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I. Introduction, Qualification, Purpose of Testimony

Q. Would you please state your name and business address?

A. My name is William E. Baldry. My business address is 1500 Southwest Arrowhead Road, Topeka, Kansas, 66604.

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

A. I am employed by the Kansas Corporation Commission (Commission) as a Senior Auditor.

Q. What is your educational background and professional experience?

A. I received a Bachelor of Business Administration from Washburn University with a major in accounting. In 1979, I graduated with a Master of Science from Oklahoma State University. Upon graduation from Oklahoma State University, I was employed by Touche Ross as an Auditor. In 1981, I entered the field of oil and gas with Reading & Bates Corporation and prepared financial statements and payouts of reversionary wells for the next eight years. In 1989, I joined Duffens Optical as Assistant Controller. My responsibilities included supervising employee benefits and payroll administrators and sales tax compliance. In 2000, I joined KMC Telecom as Business Manager. My responsibilities included weekly sales forecast projections and preparation of the annual budget. In 2001, I joined the Staff of the Kansas Corporation Commission (Staff). I am a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

1 **Q. Have you testified previously before this Commission?**

2 A. Yes, I have testified in several dockets before the Commission. A list of my previously
3 submitted testimony is available upon request.
4

5 **II. Executive Summary**

6 **Q. Please provide a summary of your adjustments.**

7 A. My testimony recommends the following adjustments:

- 8 • Decrease Accumulated Deferred Income Taxes (ADIT) by \$692,480 to reflect
9 Staff's adjustments to update ADIT to January 31, 2019, balances;
- 10 • Increase regulatory liability by \$318,693 to reflect Staff's adjustment to correct
11 Empire's Excess Deferred Income Tax (EDIT) amount reflected as an offset to rate
12 base and to update another component of regulatory liabilities;
- 13 • Decrease cash working capital by \$285,219 to reflect the impact of all of Staff's
14 adjustments to rate base and the income statement;
- 15 • Increase pension expense by \$51,612 to reflect the most recent expense information
16 available and recognize \$524,372 of pension expense in The Empire District
17 Electric Company's (Empire or Company) cost of service for Tracker 1 purposes;
- 18 • Increase postretirement benefit expense by \$41,541 to reflect the most recent
19 information available and recognize \$90,257 of postretirement benefit expense in
20 Empire's cost of service for Tracker 1 purposes;
- 21 • Reduce pension expense by \$59,229 due to the removal of savings from Empire's
22 prepaid pension asset;

- Decrease rate case expense by \$132,300 to reflect actual expense as of March 31, 2019, for Empire, CURB, and Staff's expenses in this rate case; and
- Increase income tax expense by \$163,306 to reflect all of Staff's adjustments to rate base and the income statement.

III. Staff Schedules

Q. Would you please provide a brief explanation of the Staff Schedules you are sponsoring?

A. A listing of Staff's schedules and a brief description of each follow:

Staff Schedule	Explanation
Rev Req	Lists the individual components of Staff's pro forma revenue requirement calculation for Empire;
A-1	Test year rate base as adjusted by Applicant and Staff;
A-2	Lists individual Staff adjustments to pro forma test year rate base;
A-3	Calculates Applicant, Staff adjusted, and Staff pro forma cash working capital;
A-4	Explanation of Staff's adjustments to rate base;
B-1	Test year income statement as adjusted by Applicant and Staff;
B-2	Lists individual Staff adjustments to Applicant's pro forma test year income statement;
B-3	Explanation of Staff's adjustment to operations;
B-4	Test year income taxes as adjusted by Applicant and Staff;
B-4-1	Staff's interest expense calculation;

C-1 Applicant test year and Staff's adjusted capital structure.

IV. Staff Rate Base Adjustments

Q. Before you begin your testimony on the individual adjustments you are proposing, are your adjustments stated in total company Empire terms or on a Kansas-jurisdictional basis?

A. All of Staff's adjustments presented in the revenue requirement schedules are presented on a Kansas-jurisdictional basis. That is, the adjustment is first calculated on a total company basis, then converted to a Kansas-jurisdictional basis utilizing the jurisdictional allocators in the Company's Application. This calculation takes place within the work papers supporting each Staff adjustment, so for the discussion that follows, each adjustment will be referred to at the Kansas-jurisdictional level.

Staff Adjustment RB – 9 – Accumulated Deferred Income Taxes

Q. Please explain Staff Adjustment No. 9 to Rate Base.

A. Staff Rate Base Adjustment No. 9 (RB – 9) decreases Accumulated Deferred Income Taxes (ADIT) by \$692,480.¹ ADIT is included in rate base as an offset to plant in service, so the decrease in ADIT will increase rate base by \$692,480. Staff's adjustment is due to updating the deferred tax asset (account 190) and the deferred income tax liability (account 282) to the January 31, 2019, balances, to synchronize with Staff's

¹ Exhibit WEB – RB 1.

1 adjustments to plant in service, depreciation expense, and accumulated depreciation.²

2 Staff's ADIT adjustment includes the impact of additions to plant through January 31,
3 2019. Staff compared its calculated January 31, 2019, ADIT balance against Empire's
4 pro-forma adjusted ADIT, which includes the impact of Empire's construction work in
5 progress adjustment.

6
7 **Q. Besides updating the deferred income tax asset and liability accounts, what other**
8 **adjustments did Staff make to the deferred tax asset and liability accounts?**

9 A. Empire's response to Staff Data Request No. 256 used an allocation percentage of
10 5.09%³ in providing updated deferred income tax balances to January 31, 2019. Staff's
11 ADIT adjustment is based on an allocation percentage of 5.0149%, which was used in
12 Empire's original filing.⁴

13
14 **Q. Why did Staff use the Test Year ending allocation percentage in the Application**
15 **rather than the allocation percentage in the January 31, 2019, update?**

16 A. While Staff typically makes selected updates to the test year to reflect known and
17 measurable changes to the test year operations, we do not update every element of the
18 revenue requirement during our audit. Updating the allocation factors used in Empire's
19 Application would require Staff to change nearly every component of the revenue
20 requirement analysis to reflect updated allocation factors. Accordingly, Staff's practice is

² Staff Adjustment RB – 3, sponsored by Staff Witness Andria Jackson, removes \$250,606 of deferred income taxes that are related to the transmission delivery charge.

³ DR No. 256 – Original.

⁴ Section 12 – 4 State Allocator Worksheet, WP – ADIT in the Application.

1 not to update the allocation factors used in a company's Application, as long as those
2 allocation factors are determined to be reasonable.

3
4 **Q. What other adjustments did Staff make to the deferred tax asset and liabilities**
5 **accounts?**

6 A. Empire made an adjustment of (\$883,638) (total company)⁵ to eliminate the deferred
7 income taxes asset related to disallowed plant, but the Company did not make a
8 corresponding adjustment to eliminate the deferred tax liability related to disallowed
9 plant. Staff's ADIT adjustment decreases the accumulated deferred income tax liability
10 account balance by \$883,638 (total company)⁶ to synchronize the deferred income tax
11 liability decrease with Empire's elimination of the deferred tax asset.

12 Statement of Financial Accounting Standard No. 123 (FASB 123) provides
13 accounting guidance for compensation based on the fair value of the entity's equity
14 instruments. Empire reported a deferred tax asset related to share based compensation for
15 \$646,911 (total company)⁷. The Kansas portion of share based compensation was
16 \$32,442.⁸ Staff witness Katie Figgs is removing 85% of Empire's share based
17 compensation from the Company's test year cost of service. For consistency purposes, an
18 adjustment was made to remove 85% of the deferred income taxes related to share based
19 compensation resulting in a (\$549,874)⁹ (total company), and a (\$27,576)^{10,11} (Kansas
20 jurisdiction) reduction to deferred tax assets.

⁵ Exhibit WEB – RB 1(f), line 9, column (g).

⁶ Exhibit WEB – RB 1(g), line 2, column (g).

⁷ Exhibit WEB – RB 1(f), line 8, column (d).

⁸ Exhibit WEB – RB 1(f), line 8, column (k).

⁹ Exhibit WEB – RB 1(f), line 8, \$646,910.58 X .85 = \$549,874 adjustment (total company).

¹⁰ Exhibit WEB – RB 1(a), line 8, \$32,442 X .85 = \$27,576 adjustment (Kansas jurisdiction).

¹¹ Exhibit WEB – RB 1(a), line 25.

1 This deferred income tax adjustment does not include an adjustment for the
2 Transmission Delivery Charge (TDC). Staff witness Andria Jackson sponsors the
3 accumulated deferred income tax related to the TDC in her testimony.
4

5 **Staff Adjustment RB – 10 – Regulatory Liability**

6 **Q. Please explain Staff Adjustment No. 10 to Rate Base.**

7 A. Staff Rate Base Adjustment No. 10 (RB – 10) increases regulatory liabilities by
8 \$318,693.¹² This adjustment is composed of two parts. The first part of the adjustment
9 reduces a liability account balance related to a Southwest Power Administration credit by
10 \$73,484 to reflect the change in the account balance from June 30, 2018 (the end of the
11 Test Year) to January 31, 2019 (update period).

12 The second part of this adjustment increases the liability account balance for
13 EDIT by \$392,177. At the time Empire filed its Application, the final amortization
14 schedule related to the EDIT utilizing the Average Rate Assumption Method (ARAM)
15 had not been finalized by the Company's outside consultants, so the Company used a 40
16 year amortization schedule. Since Empire filed its Application, the outside consultants
17 have completed the amortization schedule, and Empire received the final ARAM
18 calculation.¹³ The second part of this adjustment reflects the final balance of the
19 Company's Excess ADIT as of December 31, 2017.¹⁴ Determining this amount is
20 necessary due to corporate tax law changes that went into effect on January 1, 2018, with
21 the passage of the Tax Cut and Jobs Act.

¹² Exhibit WEB – RB 2.

¹³ Data Request No. 303, question 3.

¹⁴ Data Request No. 265, WP 6.5 Regulatory Liabilities, line 27, column (m).

Staff Adjustment RB – 11 – Cash Working Capital

Q. Please explain Staff Adjustment No. 11 to Rate Base.

A. Staff Rate Base Adjustment No. 11 (RB – 11) decreases cash working capital by \$285,219. This adjustment is composed of two parts. The first part of the adjustment removes fuel and purchased power expense from cash working capital. The second part of the adjustment accounts for all of Staff's other adjustments to the operating expenses of the Company. Staff's adjustment is shown on Staff Schedule A-3.

Q. What is Cash Working Capital?

A. Cash working capital relates to the recognition of the additional investment that the investors must make to support day-to-day operations. The actual cash working capital requirement of the utility consists of the net investment required to provide funds to allow for payment of goods and services prior to the collection of revenues for services provided. However, if funds are collected before payment for goods and services, then no funds are required but rather funds are provided. The calculation of cash working capital revenue lag and expense lead days is a mechanical process that recognizes the time difference between when a payment is made for goods, services, etc. provided to the utility (expense lead) and when revenues are received from customers (revenue lag). This process is based on a review of revenue and expense invoices and recognizes the timing difference between when cash is paid out (expense) and when revenue is received (lag), thus supporting a true reflection of the timing difference.

1 After Staff's adjustment, the Company's cash working capital had a negative
2 balance which means Empire's ratepayers are providing cost-free capital to the Company
3 amounting to \$161,670. The negative cash working capital balance reduces the Company's
4 rate base as shown on Schedule A-1, Line 15, of Staff Schedules.

5
6 **Q. Did Staff make an adjustment to Empire's fuel and purchased power expense in**
7 **Cash Working Capital?**

8 A. Yes. Section 6.6, Line 1, in the Application shows a cash working capital requirement of
9 \$197,834 for fuel and purchased power. Staff made an adjustment in Schedule A-3, Line
10 1, of Staff's Schedules to eliminate all of Empire's fuel and purchased power expense
11 from Cash Working Capital.

12
13 **Q. Why is Staff recommending eliminating fuel and purchased power expense from**
14 **Cash Working Capital?**

15 A. Empire has an Energy Cost Adjustment (ECA) rider. The ECA is typically based on two
16 factors: estimated fuel and purchased power costs for a twelve-month period and an
17 actual cost adjustment true-up factor. Therefore, in any given month, there is likely to be
18 either an under-recovery or over-recovery of fuel and purchased power costs.
19 Consequently, in any particular month, the revenue received by Empire may be
20 reimbursing the Company for fuel and power purchased in the past, or it may be
21 providing funds for fuel and power that is still to be purchased in the future.
22 Because of the special nature of purchased fuel and purchased power adjustment clauses,
23 these costs are frequently excluded from the cash working capital calculation. This is

1 because it is difficult at any point in time to determine if the Company is being
2 compensated for prior costs, current costs, or future costs. Another reason why these
3 costs should be eliminated from the cash working capital calculation is that fuel and
4 purchased power costs are recovered completely outside of the base rate process in
5 Kansas. Since all of the fuel and purchased power costs have been removed from the
6 calculation of base rates, so should the impact of fuel and purchased power costs be
7 removed from the cash working capital calculation.

8 Since Empire has an ECA, the Company's cash working capital claim should be
9 adjusted accordingly to eliminate fuel and purchased power costs.
10

11 **Q. Please discuss the second part of Staff's adjustment to Cash Working Capital.**

12 A. Staff made several adjustments to various expense items, such as payroll, pension
13 expense, medical expenses, etc. The second part of this adjustment reflects the impact of
14 Staff's operating expense adjustments on cash working capital.
15

16 **V. Staff Income Statement Adjustments**
17

18 **Staff Adjustments IS – 16 – Pension and Postretirement Benefits Expense**

19 **Q. What is the purpose of Staff Adjustment IS – 16?**

20 A. Staff Income Statement Adjustment IS – 16 increases administrative and general expense
21 by \$93,153.¹⁵ Staff's adjustment, outlined below, is the result of updating pension and
22 postretirement benefits (OPEB) costs for the twelve-month period ending January 31,

¹⁵ Exhibit WEB – IS 1.

1 2019. Below is a brief summary of the items Staff used in calculating Empire's pension
2 and OPEB expenses:

- 3 • Staff used Empire's updated Supplemental Executive Retirement Plan (SERP)
4 expense of \$54,175¹⁶ in Staff's pension expense calculation.
- 5 • Staff based its calculation of pension and OPEB costs on the same projections for
6 2018 from CBIZ Cottonwood¹⁷ that Empire relied on.
- 7 • Staff utilized the Company's pension and OPEB regulatory asset balances as of
8 January 31, 2019, based on the same projections for 2018 from CBIZ Cottonwood
9 that Empire relied on.¹⁸
- 10 • Staff averaged the Company's pension settlement expenses in 2017 and 2018 over
11 a seven year period rather than the two year average proposed by Empire.¹⁹

12
13 **Q. Why did Empire average the settlement expenses over two years?**

14 A. Empire used a two year period because the Company determined a two year average to be
15 preferable as it provided the most recent experience and, therefore, the most appropriate
16 normalization of the expense going forward.²⁰

17
18
19

¹⁶ Staff DR No. 297.

¹⁷ Exhibits WEB – IS 1(a) and WEB – IS 1(c), respectively.

¹⁸ Exhibits WEB – IS 1(a) and WEB – IS 1(c), respectively.

¹⁹ Exhibit WEB – IS 1(b)

²⁰ Staff DR No. 313.

1 **Q. Why did Staff average the settlement expenses over seven years rather than two**
2 **years?**

3 A. Pension settlements occur infrequently. To prove settlements occur infrequently, Staff
4 reviewed the years since Empire's last rate case, which was an abbreviated case in
5 Docket No. 11-EPDE-856-RTS with rates going into effect on January 1, 2012. Since
6 2012, Empire has had only two pension settlement charges,²¹ so we averaged the two
7 settlement charges over the seven years since the last rate case.

8
9 **Q. What are Empire's pension and OPEB's Trackers 1 and 2?**

10 A. In each rate case, a dollar amount of pension and OPEB expenses are determined and are
11 included in Empire's cost of service. Empire will collect these pension and OPEB
12 expenses from Empire's ratepayers until the Company's next rate case. The Commission
13 established pension and OPEB Trackers 1 and 2 in Docket 10-EPDE-314-RTS.²² Tracker
14 1 tracks, on a cumulative basis, the difference between Empire's actual pension and
15 OPEB expenses and the pension and OPEB expenses allowed in rates. Tracker 2 keeps
16 track of Empire's contributions to its pension and OPEB plans that exceed the pension
17 and OPEB plans' costs.

18
19 **Q. How many years did Empire amortize the Tracker 1 balances?**

20 A. Five years.²³
21

²¹ Staff DR No. 239.

²² Order Approving Stipulation and Agreement approved Trackers 1 and 2 with an effective date of July 1, 2010 (page 33 of the Order).

²³ Exhibit WEB – IS 1(a) and WEB – IS 1(c), respectively.

1 **Q. What is the amortization period Staff is recommending for the Tracker 1?**

2 A. Five years.

3

4 **Q. What are the annual pension and OPEB expenses Staff recommends to include in**
5 **Empire's cost of service?**

6 A. For Tracker 1 purposes, the level of pension and OPEB expense being included in rates
7 has to be established. To meet this requirement, Staff recommends that the annual
8 pension and OPEB expenses to be allowed in Empire's cost of service in this rate case for
9 Tracker 1 purposes are \$524,372 and \$90,257,²⁴ respectively. These amounts, \$524,372
10 and \$90,257, are the Company's annual pension and OPEB expenses net of capitalization
11 and the FAS 88 pension settlement expense updated as of January 31, 2019, based on
12 information from the actuarial firm of CBIZ Cottonwood.

13

14 **Q. What are the Company's pension and OPEB tracker balances as of January 31,**
15 **2019?**

16 A. The Company's tracker balances as of January 31, 2019, that will be used as beginning
17 balances in the next rate proceeding are:

18 Pension Tracker 1 \$1,212,355²⁵

19 Pension Tracker 2 \$1,225,985²⁶

20 OPEB Tracker 1 \$419,792²⁷

²⁴ Exhibit WEB – IS 1(d).

²⁵ Data Request No. 267.

²⁶ Data Request No. 267.

²⁷ Data Request No. 269.

OPEB Tracker 2 \$0²⁸

Staff Adjustment IS – 17 – Pension Adjustment Due to Savings
from the Prepaid Pension Asset

Q. Please explain Staff Adjustment IS – 17.

A. Staff Income Statement Adjustment IS – 17 decreases administrative and general expense by \$59,229.²⁹ This adjustment relates to Empire’s pro forma adjustment No. 18 where Empire proposes to retain two-thirds of the savings generated by funding its pension plan in excess of what is required by Generally Accepted Accounting Principles (GAAP).

Q. Please continue your discussion by further explaining how a prefunded pension balance can result in a savings.

A. Pension cost is composed of:

- Service cost
- Interest cost
- Actual return on plan assets
- Amortization of prior service cost
- Gain or loss
- Amortization of transition asset or obligation³⁰

²⁸ Data Request No. 269.

²⁹ Exhibit WEB – IS 2.

³⁰ Accounting Standards Codification 715-30-35-4.

1 The return on a pension plan's assets, any recognized gains, and amortization of a
2 transition asset decrease a Company's pension cost. All of the other components increase
3 a Company's pension cost.

4 The rate of return Empire's pension plan earns on the \$27,737,033 (total
5 company)³¹ prefunded balance (as of December 31, 2017) helps reduce the pension cost
6 compared to the plan's cost without the prefunded balance. If the pension plan earned the
7 expected 7.25% rate of return on the \$27,737,033 prefunded balance, ratepayers are
8 benefiting from reduced pension costs of \$2,010,935 (total company).³² Empire believes
9 it would be appropriate for the party providing the cash (i.e., the Company) to receive the
10 savings from reduced pension costs.³³ If Empire had not contributed the \$27,737,033 to
11 the pension plan and had earned an expected rate of return of 7.25%, Empire would have
12 received the benefit of \$2,010,935. This argument ignores the fact that Empire was
13 simply managing its pension in a least cost and prudent fashion, as utility companies are
14 required to do by law. In exchange for its prudent and cost conscious behavior, Empire is
15 proposing to be rewarded by keeping two-thirds of the savings and giving one-third to its
16 customers in this rate case. Empire is not currently seeking rate base recognition of the
17 prefunded balance in this proceeding. The Commission should reject Empire's request to
18 retain two-thirds of the savings generated from the prepaid pension asset.

³¹ Exhibit WEB – IS 2(a).

³² Exhibit WEB – IS 2(a),

³³ Direct Testimony of James Fallert, page 6, lines 22 – 23.

1 **Q. Why would Empire contribute more to its pension plan than what GAAP requires?**

2 A. Congress passed the Pension Protection Act in 2006 because it was concerned various
3 corporations' pension plans were under-funded. To discourage the under-funding of
4 pension plans, the law now contains restrictions if a pension plan's funding falls below
5 certain levels. If the fair value of the plan's assets is less than 80% of the plan's pension
6 obligations, plan amendments that would increase benefits are prohibited³⁴ and lump sum
7 payments are limited to 50%.³⁵ If the fair value of the plan's assets falls below 60% of the
8 plan's pension obligations, benefit accruals are frozen³⁶ and no lump sum payouts are
9 allowed.³⁷ The law places no restrictions on plans that are funded at least 80% or higher.

10

11 **Q. Does Empire have a minimum funding percentage it attempts to maintain?**

12 A. Yes. To avoid any restrictions being placed on its pension plan, Empire has a targeted
13 funding percentage of at least 80% of the plan's liability.³⁸ Therefore, by targeting a
14 funding percentage of at least 80%, Empire is acting in a prudent manner as it should.

15

16 **Q. Does Staff agree with Empire's savings proposal?**

17 A. No. Empire's proposal is essentially that it be allowed to recover more pension expense
18 than it actually incurs from ratepayers. This is despite the fact that Empire's primary
19 rationale for its build-up of prepaid pension asset balance is that it has been behaving in a

³⁴ Internal Revenue Code 436(c)(1).

³⁵ Internal Revenue Code 436(d)(3).

³⁶ Internal Revenue Code 436(e)(1).

³⁷ Internal Revenue Code 436(d)(5)(A).

³⁸ Staff Data Request No. 109.

1 prudent and cost conscious fashion and has, therefore, kept pension costs lower than they
2 otherwise would have been.³⁹

3
4 **Staff Adjustment IS – 18 – Rate Case Expense**

5 **Q. Please explain Staff Adjustment IS – 18.**

6 A. Staff Income Statement Adjustment IS – 18 decreases administrative and general expense
7 by \$132,300.⁴⁰ Staff Adjustment IS - 18 removes Empire's estimated rate case expense
8 associated with this Docket that was included in the Company's Application and replaces
9 the estimate with actual amounts incurred by Empire, CURB, and Staff amortized over a
10 five year period. Staff reduced the Company's actual rate case expense to remove the
11 accounting support of Liberty Utilities Services.⁴¹ Liberty Utilities Services is an affiliate
12 of Empire so these in-house services need to be excluded from rate case expense, just like
13 all other internal labor expenses.⁴² Staff Adjustment 18 is based on the most recent actual
14 known and measurable rate case expense information available prior to Staff filing its
15 testimony. As actual rate case costs become known as this Docket progresses, the rate
16 case costs can be trued-up.

17
18
19

³⁹ James Fallert's Testimony, page 5, lines 15 – 18.

⁴⁰ Exhibit WEB – IS 3.

⁴¹ Staff Data Request No. 300, page 3 of 3.

⁴² Staff Data Request No. 300 provides the details and support for Adjustment IS - 18. DR No. 300 is confidential and the invoices from Empire's consultants included in the response to DR No. 300 are voluminous. DR No. 300 is included in my confidential testimony.

Staff Adjustment IS – 19 – Income Tax Expense

Q. What is Staff Adjustment IS – 19?

A. Staff Income Statement Adjustment IS – 19 increases income tax expense of Empire by \$163,306. This adjustment reflects the effects of Staff's adjustments to the income statement, interest expense, an adjustment to excess accumulated deferred income tax, and an adjustment to amortize the investment tax credit (ITC). This adjustment also reflects the effect of Staff using federal and state income tax rates different than the tax rates Empire used.

Q. What adjustments did Staff make?

A. Staff made the usual adjustments for state and federal income taxes, along with an adjustment for EDIT, and an adjustment for the investment tax credit amortization of (\$2,629).⁴³ Staff witness Justin Grady will discuss the adjustment to EDIT in his testimony.

Q. Why did Staff make an adjustment for the investment tax credit amortization?

A. The Company had excluded an adjustment for the investment tax credit that should have been in the Application, so Staff made the adjustment.⁴⁴

⁴³ Exhibit WEB – IS 4.

⁴⁴ Data Request Nos. 305 and 334.

1 **Q. Why did Staff use income tax rates different than what the Company used?**

2 A. Empire made an error in the income tax rates the Company used in calculating income
3 taxes, so Staff corrected the error.⁴⁵

4

5 **Q. Does this conclude your testimony?**

6 A. Yes, it does.

7

8 **List of Exhibits:**

9 WEB – RB 1 Adjustment to Accumulated Deferred Income Tax

10 WEB – RB 2 Adjustment to Regulatory Liability

11 WEB – IS 1 Adjustment to Pension and Postretirement Benefits Expense

12 WEB – IS 2 Removal of the Savings from the Prepaid Pension Asset

13 WEB – IS 3 Adjustment to Rate Case Expense

14 WEB – IS 4 Income Tax Expense

15

⁴⁵ Data Request No. 113.

Empire District Electric Company RB Adjustment No. 9 Regulatory ADIT Asset and Regulatory ADIT Liability
Docket No. 19-EPDE-223-RTS
Adjustment for Regulatory Liabilities
Test Year Ending June 30, 2018, Update January 31, 2019

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
Updated to January 31, 2019										
			Total Company			Kansas				
Line No.	FERC Account No.	Description	Ending Balance 01/31/2019	Pro Forma Adjustments	Adjusted Ending Balance 01/31/2019 (c) + (d)	Ending Balance 01/31/2019 (f) + (g)	Pro Forma Adjustments	Adjusted Ending Balance 01/31/2019 (f) + (g)	Adjusted Test Year Ending Balance (h) - (i)	Staff Adjustment (h) - (i)
<u>Accumulated Deferred Income Taxes</u>										
1	190	Accumulated Deferred Tax Assets	83,356,105	(70,482,912)	12,873,193	654,796	0	654,796	700,787	(45,991)
2	282	Accumulated Deferred Tax Liabilities	(322,477,583)	45,145,768	(277,331,815)	(14,271,374)	0	(14,271,374)	(15,009,845)	738,471
3		Total Accumulated Deferred Income Taxes	(239,121,478)	(25,337,144)	(264,458,622)	(13,616,578)	0	(13,616,578)	(14,309,058)	692,480

Note: The Adjusted Test Year Ending Balance in column (i) reflects the accumulated deferred income tax balances as of January 31, 2019, plus Empire's construction work in progress adjustment, plus an adjustment by Staff for \$883,638 in ADIT liabilities. Staff made the adjustment to ADIT liabilities to offset the ADIT asset adjustment for (\$883,638). TheTDC portion of accumulated deferred income taxes is sponsored by Staff witness Andria Jackson in RB Adjustment No. 3. This adjustment includes an adjustment to remove 85% of FAS 123 Deferred Tax Asset (account 190125). Staff also used the allocation percentage of 5.01498372448451% for Kansas in the Application rather than the 5.09% allocation percentage updated to January 31, 2019.

Source: Data Request No. 256 Staff Revised

RB Adjustment No. 9 Regulatory ADIT Asset and Regulatory ADIT Liability

Line No.	GL Account	Description	Kansas		
			Adjusted Ending Balance 01/31/2019	Adjusted Test Year Ending Balance	Staff Adjustment
	(a)	(b)	(c)	(d)	(e) (c) - (d)
1		Accumulated Deferred Income Tax Asset Adjustment			
Deferred Tax Assets					
2	190112	Acc Df Tx-Ozark Beach Loss Gen	\$ (160,460)	\$ (162,200)	\$ 1,740
3	190113	Def ITC Cr-Adv Coal	-	-	-
4	190114	Def Tax Asset - Reg Plan Amort	234,102	245,146	(11,044)
5	190122	Def Fd Inc Tx-Acr Rate Ref-Ark	-	-	-
6	190123	Def Inc Tax - Hedge Trans Gain	35,214	33,284	1,930
7	190124	Def Fd Tax Asset - Misc	(196,797)	(220,387)	23,590
8	190125	FAS123 Deferred Tax Asset	32,442	33,811	(1,369)
9	190211	Def Inc Tx - Disallow Plant	-	-	-
10	190230	Def Tx Net Operating Loss	-	-	-
11	190260	Def Fd Inc Tx-Of & Dir Def Com	(60,021)	5,915	(65,936)
12	190310	Def Fd Inc Tx-Contrb-Aid Const	329,615	347,714	(18,099)
13	190320	Def Inc Tx-Def Tx Asset Fas109	-	-	-
14	190330	Def Inc Tx-Pbop Costs	15,196	(20,068)	35,264
15	190331	Def Inc Tx-Postret Ben-Pension	(208,445)	(236,696)	28,251
16	190340	Acm Def Inc Tx-Int Capitalized	545,019	564,315	(19,296)
17	190350	Acm Def Inc Tx - Alt Minmn Tax	-	-	-
18	190356	Deferred Tax - FAS 158	-	-	-
19	190410	SWPA Oz Beach Def Tx -AR	-	-	-
20	190420	SWPA Oz Beach Def Tx - KS	116,505	109,954	6,551
21	190430	SWPA Oz Beach Def Tx -MO	-	-	-
22	190440	SWPA Oz Beach Def Tx -OK	-	-	-
23	190450	SWPA Oz Beach Def Tx -FERC	-	-	-
24		Total Unadjusted	<u>\$ 682,370</u>	<u>\$ 700,788</u>	<u>\$ (18,418)</u>
25	190125	Less: 85% of FAS123 Deferred Tax Asset (line 8)	<u>(27,576)</u>		<u>(27,576)</u>
26		Adjusted Deferred Tax Assets as of January 31, 2019	<u>\$ 654,794</u>		<u>\$ (45,994)</u>

Footnote:

(1) Allocator-General Plant and Intangible

(2) Note 1: For payroll purposes, Staff removes 85% of share based compensation.
Therefore, Staff removed 85% of the deferred tax asset (line 8) related to share based compensation.

Source of January 31, 2019 Amounts:
Source of June 30, 2018 Amounts:

Data Request No. 256 Staff Revised
WP 6.4 Accumulated Deferred Tax Assets and Liabilities in the Application

The Empire District Electric Company

Docket No. 19-EPDE-223-RTS

WP 6.4 Accumulated Deferred Tax Liabilities

RB Adjustment No. 9 Regulatory ADIT Asset and Regulatory ADIT Liability

Line No.	GL Account	Description	Kansas		
			Adjusted Ending Balance 01/31/2019	Adjusted Test Year Ending Balance	Staff Adjustment
	(a)	(b)	(c)	(d)	(e) (c) - (d)
1		Accumulated Deferred Income Tax Liability Adjustment			
Deferred Tax Liabilities					
2	282100	Accum Def Fed Inc Tx-Ld Elect	\$ (13,515,232)	\$ (13,845,246)	\$ 330,014
3	282120	Accum Def Fed Inc Tx-Ld Ks Jur	(398,242)	(415,036)	16,794
4	282130	Acc Def Fed Inc Tx-LD NonUt DR	-	-	-
5	282135	Acc Def Fed Inc Tx-LD NonUT CR	-	-	-
6	282140	Accum Def Fed Inc Tx-Ld Ok Jur	-	-	-
7	282150	Accm Def Fed Inc Tx-Ld Ferc Jr	-	-	-
8	282200	Accumul Def Inc Tx-Ld Water	-	-	-
9	283100	Accm Def Fed Inc Tx-2Nd 5Yr Mn	13	(733)	746
10	283103	Acc Def Tax-Repair Allowance	(124,803)	(128,422)	3,619
11	283116	Def Tax Liab-latan Def Charges	22,675	(173,684)	196,359
12	283123	Def Inc Tax - Hedge Trans Loss	(72,296)	(73,552)	1,256
13	283139	Deferred Tax Liab Fuel Costs	9,019	(153,979)	162,998
14	283366	Def Tx-ITC Tx Basis Red-latan	-	-	-
15	283400	Accm Def Fed Inc Tx-Lic Softwr	(104,745)	(121,067)	16,322
16	283900	Acc Def Tx-Loss Reacq Debt	(85,271)	(94,420)	9,149
17	283914	Def Inc Tax - FAS158	-	-	-
18	283915	Def Inc Tax-Deftx Liab Fas 109	-	-	-
19	283917	Def Tx Liab-Equity AFUDC	-	-	-
20	283921	Def Inc Tx Ice Storm Exp	(2,494)	(3,706)	1,212
21		Total	<u>\$ (14,271,376)</u>	<u>\$ (15,009,845)</u>	<u>\$ 738,469</u>

Footnote:

(1) Allocator-General Plant and Intangible

Source of January 31, 2019 Amounts:
Source of June 30, 2018 Amounts:

Data Request No. 256 Staff Revised
WP 6.4 Accumulated Deferred Tax Assets and Liabilities in the Application

The Empire District Electric Company
Kansas
Docket No. 19-EPDE-223-RTS
WP 6.4 Accumulated Deferred Tax Assets
Page 1 of 1

RB Adjustment No. 9 Regulatory ADIT Asset and Regulatory ADIT Liability

Test Year Ending June 30, 2018													
Line No.	GL Account	Description	Reference	Total Company						Kansas			
				Ending Balance	Non-Cash/Disallowance	Net NOL Against Plant	Disallowed Plant	Exclude as Already Tax Effected	Reclassified Ending Balance	Allocation Percentage ⁽¹⁾	Kansas Ending Balance	TDC Adjustment	Kansas Adjusted Ending Balance
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i) =SUM (d) through (h)	(j)	(k) = (i) * (j)	(l)	(m) = (k) + (l)
1	Adjustment Number				Section 12	Section 12	Section 12	Section 12				ADJ-17	
Deferred Tax Assets													
2	190112	Acc Df Tx-Ozark Beach Loss Gen	WP ADIT	\$ (3,234,299)	\$ -	\$ -	\$ -	\$ -	\$ (3,234,299)	5.01%	\$ (162,200)	\$ 21,261	\$ (140,938)
3	190113	Def ITC Cr-Adv Coal		917,779	(917,779)	-	-	-	-	5.01%	-	-	-
4	190114	Def Tax Asset - Reg Plan Amort		4,888,268	-	-	-	-	4,888,268	5.01%	245,146	(32,134)	213,012
5	190122	Def Fd Inc Tx-Acr Rate Ref-Ark		2,344	-	-	-	-	2,344	0.00%	-	-	-
6	190123	Def Inc Tax - Hedge Trans Gain		663,682	-	-	-	-	663,682	5.01%	33,284	(4,363)	28,921
7	190124	Def Fd Tax Asset - Misc		(4,394,566)	-	-	-	-	(4,394,566)	5.01%	(220,387)	28,889	(191,498)
8	190125	FAS123 Deferred Tax Asset		674,192	-	-	-	-	674,192	5.01%	33,811	(4,432)	29,379
9	190211	Def Inc Tx - Disallow Plant		1,231,254	-	-	(1,231,254)	-	-	5.01%	-	-	-
10	190230	Def Tx Net Operating Loss		5,370,220	-	(5,370,220)	-	-	-	5.01%	-	-	-
11	190260	Def Fd Inc Tx-Of & Dir Def Com		117,939	-	-	-	-	117,939	5.01%	5,915	(775)	5,139
12	190310	Def Fd Inc Tx-Contrb-Aid Const		6,933,506	-	-	-	-	6,933,506	5.01%	347,714	(45,579)	302,135
13	190320	Def Inc Tx-Def Tx Asset Fas109		57,163,666	(57,163,666)	-	-	-	-	5.01%	-	-	-
14	190330	Def Inc Tx-Pbop Costs		(400,162)	-	-	-	-	(400,162)	5.01%	(20,068)	2,631	(17,437)
15	190331	Def Inc Tx-Postret Ben-Pension		(4,719,777)	-	-	-	-	(4,719,777)	5.01%	(236,696)	31,027	(205,669)
16	190340	Acm Def Inc Tx-Int Capitalized		11,252,581	-	-	-	-	11,252,581	5.01%	564,315	(73,972)	490,344
17	190350	Acm Def Inc Tx - Alt Minmn Tax		637,414	-	-	-	(637,414)	-	5.01%	-	-	-
18	190356	Deferred Tax - FAS 158		14,733,925	(14,733,925)	-	-	-	-	5.01%	-	-	-
19	190410	SWPA Oz Beach Def Tx -AR		154,009	-	-	-	-	154,009	0.00%	-	-	-
20	190420	SWPA Oz Beach Def Tx - KS		109,954	-	-	-	-	109,954	100.00%	109,954	(14,413)	95,541
21	190430	SWPA Oz Beach Def Tx -MO		1,252,919	-	-	-	-	1,252,919	0.00%	-	-	-
22	190440	SWPA Oz Beach Def Tx -OK		60,597	-	-	-	-	60,597	0.00%	-	-	-
23	190450	SWPA Oz Beach Def Tx -FERC		425,190	-	-	-	-	425,190	0.00%	-	-	-
24	Total			\$ 93,840,636	\$ (72,815,370)	\$ (5,370,220)	\$ (1,231,254)	\$ (637,414)	\$ 13,786,377		\$ 700,787	\$ (91,861)	\$ 608,927

Footnote:

⁽¹⁾ Allocated-General Plant and Intangible

Source: Section 6.4 of the Application

The Empire District Electric Company
Kansas
Docket No. 19-EPDE-223-RTS
WP 6.4 Accumulated Deferred Tax Liabilities
Page 1 of 1

RB Adjustment No. 9 Regulatory ADIT Asset and Regulatory ADIT Liability

Test Year Ending June 30, 2018														
Line No.	GL Account	Description	Reference	Total Company						Kansas				
				Ending Balance	Non-Cash/Disallowance	Net NOL Against Plant	Disallowed Plant	Exclude as Already Tax Effected	Reclassified Ending Balance	Allocation Percentage (1)	Kansas Ending Balance	CWIP Adjustment	TDC Adjustment	Kansas Adjusted Ending Balance
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i) =SUM (d) through (h)	(j)	(k) = (i) * (j)	(l)	(m)	(n) = (k) + (l) + (m)
1	Adjustment Number				Section 12	Section 12	Section 12	Section 12				ADJ- 5	ADJ-17	
Deferred Tax Liabilities														
2	282100	Accum Def Fed Inc Tx-Ld Elect	WP ADIT	\$ (281,435,408)	\$ -	\$ 5,370,220	\$ -	\$ -	\$ (276,065,188)	5.01%	\$ (13,844,624)	\$ (622)	\$ 1,847,343	\$ (11,997,903)
3	282120	Accum Def Fed Inc Tx-Ld Ks Jur		(415,036)	-				(415,036)	100.00%	(415,036)		55,380	(359,656)
4	282130	Acc Def Fed Inc Tx-LD NonUt DR		38,511	(38,511)				-	5.01%	-		-	-
5	282135	Acc Def Fed Inc Tx-LD NonUt CR		30,844	(30,844)				-	5.01%	-		-	-
6	282140	Accum Def Fed Inc Tx-Ld Ok Jur		(94,836)	-				(94,836)	0.00%	-		-	-
7	282150	Accm Def Fed Inc Tx-Ld Ferc Jr		(217,730)	-				(217,730)	0.00%	-		-	-
8	282200	Accumul Def Inc Tx-Ld Water		(1,211,602)	1,211,602				-	0.00%	-		-	-
9	283100	Accm Def Fed Inc Tx-2Nd 5Yr Mn		(14,617)	-				(14,617)	5.01%	(733)		98	(635)
10	283103	Acc Def Tax-Repair Allowance		(2,560,762)	-				(2,560,762)	5.01%	(128,422)		17,136	(111,286)
11	283116	Def Tax Liab-Iatan Def Charges		(3,463,305)	-				(3,463,305)	5.01%	(173,684)		23,175	(150,509)
12	283123	Def Inc Tax - Hedge Trans Loss		(1,466,643)	-				(1,466,643)	5.01%	(73,552)		9,814	(63,738)
13	283139	Deferred Tax Liab Fuel Costs		(3,070,380)	-				(3,070,380)	5.01%	(153,979)		20,546	(133,433)
14	283366	Def Tx-ITC Tx Basis Red-Iatan		(4,954,530)	4,954,530				-	5.01%	-		-	-
15	283400	Accm Def Fed Inc Tx-Lic Softwr		(2,414,115)	-				(2,414,115)	5.01%	(121,067)		16,155	(104,913)
16	283900	Acc Def Tx-Loss Reacq Debt		(1,882,762)	-				(1,882,762)	5.01%	(94,420)		12,599	(81,821)
17	283914	Def Inc Tax - FAS158		(14,733,925)	14,733,925				-	5.01%	-		-	-
18	283915	Def Inc Tax-Defctx Liab Fas 109		(9,844,517)	9,844,517				-	5.01%	-		-	-
19	283917	Def Tx Liab-Equity AFUDC		(12,289,101)	12,289,101				-	5.01%	-		-	-
20	283921	Def Inc Tx Ice Storm Exp		(73,897)	-				(73,897)	5.01%	(3,706)		494	(3,211)
21	Total			\$ (340,073,811)	\$ 42,964,320	\$ 5,370,220	\$ -	\$ -	\$ (291,739,271)		\$ (15,009,223)	\$ (622)	\$ 2,002,740	\$ (13,007,105)

Footnote:
(1) Allocator-General Plant and Intangible

Source: Section 6.4 of the Application

The Empire District Electric Company
Kansas
Docket No. 19-EPDE-223-RTS
Staff Data Request 256 - Staff Revised

Section 6
WP-6.4 ADIT Adjustments
Page 1 of 1

Note: This data request no. 256 has been modified by Staff using the June 30, 2018 jurisdictional allocator of 5.01498372448451%

Updated January 31, 2019										
Line No.	Description	Total Company					Kansas			
		CWIP Adjustment	Non-Cash/Disallowance Adj	Net NOL Against Plant Adj	Disallowed Plant Adj	Exclude as Already Tax Effected Adj	Total Adjustments	CWIP Adjustment	TDC Adjustment	Total Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g) =SUM (b) through (f)	(h)	(i)	(j) = (h) + (i)
1	Adjustment Number	ADJ-5	Section 12	Section 12	Section 12	Section 12		ADJ- 5	ADJ-17	
2	Accumulated Deferred Tax Assets		\$ (67,410,517)	\$ (2,621,928)	\$ (883,638)	\$ 433,171	\$ (70,482,912)	\$ -	\$ -	\$ -
3	Accumulated Deferred Tax Liabilities		41,640,202	2,621,928	883,638	-	45,145,768	-	-	-
4	Total	\$ -	\$ (25,770,315)	\$ -	\$ (0)	\$ 433,171	\$ (25,337,144)	\$ -	\$ -	\$ -

Source:

Data Request No. 256 Revised - modified by Staff to reflect the June 30, 2018 allocation percentage of 5.01498372448451%

The Empire District Electric Company
Kansas
Docket No. 19-EPDE-223-RTS
Staff Data Request 256 - Staff Revised
WP 6.4 Accumulated Deferred Tax Assets
Page 1 of 1

Note: This data request no. 256 has been modified by Staff using the June 30, 2018 jurisdictional allocator of 5.01498372448451%

Updated to January 31, 2019													
Line No.	GL Account	Description	Reference	Total Company						Kansas			
				Ending Balance	Non-Cash/Disallowance	Net NOL Against Plant	Disallowed Plant	Exclude as Already Tax Effectuated	Reclassified Ending Balance	Allocation Percentage (1)	Kansas Ending Balance	TDC Adjustment	Kansas Adjusted Ending Balance
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i) =SUM (d) through (h)	(j)	(k) = (i) * (j)	(l)	(m) = (k) + (l)
1		Adjustment Number			Section 12	Section 12	Section 12	Section 12				ADI-17	
Deferred Tax Assets													
2	190112	Acc Df Tx-Ozark Beach Loss Gen	WP ADIT ↓	\$ (3,199,608.22)	\$ -	\$ -	\$ -	\$ -	\$ (3,199,608)	5.01%	\$ (160,460)		\$ (160,460)
3	190113	Def ITC Cr-Adv Coal		\$ (2,776,271.97)	2,776,272	-	-	-	-	5.01%	-		-
4	190114	Def Tax Asset - Reg Plan Amort		\$ 4,668,041.83	-	-	-	-	4,668,042	5.01%	234,102		234,102
5	190122	Def Fd Inc Tx-Acr Rate Ref-Ark		\$ 2,249.47	-	-	-	-	2,249	0.00%	-		-
6	190123	Def Inc Tax - Hedge Trans Gain		\$ 702,184.46	-	-	-	-	702,184	5.01%	35,214		35,214
7	190124	Def Fd Tax Asset - Misc		\$ (3,924,171.93)	-	-	-	-	(3,924,172)	5.01%	(196,797)		(196,797)
8	190125	FAS123 Deferred Tax Asset		\$ 646,910.58	-	-	-	-	646,911	5.01%	32,442		32,442
9	190211	Def Inc Tx - Disallow Plant		\$ 883,638.07	-	-	(883,638)	-	-	5.01%	-		-
10	190230	Def Tx Net Operating Loss		\$ 2,621,928.11	-	(2,621,928)	-	-	-	5.01%	-		-
11	190260	Def Fd Inc Tx-Of & Dir Def Com		\$ (1,196,823.92)	-	-	-	-	(1,196,824)	5.01%	(60,021)		(60,021)
12	190310	Def Fd Inc Tx-Contrib-Aid Const		\$ 6,572,612.81	-	-	-	-	6,572,613	5.01%	329,615		329,615
13	190320	Def Inc Tx-Def Tx Asset Fas109		\$ 56,758,213.57	(56,758,214)	-	-	-	-	5.01%	-		-
14	190330	Def Inc Tx-Pbop Costs		\$ 303,012.08	-	-	-	-	303,012	5.01%	15,196		15,196
15	190331	Def Inc Tx-Postret Ben-Pension		\$ (4,156,441.11)	-	-	-	-	(4,156,441)	5.01%	(208,445)		(208,445)
16	190340	Acm Def Inc Tx-Int Capitalized		\$ 10,867,810.29	-	-	-	-	10,867,810	5.01%	545,019		545,019
17	190350	Acm Def Inc Tx - Alt Minmn Tax		\$ (433,170.98)	-	-	-	433,171	-	5.01%	-		-
18	190356	Deferred Tax - FAS 158		\$ 13,428,575.12	(13,428,575)	-	-	-	-	5.01%	-		-
19	190410	SWPA Oz Beach Def Tx -AR		\$ 149,087.05	-	-	-	-	149,087	0.00%	-		-
20	190420	SWPA Oz Beach Def Tx - KS		\$ 116,505.34	-	-	-	-	116,505	100.00%	116,505		116,505
21	190430	SWPA Oz Beach Def Tx -MO		\$ 1,399,543.83	-	-	-	-	1,399,544	0.00%	-		-
22	190440	SWPA Oz Beach Def Tx -OK		\$ 64,169.44	-	-	-	-	64,169	0.00%	-		-
23	190450	SWPA Oz Beach Def Tx -FERC		\$ 407,985.01	-	-	-	-	407,985	0.00%	-		-
24		Total		\$ 83,905,979	\$ (67,410,517)	\$ (2,621,928)	\$ (883,638)	\$ 433,171	\$ 13,423,067		\$ 682,372	\$ -	\$ 682,372

Footnote:
(1) Allocator-General Plant and Intangible

Source: Data Request No. 256 Revised - modified by Staff to reflect the June 30, 2018 allocation percentage of 5.01498372448451%.

The Empire District Electric Company
Kansas
Docket No. 19-EPDE-223-RTS
Staff Data Request 256 - Staff Revised
WP 6.4 Accumulated Deferred Tax Liabilities
Page 1 of 1

Note: This data request no. 256 has been modified by Staff using the June 30, 2018 jurisdictional allocator of 5.01498372448451%

Updated January 31, 2019														
Line No.	GL Account	Description	Reference	Total Company						Kansas				
				Ending Balance	Non-Cash/Disallowance	Net NOL Against Plant	Disallowed Plant	Exclude as Already Tax Effected	Reclassified Ending Balance	Allocation Percentage (1)	Kansas Ending Balance	CWIP Adjustment	TDC Adjustment	Kansas Adjusted Ending Balance
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i) =SUM (d) through (h)	(j)	(k) = (i) * (j)	(l)	(m)	(n) = (k) + (l) + (m)
1	Adjustment Number			Section 12		Section 12	Section 12	Section 12				ADJ- 5	ADJ-17	
Deferred Tax Liabilities														
2	282100	Accum Def Fed Inc Tx-Ld Elect	WP ADIT 											

Footnote:

(1) Allocator-General Plant and Intangible

Source:

Data Request No. 256 Revised - modified by Staff to reflect the June 30, 2018 allocation percentage of 5.01498372448451%.

Empire District Electric Company
Docket No. 19-EPDE-223-RTS
Adjustment for Regulatory Liabilities
Test Year Ending June 30, 2018, Update January 31, 2019

Empire Adjustment No. 20

	(a)	(b)	(c)	(d)	(e)
					Adjustment Needed to Update Adjust. 20 to 1/31/2019 Balance (c) - (d)
Line No.	FERC Account No.	Description	Updated to 01/31/2019	Balance as of 06/30/2018	
1	254230	SWPA Oz Beach - Missouri	(375,359) (1)	(448,843) (2)	73,484
			Recalculated Excess Accumulated Deferred Income Tax 12/31/2017	Excess Accumulated Deferred Income Tax 12/31/2017 per Application	
2	254430	Excess ADIT as of December 31, 2017	(7,536,121) (3)	(7,143,944) (4)	(392,177)
		Adjustment to Regulatory Liabilities			(318,693)

- (1) Source: Data Request No. 265, WP 6.5 Regulatory Liabilities, line 20, column (m)
(2) Source: WP 6.5 Regulatory Liabilities in the Application, line 19, column (k)
(3) Source: Data Request No. 265, WP 6.5 Regulatory Liabilities, line 27, column (m)
(4) Source: WP 6.5 Regulatory Liabilities in the Application, line 26, column (k)

Empire District Electric Company
Docket No. 19-EPDE-223-RTS
Adjustment for Pension and Postretirement Benefit Expenses
Test Year Ending June 30, 2018, Update January 31, 2019

Empire Adjustment No. 18

(a)			(b)	(c)	(d)	(e)	(f)	(g)	(h)
Line No.	FERC Account No.	Description	Original Pension Expense Kansas Jurisdiction 06/30/2018	Updated Pension Expense Kansas Jurisdiction 01/31/2019	Staff Pension Expense Adjustment	Original Postretirement Benefit Expense Kansas Jurisdiction 06/30/2018	Updated Postretirement Benefit Expense Kansas Jurisdiction 01/31/2019	Staff Postretirement Benefit Expense Adjustment	Total Pension and Postretirement Benefit Adjustment
					(c) - (b)			(f) - (e)	(d) + (g)
1		Actuarial Cost Expensed - KS	355,632 (1)	418,691 (2)		49,596 (1)	90,257 (2)		
2		Tracker Amortization	252,936 (1)	289,465 (2)		83,078 (1)	83,958 (2)		
		FAS 88 Pension Settlement Expense	153,460 (1)	105,681 (3)		0	0		
		SERP	54,372 (1)	54,175 (2)		0	0		
3	926000	Total	816,400	868,012	51,612	132,674	174,215	41,541	93,153

- (1) Source: Empire Adjustment No. 18 work papers
(2) Source: Staff Data Request No. 297
(3) Source: Exhibit WEB - IS 1(b)

Note: The TDC portion of pension and postretirement benefits is sponsored by Staff witness Andria Jackson in Adjustment IS - 5.

Empire District Electric Company
Docket No. 19-EPDE-223-RTS
Adjustment for Pension Expense
Test Year Ending June 30, 2018, Update January 31, 2019

IS Adjustment No. 16 Pension Expense

Empire Adjustment No. 18

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	FERC		Original	Original	Updated	Updated	Adjustment
Line	Account	Description	Pension	Pension	Pension	Pension	Needed
No.	No.		Expense	Subtotals	Expense	Expense	to Update
			Kansas	Kansas	Kansas	Kansas	Adjust. 18 to
			Jurisdiction	Jurisdiction	Jurisdiction	Jurisdiction	1/31/2019
			06/30/2018		01/31/2019		Balance
							(f) - (d)
1	FAS 87 Cost						
2	Actuarial Cost		10,039,894 (1)		11,590,911 (2)		
3	Less: Capitalized Amounts, Water and other states' expense		<u>(9,684,262) (1)</u>		<u>(11,172,220) (2)</u>		
4	Pension Costs Expensed - KS			355,632		418,691	
	<u>Regulatory Tracking Accounts at 01/31/2019:</u>						
5	254112 Balance in Regulatory Liability - being amortized		0 (1)		0 (2)		
6	254105 Balance in Regulatory Liability - being tracked		0 (1)		0 (2)		
7	Overamortization of Regulatory Liability from 2010 Case		229,506 (1)		234,970 (2)		
8	182367 Balance in regulatory Asset - being tracked		<u>1,035,172 (1)</u>		<u>1,212,355 (2)</u>		
9	Total Balance		1,264,678		1,447,325		
10	Amortize over 5 years:			<u>252,936</u>		<u>289,465</u>	
11	Total Pension and 5 Year Amortization			608,568 (1)		708,156 (2)	
12	FAS 88 Pension Settlement Expense			153,460 (1)		105,681 (3)	
13	2018 SERP Expense			<u>54,372 (1)</u>		<u>54,175 (2)</u>	
14	Total to be Recovered			816,400		868,012	51,612

- (1) Source: Empire Adjustment No. 18 work papers
(2) Source: Staff Data Request No. 297
(3) Source: Exhibit WEB - IS 1(b)

Empire District Electric Company
Docket No. 19-EPDE-223-RTS
Adjustment for Pension Settlement Expense
Test Year Ending June 30, 2018, Update January 31, 2019

IS Adjustment No. 16 Pension Expense

Empire Adjustment No. 18

Line No.	(a) Description	(b) FAS 88 Pension Settlement From Empire's Adjust 18	(c) Updated FAS 88 Pension Settlement DR No. 239
1	2017 FAS 88 Pension Settlement Expense - Regulatory Basis	6,943,870 (1)	6,943,870 (2)
2	2018 FAS 88 Pension Settlement Expense - Regulatory Basis		9,793,017 (2)
3	Total	<u>6,943,870</u>	<u>16,736,887</u>
4	Divide by Applicable Number of Years	/ 2 Years	/ 7 Years
5	Average Pension Settlement Expense - Regulatory Basis	<u>3,471,935</u>	<u>2,390,984</u>
6	Multiply by Kansas Allocator	X .0442	X .0442
7	Normalized FAS 88 Settlement Expense	<u>153,460</u>	<u>105,681</u>

(1) Source: Empire Adjustment No. 18 work papers

(2) Source: Staff Data Request No. 297 / Calculation of FAS 88 Pension Settlement Entry work paper

Note: The purpose of this work paper is show Staff's adjustment to Empire's FAS 88 pension settlement. This adjustment compares Empire's original pension settlement Adjustment No. 18 based on only the 2017 settlement amount averaged over a 2 year period to Staff's settlement adjustment that is based on the sum of 2017 and 2018 pension settlement amounts averaged over 7 years.

Empire District Electric Company
Docket No. 19-EPDE-223-RTS
Adjustment for Postretirement Benefit Expense
Test Year Ending June 30, 2018, Update January 31, 2019

IS Adjustment No. 16 Postretirement Benefit Expense

Empire Adjustment No. 18

Line No.	FERC Account No.	(a) Description	(b)	(c) Original Postretirement Benefit Expense Kansas Jurisdiction 06/30/2018	(d) Original Postretirement Benefit Subtotals Kansas Jurisdiction	(e) Updated Postretirement Benefit Expense Kansas Jurisdiction 01/31/2019	(f) Updated Postretirement Benefit Expense Kansas Jurisdiction	(g) Adjustment Needed to Update Adjust. 18 to 1/31/2019 Balance (f) - (d)
1		FAS 106 Cost						
2		Actuarial Cost		2,203,353 (1)		3,182,369 (2)		
3		Less: Capitalized Amounts, Water and other states' expense		(2,153,757) (1)		(3,092,112) (2)		
4		Electric Postretirement Benefit Costs Expensed - KS			49,596		90,257	
		<u>Regulatory Tracking Accounts at 01/31/2019:</u>						
5		Balance in Regulatory Liability / Asset being amortized		0 (1)		0 (2)		
6	182360	Balance in Regulatory Asset being accumulated		415,389 (1)		419,792 (2)		
7		Total Balance		415,389		419,792		
8		Amortize over Five Years based on balance in reg liability			83,078		83,958	
9		Total Cost to be Recovered in Rate Case			132,674		174,215	41,541

(1) Source: Empire Adjustment No. 18 work papers

(2) Source: Staff Data Request No. 297

Empire District Electric Company
Docket No. 19-EPDE-223-RTS
Pension and Postretirement Benefit Expenses
Test Year Ending June 30, 2018, Update January 31, 2019

IS Adjustment No. 16 Pension and Postretirement Benefit Expenses

Empire Adjustment No. 18

Line No.	FERC Account No.	Description	Pension Expense Kansas Jurisdiction 01/31/2019	Postretirement Benefit Expense Kansas Jurisdiction 01/31/2019
1	926000	Actuarial Cost Expensed - KS	418,691	90,257
2	926000	FAS 88 Pension Settlement Expense	105,681	
3		Total	524,372	90,257

Source: Exhibit WEB - IS 1

Empire District Electric Company IS Adjustment No. 17 Pension Savings
Docket No. 19-EPDE-223-RTS
Adjustment to Eliminate the Savings From the Prepaid Pension Asset
Test Year Ending June 30, 2018, Update January 31, 2019

(a)		(b)	(c)
Line No.	FERC Account	Description	Amount
1	926	Reduction in Pension Expense Due to Savings from the Prepaid Pension Asset	(59,229) (1)

(1) Source: James Fallert's Direct Testimony, page 7, line 4
(1) Source: Exhibit WEB - IS 2(a)

Note: The TDC portion of the removal of pension savings from the prepaid pension asset is sponsored by Staff witness Andria Jackson in Adjustment IS - 5.

The Empire District Electric Company
Kansas
Docket No. 19-EPDE-223-RTS
WP ADJ 18 Prepaid Pension Asset Adjustment
Page 1 of 1

Line No.	Description	Reference	Total Company	Kansas (1)
	(a)	(b)	(c)	(d)
1	Adjustment to Pension Expense:			
2	Prepaid Pension Asset as of 12-31-2017	Prepaid Pension Asset	\$ 27,737,033	
3	Earnings Rate (Expected Return on Assets)		7.25%	
4	Savings		2,010,935	88,844
5	Percentage of savings to company		66.67%	
6	Adjustment for Test Year: 2/3 Savings for Company		\$ 1,340,623	\$ 59,229

Footnote:

(1) - Regulatory Asset - EDE Pension/OPEB Acquisition/Prepaid Pension Asset Allocator: 4.42%

Source: Data Request No. 297, page labeled "WP ADJ 18 Prepaid Pension Asset Adjustment"

Empire District Electric Company

IS Adjustment No. 18 Rate Case Expense

Docket No. 19-EPDE-223-RTS

Adjustment for Rate Case Expense

Test Year Ending June 30, 2018, Update January 31, 2019

	(a)	(b)	(c)
Line	Rate Case Expense Charged to	Description	Rate Case Expense
No.	Account		
1	928000	Rate Case Expense - Empire	241,095 (1)
2	928000	Rate Case Expense - CURB	37,099
3	928000	Rate Case Expense - Staff	128,957
4		Total Rate Case Expense	407,151
5		Amortize Total Rate Case Expense Over 5 Years (Line 4 divided by 5)	81,430
6		Less: Empire's Adjustment 7 in the Application	(213,730) (2)
7		Staff Rate Case Expense Adjustment	(132,300)

(1) Source: Data Request No. 300

(2) Source: Section 9, WP - 9.1 Pro Forma Adjustments, column (n) in the Application

Empire District Electric Company

IS Adjustment No. 19 Income Tax Expense

Docket No. 19-EPDE-223-RTS

Income Tax Expense - Amortization of Investment Tax Credit

Test Year Ending June 30, 2018, Update January 31, 2019

(a)

Line No.	FERC Account No.	Description	Amount
1	411413	Amortization of Investment Tax Credit	(2,629)

Note: Empire did not include the amortization of the investment tax credit (ITC) in the Application, so Staff made this adjustment to reflect the amortization of ITC in income tax expense.

Source: Work paper 11.1, line 47 Taxes Other in the Application
Data Request No. 334, question 1
Data Request No. 305, question 2



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 109

Page 1 of 2

Data Request Received: 01/25/18

Request No. 109

Date of Response: 01/29/19

Respondent: Kim Smith and

Tisha Sanderson

Submitted by: Bill Baldry

RE: Pension Funding

REQUEST:

1. Please describe Empire's pension funding policy.
2. Please provide the funding target attainment percentage for each of the Company's pension plan's assets to the plan's pension obligations based on the income tax method stated in Internal Revenue Code section 430(d) at the end of the Plan year.
3. Please provide the funding percentage (based on generally accepted accounting principles) for each of the Company's pension plans at the end of the Plan year.
4. If the Company's pension plan's Tracker 2 balance is negative at the end of the Test Year, please explain the various factors that caused the balance to be negative.

REQUEST:

1. In no event will the annual contribution be less than the greatest of: (1) the minimum contribution required by U.S. pension regulations, (2) the dollar amount needed to maintain the plan's adjusted funding target attainment percentage at 80% or above as of the beginning of the following plan year, and (3) the minimum contribution required by any applicable regulatory policy or order; and

In no event will an annual contribution be made if it would cause the plan's assets to exceed 120% of the plan's target liability.

2. As of 1/1/2018, the IRC 430(d) funding target attainment percentage is 105.17%.
 3. As of 12/31/18, the GAAP estimated funding target attainment percentage is 80.91%.
 4. Account 182367-KS pension - FAS87 Expense has a positive balance at 6-30-18 of \$993,557.
-



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 109

Page **2** of **2**

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/ Kim Smith

Date: Jan 29, 2019



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 113

Page 1 of 2

Data Request Received: 01/25/18

Request No. 113

Date of Response: 1/28/19

Respondent: Leslie Forest

Submitted by: Bill Baldry

RE: Gross Revenue Conversion Factor

REQUEST:

In Section 3 of the Application, there is a file called "Section 3 Revenue Requirement Model". In the file there is a worksheet called "WP - 3 GRCF". In the Factor column, the State Income Tax factor is a hard coded rate of 6.31%.

1. Please provide support as to how the 6.31% rate was calculated.
2. Please explain why the 6.31% rate differs from the state income tax percentage in the Rate column which is 7%.
3. Please explain why the use of the 6.31% rate is more appropriate than using 7% as the Kansas state income tax rate.

RESPONSE:

1. The support for the calculation of the 6.31% effective state tax rate is included in the Section 11 workpaper on the "Composite Income Tax Rate" tab, and attached to the Company's response to DR 113 for convenience, [DR 113 Composite Income Tax Rate.xlsx](#).
2. The 6.31% rate reflects the calculated effective tax rate for Kansas based on a 50% state deduction of federal taxes. On the attached workpaper Column (g) includes a 50% deduction for federal taxes.
3. In some of Empire's operating jurisdictions, an allowance of 50% of federal taxes is allowed to calculate the effective state tax rate. However, because Kansas does not allow for a deduction of federal taxes within their state income tax calculation the 7% statutory rate is more appropriate than utilizing the 6.31%.

Verification of Response



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 113

Page **2** of **2**

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/Leslie Forest

Date: January 28, 2019

The Empire District Electric Company

Kansas

Docket No. 19-EPDE-223-RTS

Section 11

WP - 11 Income Tax Calculation

Page 1 of 1

Federal						State					Combined	
(a) (b) (c) (d) (e)						(f) (g) (h) (i) (j)					(k) = (e) + (j)	
		<u>PreTax</u>	<u>State</u>	<u>PreTax</u> <u>less State</u>	<u>Statutory</u> <u>Rate</u>	<u>Effective</u> <u>Rate</u>	<u>PreTax</u>	<u>Federal*</u>	<u>PreTax</u> <u>less Fed</u>	<u>Statutory</u> <u>Rate</u>	<u>Effective</u> <u>Rate</u>	<u>Effective</u> <u>Rate</u>
Iteration	1	100.0000%	7.0000%	93.0000%	21.0000%	19.5300%	100.0000%	9.7650%	90.2350%	7.0000%	6.3165%	25.8465%
Iteration	2	100.0000%	6.3165%	93.6836%	21.0000%	19.6735%	100.0000%	9.8368%	90.1632%	7.0000%	6.3114%	25.9850%
Iteration	3	100.0000%	6.3114%	93.6886%	21.0000%	19.6746%	100.0000%	9.8373%	90.1627%	7.0000%	6.3114%	25.9860%
Iteration	4	100.0000%	6.3114%	93.6886%	21.0000%	19.6746%	100.0000%	9.8373%	90.1627%	7.0000%	6.3114%	25.9860%
Iteration	5	100.0000%	6.3114%	93.6886%	21.0000%	19.6746%	100.0000%	9.8373%	90.1627%	7.0000%	6.3114%	25.9860%

* State allows deduction of 50% of Federal



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 239

Page of **2**

Data Request Received: 03/06/19

Request No. 239

Date of Response: 3/15/19

Respondent: Jim Fallart

Submitted by: Bill Baldry

RE: Adjustment No. 18 Pension Settlements

REQUEST:

Re: FAS 87 Pension Expense ADJ work paper in Adjustment No. 18:

1. Please provide FAS 88 pension settlement expense by year (similar to the \$153,460 for 2018) for the period 2012 - 2018.
2. Please provide supporting work papers for FAS 88 settlements in the Test Year for (\$19,396).
3. Please provide a copy of the work papers that support the FAS 88 pension settlement expense of \$6,943,870.

RESPONSE:

1. See attached DR 239 - FAS 88 Settlement Expense by Year.xlsx
2. See attached DR 239 - Test Year Settlement Gain.xlsx which provides the FAS 88 entries in the test year. Please note that the amount booked in the test year was based on acquisition accounting.
3. See attached DR 239 - Settlement Detail 2017 and 2018.docx. This schedule provides the calculation of the 2017 amount of \$6,943,870 as well as a preliminary calculation of 2018. This will be updated when the 2018 calculation is finalized.

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



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 239

Page of **2**

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/ Jim Fallart

Date: March 15, 2019

The Empire District Electric Company
A Liberty Utilities Company
 Docket No. 19-EPDE-223-RTS
 Staff Data Response 239
 FAS 88 Settlement Expense by Year
 Regulatory Basis

Year		Total	Kansas Allocator		Kansas Amount
2012		-			-
2013		-			-
2014		-			-
2015		-			-
2016		-			-
2017	(1)	\$ 6,943,870	4.42%	\$	306,919
2018	*(2)	\$ 9,793,017	4.42%	\$	432,851

The amount included in the original filing included a two year average based on \$306,919 in 2017 and a conservative placeholder amount of zero in 2018, resulting in normalized expense of \$153,460.

The 2018 amount is now available.

The revised normalized expense based on the two year average is \$369,885.

* The 2018 amount is preliminary, subject to final review by the actuary.
An update will be provided when this is finalized.

(1) See 2017 FAS 88

(2) See 2018 FAS 88



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 256

Page of **1**

Data Request Received: 03/08/19

Request No. 256

Date of Response: 3/20/2019

Respondent: Leslie Forest

Submitted by: Chad Unrein

RE: Accumulated Deferred Income Taxes - Section 6.4 Update

REQUEST:

Per Accumulated Deferred Income Tax workpaper (Section 6.4 - ADIT.xls), please provide an update to the Accumulated Deferred Income Tax workpaper with ADIT balances as of January 31, 2019. Please provide the data as detailed by Asset Category and FERC account as presented in the excel document tabs found in the Section 6.4 - ADIT.xls file.

RESPONSE:

Please see attachment: DR 256 - Section 6.4 ADIT as of Jan 31, 2019.xlsx. The Company has updated Section 6.4 ADIT with balances as of January 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: /s/ Leslie Forest

Date: March 20, 2019

The Empire District Electric Company
Kansas

Docket No. 19-EPDE-223-RTS

Staff Data Request - 256 Original

Section 6

Section 6.4 Accumulated Deferred Income Tax (ADIT) Summary

Page 1 of 1

Note: This data request no. 256 is Empire's original response and is based on a jurisdictional allocator of 5.09%

Updated to January 31, 2019										
Line No.	Description	Reference	Total Company			Kansas				
			Ending Balance	Pro Forma Adjustments	Adjusted Ending Balance	Ending Balance	Pro Forma Adjustments	Adjusted Ending Balance 01/31/19	Adjusted Test Year Ending Balance	Staff Adjustment
(a)	(b)		(c)	(d)	(e) = (c) + (d)	(f)	(g)	(h) = (f) + (g)	(i) = (Section 6.4 - TDC Adjustment)	(j) = (h) - (i)
<u>Accumulated Deferred Income Taxes</u>										
1	Accumulated Deferred Tax Assets	WP 6.4 Acc. Deferred Tax Liab	\$ 83,905,979	\$ (70,482,912)	\$ 13,423,067	\$ 691,054	\$ -	\$ 691,054	700,787	\$ (9,733)
2	Accumulated Deferred Tax Liabilities	WP 6.4 Acc Deferred Tax Asset	(322,477,583)	44,262,130	(278,215,452)	(14,529,216)	-	(14,529,216)	(15,009,845)	480,630
3	Total Accumulated Deferred Income Taxes		<u>\$ (238,571,604)</u>	<u>\$ (26,220,782)</u>	<u>\$ (264,792,385)</u>	<u>\$ (13,838,162)</u>	<u>\$ -</u>	<u>\$ (13,838,162)</u>	<u># \$ (14,309,058)</u>	<u>\$ 470,897</u>

Note 1: The Adjusted Test Year Ending Balance reflects Section 6.4 - ADIT of the Application and includes deferred tax assets and liabilities as of June 30, 2018, and reflects the impact of Empire's CWIP adjustment. The TDC portion of the adjustment will be handled by Staff witness Andria Jackson in RB Adjustment No. 3.

Note 2: The Kansas jurisdictional amounts in this file are based on Empire's allocation percentage of 5.09% in the January 31, 2019 update. In preparing Staff's adjustments, Staff used Empire's June 30, 2018 allocation percentage of 5.01498372448451%.

Source: Data Request No. 256 - Original

Note: This data request no. 256 is Empire's original response and is based on a jurisdictional allocator of 5.09%

Test Year Ending June 30, 2018								
Line No.	Description	Reference	Total Company			Kansas		
			Ending Balance	Pro Forma Adjustments	Adjusted Ending Balance	Ending Balance	Pro Forma Adjustments	Adjusted Ending Balance
	(a)	(b)	(c)	(d)	(e) = (c) + (d)	(f)	(g)	(h) = (f) + (g)
Accumulated Deferred Income Taxes								
1	Accumulated Deferred Tax Assets	WP 6.4 Acc. Deferred Tax Liab	\$ 93,840,636	\$ (80,048,605)	\$ 13,792,031	\$ 700,787	\$ -	\$ 700,787
2	Accumulated Deferred Tax Liabilities	WP 6.4 Acc Deferred Tax Asset	(340,073,811)	48,316,069	(291,757,742)	(15,009,223)	(622)	(15,009,845)
3	Total Accumulated Deferred Income Taxes		<u>\$ (246,233,175)</u>	<u>\$ (31,732,536)</u>	<u>\$ (277,965,711)</u>	<u>\$ (14,308,436)</u>	<u>\$ (622)</u>	<u>\$ (14,309,058)</u>

Note: This work paper reflects Section 6.4 - ADIT of the Application and includes deferred tax assets and liabilities as of June 30, 2018, and reflects the impact of Empire's CWIP adjustment. The TDC portion of the adjustment will be handled by Staff witness Andria Jackson in adjustment no. 3.

Source: Data Request No. 256 - Original

Note: This data request no. 256 is Empire's original response and is based on a jurisdictional allocator of 5.09%

Updated January 31, 2019

Line No.	Description	Total Company						Kansas		
		CWIP Adjustment	Non-Cash/Disallowance Adj	Net NOL Against Plant Adj	Disallowed Plant Adj	Exclude as Already Tax Effected Adj	Total Adjustments	CWIP Adjustment	TDC Adjustment	Total Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g) =SUM (b) through (f)	(h)	(i)	(j) = (h) + (i)
1	Adjustment Number	ADJ-5	Section 12	Section 12	Section 12	Section 12		ADJ- 5	ADJ-17	
2	Accumulated Deferred Tax Assets		\$ (67,410,517)	\$ (2,621,928)	\$ (883,638)	\$ 433,171	\$ (70,482,912)	\$ -	\$ -	\$ -
3	Accumulated Deferred Tax Liabilities		41,640,202	2,621,928	-	-	44,262,130	-	-	-
4	Total	\$ -	\$ (25,770,315)	\$ -	\$ (883,638)	\$ 433,171	\$ (26,220,782)	\$ -	\$ -	\$ -

Source:

Data Request No. 256 - Original

Note: This data request no. 256 is Empire's original response and is based on a jurisdictional allocator of 5.09%

Updated to January 31, 2019													
Line No.	GL Account	Description	Reference	Total Company						Kansas			
				Ending Balance	Non-Cash/Disallowance	Net NOL Against Plant	Disallowed Plant	Exclude as Already Tax Effected	Reclassified Ending Balance	Allocation Percentage (1)	Kansas Ending Balance	TDC Adjustment	Kansas Adjusted Ending Balance
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i) =SUM (d) through (h)	(j)	(k) = (i) * (j)	(l)	(m) = (k) + (l)
1		Adjustment Number			Section 12	Section 12	Section 12	Section 12				ADI-17	
Deferred Tax Assets													
2	190112	Acc Df Tx-Ozark Beach Loss Gen	WP ADIT ↓	\$ (3,199,608.22)	\$ -	\$ -	\$ -	\$ -	\$ (3,199,608)	5.09%	(2) \$ (162,922)		\$ (162,922)
3	190113	Def ITC Cr-Adv Coal		\$ (2,776,271.97)	2,776,272	-	-	-	-	5.09%	(2) -		-
4	190114	Def Tax Asset - Reg Plan Amort		\$ 4,668,041.83	-	-	-	-	4,668,042	5.09%	(2) 237,693		237,693
5	190122	Def Fd Inc Tx-Acr Rate Ref-Ark		\$ 2,249.47	-	-	-	-	2,249	0.00%	-		-
6	190123	Def Inc Tax - Hedge Trans Gain		\$ 702,184.46	-	-	-	-	702,184	5.09%	(2) 35,755		35,755
7	190124	Def Fd Tax Asset - Misc		\$ (3,924,171.93)	-	-	-	-	(3,924,172)	5.09%	(2) (199,816)		(199,816)
8	190125	FAS123 Deferred Tax Asset		\$ 646,910.58	-	-	-	-	646,911	5.09%	(2) 32,940		32,940
9	190211	Def Inc Tx - Disallow Plant		\$ 883,638.07	-	-	(883,638)	-	-	5.09%	(2) -		-
10	190230	Def Tx Net Operating Loss		\$ 2,621,928.11	-	(2,621,928)	-	-	-	5.09%	(2) -		-
11	190260	Def Fd Inc Tx-Of & Dir Def Com		\$ (1,196,823.92)	-	-	-	-	(1,196,824)	5.09%	(2) (60,941)		(60,941)
12	190310	Def Fd Inc Tx-Contrb-Aid Const		\$ 6,572,612.81	-	-	-	-	6,572,613	5.09%	(2) 334,673		334,673
13	190320	Def Inc Tx-Def Tx Asset Fas109		\$ 56,758,213.57	(56,758,214)	-	-	-	-	5.09%	(2) -		-
14	190330	Def Inc Tx-Pbop Costs		\$ 303,012.08	-	-	-	-	303,012	5.09%	(2) 15,429		15,429
15	190331	Def Inc Tx-Postret Ben-Pension		\$ (4,156,441.11)	-	-	-	-	(4,156,441)	5.09%	(2) (211,643)		(211,643)
16	190340	Acm Def Inc Tx-Int Capitalized		\$ 10,867,810.29	-	-	-	-	10,867,810	5.09%	(2) 553,381		553,381
17	190350	Acm Def Inc Tx - Alt Minmn Tax		\$ (433,170.98)	-	-	-	433,171	-	5.09%	(2) -		-
18	190356	Deferred Tax - FAS 158		\$ 13,428,575.12	(13,428,575)	-	-	-	-	5.09%	(2) -		-
19	190410	SWPA Oz Beach Def Tx -AR		\$ 149,087.05	-	-	-	-	149,087	0.00%	-		-
20	190420	SWPA Oz Beach Def Tx -KS		\$ 116,505.34	-	-	-	-	116,505	100.00%	116,505		116,505
21	190430	SWPA Oz Beach Def Tx -MO		\$ 1,399,543.83	-	-	-	-	1,399,544	0.00%	-		-
22	190440	SWPA Oz Beach Def Tx -OK		\$ 64,169.44	-	-	-	-	64,169	0.00%	-		-
23	190450	SWPA Oz Beach Def Tx -FERC		\$ 407,985.01	-	-	-	-	407,985	0.00%	-		-
24		Total		\$ 83,905,979	\$ (67,410,517)	\$ (2,621,928)	\$ (883,638)	\$ 433,171	\$ 13,423,067		\$ 691,054	\$ -	\$ 691,054

Footnote:

(1) Allocator-General Plant and Intangible

(2) Please note that Empire used an allocator of 5.09% in its January 31, 2019 update.

Source: Data Request No. 256 - Original

Note: This data request no. 256 is Empire's original response and is based on a jurisdictional allocator of 5.09%

Updated January 31, 2019

				Total Company						Kansas				
Line No.	GL Account	Description	Reference	Ending Balance	Non-Cash/Disallowance	Net NOL Against Plant	Disallowed Plant	Exclude as Already Tax Effected	Reclassified Ending Balance	Allocation Percentage (1)	Kansas Ending Balance	CWIP Adjustment	TDC Adjustment	Kansas Adjusted Ending Balance
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i) =SUM (d) through (h)	(j)	(k) = (i) * (j)	(l)	(m)	(n) = (k) + (l) + (m)
1	Adjustment Number			Section 12	Section 12	Section 12	Section 12					ADJ- 5	ADJ-17	
Deferred Tax Liabilities														
2	282100	Accum Def Fed Inc Tx-Ld Elect	WP ADIT <											

Footnote:

(1) Allocator-General Plant and Intangible

(2) Please note that Empire used an allocator of 5.09% in its January 31, 2019 update

Source: Data Request No. 256 - Original



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 265

Page of **1**

Data Request Received: 03/13/19

Request No. 265

Date of Response: 03/21/2019

Respondent: Charlotte Emery

Submitted by: Bill Baldry

RE: Adjustment No. 3 - Tax Reform Adjustment

REQUEST:

Please update Adjustment No. 3 to January 31, 2019. Please provide the update in the same format as shown in the workpaper provided in support of Adjustment No. 3.

RESPONSE:

Please see the below attachments which reflect an updated Adjustment No. 3 and the workpaper supporting Adjustment No. 3.

“DR 265 - WP ADJ 3 Regulatory Assets & Liabilities updated.xlsx”

“DR 265 - Updated Section 6.5 Regulatory Assets and Liability.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: 03/21/2019

Test Year Ending June 30, 2018 - Updated to January 31, 2019

Line No.	Description (a)	Reference (b)	Total Company			Kansas		
			Ending Balance (c)	Pro Forma Adjustments (d)	Adjusted Ending Balance (e) =(c)+(d)	Ending Balance (f)	Pro Forma Adjustments (g)	Adjusted Ending Balance (h)=(f)+(g)
1	Regulatory Assets	WP-6.5 Reg Asset	\$ 239,278,053	\$ (91,477,745)	\$ 147,800,308	\$ 5,170,112	\$ (5,000,547)	\$ 169,564
2	Regulatory Liabilities	WP-6.5 Reg Liab	\$ (338,077,455)	\$ 157,598,192	\$ (180,479,263)	\$ (9,694,455)	\$ 1,782,975	\$ (7,911,480)
3	Total Regulatory Assets and Liabilities:		<u>\$ (98,799,402)</u>	<u>\$ 66,120,448</u>	<u>\$ (32,678,955)</u>	<u>\$ (4,524,343)</u>	<u>\$ (3,217,572.53)</u>	<u>\$ (7,741,915)</u>

Source: WP Reg Assets and Liabilities

Purpose: Arrive at total amount on books for regulatory assets and liabilities

Source: Data Request No. 265

The Empire District Electric Company
Kansas

Docket No. 19-EPDE-223-RTS

WP 6.5 Regulatory Assets

Page 1 of 2


Test Year Ending June 30, 2018 - Updated to January 31, 2019													
Line No.	FERC	Account	Description	Reference	Total Company			Kansas					
					Ending Balance	Reclass	Reclassified Ending Balance	Allocation Percentage	Ending Balance	Reclass	Kansas Reclassified Ending Balance	Adjustments to Reg Assets	Ending Adjusted Balance
	(a)	(b)	(c)	(d)	(e)	(f)	(g)=(e)+(f)	(h)	(i)=(g)*(h)	(j)	(k)=(i)+(j)	(l)	(m)=(k)+(l)
			Adjustment Number									ADJ 3	
1			Regulatory Assets:										
2	182	182303	Arkansas DSM Reg Asset	Section 12 WP Regulatory Assets	\$ (103,574)	\$ 103,574	\$ -	0% (1)	\$ -		\$ -		\$ -
3	182	182308	Iatan Deferred Carrying Costs		4,710,327	-	4,710,327	0% (1)	-		-		-
4	182	182309	Kansas DSM Reg Asset		-	-	-	100% (1)	-		-		-
5	182	182310	Oklahoma DSM Reg Asset		-	-	-	0% (1)	-		-		-
6	182	182311	Deferred Tax Asset-Fas 109		9,609,445	(9,609,445)	-	0% (1)	-		-		-
7	182	182317	Loss int swap 5.8% Nte 7-1-35		754,565	(754,565)	-	0% (1)	-		-		-
8	182	182318	Cust Programs Collaborative		4,850,133	-	4,850,133	0% (1)	-		-		-
9	182	182319	Reg Asset-Equity AFUDC		12,759,663	(12,759,663)	-	0% (1)	-		-		-
10	182	182320	Deferred KS Fuel Cost		678,040	-	678,040	100% (1)	678,040		678,040	(678,040)	-
11	182	182321	Recovery KS Fuel Cost		1,065,703	(1,065,703)	-	100% (1)	-		-		-
12	182	182324	KS 2007 Ice Storm Def Charges		157,350	(157,350)	-	100% (1)	-		-		-
13	182	182325	KS 2007 Ice Storm Carrying Cst		30,614	(30,614)	-	100% (1)	-		-		-
14	182	182326	EDG DSM Costs GR-2009-0434		5,587	(5,587)	-	0% (1)	-		-		-
15	182	182329	MEEIA Energy Efficiency Costs		136,211	-	136,211	0% (1)	-		-		-
16	182	182331	MO PlumPt Df Chgs ER-2010-0130		144,644	-	144,644	0% (1)	-		-		-
17	182	182332	MO IatanII Df Chg ER-2010-0130		9,101,418	-	9,101,418	0% (1)	-		-		-
18	182	182337	May 2011 Tornado Strm Deferral		351,674	-	351,674	0% (1)	-		-		-
19	182	182338	MO 2011 Tornado Depr Deferral		560,620	-	560,620	0% (1)	-		-		-
20	182	182339	May 2011 Tornado Carrying Cost		764,851	-	764,851	0% (1)	-		-		-
21	182	182343	PeopleSoft Costs ER-2011-0004		114,778	-	114,778	0% (1)	-		-		-
22	182	182344	LowInc Rate Pilot ER-2016-002		3,149	-	3,149	0% (1)	-		-		-
23	182	182347	Bank Credit Fees ER-2012-0345		-	-	-	0% (1)	-		-		-
24	182	182348	Vegatation Tracker ER-2012-0345		1,145,764	-	1,145,764	0% (1)	-		-		-
25	182	182350	Reg Asset - Asset Retire Oblig		21,406,838	(21,406,838)	-	0% (1)	-		-		-
26	182	182353	MO Pension-FAS87 Expense		1,079,939	-	1,079,939	0% (1)	-		-		-
27	182	182356	FAS158 Pen Reg Asset		20,385,286	(20,385,286)	-	0% (1)	-		-		-
28	182	182357	FAS158 OPEB Reg Asset		9,944,983	(9,944,983)	-	0% (1)	-		-		-
29	182	182359	Reg Pension Costs Amortization		1,297,851	-	1,297,851	0% (1)	-		-		-
30	182	182360	Kansas OPEB Tracker		419,792	(419,792)	-	100% (1)	-		-		-
31	182	182361	MO FAS 106 Under Recd Amt		-	-	-	0% (1)	-		-		-
32	182	182362	Deferred MO Fuel Cost		6,783,478	(6,783,478)	-	0% (1)	-		-		-
33	182	182363	Recovery MO Fuel Cost		-	-	-	0% (1)	-		-		-
34	182	182364	Reg Asset - Unrealized Deriv		515,151	(515,151)	-	0% (1)	-		-		-
35	182	182366	ITC Tax Basis Reduction -Iatan		4,774,887	(4,774,887)	-	0% (1)	-		-		-
36	182	182367	KS pension - FAS87 Expense		1,212,355	(1,212,355)	-	100% (1)	-		-		-
37	182	182369	OK Pension Under Recovered Amt		399,597	-	399,597	0% (1)	-		-		-
38	182	182371	OK OPEB Under Recovered Amt		2,240	-	2,240	0% (1)	-		-		-
39	182	182373	Deferred OK Fuel Cost		301,397	(301,397)	-	0% (1)	-		-		-
40	182	182377	MO Solar Initiative		10,872,633	-	10,872,633	0% (1)	-		-		-
41	182	182378	IatanII OM Tracker ER2014-0351		(40,921)	-	(40,921)	0% (1)	-		-		-
42	182	182379	IatCom OM Tracker ER2014-0351		158,142	-	158,142	0% (1)	-		-		-
43	182	182381	PP O&M Tracker ER2014-0351		22,981	-	22,981	0% (1)	-		-		-
44	182	182382	Riv 12 LTM Tracker ER2014-0351		8,541,880	-	8,541,880	0% (1)	-		-		-
45	182	182383	SolarRB to Amrt ER-2016-0023		4,727,916	-	4,727,916	0% (1)	-		-		-
46	182	182384	Reg Asset EDE Pension Acquistn		68,589,971	-	68,589,971	4.42% (1)	3,030,321		3,030,321	(3,030,321)	-
47	182	182385	Reg Asset EDE OPEB Aquistn		466,696	-	466,696	4.42% (2)	20,619		20,619	(20,619)	-
48	182	182398	Reg Asset Reclass - Noncurrent		(15,475,428)	15,475,428	-	0.00% (2)	-		-		-

The Empire District Electric Company
Kansas

Docket No. 19-EPDE-223-RTS

WP 6.5 Regulatory Assets

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Test Year Ending June 30, 2018 - Updated to January 31, 2019														
Line No.	FERC	Account	Description	Reference	Total Company			Kansas						
					Ending Balance	Reclass	Reclassified Ending Balance	Allocation Percentage	Ending Balance	Reclass	Kansas Reclassified Ending Balance	Adjustments to Reg Assets	Ending Adjusted Balance	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)=(e)+(f)	(h)	(i)=(g)*(h)	(j)	(k)=(i)+(j)	(l)	(m)=(k)+(l)	
			Adjustment Number									ADJ 3		
49	182	182399	Reg Asset Reclass - Current		15,475,428	(15,475,428)	-	0% (1)	-		-		-	
50	182	186100	Other Work In Progress		235,840	(235,840)	-	0% (1)	-		-		-	
51	182	186210	Deferred AP Charges-Unclassifi		(101,923)	101,923	-	0% (1)	-		-		-	
52	186	186213	Iat2 ITC def arbitration costs		369,680	(369,680)	-	0% (1)	-		-		-	
53	186	186214	Riverton Def Mtce Contract		255,414	-	255,414	0% (1)	-		-		-	
54	186	186730	Fin Expense-First Mortg Bonds		-	-	-	0% (1)	-		-		-	
55	186	186750	Fin Exp - Unsecured Debt		-	-	-	0% (1)	-		-		-	
56	186	186811	Elec Rate Case Exp - Ark		94,734	-	94,734	0% (1)	-		-		-	
57	186	186812	Elec Rate Case Exp - KS		215,148	-	215,148	100% (1)	215,148		215,148	(45,584)	169,564	
58	186	186813	Elec Rate Case Exp - MO		230,973	-	230,973	0% (1)	-		-		-	
59	186	186814	Elec Rate Case Exp - Okla		586,300	-	586,300	0% (1)	-		-		-	
60	186	186850	Water Rate Case Expense		-	-	-	0% (1)	-		-		-	
61	186	186940	Five Yr Maint Overhaul-Asb #1		-	-	-	0% (1)	-		-		-	
62	186	186945	2009 May Wind Storm		3,025	(3,025)	-	0% (1)	-		-		-	
63	186	186960	Employee Relocation Expenses		-								-	
64	186	NA	Prepaid Pension Asset			28,684,809	(947,603)	27,737,206	4.42% (2)	1,225,985		1,225,985	(1,225,985)	-
65			Total Regulatory Assets:			\$ 239,278,053	\$ (91,477,745)	\$ 147,800,308		\$ 5,170,112	\$ -	\$ 5,170,112	\$ (5,000,547)	\$ 169,564
					F	F	F		F	F	F	F	F	

(1) Direct Allocation to jurisdictions

(2) Allocator-Total Electric Operating Expenses EDE Pension/OPEB Acquisition

Source: Trial Balance Detail by Ferc 182 -186

Purpose: Provide complete list of Total Company regulatory assets by account

Source: Data Request No. 265

The Empire District Electric Company

Kansas

Docket No. 19-EPDE-223-RTS

WP 6.5 Regulatory Liabilities

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Test Year Ending June 30, 2018 - Updated to January 31, 2019

Line No.	FERC	Account	Description	Reference	Total Company			Kansas					
					Ending Balance	Reclass / Non Electric Adj.	Reclassified Ending Balance	Allocation Percentage	Ending Balance	Reclass	Reclassified Ending Balance	Adjustments to Reg Liability	Adjusted Ending Balance
	(a)	(b)	(c)	(d)	(e)	(f)	(g)=(e)+(f)	(h)	(i)=(g)*(h)	(j)	(k)=(i)+(j)	(l)	(m)=(k)+(l)
			Adjustment Number									ADJ 3	
1			Regulatory Liabilities:										
2	254	254002	Reg Liab Reclass - Current	Section 12 Regulatory Liabilities	\$ (3,066,385)	\$ 3,066,385	\$ -	0% (1)	\$ -		\$ -		\$ -
3	254	254100	Deferred Tax Liability-Fas 109		(56,758,214)	56,758,214	-	0% (1)	-		-		-
4	254	254101	MO FAS87 Pension RegLiab		(639,992)		(639,992)						
5	254	254102	Int Swap 6.7% Sr Note 11-15-33		(2,507,168)	2,507,168	-	0% (1)	-		-		-
6	254	254104	Deferred KS Fuel Cost - Liab		(433,301)	-	(433,301)	100% (1)	(433,301)		(433,301)	433,301	-
7	254	254108	MO FAS106 over recd amt		(3,704,022)		(3,704,022)	0% (1)	-		-		-
8	254	254110	Reg Liab - Cost of Removal		(156,549,450)	156,549,450	-	0% (1)	-		-		-
9	254	254111	Reg OPEB Costs Amortization		3,938	-	3,938	0% (1)	-		-		-
10	254	254113	Fuel Construction Acctg latan2		(7,244,280)	-	(7,244,280)	0% (1)	-		-		-
11	254	254114	Reg Liab - COR Drawdown		61,948,467	(61,948,467)	-	0% (1)	-		-		-
12	254	254115	OK FAS106-Over Recd Amt		(123,718)		(123,718)	0% (1)	-		-		-
13	254	254117	FAS 158 Pension Reg Liab		(29,879)	29,879	-	(3)					-
14	254	254118	FAS 158 OPEB Reg Liab		-	-	-	(3)					-
15	254	254162	Deferred MO Fuel Cost - Liab		(1,060,100)	1,060,100	-	0% (1)	-		-		-
16	254	254163	Recovery MO Fuel Cost - Liab		(2,463,487)	2,463,487	-	0% (1)	-		-		-
17	254	254164	Reg Liab - Unrealized Deriv		(178,360)	178,360	-	0% (1)	-		-		-
18	254	154165	Deferred OK Fuel Cost - Liab		-	-	-	(1)					-
19	254	254210	SWPA Oz Beach - Arkansas		(621,412)	-	(621,412)	0% (1)	-		-		-
20	254	254220	SWPA Oz Beach - Kansas		(375,359)	-	(375,359)	100% (1)	(375,359)		(375,359)		(375,359)
21	254	254230	SWPA Oz Beach - Missouri		(3,703,310)	-	(3,703,310)	0% (1)	-		-		-
22	254	254240	SWPA Oz Beach - Oklahoma		(206,645)	-	(206,645)	0% (1)	-		-		-
23	254	254250	SWPA Oz Beach - FERC		(1,739,283)	-	(1,739,283)	0% (2)	-		-		-
24	254	254380	Reg Liability- TCR		-	-	-	0% (1)	-		-		-
25	254	254410	AR Return of Excess DefTx 2017		-	-	-	0% (1)	-		-		-
26	254	254420	KS Return of Excess DefTx 2017		-	-	-	0% (1)	-		-		-
27	254	254430	MO Return of Excess DefTx 2017		(147,953,193)	-	(147,953,193)	5.09% (1)	(7,536,121)		(7,536,121)		(7,536,121)
28	254	254510	RegLiab RateRef 2017 TxRef AR		(22,907)	-	(22,907)	0% (1)	-		-		-
29	254	254520	RegLiab RateRef 2017 TxRef KS		(1,349,674)	-	(1,349,674)	100% (1)	(1,349,674)		(1,349,674)	1,349,674	-
30	254	254530	RegLiab RateRef 2017 TxRef MO		(11,728,453)	-	(11,728,453)	0%	-		-		-
31	254	254540	RegLiab RateRef 2017 TxRef OK		(637,652)	-	(637,652)	0%	-		-		-
32	254	254997	Reg Liab Reclass - Noncurrent		3,066,385	(3,066,385)	-	0% (1)	-		-		-
33	254	254998	Recovery KS Fuel Cost - Liab	WP Reg Assets-Liabilities	-	-	-	100% (1)	-		-		-
34			Total Regulatory Liabilities:		<u>\$ (338,077,455)</u>	<u>\$ 157,598,192</u>	<u>\$ (180,479,263)</u>		<u>\$ (9,694,455)</u>	<u>\$ -</u>	<u>\$ (9,694,455)</u>	<u>\$ 1,782,975</u>	<u>\$ (7,911,480)</u>
					F	F	F		F	F	F		

Source: Trial Balance Detail by Ferc 254

Purpose: Provide complete list of Total Company regulatory liabilities by account

(1) Direct Allocation to jurisdictions

(2) SWPA Ferc Allocator WP-Plant in Service

(3) EDE Pension/OPEB/ Prepaid Asset Allocator WP-Expenses

Source: Data Request No. 265

Test Year Ending June 30, 2018

Line No.	GL Account	Description	Reference	Kansas Adjustment
	(a)	(b)	(c)	(d)
1		<u>Regulatory Asset</u>		
2	186812	Remove Elec Rate Case Exp KS on books as 2016 case was withdrawn	Original WP ADJ 3	\$ (45,584)
3	182320	Deferred KS Fuel Cost Adjustment as component of ECA	January 4 State	(678,040)
4	N/A	Prepaid Pension Asset remove as prior Stipulation Agreement excludes inclusion in rate base	KCC DR 267	(1,225,985)
5	182384	Reg Asset EDE Pension Acquisition as prior Stipulation Agreement excludes inclusion in rate base	January 4 State	(3,030,321)
6	182385	Reg Asset EDE OPEB Acquisition as prior Stipulation Agreement excludes inclusion in rate base	January 4 State	(20,619)
				<u>(5,000,548)</u>
7		<u>Regulatory Liability</u>		
8	254104	Deferred KS Fuel Cost Adjustment as component of ECA	January 4 State	433,301
9	254520	RegLiab Rateref 2017 TxRef KS is removed per Direct Testimony on TCJA	January 4 State	1,349,674
				<u>1,782,975</u>
10		Total Regulatory Asset/Liability Adjustments		<u>\$ (3,217,573)</u>



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 267

Page of 1

Data Request Received: 03/13/19

Request No. 267

Date of Response: 03/16/19

Respondent: Jim Fallert

Submitted by: Bill Baldry

RE: Pension Trackers

REQUEST:

1. Please update the pension tracker 1 to reflect the twelve months ending January 31, 2019.
2. Please update the pension tracker 2 balance to January 31, 2019.

RESPONSE:

1. Actual Kansas tracker 1 balances as of January 31, 2019:

Pension - Account 182367 - \$1,212,355

OPEB – Account 182360 - \$419,792

2. Actual Kansas Tracker 2 balance as of January 31, 2019:

Prepaid Pension Asset: \$27,737,206 x 4.42% Kansas allocation = \$1,225,985

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/ Jim Fallert

Date: March 16, 2019



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 269

Page of **1**

Data Request Received: 03/13/19

Request No. 269

Date of Response: 03/29/2019

Respondent: Jim Fallert

Submitted by: Bill Baldry

RE: Postretirement Benefit Trackers

REQUEST:

1. Please update the postretirement benefit tracker 1 to reflect the twelve months ending January 31, 2019.
2. Please update the postretirement benefit tracker 2 balance to January 31, 2019.

RESPONSE:

1. The OPEB tracker 1 balance in Account 182360 was \$419,792 as of January 31, 2019.
2. The OPEB tracker 2 balance was zero as of January 31, 2019 (the OPEB balance is generally zero since policy is to contribute the same amount to the funds as is expensed).

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/ Jim Fallert

Date: 03/29/2019



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 297

Page of **1**

Data Request Received: 04/03/19

Request No. 297

Date of Response: 04/05/29

Respondent: Jim Fallert

Submitted by: Bill Baldry

RE: Pension and Postretirement Benefit Update

REQUEST:

The Company's Application included two files that adjusted pension and postretirement benefit expense labeled "WP ADJ 18 Pensions and OPEB" and "WP ADJ 18 Prepaid Pension Asset".

1. Please update each work paper included in these two files to reflect the activity for the twelve months ending January 31, 2019.

RESPONSE:

Please see attached workpaper labeled "DR 297 – Update – WP ADJ 18 Pension and OPEB.xlsx", which includes updates for the following items:

- FAS 87, SERP, and FAS 106 actuarial calculation updated from estimated 2018 to final 2018.
- Amortization of Regulatory Liability from 2010 case corrected to begin July 1, 2010.
- FAS 87 and FAS 106 Tracker 1 January 31, 2019 balance updated from estimate to actual.
- 2018 FAS 88 amount updated from estimate to actual (a placeholder of zero was included in the original workpapers).

Please see attached workpaper labeled "DR 297 – Update – WP ADJ 18 Prepaid Pension Asset.xlsx", please note this balance was updated to reflect the balance at 12/31/2018 which is the most current information available.

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/Jim Fallert

Date: April 5, 2019

The Empire District Electric Company
A Liberty Utilities Company
Kansas Rate Case 19-EPDE-223-RTS
Response to Staff Data Request - 297
Pension and OPEB Expense

Twelve Months Ending January 31, 2019

Normalized Expense	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
Actuarial Cost	\$ 418,691	90,257	508,948
Tracker Amortization	289,465	83,958	373,423
FAS 88 Pension Settlement Expense	369,885	-	369,885
SERP	54,175	-	54,175
Total	<u>1,132,216</u>	<u>174,216</u>	<u>1,306,432</u>
Test Year Expense			
FAS 87/106 Expense	284,291	52,728	337,019
FAS 88 Pension Settlement Expense	(19,396)	-	(19,396)
SERP	37,544	-	37,544
Total	<u>302,439</u>	<u>52,728</u>	<u>355,167</u>
Adjustment	<u>\$ 829,777</u>	<u>\$ 121,488</u>	<u>\$ 951,265</u>

Liberty Utilities
 Empire District Electric
 2019 KS Rate Case No. 18-EPDE-223-RTS
 Pension Expense

	<u>Actuarial 2018 Cost</u>	
FAS 87 Cost (Total Electric Segment)		
Actuarial Cost (See CBIZ Actuarial Report)	11,590,911	
Less: Capitalized Amounts, Water and other states' expense	(11,172,220)	
Pension Costs Expensed - KS (See A on 2018 Electric FAS 87 tab)		418,691
<u>Regulatory Tracking Accounts</u>	<u>Account No.</u>	<u>At 1/31/2019</u>
Balance in Regulatory Liability being amortized	701-254112	-
Balance in Regulatory Liability being tracked	701-254105	-
Overamortization of Regulatory Liability from 2010 Case		234,970
Balance in Regulatory Asset being tracked	701-182367	1,212,355
Total balance:		1,447,325
Amortize over 5 years:		289,465
Total FAS 87 pension & 5 year amortization		708,156
FAS 88 Pension Settlement Expense		369,885
2018 SERP Expense (See B on 2018 SERP - FAS 87 tab)		54,175
Total to be recovered:		1,132,216
Test Period Expense - 12 Months Ended June 30, 2018		
Pension	284,291	
FAS 88 Settlements	(19,396)	
SERP	37,544	
		302,439
Adjustment		\$ 829,777

Note: The previous S&A provided for total annual cost recovery of \$218,718 which was comprised of \$284,291 in actuarial cost and \$65,573 in amortization of a regulatory liability. This amortization ended in June 2015.

Liberty Utilities - EDE
Calculation of FAS 88 Pension Settlement Entry

2017 FAS 88 Pension Settlement Expense - Regulatory Basis	6,943,870
2018 FAS 88 Pension Settlement Expense - Regulatory Basis	<u>9,793,017</u>
Total	16,736,887
Divide by 2	<u>2</u>
Two - Year Average	8,368,444
Kansas Allocator	<u>4.42%</u>
Normalized FAS 88 Settlement Expense	<u><u>369,885</u></u>

Pension Regulatory Asset Amortization
Docket No. 10-EPDE-314-RTS

Balance to be Amortized Effective 7/1/2010	(327,865)
Amortization included in rates	
2010	32,787
2011	65,573
2012	65,573
2013	65,573
2014	65,573
2015	65,573
2016	65,573
2017	65,573
2018	65,573
2019 thru Jan 31	<u>5,464</u>
Balance as of January 31, 2019	<u><u>234,970</u></u>

Liberty Utilities
 Empire District Electric
 2019 KS Rate Case No. 19-EPDE-223-RTS
 FAS106 OPEB Expense

FAS106 Cost (Total Electric Segment)	Actuarial 2018 cost	
Actuarial Cost (See CBIZ Actuarial Report)	3,182,369	
Less: Capitalized Amounts, Water and other states' expense	3,092,112	
Electric OPEB Costs Expensed - KS (See A on 2018 Electric FAS 106 tab)		90,257
Regulatory Tracking Accounts	Account No.	At 1/31/2019
Balance in Regulatory Liability/Asset being amortized		-
Balance in Regulatory Asset being accumulated	701-182360	419,792
Total balance		419,792
Amortize over Five Years based on balance in reg liability		83,958
Total cost to be recovered in rate case		174,216
Test Period Expense - 12 Months Ended June 30, 2018		52,728
Adjustment		\$ 121,488

LIBERTY UTILITIES
The Empire District Electric Company
2017 Kansas Pension Settlement

Unit	Account	Dept	Product	Line Descr	Amount	Journal ID	Period	Year
GL001	926148	701	OT	2017 PENSION SETTLEMENT	(19,396.00)	FAS87ADJ	12	2017
					<u>(19,396.00)</u>			
					<u><u>(19,396.00)</u></u>			

Line No.	Description	Reference	Total Company	Kansas Jurisdiction
1	Adjustment to Pension Expense			
2	Prepaid Pension Asset as of 12-31-2018	WP-Reg Asset	\$ 27,737,206	
3	Earnings Rate (Expected Return on Assets)		7.25%	
	Savings		\$ 2,010,947	\$ 88,844
4	Percentage of savings to company		66.67%	
5	Adjustment for Test Year: 2/3 Savings for Company		1,340,632	\$ 59,229

(1) Sharing savings with customers 2/3 benefit to company and 1/3 to customer

(2) - Regulatory Asset - EDE Pension/OPEB Acquisition/Prepaid Pension Asset Allocator:		
Missouri	84.01%	WP - Expenses
Kansas	4.42%	WP - Expenses
Arkansas	3.33%	WP - Expenses
Oklahoma	3.05%	WP - Expenses
MO - Resale	5.01%	WP - Expenses
KS - Resale	0.18%	WP - Expenses
Total:	100.00%	
Based on total percentage allocation of jurisdictional portion of total company Electric Expenses.		



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 303

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



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 303

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: /s/ Charlotte Emery

Date: April 16, 2019

Mapping	Description	Book Basis	Tax Basis	Book - Tax Basis Differences	ADIT at 38.0875%	ADIT at 25.6400%	ADIT Adjustment	ADIT Adjustment Charged to Expense				Return to Customers	Tax Gross-Up	Regulatory Liability
								No Cash Tax Cost or Benefit Yet	Not a Regulated Business	Excluded in Previous Cases	Total			
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)
Prepays	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%

Jurisdiction	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)

Source: Data Request No. 303



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 305

Data Request Received: 04/05/19

Request No. 305

Date of Response: 04/16/2019

Respondent: Steve Williams

Submitted by: Bill Baldry

RE: DR No. 256 Accumulated Deferred Income Tax

REQUEST:

1. For each account listed in accounts 190, 282, and 283 in the response to DR No. 256, please provide the rationale for including or excluding the account in the Reclassed Ending Balance.
2. Deferred Tax Assets - Line 3 Account 190113 Def ITC Cr - Adv coal - Please explain why an adjusting entry was made to remove the account.
3. Deferred Tax Liabilities - Line 14 Account 283366 Def Tx - ITC Tx Basis Red - Iatan - Please explain what this account is and why an adjusting entry was made to remove the account.
4. Deferred Tax Liabilities - Line 19 Account 283917 Def Tx Liab - Equity AFUDC - Please explain why an adjusting entry was made to remove the account.

RESPONSE:

1. In general, a deferred tax liability (DTL) recorded in account 282 or 283 should not reduce rate base unless it is a source of cost-free capital to a utility and relates to an asset or liability reflected in rate base. Similarly, a deferred tax asset (DTA) recorded in account 190 should not increase rate base unless it resulted from a payment of tax and relates to an asset or liability reflected in rate base. The further explanations below relate to the specific DTA and DTL accounts excluded from the Reclassed Ending Balance in the response to DR No. 256.

Deferred Tax Assets:

- a. Def ITC Cr-Adv Coal – This DTA is a tax attribute, a tax credit carryforward related to the investment in the Iatan generation plant, and did not result from a payment of tax.
- b. Def Inc Tx - Disallow Plant – This DTA relates to an impairment cost recognized for financial reporting purposes due to a ratemaking disallowance of cost recovery through customer rates. It neither relates to the cost of an asset included in rate base nor resulted from a payment of tax.
- c. Def Tx Net Operating Loss – To the extent that a utility incurs a net operating loss resulting from deducting accelerated tax depreciation and has yet to utilize the attribute to reduce current tax liability, the DTL attributable to the depreciation-related book/tax difference has



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 305

- not resulted in a source of cost-free capital. The amount of this excluded DTA is the same as the offsetting reduction to the DTL for accelerated depreciation listed below as item g.
- d. Def Inc Tx-Def Tx Asset Fas109 – This excluded DTA relates to a tax-related regulatory liability that is not reflected in rate base.
 - e. Acm Def Inc Tx - Alt Minmn Tax – This item is an allocation of a consolidated tax attribute and is not required to be included in rate base under the normalization requirements.
 - f. Deferred Tax - FAS 158 – This excluded DTA relates to pension and other post-retirement benefit liabilities recorded for financial reporting purposes under FAS 158, but not recovered in rates charged until funded. An equal and offsetting DTL related to the regulatory asset for these accrued costs is also excluded from rate base and is listed below as item l.

Deferred Tax Liabilities:

- g. Accum Def Fed Inc Tx-Ld Elect – This depreciation-related DTL was reduced by the amount of the DTA for the depreciation-related net operating loss carryforward described above in item c.
- h. Acc Def Fed Inc Tx-LD NonUt DR – This DTL relates to non-utility assets not included in rate base and costs not recoverable through rates.
- i. Acc Def Fed Inc Tx-LD NonUT CR – This DTL relates to non-utility assets not included in rate base and costs not recoverable through rates.
- j. Accumul Def Inc Tx-Ld Water – This DTL relates to water utility assets not included in rate base in this rate proceeding.
- k. Def Tx-ITC Tx Basis Red-latan – This DTL relates to the reduction in tax basis required for property for which an investment tax credit under IRC Section 48A is claimed. Under ASC 740, the DTL is recorded upon placing the asset into service although the reduction of tax depreciation (relative to the amount of depreciation for financial reporting purposes) occurs over the 20-year tax life of the asset. This DTL represents a future tax liability, not a cumulative tax savings producing a zero-cost source of capital.
- l. Def Inc Tax - FAS158 – This excluded DTL relates to the regulatory asset for pension and other post-retirement benefit liabilities recorded for financial reporting purposes under FAS 158, but not recovered in rates charged until funded. An equal and offsetting DTA related to the liabilities is also excluded from rate base and is listed above as item i.
- m. Def Inc Tax-Deftx Liab Fas 109 – This excluded DTL relates to a tax-related regulatory asset that is not included in rate base.
- n. Def Tx Liab-Equity AFUDC – This excluded DTL relates to accrued Equity AFUDC capitalized to plant and the regulatory asset equal to the tax-gross-up of the AFUDC-Equity accrued and capitalized on an after-tax basis. The excluded DTL equals the amount of the tax-related regulatory asset. Neither are reflected in rate base.

2. This response is intended to provide further details to the response above in item 1a. This DTA relates to the unrealized IRC Section 48A credit that Empire is carrying forward to reduce federal income



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 305

tax liability in a future tax year. It did not result from a tax payment and is not related to another income tax account that is considered in ratemaking. (Note that under Empire's normalization method of accounting for investment tax credit, amortization reduces regulatory tax expense, but unamortized investment tax credit does not affect rate base.) Utilization of the credit carryforward in a future tax year will not affect rate base. Accordingly, this adjustment is necessary in order to not overstate rate base.

3. This response is intended to provide further details to the response above in item 1k. This DTL is recorded in accordance with ASC 740-10-25-20e. It is an example of a temporary difference requiring recognition of a DTL pursuant to ASC 740 (as well as its predecessor FAS 109) despite not constituting a book/tax timing difference between the recognition of book income and taxable income in a prior period and, thus, not resulting in recording accumulated deferred income taxes under APB No. 11. A regulatory asset was recorded to offset this DTL because the associated deferred tax expense will be recovered as the asset is depreciated for regulatory purposes (without corresponding tax depreciation in any period). This DTL does not represent a source of zero-cost capital and does not reduce rate base. Further, the regulatory asset is not included in rate base. This financial reporting is not unique to the IRC Section 48A credit and also applies to other forms of investment tax credit available to utilities. The ratemaking for investment tax credit is the same before and after the effective date of FAS 109 (and is unaffected by the codification as ASC 740) although the financial reporting differs as compared to the results under APB No. 11. Accordingly, this adjustment is necessary to preserve the historical ratemaking treatment.

4. This response is intended to provide further details to the response above in item 1n. This DTL is recorded in accordance with ASC 980-740-25-1b. As described in ASC 980-740-25-2, a regulatory asset was recorded to offset this DTL because the associated deferred tax expense will be recovered as the asset is depreciated, not when the AFUDC-Equity accrues. This DTL does not represent a source of zero-cost capital and the adjustment is necessary so that the account does not reduce rate base. Further, the regulatory asset of an equal and offsetting amount is not included in rate base.

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/ Steve Williams

Date: 04/16/2019



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 313

Data Request Received: 04/05/19

Request No. 313

Date of Response: 04/10/19

Respondent: Jim Fallert

Submitted by: Bill Baldry

RE: DR No. 239 Pension Settlement

REQUEST:

DR No. 239 shows the pension settlement loss was divided by 2 years.

1. a. Please explain why the settlement loss was averaged over 2017 and 2018.

b. Please explain why a 2-year period was determined to be preferable rather than some other period of time.

RESPONSE:

1. a. The 2018 pension settlement balance was not available at the time of the initial filing of the Company's rate case application. Therefore, the original filing included a two year average using 2017 actual and a conservative placeholder of zero for 2018.

b. A 2-year period was determined to be preferable as it provided the most recent experience and therefore seemed likely to provide the most appropriate normalization of expense going forward.

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/Jim Fallert

Date: April 10, 2019



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 334

Page of **2**

Data Request Received: 04/12/19

Request No. 334

Date of Response: 4/17/19

Respondent: Steve Williams

Submitted by: Bill Baldry

RE: Investment Tax Credit

REQUEST:

On the Summary in Section 12 - 4 State Allocator Worksheet for 06/30/2018, line 23 of the Application, Staff noticed there was no balance for investment tax credit.

On WP - 11.1 Taxes Other, line 47 shows an amount of (\$86,295) for investment tax credit.

1. Please explain why Empire has no investment tax credit balance as of June 30, 2018 in the Application.
2. Please explain how WP - 11.1 can show an investment tax credit amortization for (\$86,295), but not reflect an investment tax credit balance in Rate Base.
3. Please explain why the amortization in WP - 11.1 for (\$86,295) is not included in the Application's income statement.

RESPONSE:

1. Please see the Company's response to question 2 of DR 305 regarding the accounting treatment of ITC. Empire carries a balance in account 255 for accumulated deferred investment tax credit that is amortized into tax expense over the book lives of the assets which generated it. Since it is not included in rate base, it is not included in allocation factors.
2. Accumulated deferred investment tax credit is amortized into tax expense in the cost of service calculation and should not be reflected in rate base. This methodology is in accordance with the normalization requirements of the Internal Revenue Code and the method elected by the Company. These rules do not permit a utility to both reduce income tax expense by ITC amortization and to reduce rate base by unamortized ITC.
3. Amortization of accumulated deferred investment tax credit is a reduction to income tax expense and not a separate element of income. It is included in the income statement.



The Empire District Electric Company

A Liberty Utilities Company

Docket No. 19-EPDE-223-RTS

Staff Data Request – 334

Page of **2**

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/ Steve Williams

Date: 04/22/2019

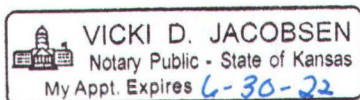
STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

VERIFICATION

Bill Baldry, being duly sworn upon his oath deposes and states that he is Senior 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.

Bill Baldry
Bill Baldry
Senior 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

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

CERTIFICATE OF SERVICE

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