are simply a pass-through in the cost of service for regulated utilities, a sudden and dramatic reduction in the level of this expense should not inure to the benefit of shareholders. Because the revenue that would be deferred as a result of Staff's recommendation will also be accompanied by an offsetting reduction to income tax expense, the utility's profitability levels should not be materially impacted as a result of the deferral accounting Staff recommends.

Q. What other considerations should the Commission consider when deciding to credit 100% of the deferred tax benefits to Empire's ratepayers?

A. There are several reasons why Staff contends this is the right decision. First, the only way to ensure that the deferred tax savings do not inure to the benefit of Empire's shareholders is to credit all of the tax benefits to Empire's customers. Otherwise, when Empire's tax liability dramatically declined on January 1, 2018, the benefit of that reduction in income tax expense would flow directly to Empire's shareholders. Whether the result was that Empire would be earning more or less than its authorized return, it is irrefutable that the result of allowing Empire to keep the deferred tax savings would be an increase in Empire's profitability on January 1, 2018. That would be directly contrary to the Commission's stated purpose behind issuing the AAO, as quoted above by Ms. Schwartz. In the referenced passage, the Commission stated, "The Commission's intention here is not to materially impact regulated utilities' profitability, but rather, ensure that the affected utilities are neither positively nor negatively impacted by the passage of federal income tax reform." Because Empire's income tax expense went down on January 1, 2018, if 100% of the deferred tax savings are given to customers in the form of a bill credit, the result is that Empire will not be positively or negatively impacted by the passage of federal income tax reform, just as the Commission intended.

Another consideration that should influence the Commission is all of the ways in which Empire's shareholders are already insulated from the risks associated with extraordinary or material changes to expenses or revenues that are outside of Empire's control. As a regulated utility, Empire is protected from many of the risks and potential perils of a business facing unregulated competition. Customers are often asked to make Empire whole when circumstances arise that result in a significant negative financial event for Empire, especially if that event is outside of the control of Empire and results in a material or extraordinary expense. In these circumstances the Commission often utilizes deferral accounting mechanisms (a regulatory asset or regulatory liability) to capture the financial effect of the event and transfer that financial effect to ratepayers in a future rate case. Examples include the Pension Tracker, the Energy Cost Adjustment (ECA), and the deferral mechanism established in the 08-EPDE-714-ACT Docket to account for and capture extraordinary ice storm expenses. In effect, each of these deferral accounting mechanisms utilize single-issue ratemaking to isolate the expenses in question, insulate Empire from the financial effects of the event, and transfer the financial effects of the event to ratepayers in some future forum. Staff is requesting the Commission treat the positive financial impact of the TCJA in the same fashion, that is, the full impact of this event should be isolated and captured in a regulatory liability on a single-issue basis, and that regulatory liability should be given back to customers without any offsets or mitigating factors.

Q. How does Staff respond to Empire's arguments that the rate moratorium provisions of the Settlement Agreement in the 16-410 Docket support Empire's request to keep the tax savings that have accumulated in the Regulatory Liability?

A. Staff contends that the rate moratorium provisions of the 16-410 Docket have no bearing on whether Empire should be required to distribute the savings from the TCJA to its customers, or whether Empire should be allowed to keep the profits for its shareholders. The rate moratorium provisions of the 16-410 Docket were negotiated to provide customers with explicit net benefits associated with the acquisition of Empire by Liberty Utilities. This was not a typical moratorium provision where both customers and shareholders share equal risk that there might be cost of service changes that occur during the period while rates are frozen. Rather, the rate moratorium the parties agreed to in the 16-410 Docket was a purposeful and direct mechanism to pass explicit benefits from shareholders to ratepayers. This was done in order to address Staff's concern that Empire's ratepayers should be allowed to share in a portion of the acquisition premium, since they were providing the cash flow that supported the acquisition premium.[21]

The Empire witness that filed Testimony in Support of the Unanimous Settlement Agreement, Peter Eichler, confirms the true purpose of the rate moratorium on page 13:

> Q. CAN YOU DESCRIBE THE CONDITIONS THAT WERE INCLUDED IN THE RATEMAKING AND RELATED ISSUES SUBSECTION OF THE AGREEMENT (PARAGRAPHS 24-39)?
>
> A. Yes. The Joint Applicants agreed to these conditions to ensure that a substantial quantified net benefit is achieved by the Agreement. While the Joint Applicants do not agree with Staff's position that customers are entitled to share any of the acquisition premium, the Parties were able to reach a compromise and agreement, which resulted in a number of conditions being included in this subsection of the Agreement that *will provide a substantial quantified net benefit to Kansas customers* in the form of (1) lower rates over the next two years that would not have resulted but for the approval of this Agreement and completion of the Transaction; and (2) an agreement on other future ratemaking and related issues.
>
> As this Commission is aware, as part of a Commission approved agreement in Docket No. 15-EPDE-233-TAR ("233 Docket"), Empire was ordered to file a general rate case no later than September 30, 2016. Pursuant to that order, Empire filed its general rate case on September 16, 2016, and is seeking an annual rate increase from Kansas customers in the amount of $6.4 million. The Parties, agreed that upon approval by the Commission of the Agreement filed in this docket and the closing of the Transaction, EDE will withdraw its rate application currently pending before the Commission. In addition, the Parties agreed to a general rate case moratorium under the Agreement. Under the condition set forth in paragraph 24 of the Agreement, EDE [Empire] shall not re-file to change its base rates prior to May 1, 2018, with new rates effective no sooner than January 1, 2019. This means the current base rates, which went into effect on January 1, 2012, will not change for a period of seven (7) years as a result of this settlement (2012, 2013, 2014, 2015, 2016, 2017 and 2018). This condition results in substantial savings in the form of lower rates to Kansas customers over the next two years and clearly provides a quantified net benefit to the customers meeting the Merger Standards established by the Commission that there

[21] *See* Direct Testimony and Testimony in Support of Unanimous Settlement Agreement, Justin. T. Grady, October 6, 2016. http://estar.kcc.ks.gov/estar/ViewFile.aspx/S20161006151501.pdf?Id=bfe3f7e4-b1c3-4b8f-aecf-9e9e75fb215d.

> must be a showing of quantified ratepayer benefits resulting from the merger. (Merger Standard (a)(iii)). (emphasis original)

Q. What does this indicate?

A. Mr. Eichler's testimony, as well as the testimony I filed in that Docket, make it clear that the purpose and intention behind the withdrawal of Empire's then-pending rate case, and the moratorium provision after that, was to ensure that Empire's Kansas ratepayers received substantial quantifiable net benefits from the merger. Without these substantial quantifiable net benefits, the merger would likely not have passed the Commission's Merger Standards.

Again, this was not a standard rate moratorium provision where all parties, customers, and shareholders accept the risk that cost changes during the period that rates are frozen may move adverse to their interests. Everyone agreed that a rate increase would likely be necessary for Empire in the absence of that moratorium, and Empire's agreement to withdraw its current rate case was the creation of the benefits necessary to approve the merger. The argument that the rate moratorium (and the risk that it created for shareholders) is justification for Empire keeping the income tax savings that have accumulated in the Regulatory Liability is inconsistent with the record in the 16-410 Docket and the original rationale behind, and purpose for, the rate moratorium.

D. Commission Order on Disposition of Regulatory Liability in KGS Rate Case

Q. Has the Commission recently ruled on the issue of whether a utility that presents evidence it was under earning at the time of the implementation of the TCJA should be allowed to keep the tax savings that have accumulated in a Regulatory Liability?

A. Yes. In Docket No. 18-KGSG-560-RTS, one of the arguments KGS used to support its request to keep the tax savings that had accumulated in the Regulatory Liability was that it was earning less than its authorized return at the time of the implementation of the TCJA. In that regard, KGS's request and arguments were very similar to Empire's position in this Docket. In the Commission's February 25, 2019, Order on Bifurcated Issue, the Commission explicitly ruled against the "under-earning" argument.[22]

While the Commission did state that it plans to make a case-by-case determination as to the impact on the public interest of allowing a utility to retain the deferred tax savings, none of the arguments Empire has presented in this docket suggest the retention of the deferred tax savings would in any way promote the public interest. The only interests that would be promoted if Empire was allowed to keep the deferred tax savings would be its shareholders. Also, as I discussed earlier, the Commission should not be persuaded by the fact that Empire was in a rate moratorium when the TCJA was implemented. Any risk Empire took during the rate moratorium was purposeful and geared towards providing ratepayers with an explicit and significant benefit from the acquisition of Empire by Liberty Utilities. That risk and rate moratorium had nothing to do with the issue of whether

[22] *See* http://estar.kcc.ks.gov/estar/ViewFile.aspx/20190221513171 8.pdf?Id=baeb37be-b6f3-42cb-a812-9236b52a11d5.

Empire's shareholders should be allowed to reap the substantial windfall that would occur if Empire was allowed to retain the deferred tax savings associated with the implementation of the TCJA.

VI. Capital Tracker

A. Background/Introduction

Q. Please discuss the Capital Tracker that Empire has requested be implemented in this Docket?

A. Empire requests Commission approval of an alternative ratemaking mechanism entitled the "Capital Tracker" that would allow Empire to recover from customers on an annual basis, a return on an a return of certain types of capital investments and incremental Operating and Maintenance (O&M) expenses associated with the investments included in the Capital Tracker. Empire witnesses Timothy S. Lyons and Robert B. Hevert cover different aspects of the Capital Tracker in their testimony.

B. Empire Support for the Capital Tracker

Q. What support does Empire provide to the Commission for approval of the Capital Tracker?

A. Empire witness Mr. Lyons provides the most focused testimony in support of the Capital Tracker. Beginning on page 50 of his Direct Testimony, Mr. Lyons states that the Capital Tracker is a form of the current AERR and proposed TDC riders that enable the Company to recover the costs associated with certain investments between rate cases. Mr. Lyons states the benefits of the proposed Capital Tracker are:

- Stabilizes customer bills by implementing gradual changes in rates;

- Provides funding for maintaining a safe and reliable system; and
- Reduces the number of rate cases, which can be time consuming and expensive.

Mr. Lyons then states the Company proposes to limit the types of investments included in the Capital Tracker. On page 51 he testifies: "Specifically, the Company proposes to limit investments related to: (1) Grid Resiliency; (2) Generation Capacity; and (3) Other Investments." Mr. Lyons then continues:

> The primary factors driving the need for (sic) Company's investments proposed to be included in the Capital Tracker Rider are: (1) improve system safety and reliability; (2) add new generation resources to replace generation facilities scheduled to be retired; and (3) improve customer service and operational efficiency. Recovery of these investments in a timely manner is important for the Company's financial health and attract (sic) capital, as addressed in the testimony of Company Witness Robert Hevert.

It should be noted that in response to Staff Data Request No. 345, Empire clarified that the Company's proposal is to only include Generation investments in its existing generating fleet, not new Generation capacity investments as stated here by Mr. Lyons.

From pages 51 through 55, Mr. Lyons explains the following:

- how the Capital Tracker will help stabilize customers' bills;
- how several state regulatory commissions have adopted these types of proposals;
- how the calculation methodology would operate;
- that the revenues collected under the proposed Capital Tracker would be interim subject to refund like the AERR was; and
- that Empire would file "reports" annually, including a true-up mechanism that compared the estimated revenue approved for collection with the revenue collected

pursuant to the rider. Any subsequent true-ups would occur in the next base rate case.

Q. What testimony does Empire witness Robert B. Hevert provide in support of the Capital Tracker?

A. Empire witness Mr. Hevert provides testimony in support of alternative ratemaking generally and why he believes that alternative ratemaking is on the increase throughout the country. For example, on page 4 of his Direct Testimony, he states:

> The company's proposals are driven by several factors that reduce revenues and increase operating costs just as cash flow is required to fund the capital investments needed to provide safe and reliable service. Those factors—declining load, increasing operating costs, and continuing capital investment requirements—have affected electric utilities across the country. Utilities and regulatory commissions have recognized that under current conditions, traditional cost of service regulation is not likely to provide the timely recovery of costs needed to ensure customers are served by financially sound utility companies. They have addressed these concerns by implementing alternative ratemaking mechanisms similar to those included in the Company's proposal.

Mr. Hevert's testimony supports alternative ratemaking generally, and the entire suite of Empire's proposed alternative ratemaking mechanism (the Transmission Delivery Charge Rider, the Revenue Stabilization Rider, and the Capital Tracker). Because my testimony only addresses the Capital Tracker, I will limit my testimony only to the areas of Mr. Hevert's testimony that I think is relevant to the Capital Tracker.

The portions of Mr. Hevert's testimony that I believe are relevant to Empire's proposed Capital Tracker can be summarized as follows:

- "…timely recovery of costs is needed to ensure financially sound utility companies." (Hevert Direct, page 4);

- Investments that replace aging infrastructure and enhance reliability do not increase revenues directly (Hevert Direct, page 6);
- "…utilities such as Empire cannot rely on load growth or increased profitability through reduced operating and maintenance costs to fund their infrastructure replacements, or to sustain their financial integrity." (Hevert Direct, page 6);
- The combination of the last two bullet points leads to "considerable financial challenges" for utilities like Empire (Hevert Direct, page 6);
- Absent alternative regulation, non-revenue producing capital investments must be funded through more frequent and costly rate filings (Hevert Direct page 7);
- "…the proposed Capital Tracker would smooth rate effects by collecting the authorized capital investment-related revenue requirement through a separate charge overtime." (Hevert Direct, page 11);
- "…the proposed mechanisms would alleviate regulatory lag and support the Company's financial health, thereby diminishing the need to file frequent, costly rate cases." (Hevert Direct, page 12);
- "…more than half of the utilities covered by Regulatory Research Associates (RRA) have a general infrastructure capital cost recovery mechanism." (Hevert Direct, page 20);
- "…the proposed mechanisms would stabilize customer bills and mitigate rate shock by phasing in over time the costs associated with the investments, which smooths the rate impact of recovering these costs. Additionally, the proposed mechanisms would support the Company's ability to maintain its financial integrity, to the benefit of customers. A financially healthy utility has a greater

capacity to withstand adverse changes in business and market conditions, and to invest in its system to provide safe and reliable service. Further, a utility's credit rating reflects its financial integrity; a higher credit rating results in lower debt costs for customers. Lastly, the proposed mechanisms mitigate regulatory lag, thus reducing the need for more frequent costly rate cases." (Hevert Direct, pages 20-21); and

- "The proposed mechanisms alleviate the challenge of eroding revenues and increasing costs, while providing benefits to customers. Without timely cost recovery, certain of these important expenditures might be deferred or reduced. Moreover, the investments proposed for recovery are non-revenue producing. That is, the investments do not generate additional revenues for the Company to offset the expenditures being made. Finally, such mechanisms can reduce the need for the Company to file more frequent and costly general rate case filings." (Hevert Direct, page 21).

C. Staff's Response to Empire's Proposed Capital Tracker

Q. What is Staff's position regarding Empire's proposed Capital Tracker?

A. Staff's position is that Empire's proposed Capital Tracker should be denied by the Commission. Most of Empire's support for the Capital Tracker mechanism is high-level, boilerplate testimony in support of alternative ratemaking generally. Empire has provided very little support for why the Capital Tracker is necessary or appropriate for Empire's Kansas operations at this time. As I will demonstrate below, a more detailed review of the facts and circumstances specific to Empire's Kansas operations leads to the conclusion that the Capital Tracker should be denied at this time.

Q. What facts and circumstances specific to Empire are you referring to?

A. Staff contends that the following Empire-specific facts demonstrate that the Capital Tracker is unnecessary and inappropriate for Empire at this time:

- The capital expenditures that Empire proposes to include in the Capital Tracker includes types of capital expenditures that would be inappropriate for inclusion in a limited issue rider like the Capital Tracker. Examples include revenue producing Distribution investments, Automated Metering Infrastructure (AMI), and Electric Vehicle Charging Stations;
- Empire has not demonstrated a financial need for the Capital Tracker for Generation and Distribution investments (the two categories of investments that it requests be included in the Capital Tracker);
- It would be inappropriate to include incremental O&M expenses associated with the subject capital expenditures in the Capital Tracker, as Empire proposes to do;
- The financial stability benefits that Empire claims its customers would benefit from are questionable given the fact that Kansas only represents 5% of Empire's total operations, and Empire's other states have not adopted the alternative ratemaking mechanisms that Empire requests in this case;
- The rate case avoidance benefits that Empire claims its customers would benefit from are questionable given the fact that new generation investments are excluded from the calculation of the Capital Tracker; and
- It would be premature and arguably inappropriate to implement a new significant alternative ratemaking mechanism for Empire when the legislature just ordered a

study of ratemaking practices in Kansas, including the current and potential effects from alternative ratemaking mechanisms.

D. Inappropriate Categories of Capital Investment

Q. Please elaborate on why you contend that Empire's proposed Capital Tracker would include inappropriate categories of capital expenditures.

A. As described in the testimony of Empire witness Mr. Jeffrey L. Westfall, Distribution investments account for $387.3 million of the total capital investment that Empire plans to include in its proposed Capital Tracker. Also, Empire claims that "revenue-generating investments" would be excluded from the Capital Tracker.[23] However, in response to Staff Data Request No. 354, Empire confirmed that each of the four categories of Distribution investments (that make up the $387.3 million of forecasted capital expenditures) currently have the potential to serve both new and/or existing customers. Empire continues, "The Company is in discussions to develop a process that could distinguish between Distribution Investments for new and existing customers."

While Empire has stated that it intends to remove revenue-generating investments from the Capital Tracker, the largest category of capital expenditures that it plans to flow through the Capital Tracker has the potential to serve both new and existing customers, and Empire can't currently distinguish between revenue-producing and non-revenue producing Distribution assets. This is significant given the fact that Distribution investments are

[23] See Response to Staff Data Request No. 344.

approximately 64% of the total capital expenditures the Company plans on including in the Capital Tracker.[24]

Q. What other categories of investments do you contend would be inappropriate for inclusion in the Capital Tracker?

A. While Empire describes the investments it plans on including in the Capital Tracker in broad terms such as "improves safety and reliability" and "improves customer service and operational efficiency," a detailed look at the categories of investments Empire plans to recover through the Capital Tracker reveals categories of investments that would be inappropriate to flow through a limited issue rider like the Capital Tracker. Specifically, Empire's proposed Capital Tracker expenditures includes investments in AMI and Electric Vehicle Charging Stations. These categories of investment would be inappropriate to include in the Capital Tracker because AMI investments typically create significant cost savings and revenue enhancements when they are deployed. These cost savings are in the form of reduced labor costs to read meters, restore service after an outage, processing field service orders, and others. Additionally, these meters are inherently more accurate and can result in faster revenue collection due to the real-time usage measurement systems. In the company's proposed Capital Tracker, none of these revenue enhancements or cost reductions would be accounted for as offsets to the revenue requirement associated with installing the AMI investment. It would also be inappropriate to include Electric Vehicle Charge Station investments in the Capital Tracker because the Commission has previously denied another electric utility's request to include these investments in Rate Base.[25] Staff

[24] ($387 million/ $599 million = 64.6%). As discussed in the Direct Testimony of Black Mertens, Empire also plans to invest $212 million in its existing generation fleet, which Empire is also seeking to recover through the proposed Capital Tracker.
[25] See Docket No. 16-KCPE-160-MIS.

contends that it is appropriate to exclude controversial or contentious categories of capital investments from a single-issue rider such as the Capital Tracker since these mechanisms typically have limited review periods and one of their stated purposes is the avoidance of rate case expenses.

Q. What are you relying on to support the fact that Empire plans on including Electric Vehicle Charging Stations and AMI investments in the Capital Tracker?

A. In response to Staff Data Request No. 349, Empire provided a year over year listing of the capital expenditures it plans on including in the Capital Tracker for the years 2019 through 2024. This listing is broken down between the three categories of Generation Capacity, Grid Resiliency, and Other Investments. Empire also provided a more detail capital expenditure forecast for the same time period in response to Staff Data Request No. 338. The Grid Resiliency capital expenditure levels for 2019 and 2021 that Empire plans on including in the Capital Tracker (as detailed in response to Staff Data Request No. 349) consists of the three categories of Distribution Additions, Distribution Rebuilds and AMI Investments as detailed in response to Staff Data Request No. 338.

In addition, the Other Investments category that Empire plans to include in the Capital Tracker for the years 2019 and 2020 consists of the capital expenditure forecasts for Distribution Extensions and Services and Electric Vehicle Charging Stations.

E. Empire Has Not Demonstrated Financial Need for Capital Tracker

Q. Why do you contend that Empire has not demonstrated a financial need for the Capital Tracker?

A. A close look at the capital expenditure projections provided by Empire for the Generation and Distribution categories of investments (the two categories of investment it proposes to include in the Capital Tracker) reveals that Empire's investment in these two categories will not keep up with the accumulation of depreciation expense that will be factored into Empire's rates after the rates from this proceeding are put in place. This is important because Accumulated Depreciation is subtracted from Gross Plant in the calculation of Rate Base for purposes of calculating a revenue requirement.

The recognition of Accumulated Depreciation in the calculation of Rate Base is so that ratepayers get credit for the capital that they have returned to the Company through the ratemaking process. Because the Company has received a "return of" its capital, it no longer needs to earn a "return on" that investment. In other words, if Gross Plant (new annual capital investment) does not at least keep up with the level of annual depreciation expense included in rates, then Rate Base will decline over time. For the two categories of capital investment that Empire requests to include in the Capital Tracker, that is what is predicted to occur.

As addressed earlier in my testimony, Empire requests to include capital investments associated with its existing Generation assets and Distribution investments in its Capital Tracker. Starting with existing Generation assets, Empire plans to invest $212 million in its existing generating fleet during the years 2019 through 2024.[26] According to the allocation ratios used in this Docket, Kansas is responsible for approximately 4.74% of Empire's Production assets, or $10,048,800 of this $212 million investment.

For Empire's Distribution investments, those assets are allocated "on the basis of actual physical location."[27] So, to determine the amount of Distribution plant investment that would be assigned to Kansas under the Capital Tracker, I utilized the response to Staff

[26] See Direct Testimony of Black Mertens and Timothy Wilson.
[27] See Section 12 of Empire's Application, Basis of Allocation of Property and Expenses.

Data Request No. 353. In that response, Empire projects that **[redacted]** of the total $387.3 million in Distribution investments will be located in Kansas.

Adding the two totals together, based on the information Empire made available to Staff in this Docket, it appears that Empire's projection is to make **[redacted]** in Kansas-jurisdictional capital investments in these two categories during this time frame. It follows then that this is also the level of capital expenditures that Empire would be seeking to recover through the proposed Capital Tracker.

Q. How does that level of capital expenditures compare to the level of Depreciation Expense that Staff recommends Empire be allowed to recover each year as a result of Staff's depreciation study in this Docket?

A. Referring to the Depreciation Expense exhibits attached to Staff witness Andria Jackson's testimony, Staff's proposed annual Depreciation Expense for Production is $1,618,856, and for Distribution is $1,674,120, for a total of $3,292,976 per year. Over six years, this totals $19,752,856. What this information tells us is that Empire's projected new investments in Kansas-jurisdictional capital expenditures for these two categories does not even keep up with the level of Accumulated Depreciation that is expected to occur over this time frame. In other words, Empire's net Rate Base for these two investment categories is projected to decline, not increase.

Q. Does Empire's proposed Capital Tracker tariff account for the impact of existing Accumulated Depreciation (the ongoing reduction in Rate Base) in the calculation of the revenue requirement?

A. No. Empire's proposed Capital Tracker tariff would only capture Accumulated Depreciation associated with the <u>new</u> investments that occurred during the time frame of the Capital Tracker. In other words, Empire's Capital Tracker would calculate a revenue requirement on the **[redacted]** of new investment that Empire makes, despite the fact that Empire's net Rate Base for these categories of investment is actually projected to decline during this time frame.

F. Problems with Incremental O&M Expense in the Capital Tracker

Q. Why does Staff contend that it would be inappropriate to include incremental O&M expenses in the calculation of the Capital Tracker?

A. Staff makes this contention because adding the issue of incremental O&M expense to a limited issue rider like the proposed Capital Tracker significantly increases the complexity of the administration of the rider, and significantly increases the likelihood of disagreements and/or litigation during the annual review of the rider. This is because there can be several differing opinions about what expenses to include or not include in the calculation of incremental expenses, and how you calculate the incremental amount of that expense. Also, because a utility's expenses can fluctuate over time, one expense can be going up significantly during a particular period, but it is being offset by declines in another expense area. Tracking and flowing through just one area of expense to ratepayers comes with the risk that ratepayers in total may be paying too much, if the total expenses of the utility haven't increased by as much as the single expense that you are flowing through the rider. For this reason, the Commission has never included incremental O&M expenses that I am aware of in a capital recovery rider or surcharge. Examples where O&M expenses are explicitly excluded include the Environmental Cost Recovery Rider (ECRR), the Gas Safety Reliability Surcharge (GSRS), and Empire's current AERR.

G. Critique of Financial Stability Benefits of the Capital Tracker

Q. Why does Staff contend that the financial stability benefits of the Capital Tracker are overstated in this case?

A. Staff makes this contention because Empire's Kansas operations only represent approximately 5% of Empire's total retail operations. The other 95% exists in the States of Missouri, Arkansas, and Oklahoma. In response to Staff Data Request No. 340, Empire provided a list and description of each alternative ratemaking mechanism available to Empire in each of those three states. As the list provided demonstrates, Empire does not have a Capital Tracker or a Revenue Stability Tracker, in any of those states. So, even if Kansas did establish these alternative ratemaking mechanisms for Empire, 95% of its regulated operations in the other three states would still be largely traditionally regulated. This casts serious doubt on the financial stability benefits that Empire claims its Kansas customers would experience if these alternative ratemaking mechanisms were approved.

H. Critique of Rate Case Avoidance Benefits of the Capital Tracker

Q. Why does Staff contend that the rate case avoidance benefits of the Capital Tracker are overstated in this case?

A. Staff makes this contention because the category of capital expenditures that Empire is excluding from its requested Capital Tracker, New Generation Capacity, is **[redacted]** capital expenditures that it plans to include in the Capital Tracker. Specifically, the Company's plans for New Generation Capacity capital expenditures from 2019 through 2024 totals **[redacted].**

Additionally, because of the Company's previously stated plans in the 18-184 Docket, it is reasonable to assume that this additional investment is for new Rate Based wind investments, which require a rate case to comprehensively review. In fact, Empire has agreed to an extended schedule for the first rate case it files in Kansas involving a Rate Based wind project.[28] The fact that Empire has plans to invest significant capital in new wind generation assets in the near future, and that it has to file a general rate case in Kansas before it can begin to recover those investments, casts serious doubt on any rate case avoidance benefits of the Capital Tracker.

Lastly, avoiding a rate case for the categories of capital expenditures that the company wants to include in the Capital Tracker would likely be to Empire's customers detriment, given the testimony presented above that net Rate Base is projected to decline for the two categories of capital expenditures. That is, it would be to Empire customers' benefit to ensure that these categories of capital expenditures were included in the revenue requirement calculation during any future rate case, so that ratepayers get credit for the capital that they have already returned to Empire's shareholders, through the accumulation of depreciation expense. If net Rate Base is projected to decline for these categories of capital, delaying a rate case only serves to delay the recognition of that accumulated depreciation in the revenue requirement calculation.

[28] *See* page 3 of Motion to Witdraw Application Without Prejudice, April 25, 2018, http://estar.kcc.ks.gov/estar/ViewFile.aspx/S20180425100701.pdf?Id=756c94c6-5d1b-4c99-bf75-a3ca7824d0bd.

I. Capital Tracker Premature Given Subs. SB 69 Rate Study Efforts

Q. Why does Staff contend that the Capital Tracker is premature and inappropriate at this time given the recent passage of Substitute for Senate Bill 69?

A. During the 2019 Legislative Session, the Kansas Legislature passed, and the Governor signed, Substitute for Senate Bill 69.[29] Subs. for SB 69 requires the Legislative Coordinating Council to select an independent organization to perform a study of several different factors pertaining to current ratemaking practices in Kansas. Two of these factors are as follows:

The effectiveness of current Kansas ratemaking practices, including whether:

- allowing Kansas investor-owned electric public utilities to recover costs through surcharges and riders, without a comprehensive ratemaking process, has unnecessarily contributed to rising wholesale and retail electricity prices; (Section 1(c)(1)(E)) and
- any performance-based regulation, economic development initiatives, price-cap regulation or other non-traditional ratemaking methods should be considered to reduce retail electric rates or the level of increase of any rate; (Section 1(c)(2)(B).

These two sections of Subs. SB 69 directly implicate Empire's requested Capital Tracker, and several of the other topics of the bill pertain generally to Empire's request. Staff contends that it is premature and arguably inappropriate for the Commission to establish a new alternative ratemaking method like the Capital Tracker while the Legislature is

[29] *See* http://www.kslegislature.org/li/b2019_20/measures/documents/sb69_enrolled.pdf.

conducting a comprehensive rate study to study whether mechanism like that should be utilized less often, or more often, in Kansas.

VII. Asbury Retirement Credit Tariff (ARCT)

A. Background/Introduction of Asbury Retirement Credit Tariff (ARCT)

Q. Please provide some background for, and introduce the concept of, the ARCT.

A. Staff is recommending that the Commission require Empire to file a special regulatory tariff entitled the Asbury Retirement Credit Tariff (ARCT) in the event that the Asbury Coal Fired Generating Unit (Asbury) is retired within the next three years. This tariff would be filed within 30-days of a formal decision to retire Asbury, with an effective date commensurate with the retirement date of Asbury. The purpose of the tariff would be to implement a decision regarding the revenue requirement of Asbury from Kansas customers, given the fact that it would no longer be "used and required to be used" in the provision of electric service to Kansas customers.

Asbury is a 189 MW Coal-Fired Generating Unit that was retrofitted in 2015 with a brand new Air Quality Control System (AQCS), at the cost of $112 million (total company). Shortly after the completion of this investment, Empire began to recover the revenue requirement associated with this AQCS project from its Kansas customers, in Docket No. 15-EPDE-233-TAR.

In the 18-184 Docket, Empire proposed to retire Asbury early (ahead of its 2035 retirement date) and invest in up to 800 MW of new Rate Based wind investments. Ultimately, Empire withdrew the Application in the 18-184 Docket and agreed to reconsider the issue of retirement of Asbury in the future. As discussed on pages 9-11 in the Direct Testimony of Empire witness Blake Mertens in this Docket, the future of Asbury is uncertain, as the Company is currently studying the economics of continuing to operate Asbury in consideration of further environmental upgrades and other investments that may be required. Mr. Mertens testifies that the Company's Triennial Integrated Resource Plan (IRP) will be filed in Missouri in April 2019, which would address the issue of whether Asbury would be retired.

Q. Was Empire's Triennial IRP filed in Missouri on April 1, 2019?

A. No. According to Staff Data Request No. 336, "on March 15, 2019, Empire filed a Motion for Extension of Time, seeking additional time to file its 2019 Triennial IRP primarily in order to incorporate distributed energy resources (DERs) into its modeling." Empire's request was granted, and now the IRP will not be filed until July 1, 2019.

B. Staff Support for ARCT

Q. Why does Staff contend that it is necessary for the Commission to order Empire to file for an ARCT in the event that Asbury Coal Fired Generating Unit (Asbury) is retired in the near future?

A. Staff contends that it is necessary for the Commission to require Empire to file a special regulatory tariff pertaining to the ratemaking treatment that would be allowed for the revenue requirement associated with Asbury, because the revenue requirement associated with Asbury is a significant portion of the total revenue requirement for Empire's Kansas operations. This special regulatory tariff is necessary to protect Empire's Kansas ratepayers for continuing to pay the full revenue requirement (return on and of Asbury, plus non-labor maintenance expenses included in the cost of service) for an asset that is no longer used and required to be used in the provision of electric service.

Based on Staff's recommended depreciation rates, Return on Equity (ROE), and non-labor operating and maintenance expenses, the revenue requirement associated with Asbury is $1,768,283. That is a significant percentage (10.62%) of Staff's total recommended revenue requirement for Empire's Kansas operations of $16,462,195. If Asbury were to retire prematurely, and this revenue requirement was still being included in Empire's Kansas rates, those rates would certainly become unjust and unreasonable. Another possible result would be that Empire would attempt to avoid filing a rate case and use the Asbury revenue requirement included in rates to support its future wind projects, which would be directly contrary to the procedure discussed earlier in my testimony that Empire, Staff, and CURB agreed to use when Empire seeks recovery of its first rate based wind investments.

Q. Is Staff asking the Commission to rule on the revenue requirement treatment that should be afforded to Asbury in the event of an early retirement?

A. No. At this point, Asbury is still used and required to be used in the provision of electric service to Kansas customers, so Staff is recommending that Asbury's full revenue requirement be included in Staff's overall revenue requirement recommendation. However, if Asbury is prematurely retired from service, Staff's recommendation would be that Empire be allowed to continue to earn a return of its Asbury investment over its estimated remaining life (16-years), but not a return on its investment. Staff's position is that this decision can be litigated when Empire files its ARCT filing. All that needs to be addressed right now is the procedure that will be used to file the ARCT, the Commission can decide the appropriate recovery parameters of Asbury when the ARCT is filed.

VIII. Conclusion

Q. Please summarize your recommendations in this Docket.

A. My recommendations in this Docket are as follows:

- The Commission should accept Staff's recommended amortization of EDIT in the determination of Empire's revenue requirement in this Docket. Staff's recommended amortization totals $(416,841) on a Kansas-jurisdictional basis, which is reflected as an offset to income taxes calculated in Staff's Revenue Requirement Schedules as sponsored by Staff witness William Baldry. Staff's recommended EDIT amortization amount should be used because it relies on Empire's recently-finalized EDIT calculations, and because Staff's recommendation amortizes Empire's "unprotected" EDIT balance over five years instead of Empire's recommended 10-year amortization. Staff contends that a shorter amortization period for Empire's unprotected EDIT is appropriate in this Docket given the significant rate increase that Empire is seeking from its Kansas customers. Compared to Empire's recommended EDIT amortization of $(212,800), Staff's recommendation reduces Empire's requested revenue requirement by $279,172;
- The Commission should accept a revised version of Empire's proposed TCR that includes only the provision of the proposed rider that pertains to the annual true up of the amortization of protected EDIT. This is appropriate because Empire's calculations suggest that the amortization of protected EDIT will differ significantly over the next several years compared to the amount of amortization included in Staff's revenue requirement recommendation;

- The Commission should not accept Empire's proposal to include in the TCR the deferred tax savings from the implementation of the TCJA that have accumulated in a Regulatory Liability created as a result of the settlement agreement between Empire, Staff, and CURB in the 18-248 Docket. Instead, the Commission should Order Empire to provide its Kansas customers bill credits totaling $2,095,516 in the fashion that Staff witness Dr. Robert Glass recommends in his Direct Testimony. This bill credit total represents the annual Regulatory Liability amount of $1,229,466 from Appendix 1 of the Empire Settlement Agreement in the 18-248 Docket, as adjusted to reflect the addition of the Commission-approved interest rate on the deferred amounts and a projected date of August 29, 2019, for rates from this proceeding to take effect.
- Staff's recommendation that Empire should be required to provide customers a bill credit, representing the amount of deferred revenue in the Regulatory Liability resulting from the TCJA (with interest), is necessary in order to ensure that the benefit of this significant reduction in corporate income tax expense does not result in a windfall for Empire's shareholders. Instead, Empire's ratepayers should receive the benefits of this significant financial event in total, without consideration of any other offsetting costs. This treatment is no different from several other instances where Empire has been able to utilize deferral accounting to isolate, on a single-issue basis, the negative financial impacts of events that are outside of its control. These deferrals are later recovered from ratepayers in a future rate case without consideration of other offsetting costs that may have occurred during the time of the original event. Examples include the Ice Storm accounting authority

order granted in 08-714 Docket, Empire's Pension Tracker and the ECA. The Commission should not resist using deferral accounting to benefit ratepayers in this instance, as there are ample instances in which it has been used to the benefit of Empire's shareholders.

- The Commission should reject Empire's proposed Capital Tracker. Staff's contention is that Empire has not met its burden of demonstrating the necessity or reasonableness of this proposed tracker in this Docket. Many of Empire's claims about the necessity and benefits of the Capital Tracker are unsupported or are inconsistent with the record in this case, as I demonstrated in my testimony. Additionally, Staff believes that it is premature to consider additional alternative ratemaking mechanisms for electric utilities at this time while the legislative study efforts codified in Substitute for Senate Bill 69, which took effect on April 18, 2019, are taking place.
- The Commission should require Empire to file a special regulatory tariff entitled the ARCT in the event that Empire decides to retire the recently environmentally retrofitted Asbury Coal Fired Generating Unit (Asbury). This tariff should be filed within 30-days of a decision by Empire to retire Asbury, and should become effective commensurate with the retirement date of Asbury. This special regulatory tariff is necessary to protect Empire's Kansas ratepayers for continuing to pay the full revenue requirement (return on and of Asbury, plus non-labor maintenance expenses included in the cost of service) for an asset which is no longer used and required to be used in the provision of electric service.

- Based on Staff's recommended depreciation rates, Return on Equity (ROE), and non-labor operating and maintenance expenses, the revenue requirement associated with Asbury is $1,768,283. That is a significant part of Staff's total recommended revenue requirement for Empire's Kansas operations of $16,462,195. If Asbury were to retire prematurely, and this revenue requirement was still being included in Empire's Kansas rates, those rates would certainly become unjust and unreasonable. Another possible result would be that Empire would use the Asbury revenue requirement included in rates to support its future wind projects, which would be directly contrary to the procedure that Empire, Staff, and CURB recently agreed to use when Empire seeks recovery of its first rate based wind investments.
- Staff is not asking the Commission to rule in this Docket on the ratemaking treatment that should be afforded to Asbury if it is retired early. That is an issue that can be decided by the Commission when Empire files the ARCT in the future in the event that Empire decides to retire Asbury. However, for transparency purposes and Empire's planning, Staff suggests that it is likely that we will recommend that Empire receive a "return of" Asbury over its original remaining life of 16 years, with no "return on" or carrying charges during this time. This is consistent with Staff's Direct Testimony in the 18-184 Docket.

Q. Does that conclude your testimony?

A. Yes.

The Empire District Electric Company, Inc.
For the Test Year Ended June 30, 2018
Support for Staff's Recommended EDIT Amortization

Exhibit JTG-1

	2018	2019	2020	2021	2022	2023
Total Company Annual Amortization of Protected Excess ADIT-Per Deliotte	(2,202,930)	(2,690,857)	(2,937,471)	(3,246,745)	(3,761,048)	(4,037,154)
Kansas Allocator	5.09%	5.09%	5.09%	5.09%	5.09%	5.09%
Total Kansas Protected Amortiztion:	(112,208)	(137,061)	(149,623)	(165,376)	(191,572)	(205,636)
Total Company Unprotected:	(29,903,565)	(29,903,565)	(29,903,565)	(29,903,565)	(29,903,565)	(29,903,565)
Kansas Allocator:	5.09%	5.09%	5.09%	5.09%	5.09%	5.09%
Total Kansas Unprotected Excess ADIT:	(1,523,163)	(1,523,163)	(1,523,163)	(1,523,163)	(1,523,163)	(1,523,163)
Proposed Amortization Period (In Years):	5	5	5	5	5	5
Annual Amortization:	(304,633)	(304,633)	(304,633)	(304,633)	(304,633)	(304,633)
Total Unprotected and Protected Excess ADIT Amortization:	(416,841)	(441,694)	(454,255)	(470,008)	(496,205)	(510,268)

Notes: EDIT Amortization Amounts Provided in Response to Staff Data Request No. 303, with exception to the amortization of unprotected EDIT. Empire amortized unprotected EDIT over 10-years.

Empire Tax Reform Credit Calculation (With Interest)

Staff Exhibit JTG-2

Notes	Month	Monthly Deferral	# of Days of Interest	Daily Interest*	With Calculated Interest
	18-Jan	$ (120,207)	605	0.004%	$ (123,478)
	18-Feb	$ (114,035)	574	0.004%	$ (116,977)
	18-Mar	$ (92,632)	546	0.004%	$ (94,904)
	18-Apr	$ (91,245)	515	0.004%	$ (93,355)
	18-May	$ (78,305)	485	0.004%	$ (80,009)
	18-Jun	$ (94,292)	454	0.004%	$ (96,211)
	18-Jul	$ (127,843)	424	0.004%	$ (130,272)
	18-Aug	$ (127,621)	393	0.004%	$ (129,867)
	18-Sep	$ (109,661)	362	0.004%	$ (111,437)
	18-Oct	$ (93,913)	332	0.004%	$ (95,307)
	18-Nov	$ (80,900)	301	0.004%	$ (81,988)
	18-Dec	$ (98,314)	271	0.004%	$ (99,504)
	19-Jan	$ (120,207)	240	0.007%	$ (122,376)
	19-Feb	$ (114,035)	209	0.007%	$ (115,825)
	19-Mar	$ (92,632)	181	0.007%	$ (93,890)
	19-Apr	$ (91,245)	150	0.007%	$ (92,271)
	19-May	$ (78,305)	120	0.007%	$ (79,008)
	19-Jun	$ (94,292)	89	0.007%	$ (94,919)
	19-Jul	$ (127,843)	59	0.007%	$ (128,406)
	19-Aug	$ (115,271)	28	0.007%	$ (115,511)
Total W/o Interest		$ (2,062,798)			
			Total W/Interest		$ (2,095,516)

*--The interest expense calculations reflect the Commission-approved customer deposit interest rate of 1.62% for calendar year 2018 and 2.72% for calendar year 2019.

Data Request Received: 03/06/19
Request No. 247

Date of Response: 03/15/2019
Respondent: Charlotte Emery

Submitted by: Bill Baldry

RE: Tax Change Rider - Jill Schwartz Supplemental Testimony

REQUEST:

The Tax Change Rider was attached to Jill Schwartz's supplemental testimony as Exhibit JMS - 2.

1. a. Would only the excess deferred income taxes accrued from January 1, 2018, until the new rates would go into effect in Docket No. 19-EPDE-223-RTS go into the Tax Change Rider?

   b. If no, what deferred income taxes does Empire propose go into the Tax Change Rider?

RESPONSE:

a) It is the Company's proposal that the difference between the actual yearly amortization of excess ADIT and the estimated amortization included in base retail rates go through the Tax Change Rider. The Company estimated and proposed an annual amortization of protected and unprotected excess ADIT in the amount of $212,800 be incorporated into base retail rates. Furthermore, the Tax Change Rider's true-up mechanism would reflect updates such as differences in actual billing determinants versus estimated billing determinants, credit impacts after finalizing corporate tax returns, and/or audit adjustments.
b) See response (a) above.

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: *\/s/ Charlotte Emery*

Date: 03/15/2019

Data Request Received: 04/05/19
Request No. 303

Date of Response: 04/16/19
Respondent: Charlotte Emery

Submitted by: Justin Grady

RE: EDIT Protected Amortization Period

REQUEST:

In the application, Empire included Excess ADIT (EDIT) amortization of $212,800 as a reduction to income tax expense. This amount consists of a protected EDIT amortization amount of $167,198, and an unprotected EDIT amortization amount of $45,602. The protected EDIT amortization period used to derive this amortization is 40-years. Please provide the following with regard to this amortization period:

1. Is the 40-years utilized for this estimated amortization period calculated using the Average Rate Assumption Method (ARAM)?

2. Please provide all supporting documentation the company used to derive the 40-year amortization period utilized to amortize protected EDIT in the company's application.

3. Has the company's estimated ARAM amortization period changed since the company filed its rate case? If so, please provide the most recent estimated ARAM amortization period for protected EDIT.

4. Did the company amortize protected EDIT on its financial books in 2018? If so, please provide the beginning balance of protected EDIT, the amortization amount that was recorded, and the resulting calculated amortization period that results from that amortization.

RESPONSE:

1. At the time of the filing of the Company's application the final amortization schedule related to Excess ADIT utilizing ARAM had not been finalized by its outside tax consultants. Therefore, the Company used 40 years as a reasonable estimate for its remaining life; with the intention of having final ARAM amortization available within the update period.
2. The 40 years was based on a general estimate of the remaining life of all Company's utility plant.
3. Yes, the Company has received the final ARAM calculation from its external tax consultant. See attachment labeled "ARAM Detail_2019.01.14.xlsx" which provides the breakout between protected and unprotected excess ADIT.
4. The Company did not amortize Excess ADIT balances during 2018. Refer to the attachment labeled "TCJA Reg Liab at 12-31-17.xlsx" which reflects the total Excess ADIT Regulatory liability

which is split between protected balances and unprotected balances. The regulatory balance of $147,953,193 is the general ledger balance of the account 254430 at 01/31/2019.

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: *<u>/s/ Charlotte Emery</u>*

Date: <u>April 16, 2019</u>

Mapping	Description	Book Basis	Tax Basis	Book - Tax Basis Differences	ADIT at 38.0875%	ADIT at 25.6400%	ADIT Adustment	ADIT Adjustment Charged to Expense: No Cash Tax Cost or Benefit Yet	Not a Regulated Business	Excluded in Previous Cases	Total	Return to Customers	Tax Gross-Up	Regulatory Liability
ELECTRIC	ELECTRIC													
Cash	Cash	6,095,860	6,095,860	-	-	-	-				-	-	-	-
AR	Accounts receivable	79,034,064	79,034,064	-	-	-	-				-	-	-	-
Bad Debts	Allowance for doubtful accounts	(350,000)	-	(350,000)	133,306	89,740	43,566				-	43,566	15,022	58,588
Deposits	Customer deposits	(13,943,945)	(13,943,945)	-	-	-	-				-	-	-	-
Derivatives	Derivative instruments	4,244,888	-	4,244,888	(1,616,772)	(1,088,389)	(528,382)				-	(528,382)	(182,191)	(710,573)
Prepaids	Prepaid expenses	9,530,998	9,948,664	(417,666)	159,079	107,090	51,989				-	51,989	17,926	69,915
Inv & Supplie	Inventories & supplies	55,358,341	55,358,341	-	-	-	-				-	-	-	-
Reg Assets	Regulatory assets	196,315,048	704,539	195,610,509	(74,503,153)	(50,154,535)	(24,348,618)				-	(24,348,618)	(8,395,624)	(32,744,242)
Goodwill	Goodwill	-	-	-	-	-	-				-	-	-	-
Other assets	Other assets	40,564,724	40,564,724	-	-	-	-				-	-	-	-
Payables	Accounts payable & current liabilities	(110,746,154)	(110,193,702)	(552,453)	210,415	141,649	68,767				-	68,767	23,711	92,478
Plant	Plant	1,919,185,989	756,612,351	1,162,573,638	(442,795,234)	(298,083,881)	(144,711,354)				-	(144,711,354)	(49,897,782)	(194,609,136)
Reg Liabil	Regulatory liabilities	(34,806,695)	-	(34,806,695)	20,192,144	12,334,304	7,857,840				-	7,857,840	2,709,454	10,567,294
FAC	Deferred fuel costs	13,057,819	-	13,057,819	(4,973,397)	(3,348,025)	(1,625,372)				-	(1,625,372)	(560,443)	(2,185,815)
Def Comp	Deferred compensation	(1,682,970)	(327,429)	(1,355,542)	516,292	347,561	168,731				-	168,731	58,180	226,911
Other Liabil	Other liabilities	(34,972,646)	(6,229,339)	(28,743,307)	10,947,607	7,369,784	3,577,823				-	3,577,823	1,233,666	4,811,489
ITC	Accumulated deferred investment tax credits	(17,734,175)	-	(17,734,175)	0	0	0				-	0	0	0
ADIT	Accumulated deferred income taxes	(461,234,657)	-	(461,234,657)	-	-	-				-	-	-	-
Pension	Pension and other post-employment benefits	(71,782,749)	(11,356,599)	(60,426,150)	23,014,810	15,493,265	7,521,545				-	7,521,545	2,593,497	10,115,042
Leases	Lease obligations	(3,207,582)	-	(3,207,582)	1,221,688	822,424	399,264				-	399,264	137,670	536,934
LTD	Notes payable & long-term debt	(778,193,680)	(778,193,680)	-	-	-	-				-	-	-	-
Capital	Capital	(795,273,382)	(28,073,849)	(767,199,532)	-	-	-	-	-	-	-	-	-	-
	Balance sheet subtotals	(540,905)	0	(540,905)	(467,493,214)	(315,969,013)	(151,524,201)	-	-	-	-	(151,524,201)	(52,246,914)	(203,771,115)
	Tax attributes not related to timing differences:			1,227,893,284										
	Net operating loss carryforward, gross item			(38,339,350)	14,602,500	9,830,209	4,772,291				-	4,772,291	1,645,529	6,417,819
	Contributions carryforward , gross item			-	-	-	-	-			-	-	-	-
	Investment tax credit carryforward			7,227,661	7,227,661	7,227,661	-	-			-	-	-	-
	AMT credit carryforward			1,127,679	1,127,679	1,127,679	-	-	-	-	-	-	-	-
					(444,535,374)	(297,783,464)	(146,751,911)	-	-	-	-	(146,751,911)	(50,601,385)	(197,353,296)
					OK!	OK!								

Protected portion, per Deloitte computation	(118,049,628)	79.79%
Difference - Unprotected portion	(28,702,283)	20.21%
State and Other Excess ADIT Balances - Unprotected	(1,201,282)	
Total	(147,953,193)	100.00%

Jurisidiction	Allocation(1)	Total Excess ADIT Liability	Protected Excess ADIT Liability	Unprotected Excess ADIT Liability
Arkansas Portion	2.91%	(4,311,171)	(3,439,819)	(871,353)
Kansas Portion	5.09%	(7,536,121)	(6,012,958)	(1,523,163)
Missouri Portion	85.68%	(126,767,653)	(101,146,004)	(25,621,649)
Oklahoma Portion	2.70%	(3,999,791)	(3,191,373)	(808,418)
FERC - KS Portion	0.13%	(192,732)	(153,778)	(38,954)
FERC - MO Portion	3.48%	(5,145,725)	(4,105,697)	(1,040,028)
Total:	100.00%	(147,953,193)	(118,049,628)	(29,903,565)

(1) Allocator estimate based on 12/31/2017 jurisdictional total net plant in service compared to total company net plant in service. (4 State)

Empire District
Deferred Tax Summary - Protected vs Unprotected
Tax Years 2018-2023

Tax Year	Company	Jurisdiction	Protected	ASC740 Rate	Grossup Rate	Beg Timing Difference	CY Timing Difference	Ending Timing Difference	Beg APB11 DIT Balance	CY DIT Provision	CY DIT Reversal	Ending APB11 DIT	Beg ASC740 DIT	CY ASC740 DIT	End ASC740 DIT	Beginning Reg Asset / (Liab) Before GrossUp	Ending Reg Asset / (Liab) Before GrossUp	Beginning Reg Asset / (Liab) After GrossUp	Ending Reg Asset / (Liab) After GrossUp
2018	EDE	Fed	Y	21.0000%	25.6373%	(945,196,519)	4,849,471	(940,347,048)	(331,189,553)	(2,924,031)	6,436,161	(327,677,423)	(198,491,269)	1,018,389	(197,472,880)	(132,698,284)	(130,204,543)	(178,447,372)	(175,093,888)
2018	EDE	Fed	N	0.0000%	25.6373%	-	-	-	(28,262,477)	-	-	(28,262,477)	-	-	-	(28,262,477)	(28,262,477)	(38,006,254)	(38,006,254)
2018	EDE	Fed	N	21.0000%	25.6373%	(206,949,635)	8,282,014	(198,667,621)	(42,393,715)	-	1,700,804	(40,692,912)	(43,459,423)	1,739,223	(41,720,200)	1,065,708	1,027,289	1,433,122	1,381,457
2018	EDE	State	Y	5.8700%	25.6373%	(945,196,519)	4,849,471	(940,347,048)	(44,896,835)	(816,807)	891,310	(44,822,332)	(55,483,036)	284,664	(55,198,372)	10,586,201	10,376,040	14,235,902	13,953,285
2018	EDE	State	N	0.0000%	25.6373%	-	-	-	2,238,893	-	-	2,238,893	-	-	-	2,238,893	2,238,893	3,010,774	3,010,774
2018	EDE	State	N	5.8700%	25.6373%	(204,975,036)	7,882,892	(197,092,144)	(11,734,198)	-	451,571	(11,282,627)	(12,032,035)	462,726	(11,569,309)	297,836	286,681	400,519	385,518
2018	EDE	State Offset	Y	-1.2327%	25.6373%	(945,196,519)	4,849,471	(940,347,048)	15,713,892	171,529	(311,958)	15,573,463	11,651,437	(59,779)	11,591,658	4,062,455	3,981,805	5,463,028	5,354,574
2018	EDE	State Offset	N	-1.2327%	25.6373%	(204,975,036)	7,882,892	(197,092,144)	2,464,182	-	(94,830)	2,369,352	2,526,727	(97,172)	2,429,555	(62,546)	(60,203)	(84,109)	(80,959)
2018	EDE	State Offset	N	0.0000%	25.6373%	-	-	-	859,175	-	-	859,175	-	-	-	859,175	859,175	1,155,385	1,155,385
					2018 Total	**(3,452,489,264)**	**38,596,211**	**(3,413,893,053)**	**(437,200,636)**	**(3,569,309)**	**9,073,057**	**(431,696,887)**	**(295,287,598)**	**3,348,050**	**(291,939,548)**	**(141,913,038)**	**(139,757,339)**	**(190,839,006)**	**(187,940,109)**
2019	EDE	Fed	Y	21.0000%	25.6373%	(940,347,048)	10,250,126	(930,096,922)	(327,677,423)	(2,414,021)	7,593,844	(322,497,600)	(197,472,880)	2,152,526	(195,320,354)	(130,204,543)	(127,177,246)	(175,093,888)	(171,022,900)
2019	EDE	Fed	N	0.0000%	25.6373%	-	-	-	(28,262,477)	-	-	(28,262,477)	-	-	-	(28,262,477)	(28,262,477)	(38,006,254)	(38,006,254)
2019	EDE	Fed	N	21.0000%	25.6373%	(198,667,621)	8,345,545	(190,322,077)	(40,692,912)	-	1,712,573	(38,980,338)	(41,720,200)	1,752,564	(39,967,636)	1,027,289	987,298	1,381,457	1,327,679
2019	EDE	State	Y	5.8700%	25.6373%	(940,347,048)	10,250,126	(930,096,922)	(44,822,332)	(674,202)	1,032,748	(44,463,786)	(55,198,372)	601,682	(54,596,689)	10,376,040	10,132,903	13,953,285	13,626,325
2019	EDE	State	N	0.0000%	25.6373%	-	-	-	2,238,893	-	-	2,238,893	-	-	-	2,238,893	2,238,893	3,010,774	3,010,774
2019	EDE	State	N	5.8700%	25.6373%	(197,092,144)	7,958,036	(189,134,108)	(11,282,627)	-	455,886	(10,826,741)	(11,569,309)	467,137	(11,102,172)	286,681	275,431	385,518	370,389
2019	EDE	State Offset	Y	-1.2327%	25.6373%	(940,347,048)	10,250,126	(930,096,922)	15,573,463	141,582	(361,239)	15,353,806	11,591,658	(126,353)	11,465,305	3,981,805	3,888,502	5,354,574	5,229,102
2019	EDE	State Offset	N	-1.2327%	25.6373%	(197,092,144)	7,958,036	(189,134,108)	2,369,352	-	(95,736)	2,273,616	2,429,555	(98,099)	2,331,456	(60,203)	(57,841)	(80,959)	(77,782)
2019	EDE	State Offset	N	0.0000%	25.6373%	-	-	-	859,175	-	-	859,175	-	-	-	859,175	859,175	1,155,385	1,155,385
					2019 Total	**(3,413,893,053)**	**55,011,995**	**(3,358,881,058)**	**(431,696,887)**	**(2,946,640)**	**10,338,076**	**(424,305,452)**	**(291,939,548)**	**4,749,458**	**(287,190,090)**	**(139,757,339)**	**(137,115,361)**	**(187,940,109)**	**(184,387,282)**
2020	EDE	Fed	Y	21.0000%	25.6373%	(930,096,922)	13,674,787	(916,422,135)	(322,497,600)	(2,041,163)	8,211,691	(316,327,072)	(195,320,354)	2,871,705	(192,448,648)	(127,177,246)	(123,878,424)	(171,022,900)	(166,586,775)
2020	EDE	Fed	N	0.0000%	25.6373%	-	-	-	(28,262,477)	-	-	(28,262,477)	-	-	-	(28,262,477)	(28,262,477)	(38,006,254)	(38,006,254)
2020	EDE	Fed	N	21.0000%	25.6373%	(190,322,077)	8,435,500	(181,886,576)	(38,980,338)	-	1,730,733	(37,249,605)	(39,967,636)	1,771,455	(38,196,181)	987,298	946,576	1,327,679	1,272,917
2020	EDE	State	Y	5.8700%	25.6373%	(930,096,922)	13,674,787	(916,422,135)	(44,463,786)	(569,952)	1,111,523	(43,922,215)	(54,596,689)	802,710	(53,793,979)	10,132,903	9,871,764	13,626,325	13,275,155
2020	EDE	State	N	0.0000%	25.6373%	-	-	-	2,238,893	-	-	2,238,893	-	-	-	2,238,893	2,238,893	3,010,774	3,010,774
2020	EDE	State	N	5.8700%	25.6373%	(189,134,108)	8,048,003	(181,086,105)	(10,826,741)	-	461,102	(10,365,640)	(11,102,172)	472,418	(10,629,754)	275,431	264,115	370,389	355,171
2020	EDE	State Offset	Y	-1.2327%	25.6373%	(930,096,922)	13,674,787	(916,422,135)	15,353,806	119,690	(388,471)	15,085,025	11,465,305	(168,569)	11,296,736	3,888,502	3,788,289	5,229,102	5,094,341
2020	EDE	State Offset	N	-1.2327%	25.6373%	(189,134,108)	8,048,003	(181,086,105)	2,273,616	-	(96,831)	2,176,784	2,331,456	(99,208)	2,232,248	(57,841)	(55,464)	(77,782)	(74,586)
2020	EDE	State Offset	N	0.0000%	25.6373%	-	-	-	859,175	-	-	859,175	-	-	-	859,175	859,175	1,155,385	1,155,385
					2020 Total	**(3,358,881,058)**	**65,555,867**	**(3,293,325,191)**	**(424,305,452)**	**(2,491,426)**	**11,029,745**	**(415,767,132)**	**(287,190,090)**	**5,650,511**	**(281,539,579)**	**(137,115,361)**	**(134,227,553)**	**(184,387,282)**	**(180,503,872)**
2021	EDE	Fed	Y	21.0000%	25.6373%	(916,422,135)	19,431,637	(896,990,498)	(316,327,072)	(1,378,741)	9,106,166	(308,599,648)	(192,448,648)	4,080,644	(188,368,005)	(123,878,424)	(120,231,643)	(166,586,775)	(161,682,729)
2021	EDE	Fed	N	0.0000%	25.6373%	-	-	-	(28,262,477)	-	-	(28,262,477)	-	-	-	(28,262,477)	(28,262,477)	(38,006,254)	(38,006,254)
2021	EDE	Fed	N	21.0000%	25.6373%	(181,886,576)	8,607,315	(173,279,261)	(37,249,605)	-	1,766,641	(35,482,964)	(38,196,181)	1,807,536	(36,388,645)	946,576	905,681	1,272,917	1,217,923
2021	EDE	State	Y	5.8700%	25.6373%	(916,422,135)	19,431,637	(896,990,498)	(43,922,215)	(384,791)	1,236,332	(43,070,674)	(53,793,979)	1,140,637	(52,653,342)	9,871,764	9,582,668	13,275,155	12,886,391
2021	EDE	State	N	0.0000%	25.6373%	-	-	-	2,238,893	-	-	2,238,893	-	-	-	2,238,893	2,238,893	3,010,774	3,010,774
2021	EDE	State	N	5.8700%	25.6373%	(181,086,105)	8,219,806	(172,866,300)	(10,365,640)	-	471,138	(9,894,502)	(10,629,754)	482,503	(10,147,252)	264,115	252,750	355,171	339,888
2021	EDE	State Offset	Y	-1.2327%	25.6373%	(916,422,135)	19,431,637	(896,990,498)	15,085,025	80,806	(431,280)	14,734,551	11,296,736	(239,534)	11,057,202	3,788,289	3,677,349	5,094,341	4,945,153
2021	EDE	State Offset	N	-1.2327%	25.6373%	(181,086,105)	8,219,806	(172,866,300)	2,176,784	-	(98,939)	2,077,845	2,232,248	(101,326)	2,130,923	(55,464)	(53,078)	(74,586)	(71,377)
2021	EDE	State Offset	N	0.0000%	25.6373%	-	-	-	859,175	-	-	859,175	-	-	-	859,175	859,175	1,155,385	1,155,385
					2021 Total	**(3,293,325,191)**	**83,341,836**	**(3,209,983,355)**	**(415,767,132)**	**(1,682,726)**	**12,050,058**	**(405,399,800)**	**(281,539,579)**	**7,170,460**	**(274,369,119)**	**(134,227,553)**	**(131,030,681)**	**(180,503,872)**	**(176,204,847)**
2022	EDE	Fed	Y	21.0000%	25.6373%	(896,990,498)	26,411,744	(870,578,754)	(308,599,648)	(813,501)	10,584,810	(298,828,338)	(188,368,005)	5,546,466	(182,821,538)	(120,231,643)	(116,006,800)	(161,682,729)	(156,001,329)
2022	EDE	Fed	N	0.0000%	25.6373%	-	-	-	(28,262,477)	-	-	(28,262,477)	-	-	-	(28,262,477)	(28,262,477)	(38,006,254)	(38,006,254)
2022	EDE	Fed	N	21.0000%	25.6373%	(173,279,261)	8,688,611	(164,590,650)	(35,482,964)	-	1,782,957	(33,700,008)	(36,388,645)	1,824,608	(34,564,037)	905,681	864,029	1,217,923	1,161,912
2022	EDE	State	Y	5.8700%	25.6373%	(896,990,498)	26,411,744	(870,578,754)	(43,070,674)	(227,080)	1,442,276	(41,855,478)	(52,653,342)	1,550,369	(51,102,973)	9,582,668	9,247,495	12,886,391	12,435,664
2022	EDE	State	N	0.0000%	25.6373%	-	-	-	2,238,893	-	-	2,238,893	-	-	-	2,238,893	2,238,893	3,010,774	3,010,774
2022	EDE	State	N	5.8700%	25.6373%	(172,866,300)	8,385,268	(164,481,032)	(9,894,502)	-	480,639	(9,413,862)	(10,147,252)	492,215	(9,655,037)	252,750	241,174	339,888	324,321
2022	EDE	State Offset	Y	-1.2327%	25.6373%	(896,990,498)	26,411,744	(870,578,754)	14,734,551	47,687	(501,887)	14,280,351	11,057,202	(325,578)	10,731,624	3,677,349	3,548,727	4,945,153	4,772,186
2022	EDE	State Offset	N	-1.2327%	25.6373%	(172,866,300)	8,385,268	(164,481,032)	2,077,845	-	(100,934)	1,976,911	2,130,923	(103,365)	2,027,558	(53,078)	(50,647)	(71,377)	(68,108)
2022	EDE	State Offset	N	0.0000%	25.6373%	-	-	-	859,175	-	-	859,175	-	-	-	859,175	859,175	1,155,385	1,155,385
					2022 Total	**(3,209,983,355)**	**104,694,381**	**(3,105,288,974)**	**(405,399,800)**	**(992,894)**	**13,687,861**	**(392,704,833)**	**(274,369,119)**	**8,984,717**	**(265,384,402)**	**(131,030,681)**	**(127,320,431)**	**(176,204,847)**	**(171,215,449)**
2023	EDE	Fed	Y	21.0000%	25.6373%	(870,578,754)	29,896,977	(840,681,777)	(298,828,338)	(597,175)	11,410,837	(288,014,677)	(182,821,538)	6,278,365	(176,543,173)	(116,006,800)	(111,471,504)	(156,001,329)	(149,902,443)
2023	EDE	Fed	N	0.0000%	25.6373%	-	-	-	(28,262,477)	-	-	(28,262,477)	-	-	-	(28,262,477)	(28,262,477)	(38,006,254)	(38,006,254)
2023	EDE	Fed	N	21.0000%	25.6373%	(164,590,650)	8,826,558	(155,764,093)	(33,700,008)	-	1,810,995	(31,889,013)	(34,564,037)	1,853,577	(32,710,459)	864,029	821,447	1,161,912	1,104,649
2023	EDE	State	Y	5.8700%	25.6373%	(870,578,754)	29,896,977	(840,681,777)	(41,855,478)	(166,682)	1,561,640	(40,460,520)	(51,102,973)	1,754,953	(49,348,020)	9,247,495	8,887,500	12,435,664	11,951,557
2023	EDE	State	N	0.0000%	25.6373%	-	-	-	2,238,893	-	-	2,238,893	-	-	-	2,238,893	2,238,893	3,010,774	3,010,774
2023	EDE	State	N	5.8700%	25.6373%	(164,481,032)	8,716,939	(155,764,093)	(9,413,862)	-	499,848	(8,914,014)	(9,655,037)	511,684	(9,143,352)	241,174	229,338	324,321	308,405
2023	EDE	State Offset	Y	-1.2327%	25.6373%	(870,578,754)	29,896,977	(840,681,777)	14,280,351	35,003	(541,691)	13,773,663	10,731,624	(368,540)	10,363,084	3,548,727	3,410,579	4,772,186	4,586,410
2023	EDE	State Offset	N	-1.2327%	25.6373%	(164,481,032)	8,716,939	(155,764,093)	1,976,911	-	(104,968)	1,871,943	2,027,558	(107,454)	1,920,104	(50,647)	(48,161)	(68,108)	(64,765)
2023	EDE	State Offset	N	0.0000%	25.6373%	-	-	-	859,175	-	-	859,175	-	-	-	859,175	859,175	1,155,385	1,155,385
					2023 Total	**(3,105,288,974)**	**115,951,367**	**(2,989,337,608)**	**(392,704,833)**	**(728,854)**	**14,636,660**	**(378,797,027)**	**(265,384,402)**	**9,922,585**	**(255,461,817)**	**(127,320,431)**	**(123,335,210)**	**(171,215,449)**	**(165,856,282)**
					Grand Total	**(19,833,860,896)**	**463,151,657**	**(19,370,709,240)**	**(2,507,074,740)**	**(12,411,849)**	**70,815,458**	**(2,448,671,130)**	**(1,695,710,336)**	**39,825,781**	**(1,655,884,555)**	**(811,364,403)**	**(792,786,575)**	**(1,091,090,565)**	**(1,066,107,841)**

Check/Proof:

Tax Year	T/D Change	Provision	Reversal	Net ADIT Change	ASC740 Deferreds	Current Year Diff / EDFIT	ASC740 Change	Diff
2018	38,596,211	(3,569,309)	9,073,057	5,503,749	3,348,050	2,155,699	(2,155,699)	0
2019	55,011,995	(2,946,640)	10,338,076	7,391,436	4,749,458	2,641,978	(2,641,978)	(0)
2020	65,555,867	(2,491,426)	11,029,745	8,538,320	5,650,511	2,887,808	(2,887,808)	(0)
2021	83,341,836	(1,682,726)	12,050,058	10,367,332	7,170,460	3,196,872	(3,196,872)	(0)
2022	104,694,381	(992,894)	13,687,861	12,694,967	8,984,717	3,710,251	(3,710,251)	(0)
2023	115,951,367	(728,854)	14,636,660	13,907,806	9,922,585	3,985,221	(3,985,221)	(0)

(18,577,828) Summary @ A

	2018	2019	2020	2021	2022	2023
Total Company Annual Amortization of Protected Excess ADIT-Per Deliotte	(2,202,930)	(2,690,857)	(2,937,471)	(3,246,745)	(3,761,048)	(4,037,154)
Kansas Allocator	5.09%	5.09%	5.09%	5.09%	5.09%	5.09%
Total Kansas Protected Amortiztion:	(112,208)	(137,061)	(149,623)	(165,376)	(191,572)	(205,636)

Total Company Unprotected:	-29,903,565	-29,903,565	-29,903,565	-29,903,565	-29,903,565	-29,903,565
Kansas Allocator:	5.09%	5.09%	5.09%	5.09%	5.09%	5.09%
Total Kansas Unprotected Excess ADIT:	-1,523,163	-1,523,163	-1,523,163	-1,523,163	-1,523,163	-1,523,163
Proposed Amortization Period (In Years):	10	10	10	10	10	10
Annual Amortization:	-152,316	-152,316	-152,316	-152,316	-152,316	-152,316
Total Unprotected and Protected Excess ADIT Amortization:	-264,524	-289,377	-301,939	-317,692	-343,888	-357,952

CO ID(1)	Company(1)	Jurisdiction(1)	Normalization Schema(1)	Protected(1)	New Reg Asset / (Liab)(1)	2017 APB11 Rate(1)	2017 ASC740 Rate(1)	2017 Grossup Rate(1)	Ending 2017 Timing Difference(1)	Ending 2017 APB11 DIT(1)	Ending 2017 ASC740 DIT(1)	Ending 2017 Reg Asset / (Liab)(1)	Ending 2017 Reg Asset / (Liab) Grossed Up(1)	2018 APB11 Rate(1)	2018 ASC740 Rate(1)	2018 Grossup Rate(1)	Beg 2018 APB11 DIT(1)	Beg 2018 ASC740 DIT(1)	Beg 2018 Reg Asset / (Liab)(1)	Beg 2018 Reg Asset / (Liab) Grossed Up(1)	Change in APB11 DIT(1)	Change in ASC740 DIT(1)	Change in Reg Asset / Liab(1)	Change in Reg Asset / Liab Grossed Up(1)	Ending 2017 APB11 Check(1)	Beg 2018 APB11 Check(1)
1	EDE	Fed	EDE Fed Method/Life	Y	New	35.0000%	35.0000%	38.0875%	(1,009,539,113)	(353,764,343)	(353,338,690)	(425,654)	(687,509)	21.0000%	21.0000%	25.6373%	(353,764,343)	(212,003,214)	(141,761,130)	(190,634,726)	-	(141,335,476)	141,335,476	189,947,218	425,654	-
1	EDE	Fed	EDE Fed Tax Interest Cap	Y	New	35.0000%	35.0000%	38.0875%	50,874,303	17,806,006	17,806,006	0	0	21.0000%	21.0000%	25.6373%	17,806,006	10,683,604	7,122,402	9,577,923	-	7,122,402	(7,122,402)	(9,577,923)	(0)	-
1	EDE	Fed	EDE Fed Pensions Cap - Tax	Y	New	35.0000%	35.0000%	38.0875%	(190,072)	(66,525)	(66,525)	(0)	(0)	21.0000%	21.0000%	25.6373%	(66,525)	(39,915)	(26,610)	(35,784)	-	(26,610)	26,610	35,784	0	-
1	EDE	Fed	EDE Fed Overheads Cap	Y	New	35.0000%	35.0000%	38.0875%	74,768	26,169	26,169	0	0	21.0000%	21.0000%	25.6373%	26,169	15,701	10,468	14,076	-	10,468	(10,468)	(14,076)	(0)	-
1	EDE	Fed	EDE Fed Other Tax	Y	New	35.0000%	35.0000%	38.0875%	1,534,965	537,238	537,238	0	0	21.0000%	21.0000%	25.6373%	537,238	322,343	214,895	288,982	-	214,895	(214,895)	(288,982)	(0)	-
1	EDE	Fed	EDE Fed Contributed Prop Cap	Y	New	35.0000%	35.0000%	38.0875%	944,060	330,421	330,421	(0)	(0)	21.0000%	21.0000%	25.6373%	330,421	198,253	132,168	177,735	-	132,168	(132,168)	(177,735)	0	-
1	EDE	Fed	EDE Fed Cap OPEB	Y	New	35.0000%	35.0000%	38.0875%	1,469,844	514,445	514,445	0	0	21.0000%	21.0000%	25.6373%	514,445	308,667	205,778	276,722	-	205,778	(205,778)	(276,722)	(0)	-
1	EDE	Fed	EDE Fed Disallowed Plant	Y	New	35.0000%	35.0000%	38.0875%	739,971	258,990	258,990	(0)	(0)	21.0000%	21.0000%	25.6373%	258,990	155,394	103,596	139,312	-	103,596	(103,596)	(139,312)	0	-
1	EDE	Fed	EDE Fed CIAC	Y	New	35.0000%	35.0000%	38.0875%	8,947,128	3,131,495	3,131,495	0	0	21.0000%	21.0000%	25.6373%	3,131,495	1,878,897	1,252,598	1,684,444	-	1,252,598	(1,252,598)	(1,684,444)	(0)	-
1	EDE	Fed	EDE Fed Method	Y	New	35.0000%	35.0000%	38.0875%	104,433	36,552	36,552	(0)	(0)	21.0000%	21.0000%	25.6373%	36,552	21,931	14,621	19,661	-	14,621	(14,621)	(19,661)	0	-
1	EDE	Fed	EDE Fed Method/Life FT	Y	Existing	0.0000%	35.0000%	38.0875%	(115,751)	-	(40,513)	40,513	65,436	0.0000%	21.0000%	25.6373%	-	(24,308)	24,308	32,688	-	(16,205)	16,205	32,748	-	-
1	EDE	Fed	EDE Fed Tax Interest Cap FT	Y	Existing	0.0000%	35.0000%	38.0875%	(402)	-	(141)	141	227	0.0000%	21.0000%	25.6373%	-	(84)	84	113	-	(56)	56	114	-	-
1	EDE	Fed	EDE Fed Taxes Cap FT	Y	Existing	0.0000%	35.0000%	38.0875%	(512)	-	(179)	179	289	0.0000%	21.0000%	25.6373%	-	(107)	107	144	-	(72)	72	145	-	-
1	EDE	Fed	EDE Fed Pensions Cap - Tax FT	Y	Existing	0.0000%	35.0000%	38.0875%	(2,310)	-	(809)	809	1,306	0.0000%	21.0000%	25.6373%	-	(485)	485	652	-	(323)	323	654	-	-
1	EDE	Fed	EDE Fed Overheads Cap FT	Y	Existing	0.0000%	35.0000%	38.0875%	-	-	-	-	-	0.0000%	21.0000%	25.6373%	-	-	-	-	-	-	-	-	-	-
1	EDE	Fed	EDE Fed Contributed Prop Cap FT	Y	Existing	0.0000%	35.0000%	38.0875%	-	-	-	-	-	0.0000%	21.0000%	25.6373%	-	-	-	-	-	-	-	-	-	-
1	EDE	Fed	EDE Fed Life FT	Y	Existing	0.0000%	35.0000%	38.0875%	(37,832)	-	(13,241)	13,241	21,387	0.0000%	21.0000%	25.6373%	-	(7,945)	7,945	10,684	-	(5,297)	5,297	10,703	-	-
1	EDE	State	EDE State Method/Life	Y	New	4.7500%	4.7500%	38.0875%	(1,009,588,263)	(47,955,442)	(47,955,443)	0	0	5.8700%	5.8700%	25.6373%	(47,955,442)	(59,262,831)	11,307,389	15,205,726	-	11,307,389	(11,307,389)	(15,205,726)	(0)	-
1	EDE	State	EDE State Tax Interest Cap	Y	New	4.7500%	4.7500%	38.0875%	50,873,901	2,416,510	2,416,510	(0)	(0)	5.8700%	5.8700%	25.6373%	2,416,510	2,986,298	(569,788)	(766,228)	-	(569,788)	569,788	766,228	0	-
1	EDE	State	EDE State Taxes Cap	Y	New	4.7500%	4.7500%	38.0875%	(512)	(24)	(24)	(0)	(0)	5.8700%	5.8700%	25.6373%	(24)	(30)	6	8	-	6	(6)	(8)	0	-
1	EDE	State	EDE State Pensions Cap - Tax	Y	New	4.7500%	4.7500%	38.0875%	(192,383)	(9,138)	(9,138)	(0)	(0)	5.8700%	5.8700%	25.6373%	(9,138)	(11,293)	2,155	2,898	-	2,155	(2,155)	(2,898)	0	-
1	EDE	State	EDE State Overheads Cap	Y	New	4.7500%	4.7500%	38.0875%	74,768	3,551	3,551	(0)	(0)	5.8700%	5.8700%	25.6373%	3,551	4,389	(837)	(1,126)	-	(837)	837	1,126	0	-
1	EDE	State	EDE State Other Tax	Y	New	4.7500%	4.7500%	38.0875%	1,534,965	72,911	72,911	(0)	(0)	5.8700%	5.8700%	25.6373%	72,911	90,102	(17,192)	(23,119)	-	(17,192)	17,192	23,119	0	-
1	EDE	State	EDE State Contributed Prop Cap	Y	New	4.7500%	4.7500%	38.0875%	944,060	44,843	44,843	0	0	5.8700%	5.8700%	25.6373%	44,843	55,416	(10,573)	(14,219)	-	(10,573)	10,573	14,219	(0)	-
1	EDE	State	EDE State Cap OPEB	Y	New	4.7500%	4.7500%	38.0875%	1,469,844	69,818	69,818	(0)	(0)	5.8700%	5.8700%	25.6373%	69,818	86,280	(16,462)	(22,138)	-	(16,462)	16,462	22,138	0	-
1	EDE	State	EDE State Disallowed Plant	Y	New	4.7500%	4.7500%	38.0875%	739,971	35,149	35,149	(0)	(0)	5.8700%	5.8700%	25.6373%	35,149	43,436	(8,288)	(11,145)	-	(8,288)	8,288	11,145	0	-
1	EDE	State	EDE State CIAC	Y	New	4.7500%	4.7500%	38.0875%	8,947,128	424,989	424,989	(0)	(0)	5.8700%	5.8700%	25.6373%	424,989	525,196	(100,208)	(134,756)	-	(100,208)	100,208	134,756	0	-
1	EDE	State Offset	EDE State Off Method/Life	Y	New	-1.6625%	-1.6625%	38.0875%	(1,009,588,263)	16,784,405	16,784,405	0	0	-1.2327%	-1.2327%	25.6373%	16,784,405	12,445,195	4,339,211	5,835,198	-	4,339,210	(4,339,210)	(5,835,197)	(0)	-
1	EDE	State Offset	EDE St Off Tax Interest Cap	Y	New	-1.6625%	-1.6625%	38.0875%	50,873,901	(845,779)	(845,779)	(0)	(0)	-1.2327%	-1.2327%	25.6373%	(845,779)	(627,123)	(218,656)	(294,040)	-	(218,656)	218,656	294,040	0	-
1	EDE	State Offset	EDE St Off Taxes Cap	Y	New	-1.6625%	-1.6625%	38.0875%	(512)	9	9	(0)	(0)	-1.2327%	-1.2327%	25.6373%	9	6	2	3	-	2	(2)	(3)	0	-
1	EDE	State Offset	EDE St Off Pensions Cap - Tax	Y	New	-1.6625%	-1.6625%	38.0875%	(192,383)	3,198	3,198	0	0	-1.2327%	-1.2327%	25.6373%	3,198	2,371	827	1,112	-	827	(827)	(1,112)	(0)	-
1	EDE	State Offset	EDE St Off Overheads Cap	Y	New	-1.6625%	-1.6625%	38.0875%	74,768	(1,243)	(1,243)	0	0	-1.2327%	-1.2327%	25.6373%	(1,243)	(922)	(321)	(432)	-	(321)	321	432	(0)	-
1	EDE	State Offset	EDE St Off Other Tax	Y	New	-1.6625%	-1.6625%	38.0875%	1,534,965	(25,519)	(25,519)	0	0	-1.2327%	-1.2327%	25.6373%	(25,519)	(18,922)	(6,597)	(8,872)	-	(6,597)	6,597	8,872	(0)	-
1	EDE	State Offset	EDE St Off Contributed Prop Cap	Y	New	-1.6625%	-1.6625%	38.0875%	944,060	(15,695)	(15,695)	0	0	-1.2327%	-1.2327%	25.6373%	(15,695)	(11,637)	(4,058)	(5,456)	-	(4,058)	4,058	5,456	(0)	-
1	EDE	State Offset	EDE St Off Cap OPEB	Y	New	-1.6625%	-1.6625%	38.0875%	1,469,844	(24,436)	(24,436)	0	0	-1.2327%	-1.2327%	25.6373%	(24,436)	(18,119)	(6,317)	(8,495)	-	(6,317)	6,317	8,495	(0)	-
1	EDE	State Offset	EDE St Off Disallowed Plant	Y	New	-1.6625%	-1.6625%	38.0875%	739,971	(12,302)	(12,302)	(0)	(0)	-1.2327%	-1.2327%	25.6373%	(12,302)	(9,122)	(3,180)	(4,277)	-	(3,180)	3,180	4,277	0	-
1	EDE	State Offset	EDE St Off CIAC	Y	New	-1.6625%	-1.6625%	38.0875%	8,947,128	(148,746)	(148,746)	0	0	-1.2327%	-1.2327%	25.6373%	(148,746)	(110,291)	(38,455)	(51,712)	-	(38,455)	38,455	51,712	(0)	-
									(2,835,589,557)	**(360,372,495)**	**(360,001,724)**	**(370,771)**	**(598,863)**				**(360,372,495)**	**(242,322,867)**	**(118,049,628)**	**(158,748,443)**	**-**	**(117,678,857)**	**117,678,857**	**158,149,580**	**425,653**	**-**

CO ID(1)	Company(1)	Jurisdiction(1)	Normalization Schema(1)	Protected(1)	New Reg Asset / (Liab)(1)	2017 APB11 Rate(1)	2017 ASC740 Rate(1)	2017 Grossup Rate(1)	Ending 2017 Timing Difference(1)	Ending 2017 APB11 DIT(1)	Ending 2017 ASC740 DIT(1)	Ending 2017 Reg Asset / (Liab)(1)	Ending 2017 Reg Asset / (Liab) Grossed Up(1)	2018 APB11 Rate(1)	2018 ASC740 Rate(1)	2018 Grossup Rate(1)	Beg 2018 APB11 DIT(1)	Beg 2018 ASC740 DIT(1)	Beg 2018 Reg Asset / (Liab)(1)	Beg 2018 Reg Asset / (Liab) Grossed Up(1)	Change in APB11 DIT(1)	Change in ASC740 DIT(1)	Change in Reg Asset / Liab(1)	Change in Reg Asset / Liab Grossed Up(1)	Ending 2017 APB11 Check(1)	Beg 2018 APB11 Check(1)
1	EDE	Fed	EDE Fed Injuries and Dmgs Cap	N	New	35.0000%	35.0000%	38.0875%	(959,150)	(335,702)	(335,702)	(0)	(0)	21.0000%	21.0000%	25.6373%	(201,421)	(201,421)	(0)	(0)	(134,281)	(134,281)	0	0	0	(134,281)
1	EDE	Fed	EDE Fed Other Book	N	New	35.0000%	35.0000%	38.0875%	406,820	142,387	142,387	0	0	21.0000%	21.0000%	25.6373%	85,432	85,432	0	0	56,955	56,955	0	0	(0)	56,955
1	EDE	Fed	EDE Fed Book/Tax Difference	N	New	35.0000%	35.0000%	38.0875%	-	-	-	-	-	21.0000%	21.0000%	25.6373%	-	-	-	-	-	-	-	-	-	-
1	EDE	Fed	EDE Fed Insurance Proceeds	N	New	35.0000%	35.0000%	38.0875%	(1,166,555)	(408,294)	(408,294)	(0)	(0)	21.0000%	21.0000%	25.6373%	(244,976)	(244,976)	0	0	(163,318)	(163,318)	(0)	(0)	0	(163,318)
1	EDE	Fed	EDE Fed Pensions Cap - Book	N	New	35.0000%	35.0000%	38.0875%	2,271,001	794,851	794,851	0	0	21.0000%	21.0000%	25.6373%	476,910	476,910	(0)	(0)	317,940	317,940	0	0	(0)	317,940
1	EDE	Fed	EDE Fed Meals Cap	N	New	35.0000%	35.0000%	38.0875%	(532,670)	(186,435)	(186,435)	(0)	(0)	21.0000%	21.0000%	25.6373%	(111,861)	(111,861)	0	0	(74,574)	(74,574)	(0)	(0)	0	(74,574)
1	EDE	Fed	EDE Fed AFUDC-Debt	N	New	35.0000%	35.0000%	38.0875%	(62,620,080)	(21,917,028)	(21,917,028)	(0)	(0)	21.0000%	21.0000%	25.6373%	(13,150,217)	(13,150,217)	(0)	(0)	(8,766,811)	(8,766,811)	0	0	0	(8,766,811)
1	EDE	Fed	EDE Fed Casualty 07' Storm	N	New	35.0000%	35.0000%	38.0875%	(11,734,277)	(4,106,997)	(4,106,997)	0	0	21.0000%	21.0000%	25.6373%	(2,464,198)	(2,464,198)	0	0	(1,642,799)	(1,642,799)	(0)	(0)	(0)	(1,642,799)
1	EDE	Fed	EDE Fed Casualty 06' Storm	N	New	35.0000%	35.0000%	38.0875%	(15,481,549)	(5,418,542)	(5,418,542)	0	0	21.0000%	21.0000%	25.6373%	(3,251,125)	(3,251,125)	0	0	(2,167,417)	(2,167,417)	(0)	(0)	(0)	(2,167,417)
1	EDE	Fed	EDE Fed Repair Allowance	N	New	35.0000%	35.0000%	38.0875%	(9,863,886)	(3,452,360)	(3,452,360)	(0)	(0)	21.0000%	21.0000%	25.6373%	(2,071,416)	(2,071,416)	(0)	(0)	(1,380,944)	(1,380,944)	0	0	0	(1,380,944)
1	EDE	Fed	EDE Fed Involuntary Conv	N	New	35.0000%	35.0000%	38.0875%	(21,101,490)	(7,385,522)	(7,385,522)	0	0	21.0000%	21.0000%	25.6373%	(4,431,313)	(4,431,313)	0	0	(2,954,209)	(2,954,209)	(0)	(0)	(0)	(2,954,209)
1	EDE	Fed	EDE Fed ITC Basis Reduction	N	New	35.0000%	35.0000%	38.0875%	(13,835,349)	(4,842,372)	(4,842,372)	(0)	(0)	21.0000%	21.0000%	25.6373%	(2,905,423)	(2,905,423)	0	0	(1,936,949)	(1,936,949)	(0)	(0)	0	(1,936,949)
1	EDE	Fed	EDE Fed 481a Repairs	N	New	35.0000%	35.0000%	38.0875%	(66,021,883)	(23,107,659)	(23,107,659)	0	0	21.0000%	21.0000%	25.6373%	(13,864,595)	(13,864,595)	0	0	(9,243,064)	(9,243,064)	(0)	(0)	(0)	(9,243,064)
1	EDE	Fed	EDE Fed 481a Casualty	N	New	35.0000%	35.0000%	38.0875%	13,038,477	4,563,467	4,563,467	0	0	21.0000%	21.0000%	25.6373%	2,738,080	2,738,080	(0)	(0)	1,825,387	1,825,387	0	0	(0)	1,825,387
1	EDE	Fed	EDE Fed 481a Repair Bonus Add	N	New	35.0000%	35.0000%	38.0875%	9,866,948	3,453,432	3,453,432	0	0	21.0000%	21.0000%	25.6373%	2,072,059	2,072,059	0	0	1,381,373	1,381,373	(0)	0	(0)	1,381,373
1	EDE	Fed	EDE Fed 481a Repair Retire	N	New	35.0000%	35.0000%	38.0875%	228,431	79,951	79,951	0	0	21.0000%	21.0000%	25.6373%	47,971	47,971	(0)	(0)	31,980	31,980	0	0	(0)	31,980
1	EDE	Fed	EDE Fed Software Dev Expd	N	New	35.0000%	35.0000%	38.0875%	(3,655,498)	(1,279,424)	(1,279,424)	0	0	21.0000%	21.0000%	25.6373%	(767,655)	(767,655)	0	0	(511,770)	(511,770)	(0)	0	(0)	(511,770)
1	EDE	Fed	EDE Fed Repair Allowance Exp	N	New	35.0000%	35.0000%	38.0875%	(16,608,181)	(5,812,863)	(5,812,863)	(0)	(0)	21.0000%	21.0000%	25.6373%	(3,487,718)	(3,487,718)	0	0	(2,325,145)	(2,325,145)	(0)	(0)	0	(2,325,145)
1	EDE	Fed	EDE Fed Capital Lease	N	New	35.0000%	35.0000%	38.0875%	(4,105,945)	(1,437,081)	(1,437,081)	(0)	(0)	21.0000%	21.0000%	25.6373%	(862,249)	(862,249)	(0)	(0)	(574,832)	(574,832)	(0)	(0)	0	(574,832)
1	EDE	Fed	EDE Fed Injuries and Dmgs Cap FT	N	Existing	0.0000%	35.0000%	38.0875%	-	-	-	-	-	0.0000%	21.0000%	25.6373%	-	-	-	-	-	-	-	-	-	-
1	EDE	Fed	EDE Fed Other Book FT	N	Existing	0.0000%	35.0000%	38.0875%	11,078	-	3,877	(3,877)	(6,262)	0.0000%	21.0000%	25.6373%	-	2,326	(2,326)	(3,128)	-	1,551	(1,551)	(3,134)	-	-
1	EDE	Fed	EDE Fed AFUDC-Equity FT	N	Existing	0.0000%	35.0000%	38.0875%	(5,073,875)	-	(1,775,856)	1,775,856	2,868,332	0.0000%	21.0000%	25.6373%	-	(1,065,514)	1,065,514	1,432,860	-	(710,342)	710,342	1,435,472	-	-
1	EDE	Fed	EDE Fed Involuntary Conv FT	N	Existing	0.0000%	35.0000%	38.0875%	(12,004)	-	(4,201)	4,201	6,786	0.0000%	21.0000%	25.6373%	-	(2,521)	2,521	3,390	-	(1,681)	1,681	3,396	-	-
1	EDE	State	EDE State Injuries and Dmgs Cap	N	New	4.7500%	4.7500%	38.0875%	(959,150)	(45,560)	(45,560)	0	0	5.8700%	5.8700%	25.6373%	(56,302)	(56,302)	0	0	10,742	10,742	(0)	(0)	(0)	10,742
1	EDE	State	EDE State Other Book	N	New	4.7500%	4.7500%	38.0875%	417,898	19,850	19,850	(0)	(0)	5.8700%	5.8700%	25.6373%	24,531	24,531	0	0	(4,680)	(4,680)	(0)	(0)	0	(4,680)
1	EDE	State	EDE State Book/Tax Difference	N	New	4.7500%	4.7500%	38.0875%	-	-	-	-	-	5.8700%	5.8700%	25.6373%	-	-	-	-	-	-	-	-	-	-
1	EDE	State	EDE State Insurance Proceeds	N	New	4.7500%	4.7500%	38.0875%	(1,166,555)	(55,411)	(55,411)	(0)	(0)	5.8700%	5.8700%	25.6373%	(68,477)	(68,477)	(0)	(0)	13,065	13,065	(0)	(0)	0	13,065
1	EDE	State	EDE State Pensions Cap - Book	N	New	4.7500%	4.7500%	38.0875%	2,271,001	107,873	107,873	0	0	5.8700%	5.8700%	25.6373%	133,308	133,308	0	0	(25,435)	(25,435)	(0)	(0)	(0)	(25,435)
1	EDE	State	EDE State Meals Cap	N	New	4.7500%	4.7500%	38.0875%	(532,670)	(25,302)	(25,302)	0	0	5.8700%	5.8700%	25.6373%	(31,268)	(31,268)	(0)	(0)	5,966	5,966	0	0	(0)	5,966
1	EDE	State	EDE State AFUDC-Debt	N	New	4.7500%	4.7500%	38.0875%	(62,620,080)	(2,974,454)	(2,974,454)	0	0	5.8700%	5.8700%	25.6373%	(3,675,799)	(3,675,799)	0	0	701,345	701,345	0	0	(0)	701,345
1	EDE	State	EDE State Casualty 07' Storm	N	New	4.7500%	4.7500%	38.0875%	(11,734,277)	(557,378)	(557,378)	(0)	(0)	5.8700%	5.8700%	25.6373%	(688,802)	(688,802)	(0)	(0)	131,424	131,424	0	0	0	131,424
1	EDE	State	EDE State Casualty 06' Storm	N	New	4.7500%	4.7500%	38.0875%	(15,481,549)	(735,374)	(735,374)	(0)	(0)	5.8700%	5.8700%	25.6373%	(908,767)	(908,767)	0	0	173,393	173,393	(0)	(0)	0	173,393
1	EDE	State	EDE State Repair Allowance	N	New	4.7500%	4.7500%	38.0875%	(9,863,886)	(468,535)	(468,535)	0	0	5.8700%	5.8700%	25.6373%	(579,010)	(579,010)	0	0	110,476	110,476	0	0	(0)	110,476
1	EDE	State	EDE State Involuntary Conv	N	New	4.7500%	4.7500%	38.0875%	(21,113,494)	(1,002,891)	(1,002,891)	(0)	(0)	5.8700%	5.8700%	25.6373%	(1,239,362)	(1,239,362)	(0)	(0)	236,471	236,471	0	0	0	236,471
1	EDE	State	EDE State ITC Basis Reduction	N	New	4.7500%	4.7500%	38.0875%	(13,835,349)	(657,179)	(657,179)	0	0	5.8700%	5.8700%	25.6373%	(812,135)	(812,135)	(0)	(0)	154,956	154,956	0	0	(0)	154,956
1	EDE	State	EDE State 481a Repairs	N	New	4.7500%	4.7500%	38.0875%	(66,021,883)	(3,136,039)	(3,136,039)	0	0	5.8700%	5.8700%	25.6373%	(3,875,485)	(3,875,485)	(0)	(0)	739,445	739,445	0	0	(0)	739,445
1	EDE	State	EDE State 481a Casualty	N	New	4.7500%	4.7500%	38.0875%	13,038,477	619,328	619,328	(0)	(0)	5.8700%	5.8700%	25.6373%	765,359	765,359	(0)	(0)	(146,031)	(146,031)	(0)	(0)	0	(146,031)
1	EDE	State	EDE State 481a Repair Bonus Add	N	New	4.7500%	4.7500%	38.0875%	9,866,948	468,680	468,680	(0)	(0)	5.8700%	5.8700%	25.6373%	579,190	579,190	(0)	(0)	(110,510)	(110,510)	0	0	0	(110,510)
1	EDE	State	EDE State 481a Repair Retire	N	New	4.7500%	4.7500%	38.0875%	228,431	10,850	10,850	(0)	(0)	5.8700%	5.8700%	25.6373%	13,409	13,409	(0)	(0)	(2,558)	(2,558)	(0)	(0)	0	(2,558)
1	EDE	State	EDE State Software Dev Expd	N	New	4.7500%	4.7500%	38.0875%	(3,655,498)	(173,636)	(173,636)	(0)	(0)	5.8700%	5.8700%	25.6373%	(214,578)	(214,578)	(0)	(0)	40,942	40,942	0	0	0	40,942
1	EDE	State	EDE State Repair Allowance Exp	N	New	4.7500%	4.7500%	38.0875%	(16,608,181)	(788,889)	(788,889)	(0)	(0)	5.8700%	5.8700%	25.6373%	(974,900)	(974,900)	(0)	(0)	186,012	186,012	(0)	(0)	0	186,012
1	EDE	State	EDE State MO Bonus Addback	N	New	4.7500%	4.7500%	38.0875%	1,974,600	93,793	93,793	(0)	(0)	5.8700%	5.8700%	25.6373%	115,909	115,909	0	0	(22,116)	(22,116)	(0)	(0)	0	(22,116)
1	EDE	State	EDE State Capital Lease	N	New	4.7500%	4.7500%	38.0875%	(4,105,945)	(195,032)	(195,032)	0	0	5.8700%	5.8700%	25.6373%	(241,019)	(241,019)	(0)	(0)	45,987	45,987	0	0	(0)	45,987
1	EDE	State	EDE State AFUDC-Equity FT	N	Existing	0.0000%	4.7500%	38.0875%	(5,073,875)	-	(241,009)	241,009	389,274	0.0000%	5.8700%	25.6373%	-	(297,836)	297,836	400,519	-	56,827	(56,827)	(11,245)	-	-
1	EDE	State Offset	EDE St Off Injuries and Dmgs Cap	N	New	-1.6625%	-1.6625%	38.0875%	(959,150)	15,946	15,946	0	0	-1.2327%	-1.2327%	25.6373%	11,823	11,823	(0)	(0)	4,122	4,122	0	0	(0)	4,122
1	EDE	State Offset	EDE St Off Other Book	N	New	-1.6625%	-1.6625%	38.0875%	417,898	(6,948)	(6,948)	(0)	(0)	-1.2327%	-1.2327%	25.6373%	(5,151)	(5,151)	0	0	(1,796)	(1,796)	(0)	(0)	0	(1,796)
1	EDE	State Offset	EDE St Off Book/Tax Difference	N	New	-1.6625%	-1.6625%	38.0875%	-	-	-	-	-	-1.2327%	-1.2327%	25.6373%	-	-	-	-	-	-	-	-	-	-
1	EDE	State Offset	EDE St Off Insurance Proceeds	N	New	-1.6625%	-1.6625%	38.0875%	(1,166,555)	19,394	19,394	(0)	(0)	-1.2327%	-1.2327%	25.6373%	14,380	14,380	0	0	5,014	5,014	(0)	(0)	0	5,014
1	EDE	State Offset	EDE St Off Pensions Cap - Book	N	New	-1.6625%	-1.6625%	38.0875%	2,271,001	(37,755)	(37,755)	(0)	(0)	-1.2327%	-1.2327%	25.6373%	(27,995)	(27,995)	0	0	(9,761)	(9,761)	(0)	(0)	0	(9,761)
1	EDE	State Offset	EDE St Off Meals Cap	N	New	-1.6625%	-1.6625%	38.0875%	(532,670)	8,856	8,856	(0)	(0)	-1.2327%	-1.2327%	25.6373%	6,566	6,566	(0)	(0)	2,289	2,289	(0)	(0)	0	2,289
1	EDE	State Offset	EDE St Off AFUDC-Debt	N	New	-1.6625%	-1.6625%	38.0875%	(62,620,080)	1,041,059	1,041,059	(0)	(0)	-1.2327%	-1.2327%	25.6373%	771,918	771,918	0	0	269,141	269,141	(0)	(0)	0	269,141
1	EDE	State Offset	EDE St Off Casualty 07' Storm	N	New	-1.6625%	-1.6625%	38.0875%	(11,734,277)	195,082	195,082	(0)	(0)	-1.2327%	-1.2327%	25.6373%	144,648	144,648	0	0	50,434	50,434	(0)	(0)	0	50,434
1	EDE	State Offset	EDE St Off Casualty 06' Storm	N	New	-1.6625%	-1.6625%	38.0875%	(15,481,549)	257,381	257,381	0	0	-1.2327%	-1.2327%	25.6373%	190,841	190,841	0	0	66,540	66,540	(0)	(0)	(0)	66,540
1	EDE	State Offset	EDE St Off Repair Allowance	N	New	-1.6625%	-1.6625%	38.0875%	(9,863,886)	163,987	163,987	0	0	-1.2327%	-1.2327%	25.6373%	121,592	121,592	0	0	42,395	42,395	0	0	(0)	42,395
1	EDE	State Offset	EDE St Off Involuntary Conv	N	New	-1.6625%	-1.6625%	38.0875%	(21,113,494)	351,012	351,012	(0)	(0)	-1.2327%	-1.2327%	25.6373%	260,266	260,266	0	0	90,746	90,746	(0)	(0)	0	90,746
1	EDE	State Offset	EDE St Off ITC Basis Reduction	N	New	-1.6625%	-1.6625%	38.0875%	(13,835,349)	230,013	230,013	0	0	-1.2327%	-1.2327%	25.6373%	170,548	170,548	0	0	59,464	59,464	(0)	(0)	0	59,464
1	EDE	State Offset	EDE St Off 481a Repairs	N	New	-1.6625%	-1.6625%	38.0875%	(66,021,883)	1,097,614	1,097,614	(0)	(0)	-1.2327%	-1.2327%	25.6373%	813,852	813,852	(0)	(0)	283,762	283,762	0	0	0	283,762
1	EDE	State Offset	EDE St Off 481a Casualty	N	New	-1.6625%	-1.6625%	38.0875%	13,038,477	(216,765)	(216,765)	(0)	(0)	-1.2327%	-1.2327%	25.6373%	(160,725)	(160,725)	0	0	(56,039)	(56,039)	(0)	(0)	0	(56,039)
1	EDE	State Offset	EDE St Off 481a Repair Bonus Add	N	New	-1.6625%	-1.6625%	38.0875%	9,866,948	(164,038)	(164,038)	(0)	(0)	-1.2327%	-1.2327%	25.6373%	(121,630)	(121,630)	(0)	(0)	(42,408)	(42,408)	(0)	(0)	0	(42,408)
1	EDE	State Offset	EDE St Off 481a Repair Retire	N	New	-1.6625%	-1.6625%	38.0875%	228,431	(3,798)	(3,798)	0	0	-1.2327%	-1.2327%	25.6373%	(2,816)	(2,816)	0	0	(982)	(982)	0	0	(0)	(982)
1	EDE	State Offset	EDE St Off Software Dev Expd	N	New	-1.6625%	-1.6625%	38.0875%	(3,655,498)	60,773	60,773	0	0	-1.2327%	-1.2327%	25.6373%	45,061	45,061	0	0	15,711	15,711	0	0	0	15,711
1	EDE	State Offset	EDE St Off Repair Allowance Exp	N	New	-1.6625%	-1.6625%	38.0875%	(16,608,181)	276,111	276,111	0	0	-1.2327%	-1.2327%	25.6373%	204,729	204,729	(0)	(0)	71,382	71,382	0	0	0	71,382
1	EDE	State Offset	EDE St Off MO Bonus Addback	N	New	-1.6625%	-1.6625%	38.0875%	1,974,600	(32,828)	(32,828)	(0)	(0)	-1.2327%	-1.2327%	25.6373%	(24,341)	(24,341)	0	0	(8,487)	(8,487)	(0)	(0)	0	(8,487)
1	EDE	State Offset	EDE St Off Capital Lease	N	New	-1.6625%	-1.6625%	38.0875%	(4,105,945)	68,261	68,261	(0)	(0)	-1.2327%	-1.2327%	25.6373%	50,614	50,614	(0)	(0)	17,647	17,647	0	0	0	17,647
1	EDE	State Offset	EDE St Off AFUDC-Equity FT	N	Existing	0.0000%	-1.6625%	38.0875%	(5,073,875)	-	84,353	(84,353)	(136,246)	0.0000%	-1.2327%	25.6373%	-	62,546	(62,546)	(84,109)	-	21,808	(21,808)	(52,137)	-	-
1	EDE	Fed	EDE Fed Federal Excess	N	New	35.0000%	35.0000%	38.0875%	-	-	-	-	-	100.0000%	0.0000%	25.6373%	(28,262,477)	-	(28,262,477)	(38,006,254)	28,262,477	-	28,262,477	38,006,254	-	-
1	EDE	State	EDE State State Excess	N	New	4.7500%	4.7500%	38.0875%	-	-	-	-	-	100.0000%	0.0000%	25.6373%	2,238,893	-	2,238,893	3,010,774	(2,238,893)	-	(2,238,893)	(3,010,774)	-	-
1	EDE	State Offset	EDE St Off State Excess	N	New	-1.6625%	-1.6625%	38.0875%	-	-	-	-	-	38.3750%	0.0000%	25.6373%	859,175	-	859,175	1,155,385	(859,175)	-	(859,175)	(1,155,385)	-	-
									(616,899,707)	(76,828,141)	(78,760,977)	1,932,836	3,121,883				(76,828,140)	(52,964,731)	(23,863,410)	(32,090,564)	(0)	(25,796,246)	25,796,246	35,212,447	(0)	(25,164,409)

Unprotected Excess ADIT outside of Deloitte Computation:	(6,040,155)
Total Company Unprotected Excess ADIT:	(29,903,565)
Kansas Jurisidictional Allocator:	5.09%
Kansas Jurisdictional Portion Unprotected:	(1,523,163)
Proposed Amortization Period:	10
Annual Amortization Unprotected Excess ADIT:	(152,316.33)

The Empire District Electric Company
A Liberty Utilities Company
Docket No. 19-EPDE-223-RTS
Staff Data Request – 336

Data Request Received: 04/12/19
Request No. 336

Date of Response: 04/16/19
Respondent: Bethany Aborn

Submitted by: Justin Grady

RE: Triennial IRP Delay

REQUEST:

Why did Empire request to delay filing its Triennial IRP in Missouri to July 1, 2019 instead of April 1, 2019? Does the company believe this delay in filing will change the Company's decision as to whether or not it will retire Asbury before the currently scheduled retirement date of 2035?

RESPONSE:

On March 15, 2019, The Empire District Electric Company filed a Motion for Extension of Time, seeking additional time to file its 2019 Triennial IRP primarily in order to incorporate distributed energy resources (DERs) into its modeling.

While the Company is evaluating the retirement of Asbury as part of its 2019 Triennial IRP, it does not believe the delay in filing will impact the Company's decision to retire it prior to 2035.

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: *\/s/Bethany Aborn*

Date: April 16, 2019

Data Request Received: 04/12/19
Request No. 340

Date of Response: 04/22/2019
Respondent: Charlotte Emery

Submitted by: Justin Grady

RE: Alternative Rate Recovery Mechanisms in Other Empire States

REQUEST:

Please identify each of the current alternative rate recovery mechanisms in place in Missouri, Oklahoma, and Arkansas for the Empire District Electric Company. For each recovery mechanism, please specify the types of expenses or capital investment that are allowed to be recovered under each mechanism, identify when the mechanism was approved, and whether or not there is an automatic sunset provision associated with the mechanism.

RESPONSE:

Refer to the attachment labeled: "Staff Data Request 340 Support.xlsx"

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: */s/ Charlotte Emery*

Date: 04/22/2019

Mechanism	Mechanism Description	Approval Date	Sunset Provision
Arkansas			
Energy Efficiency Cost Recovery Tariff	A mechanism to recover energy efficiency program costs approved by the Commission in Docket No. 07-076-TF including, but not limited to (1) incremental energy efficiency program costs (2) lost contributions to fixed costs (3) utility incentive as described and approved by the commission	8/7/2015	The mechanism shall remain in effect until modified or terminated by the Commission
Transmission Cost Recovery Rider	A mechanism to recovery the net transmission costs as defined in the Transmission Cost Recovery Rider filed by The Empire District Electric Company	5/3/2016	The mechanism shall remain in effect until modified or terminated by the Commission
Riverton Rider	Exact Recovery Rider, updated annually, for the conversion of the Riverton plant to a combined cycle unit	10/25/2016	Riverton Rider shall remain in effect until terminated in accordance with applicable regulations or laws. If the Riverton Rider is terminated by a future order of the Commission, the Riverton Rider Rates shall continue to be in effect until such costs are recovered through another mechanism or until the implementation of new base rates reflecting such costs.
GER Rider	Generation Environmental Recovery Rider - Recovery of Asbury environmental costs	12/2/2015	The GER factor will remain in effect until an updated GER factor is approved by order of the Commission or until the generating facilities are included in base retail rates of the Company.
Energy Cost Recovery Rider	A mechanism to recover the net fuel and purchased energy cost filed by The Empire District Electric Company	4/12/2011	The mechanism shall remain in effect until modified or terminated by the Commission
Missouri			
Various Energy Efficiency Regulatory Asset (Electric)	A Solar rebate regulatory asset is included in rate base and shall be amortized over 10 years pursuant to the Commission's Renewable Energy Standard Rule Continuation of Current Demand Side Management ("DSM") programs will continue to be offered, with the total annual budget for all DSM programs remaining at $1.25Million Continuation of DSM Regulatory Asset for a total term of 10 years DSM Program cost will continue to be amortized for 6 years Continuation of its low-income weatherization program, with an annual budget of $250,000	8/10/2016	The mechanism shall remain in effect until modified or terminated by the Commission
Pension / OPEB	MO authorizes a pension and OPEB expense in rates and establishment of regulatory asset. Authorizes the continuation of a tracker mechanism for pension and OPEB expenses.	8/10/2016	The mechanism shall remain in effect until modified or terminated by the Commission
Fuel Adjustment Clause	A mechanism to recovery the Fuel and Purchase Power expenses incurred above or below the base energy costs as ordered by the Commission for The Empire District Electric Company.	8/9/2008	The mechanism shall remain in effect until modified or terminated by the Commission
Economic Development Rider, EDR	The purpose of this Rider is to encourage industrial and commercial business development in Missouri.	4/01/2013	The mechanism shall remain in effect until modified or terminated by the Commission.
Limited Large Customer Economic Development Rider, Rider SBEDR	The purpose of this Rider is to encourage industrial and commercial business development in Missouri.	11/28/2018	This Rider shall expire on December 31, 2023, unless extension is requested by The Empire District Electric Company and approved by the Commission.
Oklahoma			
Fuel Adjustment Rider	A mechanism to recovery the Fuel and Purchase Power expenses incurred by the Company.	8/1/2003	The mechanism shall remain in effect until modified or terminated by the Commission
Annual Assessment Rider	A mechanism to recover the annual assessment costs as billed by the Oklahoma Corporation Commission (i.e., Commission expenses)	8/1/2003	The mechanism shall remain in effect until modified or terminated by the Commission
Environmental Compliance Plan Rider	Recovery of costs related to Air Quality Control Systems installed at Empire's Asbury generating facility and the conversion of Riverton 12 generating unit to a combined cycle gas unit.	8/31/2017	This rider will have a term beginning with the effective date of a Commission Final Order approving this rider in Cause No. PUD 20160048 and ending with the rate effective date of the Company's next general rate case, unless otherwise ordered by the Commission.
Southwest Power Pool Transmission Tariff	A mechanism to recover projected Southwest Power Pool Base Plan expenses (Schedule 11) incremental to such costs as included in the Company's most recent base rate case, including any credits or refunds. Base Plan costs are associated with projects constructed by non-Empire transmission owners within the SPP.	1/6/2012	The mechanism shall remain in effect until modified or terminated by the Commission

The Empire District Electric Company
A Liberty Utilities Company
Docket No. 19-EPDE-223-RTS
Staff Data Request – 344

Data Request Received: 04/12/19
Request No. 344

Date of Response: 04/23/19
Respondent: Tim Lyons

Submitted by: Justin Grady

RE: Other Investments Limitation in Capital Tracker

REQUEST:

On page 51 of Mr. Lyons' testimony, he states that the Company proposes to limit the types of investments included in the Capital Tracker to Grid Resiliency, Generation Capacity, and Other Investments. Please define specifically how the category of "other investments" is a limiting characteristic in this context.

RESPONSE:

My testimony stated that the Capital Tracker would be limited to those investments that: (1) improve system safety and reliability; (2) add new generation resources to replace generation facilities scheduled to be retired; and (3) improve customer service and operational efficiency. Based on the Company's response to KCC Data Request 345, the Company clarified that the Company proposes only to recover planned future investments in its existing generation fleet and not new generation resources through the Capital Tracker. With that clarification,

"Other investments" included in the Capital Tracker must fall into one of those categories. Revenue-generating investments, for example, would be excluded from the Capital Tracker.

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: *_/s/Tim Lyons_*

Date: April 23, 2019

The Empire District Electric Company
A Liberty Utilities Company
Docket No. 19-EPDE-223-RTS
Staff Data Request – 345

Data Request Received: 04/12/19
Request No. 345

Date of Response: 04/22/2019
Respondent: Charlotte Emery

Submitted by: Justin Grady

RE: Capital Tracker for New Wind

REQUEST:

The Company has recently stated publicly that it plans to add up to 600 MW of additional wind generation capacity by the end of 2020. If Approved, would Empire plan on using the Capital Tracker to recover those capital investments in Kansas?

RESPONSE:

Per Company Witness Timothy N. Wilson direct testimony page 16 lines 6 – 17 the Company proposes only to recover planned future investments in its existing generation fleet. Therefore, it is not the Company's intention to recover the costs associated with its acquisition of 600 MW of wind generation capacity through the proposed Capital Tracker as the investment does not pertain to an existing generation fleet.

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: *\/s/ Charlotte Emery*

Date: 04/22/2019

Data Request Received: 04/12/19 | Date of Response: 04/23/19
Request No. 354 | Respondent: Jeff Westfall

Submitted by: Justin Grady

RE: Description of Distribution Investments in Westfall Testimony

REQUEST:

On pages 6 and 7 of Mr. Westfall's testimony, he describes Distribution Additions and Distribution Rebuilds, but he does not describe Distribution Extensions and Services or Other Distribution Projects. Please provide a detailed description of what these categories of Distribution Investments pertain to. Which of the four categories of Distribution Investments are related to new customers on the system?

RESPONSE:

Distribution Extensions and Services: These services capture the cost associated with extending new service to customers or modifications to existing services at the request of the customer. In addition, it includes the cost of installing and upgrading the low voltage connection between the distribution system and the customer (Services). Furthermore, it could also include costs to purchase and install or replace Distribution transformers.

Other Distribution Projects: These projects include such things as installing or replacing meter equipment and/or other distribution projects to new and existing customers that do not fall within the other categories.

The four categories of Distribution Investments (i.e., "Distribution Additions", "Distribution Rebuilds", "Distribution Extensions and Services" and "Other Distribution Projects") has potential to serve both new and/or existing customers. The Company is in discussions to develop a process that could distinguish between Distribution Investments for new and existing customers.

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: *_/s/Jeff Westfall_*

Date: April 23, 2019

Staff Data Request

Nos. 338, 349, and 353

are Confidential.

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

VERIFICATION

Justin T. Grady, being duly sworn upon his oath deposes and states that he is a Chief Auditor for the Utilities Division of the Kansas Corporation Commission of the State of Kansas, that he has read and is familiar with the foregoing *Direct Testimony*, and attests that the statements contained therein are true and correct to the best of his knowledge, information and belief.

Justin T. Grady
Chief Auditor
State Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 13th day of May, 2019.

VICKI D. JACOBSEN
Notary Public - State of Kansas
My Appt. Expires 6-30-22

Vicki D. Jacobsen
Notary Public

My Appointment Expires: 6-30-22

CERTIFICATE OF SERVICE

19-EPDE-223-RTS

I, the undersigned, certify that a true and correct copy of the above and foregoing Direct Testimony was served via electronic service this 13th day of May, 2019, to the following:

JAMES G. FLAHERTY, ATTORNEY
ANDERSON & BYRD, L.L.P.
216 S HICKORY
PO BOX 17
OTTAWA, KS 66067
Fax: 785-242-1279
jflaherty@andersonbyrd.com

JOSEPH R. ASTRAB
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604
Fax: 785-271-3116
j.astrab@curb.kansas.gov
Hand Delivered

TODD E. LOVE, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
t.love@curb.kansas.gov

DAVID W. NICKEL, CONSUMER COUNSEL
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
d.nickel@curb.kansas.gov

SHONDA RABB
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
s.rabb@curb.kansas.gov

DELLA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
d.smith@curb.kansas.gov

JILL SCHWARTZ, SR. MGR, RATES & REGULATORY AFFAIRS
EMPIRE DISTRICT ELECTRIC COMPANY
602 S JOPLIN AVE
JOPLIN, MO 64801
Fax: 417-625-5169
jill.schwartz@libertyutilities.com

COLE BAILEY, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
c.bailey@kcc.ks.gov

BRIAN G. FEDOTIN, DEPUTY GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
b.fedotin@kcc.ks.gov

ROBERT VINCENT, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
r.vincent@kcc.ks.gov

<u>**CERTIFICATE OF SERVICE**</u>

19-EPDE-223-RTS

JANET BUCHANAN, DIRECTOR- REGULATORY AFFAIRS
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
7421 W 129TH ST
OVERLAND PARK, KS 66213-2713
Fax: 913-319-8622
janet.buchanan@onegas.com

JUDY JENKINS HITCHYE, MANAGING ATTORNEY
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
7421 W 129TH ST
OVERLAND PARK, KS 66213-2713
Fax: 913-319-8622
judy.jenkins@onegas.com

SARAH B. KNOWLTON, GENERAL COUNSEL
LIBERTY UTILITIES CORP
116 North Main Street
Concord, NH 03301
sarah.knowlton@libertyutilities.com

/s/ Vicki Jacobsen

Vicki Jacobsen