

Exhibit No.
Issue: Annual ECA-ACA Filing
Witness: Charlotte T. Emery
Type of Exhibit: Direct Testimony
Sponsoring Party: The Empire District
Electric Company
Docket No. 23-EPDE-547-ACA
Date Testimony Prepared: January 24, 2023

**Before the State Corporation Commission
of the State of Kansas**

Direct Testimony

of

Charlotte T. Emery

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

January 24, 2023



TABLE OF CONTENTS
FOR THE DIRECT TESTIMONY OF CHARLOTTE T. EMERY
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE STATE CORPORATION OF THE STATE OF KANSAS
DOCKET NO. 23-EPDE-547-ACA

SUBJECT	PAGE
I. INTRODUCTION.....	1
II. PURPOSE	2
III. BACKGROUND.....	2
IV. ACA APPLICATION	3
V. CONCLUSION	7

DIRECT TESTIMONY OF CHARLOTTE T. EMERY
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE KANSAS CORPORATION COMMISSION
DOCKET NO. 23-EPDE-547-ACA

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Charlotte T. Emery, and my business address is 602 South Joplin Avenue, in Joplin,
4 Missouri.

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

6 A. My employer is Liberty Utilities Services Corp., and I serve as the Senior Director of
7 Rates and Regulatory Affairs for Liberty's Central Region, which includes The Empire
8 District Electric Company ("Liberty-Empire" or "Company").

9 **Q. Please describe your educational and professional background.**

10 A. I graduated from College of the Ozarks, Point Lookout, Missouri, in 2000 with a
11 Bachelor of Science degree with a major in Accounting. I have been a Certified Public
12 Accountant ("CPA") in the State of Missouri since 2006. I was hired by Liberty-Empire
13 in July 2016 as a Rates Analyst and promoted to my current position as the Senior
14 Director of Rates and Regulatory Affairs in 2022. Prior to joining the Company, I
15 worked for six years in the regulated insurance industry in Springfield, Missouri as a
16 Director of Accounting. In addition, I have nine years of public accounting experience
17 working for both a national and "Big Four" accounting firm. My primary roles at these
18 organizations included serving as a supervisor for financial statement audits and a tax
19 consultant.

20 **Q. Have you previously presented testimony before the Kansas Corporation**
21 **Commission ("Commission") or any other state regulatory commission?**

1 A. Yes. I have testified on behalf of Liberty-Empire before the Kansas Corporation
2 Commission as well as the Missouri Public Service Commission, the Arkansas Public
3 Service Commission, and the Oklahoma Corporation Commission. The case
4 references are attached to this testimony as Schedule CTE-1.

5 **II. PURPOSE**

6 **Q. What is the purpose of your testimony in this proceeding?**

7 A. My testimony supports Liberty-Empire's request to the Commission for an order
8 approving the Annual Cost Adjustment ("ACA") factor submitted to the Commission
9 as part of Liberty-Empire's approved Energy Cost Adjustment ("ECA") tariff.

10 **Q. What is the ACA period that is addressed in your testimony?**

11 A. The historical ACA period discussed in my testimony is the twelve-month period
12 November 1, 2021 through October 31, 2022 ("ACA period"). I also discuss the ECA
13 projection for calendar year 2023.

14 **III. BACKGROUND**

15 **Q. Please provide a general background of the filing and why it is being made at this
16 time.**

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

1 **Q. Please describe Liberty-Empire’s electric operations.**

2 A. The Company operates an integrated electric system that covers portions of four states,
3 Kansas, Missouri, Oklahoma, and Arkansas. Liberty-Empire provides electric service
4 in an area of approximately 10,000 square miles in the southeast corner of Kansas and
5 the adjacent corners of Missouri, Oklahoma, and Arkansas. The Company's operations
6 are regulated by the utility regulatory commissions of these four states as well as the
7 Federal Energy Regulatory Commission (“FERC”). The service area contains 133
8 incorporated communities in 26 counties in the four-state area.

9 **Q. Please briefly describe the Southwest Power Pool Integrated Marketplace (“SPP**
10 **IM”).**

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

20 **IV. ACA APPLICATION**

21 **Q. Were the attachments to the ACA application prepared by you or prepared under**
22 **your direct supervision?**

23 A. Yes.

24 **Q. Please describe the attachments.**

1 A. The attachments to the ACA application support the ACA and display the actual energy
2 costs incurred by Liberty-Empire during the ACA period ending October 31, 2022, as
3 well as the actual ECA revenue billed to our Kansas retail customers during the ACA
4 true-up period to arrive at the (over)/under ACA recovery period. In addition, the
5 attached schedules display a monthly energy cost forecast for calendar year 2023 as
6 required by Liberty-Empire's ECA tariff. This monthly forecast of 2023 energy costs
7 were developed using a production cost model that is discussed in Company witness
8 Mr. Tarter's Direct testimony. As required by the settlement approved by the
9 Commission in the 712 Docket, this forecast excludes the effect of the financial
10 instruments Liberty-Empire had in place to hedge the price of natural gas for calendar
11 year 2023. However, the Company has and will continue to have discussions with
12 Stakeholders regarding the inclusion of these financial instruments.

13 **Q. Has the Company revised its Attachment A that was included in its application**
14 **filed on December 21, 2022?**

15 A. Yes. Liberty-Empire filed a revised Schedule 1 within Attachment A. The Company
16 inadvertently included the 2022 budgeted information originally and submitted a
17 revised Attachment A properly reflecting the 2023 budget.

18 **Q. How did the Company consider the SPP IM in arriving at its 2023 ECA forecast?**

19 A. Liberty-Empire utilized a production cost model to simulate a market approach for this
20 Kansas ECA forecast. The production cost model yields a forecast of the monthly
21 resource generation and fuel requirements at each of the Company's power plants. It
22 also provides a forecast of the monthly resource generation and costs associated with
23 purchased power agreements. This generation from Liberty-Empire resources is sold
24 into the SPP IM. Monthly revenue from those sales and native load costs from market

1 purchases are also products of the production cost model in order to arrive at a monthly
2 net fuel and purchase power figure.

3 **Q. Please explain how the SPP IM has changed the off-system profit factor in the**
4 **calculation of the Kansas ECA?**

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

10 With the SPP IM, any bilateral deals or import/export deals with counterparties
11 will flow through the ACA calculation rather than the off-system profit factor. Thus,
12 there is no balance for off-system sales profit that needs to be incorporated into the
13 ACA factor for calendar year 2023. This is reflected on Attachment A, Schedule 2. As
14 indicated, the energy cost under-recovery of \$255,611 has been used to arrive at an
15 ACA factor of \$0.00111 per kWh for calendar year 2023. This ACA factor is designed
16 to remain constant for each month of calendar year 2023.

17 **Q. Were there any prior period or current period adjustments made?**

18 A. Yes. Liberty-Empire made an adjustment for SPP resettlements related to the
19 extraordinary fuel costs that was a result of Winter Storm Uri. The recovery of the
20 Winter Storm Uri costs is being requested in a separate docket which has been opened
21 by the Commission on the matter¹. The Kansas extraordinary adjustment amount
22 removed from the calculation totals (\$484,091). Refer to Attachment A Schedule 2

¹ 21-EPDE-330-GIE.

1 and Schedule 3 for more specifics. This adjustment related to SPP resettlements credits
2 received in December 2021 associated with Winter Storm Uri.

3 **Q. What was the (over)/under recovery balance at the end of October 2021 as filed?**

4 A. As reflected on Attachment A, Schedule 2, there was an under-recovery at October 31,
5 2022 of \$255,611. The overall ACA balance has been adjusted to reflect the exclusion
6 of the gains/losses associated with the financial instruments used to hedge natural gas
7 purchases during the ACA period and the gains/losses associated with any sale of
8 excess natural gas.

9 **Q. How did the initial 2022 forecast of Kansas ECA energy costs compare to the**
10 **actual Kansas ECA energy costs for the current aca period?**

11 A. The actual Kansas ECA average energy costs, including the natural gas transportation,
12 for the twelve-months ending October 31, 2022 were higher than those originally
13 forecast in the last ACA filing prepared roughly a year ago. The average energy cost
14 was originally forecast as \$23.36 per Mega-Watthour (“MWh”). The actual energy
15 costs came in at \$40.96 per MWh, or about 75% higher than the original forecast. In
16 terms of overall eligible energy costs for Empire’s Kansas jurisdiction, the ACA period
17 energy costs were \$9.4 million versus a budget of \$4.9 million.

18 **Q. Please describe the forecast of ECA factors for the upcoming calendar year of**
19 **2023.**

20 A. Attachment A, Schedule 1 of the ACA filing, reflects the forecast of the ECA factor
21 for each month for calendar year 2023. This forecast combines the results for the
22 (over)/under recovery of eligible energy costs and the Kansas ECA forecast of 2023
23 fuel and energy costs to arrive at a monthly forecast of 2023 Kansas ECA factors. As
24 indicated, these factors range from a high of \$0.05403 in February of 2023 to a low of

1 \$0.03544 in June of 2023. The forecast of energy costs for 2023 also incorporates
2 Liberty-Empire's current estimate of fuel prices excluding the impact of the financial
3 instruments used to hedge Empire's natural gas requirements for calendar year 2023.

4 V. CONCLUSION

5 Q. **Do the energy costs reflected in the Liberty-Empire ACA constitute a fair,**
6 **reasonable and effective method of procuring the fuel and energy requirements**
7 **for the Company and Liberty-Empire's Kansas electric customers?**

8 A. Yes. The calculation of the ACA has been made in accordance with the Liberty-Empire
9 ACA tariff authorized by the Commission. It also reflects the actual results of a
10 reasonable and effective management policy related to the operation of the Company's
11 generating units and a structured approach to the acquisition of fuel for the generating
12 units that has been in place for several years. The fuel acquired for the units was
13 acquired in the competitive marketplace under competitive conditions. I believe
14 approval of the ACA factor proposed by Liberty-Empire for calendar 2023 in its
15 entirety is reasonable, prudent and in the public interest and recommend approval by
16 the Commission.

17 Q. **Does this conclude your Direct Testimony?**

18 A. Yes, it does.

Jurisdiction	Type	Docket No.	Docket Description
MO	Testimony	GR-2018-0013	In the Matter of Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities' Tariff Revisions Designed to Implement a General Rate Increase for Natural Gas Service in the Missouri Service Areas of the Company
MO	Affidavit	EO-2018-0092	Affidavit in Support of Non-Unanimous Stipulation and Agreement In the Matter of the Application of the Empire District Electric Company for Approval of Its Customer Savings Plan
AR	Testimony	18-006-U	In the matter of an Investigation of The Effect on Revenue Requirements Resulting From Changes to Corporate Income Tax Rates Under the Tax Cuts and Jobs Act of 2017
AR	Testimony	16-053-U	In the matter of The Empire District Electric Company's Request for approval of its proposed Riverton Rider
KS	Testimony	18-GIMX-248-GIV	In the Matter of a General Investigation Regarding the Effect of Federal Income Tax Reform on the Revenue Requirements of Kansas Public Utilities and Request to Issue an Accounting Authority Order Requiring Certain Regulated Public Utilities to Defer Effects of Tax Reform to a Deferred Revenue Account
AR	Testimony	81-071-F	In the Matter of the determination of the rules regulating the rate and service of cogenerators and small power producers
AR	Testimony	18-055-TF	In the Matter of The Empire District Electric Company Request for Approval of a Tax Adjustment Rider to Provide Tax Benefits to its Retail Customers
AR	Testimony	18-054-TF	In the Matter of Liberty Utilities (Pine Bluff Water) Inc. Request for Approval of a Tax Adjustment Rider to Provide Tax Benefits to its Retail Customers
MO	Testimony	ER-2018-0366	In the Matter of a Proceeding Under Section 393.137 (SB 564) to Adjust the Electric Rates of The Empire District Electric Company
OK	Testimony	PUD 201800087	Application of Brandy L. Wreath, Director of the Public Utility Division, Oklahoma Corporation Commission, For a Public Hearing To Review and Monitor Application of the Fuel Adjustment Clause of Empire District Electric Company, a Kansas Corporation, for the Calendar Year 2017 and, For a Prudence Review of the Fuel Procurement Processes and Costs of Empire District Electric Company, A Kansas Corporation, for the Calendar Year 2017
KS	Testimony	19-EPDE-223-RTS	In the Matter of the Application of The Empire District Electric Company for Approval of the Commission to Make Changes in Charges for Electric Service
MO	Testimony	ER-2020-0093; EO-2020-0094	Fuel Adjustment Clause- October 1, 2019 Semi-Annual Update
MO	Testimony	ER-2020-0311; EO-2020-0312	Fuel Adjustment Clause- April 1, 2020 Semi-Annual Update
MO	Testimony	ER-2021-0097; EO-2021-0098	Fuel Adjustment Clause- October 1, 2020 Semi-Annual Update
MO	Testimony	ER-2021-0332; EO-2021-0333	Fuel Adjustment Clause- April 1, 2021 Semi-Annual Update
MO	Testimony	ER-2021-0312	In the Matter of the Request of The Empire District Company d/b/a Liberty for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area
MO	Testimony	ER-2022-0095; EO-2022-0096	Fuel Adjustment Clause- October 1, 2021 Semi-Annual Update
OK	Testimony	PUD 202100163	In The Matter Of The Application of The Empire District Electric Company, a Kansas Corporation, for an Adjustment In Its Rates and Charges For Electric Service In The State Of Oklahoma
MO	Testimony	ER-2022-0274; ER-2022-0275	Fuel Adjustment Clause- April 1, 2022 Semi-Annual Update

CERTIFICATE OF SERVICE

This is to certify that the undersigned has served a copy of the foregoing instrument via email, to the parties listed below on this 24th day of January, 2023.

/s/ Angela Cloven
Angela Cloven

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

JOSEPH R. ASTRAB
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604
j.astrab@curb.kansas.gov

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

DAVID W. NICKEL, CONSUMER COUNSEL
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
D.NICKEL@CURB.KANSAS.GOV

SHONDA RABB
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
s.rabb@curb.kansas.gov

DELLA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
d.smith@curb.kansas.gov

DIANA C. CARTER
LIBERTY UTILITIES - EMPIRE DISTRICT
428 E. CAPITOL AVE. STE. 303
JEFFERSON CITY, MO 65101
Diana.Carter@libertyutilities.com

WALKER HENDRIX, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
w.hendrix@kcc.ks.gov

CARLY MASENTHIN, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
c.masenthin@kcc.ks.gov