

Exhibit No.
Issue: Transmission Delivery Charge rider
Witness: Aaron J. Doll
Type of Exhibit: Direct Testimony
Sponsoring Party: The Empire District
Electric Company
Case No. 19-EPDE-223-RTS
Date Testimony Prepared: December 2018

Before the Kansas Corporation Commission

Direct Testimony

of

Aaron J. Doll

December 2018



DIRECT TESTIMONY
OF
AARON J. DOLL
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
KANSAS CORPORATION COMMISSION
CASE NO. 19-EPDE-____RTS

1 **INTRODUCTION**

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

3 A. My name is Aaron J Doll. My business address is 602 South Joplin Avenue, Joplin,
4 Missouri 64801.

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

6 A. I am employed by Liberty Utilities Service Corp. as the Director of Electrical
7 Procurement for Liberty Utilities Central Region, which includes The Empire District
8 Electric Company (“Empire” or “Company”).

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

11 A. I graduated from Missouri State University in 2003 with a Bachelor of Science degree
12 in psychology and minor in philosophy. I received my Master of Business
13 Administration from Missouri State University in 2008. I have worked for Empire
14 for approximately 12 years.

15 **Q. WHAT ARE YOUR RESPONSIBILITIES?**

16 A. I oversee the Company’s participation in the Southwest Power Pool (“SPP”)
17 including the Integrated Marketplace (“IM”). Additionally, I oversee the
18 procurement of fuel for the purposes of electrical generation.

19 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE THE**
20 **KANSAS CORPORATION COMISSION (“COMMISSION”)?**

1 A. No. I have presented testimony on behalf of Empire in various cases in Missouri,
2 Arkansas, and Oklahoma.

3 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?**

4 A. The purpose of my testimony is to explain and support the Company's request for a
5 Transmission Delivery Charge ("TDC") rider. In addition, I support the TDC rider
6 tariff that has been included in Sections 17 and 18 of the minimum filing
7 requirements of Empire's Rate Case Application.

8 **Q. WHAT IS A TDC RIDER?**

9 A. The TDC rider is a mechanism authorized by Kansas statute to ensure utilities have
10 the opportunity to recover transmission-related costs associated with service to their
11 Kansas-jurisdictional customers. In 2003, the Kansas Legislature authorized electric
12 utilities to use TDCs by amending K.S.A 66-1237 to provide:

13 *(a) Any electric utility subject to the regulation of the state corporation commission*
14 *pursuant to K.S.A. 66-101, and amendments thereto, may seek to recover costs*
15 *associated with transmission of electric power, in a manner consistent with the*
16 *determination of transmission-related costs from an order of a regulatory authority*
17 *having legal jurisdiction, through a separate transmission delivery charge included*
18 *in customers' bills. The electric utility's initial transmission delivery charge resulting*
19 *from this section may be determined by the commission either from transmission-*
20 *related costs approved in the electric utility's most recent retail rate filing or in an*
21 *order establishing rates in response to a general retail rate application by an electric*
22 *utility.*

1 **(b) If an electric utility elects to recover its transmission-related costs through a**
2 **transmission delivery charge, such electric utility shall have the right to implement a**
3 **transmission delivery charge through an application to the commission.**

4 **Q. DO THE OTHER INVESTOR-OWNED RETAIL ELECTRIC UTILITIES**
5 **MAKE USE OF THE TDC RIDER IN THE STATE OF KANSAS?**

6 A. Yes. Both Kansas City Power and Light (“KCP&L”) and Westar Energy (“Westar”),
7 have a TDC rider.

8 **Q. HAS THE COMPANY PREVIOUSLY REQUESTED APPROVAL OF A TDC**
9 **RIDER?**

10 A. No.

11 **Q. WHY IS THE COMPANY ASKING FOR A TDC RIDER IN THIS CASE?**

12 A. Empire is seeking a TDC rider to assist with the more timely recovery of costs
13 associated with transmission investment. Empire views the TDC rider as the
14 counterpart to the Energy Cost Adjustment (“ECA”) recovery mechanism. The ECA
15 allows for the timely pass through of fuel related costs associated with serving retail
16 customers in Kansas. Similar to the ECA approach the TDC rider is designed to
17 allow for the timely pass through of transmission-related costs associated with the
18 investment in the Bulk Electric System (“BES”). Empire’s investment in the BES
19 enables a more reliable and economic delivery of power and while these benefits are
20 passed on to Kansas retail customers almost immediately, the cost recovery of these
21 investments may lag considerably.

22 **Q. PLEASE EXPLAIN.**

23 A. Empire incurs costs associated with its investment in the transmission system. This
24 investment includes both facilities that are owned and maintained by the Company as

1 well as facilities that are constructed and maintained by others but that are socialized
2 to Empire as directed by the transmission cost allocation directives contained in the
3 Open Access Transmission Tariff (“OATT”) and Business Practices of SPP and the
4 Midcontinent Independent System Operator (“MISO”). Empire’s owned transmission
5 assets, though under the functional control of SPP, are recovered through Schedule 9
6 as calculated by the Company’s Federal Energy Regulatory Commission (“FERC”) approved
7 Transmission Formula Rate (“TFR”). Transmission expansion that is
8 studied, approved, and constructed according to SPP and MISO’s prescribed
9 requirements, are collected through a socialization of Annual Transmission Revenue
10 Requirements (“ATRR”) via Schedule 11 and Schedule 26, respectively. It is this
11 investment that creates a more reliable and economic BES but that is not recovered in
12 a fashion commensurate with the benefits provided.

13 **Q. CONTINUE.**

14 A. Like most load serving entities in the SPP IM, Empire is a Network Integration
15 Transmission Customer (“NITS”) customer. Per Section 28.1 of the SPP OATT, this
16 service allows for “...Network Customers to efficiently and economically utilize their
17 Network Resources (as well as other non-designated generation resources) to serve
18 their network load.” As a result of its status as a NITS Customer, Empire is allowed
19 to serve its load in nearly the most efficient manner possible by leveraging a market
20 that supports the most economic commitment and dispatch as its objective function.
21 In fact, not only does the NITS agreement pave the way for a more efficient pooling
22 of resources, requirements demand the participation of resources in the IM. Per
23 Section 30.5 of the SPP OATT, a condition for receiving Network Integration
24 Transmission Service (NITS) is the agreement to “redispatch its Network Resources

1 as requested by the Transmission Provider pursuant to Section 33.2 and in accordance
2 with the Energy and Operating Reserve Markets procedures in Attachment AE.”

3 With NITS service also comes a required allocation of certain transmission costs as
4 determined by the Regional State Committee (“RSC”) of SPP. The RSC is comprised
5 of one commissioner from each state and is tasked with, among other things, to
6 “...determine whether and to what extent participant funding will be used from
7 transmission enhancements and whether license plate or postage stamp rates will be
8 used for the regional access charge¹”. The current SPP OATT requires customers
9 taking NITS to pay for Schedule 11 zonal charges and Schedule 11 Region-wide
10 charges. It is just and reasonable for Empire and other NITS customers in SPP, to
11 fund the BES because the network load is receiving benefits of a more efficient and
12 reliable grid. However, as the ATRR calculations change, the lack of recovery of
13 transmission-related investment breaks the link between just and reasonable costs
14 incurred and the resulting benefits received.

15 **Q. WHY IS EMPIRE PROPOSING TO INCLUDE COSTS ASSOCIATED WITH**
16 **MISO TRANSMISSION SERVICE?**

17 A. Empire’s Plum Point generation facility is physically located in Osceola, Arkansas.
18 Due to the plant’s physical footprint laying in MISO South, the unit must be pseudo
19 tied out of MISO which requires Empire to obtain point-to-point (“PTP”) service for
20 the delivery of energy into SPP. MISO transmission charges are also incurred on
21 the 100 megawatt (“MW”) PTP reservation based on MISO business practices.

22 **Q. HOW WOULD EMPIRE’S TDC RIDER WORK FOR EMPIRE’S OWNED**
23 **TRANSMISSION COSTS?**

¹ Southwest Power Pool – Regional State Committee Bylaws

1 A. Empire is proposing to utilize its current FERC approved TFR to support the costs
2 incurred from Empire owned facilities that would be recovered as Schedule 9 expense
3 in the proposed TDC rider. Empire's current TFR is updated annually in July based
4 on costs incurred in the prior calendar year. These costs are used to populate SPP's
5 Revenue Requirements and Rate file ("RRR File"). The RRR File contains all of the
6 revenue requirements and rates for SPP members with facilities under the functional
7 control of SPP. The RRR File is published to the SPP website and is used to establish
8 transmission rates for those seeking service within, into, or out of SPP. Empire
9 updates its TFR model with those incurred costs and SPP bills the network load in the
10 Empire zone based on the published TFR rates. Since Empire serves most of the
11 network load in the Empire zone on either a retail or wholesale basis, most of the
12 Schedule 9 expense and revenue is netted out and the retail transmission costs are
13 simply just recovered in the bundled jurisdictional rates. As a result of this structure,
14 Empire would propose to remove the revenue requirement associated with the
15 Company's transmission function that is bundled in retail rates for its Kansas
16 customers and recover those costs via the TDC rider.

17 **Q. HOW WOULD EMPIRE'S TDC RIDER WORK FOR COSTS INCURRED**
18 **FROM TRANSMISSION THAT IS NOT OWNED BY THE COMPANY?**

19 A. The recovery of transmission-related expense not relating to transmission investment
20 owned by Empire would be updated annually based on received transmission
21 statements from both SPP and MISO and recorded in the various 565 General Ledger
22 accounts discussed in more detail below.

1 **Q. WHAT COSTS, INCLUDING THOSE THAT ARE CURRENTLY**
2 **CALCULATED IN EMPIRE’S OWN TFR, WOULD BE INCLUDED IN THE**
3 **TDC RIDER?**

4 A. Costs incurred as a result of transmission service related activities with either SPP or
5 MISO for the purpose of serving native load would include the following:
6

General Ledger Account	Account Description
565413	Transmission of Electricity By Others
565414	SPP Fixed Charge - Native Load
565415	SPP Variable Charge - Native Load
565416	Non-SPP Fixed Charge - Native Load
565417	Purchased Power Non-SPP Variable Charge - Native Load
565418	Gen Non-SPP Variable Charge - Native Load
565419	Off-System Sales Transmission Costs
557410	Pool Operation

7
8 Some of these costs include, but are not limited to, the following: tariff
9 administration, transmission service, including NITS and PTP, Wholesale
10 distribution, Reactive Power, NERC cost recovery, System Control and Dispatch, and
11 FERC assessments.

12 **Q. HOW WILL THE AMOUNTS BILLED TO KANSAS JURISDICTIONAL**
13 **CUSTOMERS BE DETERMINED?**

14 A. Empire would use a methodology similar to that of KCP&L that allocates out TDC
15 rider charges to pricing plans based on the twelve months of coincident peaks (“CP”)
16 used for class cost allocation in the Company’s most recent rate case. This
17 methodology would be most similar to how both the Company allocates costs in the
18 class cost of service model and how SPP allocates most of transmission charges for
19 NITS customers. Once costs are allocated to the appropriate pricing plan, the unit

1 charge per customer is then implemented by using a per kilowatt hour (\$/KWh)
2 charge. The over/under recovery balance of the TDC rider would then be netted
3 during the next annual update.

4 **Q. HOW DOES EMPIRE PROPOSE TO TRUE-UP TDC RIDER RECOVERY**
5 **TO ACTUAL COSTS?**

6 A. Based upon informal discussions with the Commission Staff, the true-up mechanism
7 included in Empire's proposed TDC Rider Tariff is similar to the true up mechanism
8 agreed to between the Commission Staff and KCP&L and approved by the
9 Commission in KCC Docket No. 15-KCPE-116-RTS. It is also similar to the true-up
10 mechanism used by Westar in its TDC rider. The true-up calculation is simplified to
11 be a comparison of anticipated revenue collections to actual revenue collections.
12 Empire's proposed true-up mechanism reflects any difference between the total actual
13 TDC Revenues from the Kansas retail sales during the TDC Year and the actual
14 TDC-related costs authorized by the Commission to be recovered during the TDC
15 Year. The TDC Rider Tariff also only includes known and measurable costs in
16 developing the TDC Rate for the TDC Rider.

17 **Q. WHEN WOULD EMPIRE PROPOSE TO BEGIN USING THE TDC RIDER**
18 **AND HOW OFTEN WOULD EMPIRE ANTICIPATE THE TDC RIDER BE**
19 **UPDATED?**

20 A. Empire would propose that the rider begin immediately following approval of the
21 TDC Rider in this general rate case and be updated July 1 each year thereafter to
22 attempt to sync up with the annual TFR filings.

23 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

24 A. Yes.

