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Issue: Annual ECA-ACA Filing  
Witness: Christy V. Londerholm  
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Sponsoring Party: Empire District Electric  
Docket No. 21-EPDE-198-ACA  
Date Testimony Prepared: January 2021

**Before the Kansas Corporation Commission**

**Direct Testimony**

**Of**

**Christy V. Londerholm**

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

**January 20, 2021**



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OF  
CHRISTY V. LONDERHOLM  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
KANSAS CORPORATION COMMISSION  
DOCKET NO. 21-EPDE-198-ACA

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**DIRECT TESTIMONY  
OF  
CHRISTY V. LONDERHOLM  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
KANSAS CORPORATION COMMISSION  
DOCKET NO. 21-EPDE-198-ACA**

1 **I. INTRODUCTION**

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

3 A. My name is Christy V. Londerholm and my business address is 602 South Joplin  
4 Avenue, Joplin, Missouri.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Liberty Utilities Service Corp. as a Senior Regulatory Analyst,  
7 Rates and Regulatory Affairs for Liberty Utilities' Central Region, which includes  
8 The Empire District Electric Company ("Liberty-Empire" or "Company").

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

11 A. I received a Bachelor of Science degree in Mathematics from the University of  
12 Missouri Kansas City in 1990. In 2005, I received a Master of Arts in Finance from  
13 Webster University – Kansas City. Prior to joining Liberty Utilities in May 2020, I  
14 had over 20 years of experience in the regulated and deregulated telecommunications  
15 industry including roles in regulatory, pricing, costing, operations analytics and tariff  
16 administration. I was hired by CenturyLink (formerly Sprint and Embarq) in 1998. I  
17 held roles as Decision Support Project Manager, Regulatory Economic Costing

1 Manager, and Regulatory Operations Director. In my roles, I worked directly with  
2 regulatory, legal, operations and financial departments within the Organization. In  
3 my most recent role at CenturyLink, I was responsible for developing and  
4 maintaining Federal and State Access Rate Models, Federal and State tariff  
5 compliance and management, and E-Rate and Rural Health Care Telecommunication  
6 Programs.

7 I was hired into Liberty's Rates and Regulatory Affairs group in May 2020 as a  
8 Senior Regulatory Analyst. In this role, I am responsible for regulatory reporting and  
9 associated analysis in support of Kansas and Illinois and other States as assigned. I  
10 prepare necessary schedules and analysis in support of witnesses in cases before the  
11 commissions.

12 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE THE**  
13 **KANSAS CORPORATION COMMISSION ("COMMISSION") OR ANY**  
14 **OTHER STATE REGULATORY COMMISSION?**

15 A. While I have never testified before the Kansas Commission, I have testified before  
16 state regulatory commissions in Texas (Docket 32453), Nevada (Docket 06-11016),  
17 Florida (Docket 030851-TP), Ohio (Docket 08-0045-TP-ARB), Illinois (Docket 11-  
18 0567), Georgia (Docket 17749) and Indiana (Case 45206).

19 **II. PURPOSE**

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

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

4 **Q. WHAT IS THE ACA PERIOD THAT IS ADDRESSED IN YOUR**  
5 **TESTIMONY?**

6 A. The historical ACA period discussed in my testimony is the twelve-month period  
7 November 1, 2019 through October 31, 2020 (“ACA period”). I also discuss the  
8 ECA projection for calendar year 2021.

9 **III. BACKGROUND**

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

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

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

21 A. Liberty-Empire operates an integrated electric system that covers portions of four  
22 states, Kansas, Missouri, Oklahoma, and Arkansas. Liberty-Empire provides electric

1 service in an area of approximately 10,000 square miles in the southeast corner of  
2 Kansas and the adjacent corners of Missouri, Oklahoma, and Arkansas. Liberty-  
3 Empire's operations are regulated by the utility regulatory commissions of these four  
4 states as well as the Federal Energy Regulatory Commission ("FERC"). The service  
5 area contains 133 incorporated communities in 26 counties in the four-state area.

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

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

17 **IV. ACA APPLICATION**

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

20 A. Yes.

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

1 A. The attachments to the ACA application support the ACA and display the actual  
2 energy costs incurred by Liberty-Empire during the ACA period ending October 31,  
3 2020, as well as the actual ECA revenue billed to the Kansas retail customers during  
4 the ACA true-up period to arrive at the (over)/under ACA recovery balance. In  
5 addition, the attached schedules display a monthly energy cost forecast for calendar  
6 year 2021 as required by Liberty-Empire's ECA tariff. This monthly forecast of 2021  
7 energy costs were developed using a production cost model that is discussed in  
8 Company witness Todd Tarter's testimony. As required by the settlement approved  
9 by the Commission in the 712 Docket, this forecast excludes the effect of the  
10 financial instruments Liberty-Empire had in place to hedge the price of natural gas for  
11 calendar year 2021.

12 **Q. DID LIBERTY-EMPIRE CONSIDER THE SPP IM IN ARRIVING AT ITS**  
13 **2021 ECA FORECAST?**

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

1 **Q. PLEASE EXPLAIN HOW THE SPP IM HAS CHANGED THE OFF-SYSTEM**  
2 **PROFIT FACTOR IN THE C ALCULATION OF THE KANSAS ECA?**

3 A. As discussed by Company witness Todd Tarter, the Company's entrance into the SPP  
4 IM has changed the way Liberty-Empire does business. Within the SPP IM, Liberty-  
5 Empire purchases 100 percent of its native load requirement from the market and  
6 sells energy from its generating resources into the market, and as such, the off-system  
7 gross profit factor has become obsolete going forward.

8 With the SPP IM, any bilateral deals or import/export deals with  
9 counterparties will flow through the ACA calculation rather than the off-system profit  
10 factor. Thus, there is no balance for off-system sales gross profit that needs to be  
11 incorporated into the ACA factor for calendar year 2021. This is reflected on  
12 Attachment A, Schedule 2. As indicated, the energy cost under-recovery of \$100,810  
13 has been used to arrive at an ACA factor of \$0.00046 per kWh for calendar year  
14 2021. This ACA factor is designed to remain constant for each month of calendar  
15 year 2021.

16 **Q. PLEASE EXPLAIN THE SIGNIFICANT CHANGE IN THE ACA FACTOR**  
17 **WHEN COMPARED TO THE 2020 ACA FACTOR.**

18 A. For the 2021 ECA year, the ACA recovery factor increased from an over-recovery  
19 factor of -\$0.00111 per kWh in 2020 to an under-recovery factor of \$0.00046 per  
20 kWh. Each month, Liberty-Empire evaluates the projected model used for current  
21 year tariff rates. Starting in March 2020, natural gas prices decreased significantly  
22 enough that resetting the projected model tariff rates for ECA was necessary. The



1 monthly ECA filed tariff rates were adjusted downward from planned rates from  
2 March 2020 to October 2020. These lower rates were a benefit to Liberty-Empire's  
3 customers but resulted in lower total revenue than actual total costs and a final under-  
4 recovery factor. Had Liberty-Empire not taken the action to reduce the rates, ACA  
5 settlement would have been a substantial over-recovery.

6 **Q. WERE THERE ANY PRIOR PERIOD OR CURRENT PERIOD**  
7 **ADJUSTMENTS MADE?**

8 A. Yes. Liberty-Empire made a change to the source report our fuel team uses to ensure  
9 the full capture of billed customers and the removal of unbilled customers. The  
10 change impacted the period from October 2018 to January 2020. As reflected on  
11 Attachment A, Schedules 2 & 3, this resulted in an adjustment that reduced the final  
12 2020 ACA ending balance in the amount of \$17,660.

13 **Q. WHAT WAS THE (OVER)/UNDER RECOVERY BALANCE AT THE END**  
14 **OF OCTOBER 2020 AS FILED?**

15 A. As reflected on Attachment A, Schedule 2, there was an under-recovery at October  
16 31, 2020 of \$100,810. The overall ACA balance has been adjusted to reflect the  
17 exclusion of the gains/losses associated with the financial instruments used to hedge  
18 natural gas purchases during the ACA period and the gains/losses associated with any  
19 sale of excess natural gas.

20 **Q. HOW DID THE INITIAL 2020 FORECAST OF KANSAS ECA ENERGY**  
21 **COSTS COMPARE TO THE ACTUAL KANSAS ECA ENERGY COSTS FOR**  
22 **THE CURRENT ACA PERIOD?**

1 A. The actual Kansas ECA average energy cost, including the natural gas transportation,  
2 for the twelve-months ending October 31, 2020 were lower than those originally  
3 forecast in the last ACA filing prepared roughly a year ago. The average energy cost  
4 was originally forecast as \$24.09 per Mega-Watthour (“MWh”). The actual energy  
5 costs came in at \$22.24 per MWh, or about 7.68% lower than the original forecast. In  
6 terms of overall eligible energy costs for Liberty-Empire’s Kansas jurisdiction, the  
7 ACA period energy costs were \$5.6 million versus a budget of \$5.9 million.

8 **Q. PLEASE DESCRIBE THE FORECAST OF ECA FACTORS FOR THE**  
9 **UPCOMING CALENDAR YEAR OF 2021.**

10 A. Attachment A, Schedule 1 of the ACA filing, reflects the forecast of the ECA factor  
11 for each month for calendar year 2021. This forecast combines the results of the  
12 (over)/under recovery of eligible energy costs and the Kansas ECA forecast of 2021  
13 fuel and energy costs to arrive at a monthly forecast of 2021 Kansas ECA factors. As  
14 indicated, these factors range from a high of \$0.02554 in October of 2021 to a low of  
15 \$0.01955 in November of 2021. The forecast of energy costs for 2021 also  
16 incorporates Liberty-Empire’s current estimate of fuel prices excluding the impact of  
17 the financial instruments used to hedge Liberty-Empire’s natural gas requirements for  
18 calendar year 2021.

19 **V. CONCLUSION**

20 **Q. DO THE ENERGY COSTS REFLECTED IN THE LIBERTY-EMPIRE ACA**  
21 **CONSTITUTE A FAIR, REASONABLE AND EFFECTIVE METHOD OF**

1           **PROCURING THE FUEL AND ENERGY REQUIREMENTS FOR THE**  
2           **COMPANY AND LIBERTY-EMPIRE’S KANSAS ELECTRIC CUSTOMERS?**

3    A.    Yes. The calculation of the ACA has been made in accordance with the Liberty-  
4           Empire ECA tariff authorized by the Commission. It also reflects the actual results of  
5           a reasonable and effective management policy related to the operation of Liberty-  
6           Empire’s generating units and a structured approach to the acquisition of fuel for the  
7           generating units that has been in place for several years. The fuel acquired for the  
8           units was acquired in the competitive marketplace under competitive conditions. I  
9           believe approval of the ACA factor proposed by Liberty-Empire for calendar year  
10          2021 in its entirety is reasonable, prudent and in the public interest and recommend  
11          approval by the Commission.

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

13   A.    Yes, it does.

