BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

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	)))))	CAUSE NO. PUD 202100163

Direct Testimony

of

Matthew DeCourcey

Submitted on behalf of

The Empire District Electric Company

February 28, 2022

Liberty™

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THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. PUD 202100163

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Matthew DeCourcey. My business address is 15 Buttrick Road, Londonderry, New Hampshire.

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

A. I am employed by Liberty Utilities Service Corp ("LUSC"). as the Vice President of Rates and Regulatory Strategy.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of The Empire District Electric Company ("Liberty-Empire" or the "Company") in this proceeding.

Q. Please describe your educational and professional background.

A. I hold a Bachelor of Arts in Political Science from the University of Massachusetts at Boston and a Master of Business Administration from the University of Massachusetts at Amherst.

I assumed my current role with LUSC in August 2021. Before that, I held positions at several consulting firms advising clients in the regulated energy space, most recently with FTI Consulting, Inc., where I was Managing Director in the Power & Utilities practice.

Q. Have you previously testified before the Oklahoma Corporation Commission ("Commission") or any other regulatory agency?

A. I have not appeared before the Commission but I have appeared before utility regulators in the District of Columbia, Florida, Michigan, Missouri, New Hampshire, and North Carolina and also before the Federal Energy Regulatory Commission.

Q. What is the purpose of your Direct Testimony in this proceeding?

My testimony provides an overview of our application, including our request for a revenue increase and the key reasons why an increase is required. In particular, I discuss our acquisition of 600 MW of wind generation, our retirement of the Asbury coal plant ("Asbury"), and the Company's implementation of its Advanced Metering Infrastructure ("AMI") program, including how the Company's pursuit of these initiatives, as well as other investments included in our application, create benefits for our customers. I also briefly discuss a mechanism that the Company is proposing to implement its required rate increase over time in order to help mitigate its impacts on our customers. Finally, I identify the other witnesses that will be supporting the Company's application and briefly describe their Direct Testimonies.

II. OVERVIEW OF THE CASE

Q. Please provide a brief overview of the Company's service area.

A. Liberty-Empire provides electric service in an area of approximately 10,000 square miles in southwest Missouri and the adjacent corners of the states of Arkansas, Oklahoma, and Kansas. Liberty-Empire's operations are regulated by the utility regulatory commissions of these four states, as well as by the Federal Energy Regulatory Commission. In Oklahoma, Liberty-Empire serves approximately 4,800 customers in 12 communities. Many of the communities in the Company's service area are small, with only 35 containing a population in excess of 1,500 and only 12 communities served by Empire have a population in excess of 5,000. The largest city served by Liberty-Empire, Joplin, Missouri, has a population of approximately 50,000. The economy in the Company's service area is diversified and includes small to medium manufacturing operations, medical, agricultural, entertainment, tourism, and retail interests.

Q. Is Liberty-Empire seeking a rate increase in this proceeding?

A. Yes, the Company is seeking to increase its annual net revenues[1] by $4.1 million.

Q. What are the primary drivers of that increase?

A. The revenue requirement associated with new capital projects, including the Company's investments in wind and AMI, are the largest drivers, followed by increases in depreciation and Administrative and General ("A&G") expenses. The Company has also experienced a significant increase in property, income, and other taxes. These incremental costs total approximately $4.5 million per year. They are offset by approximately $0.4 million in savings generated under the Customer Savings Plan ("CSP"); the CSP savings are primarily attributable to the decision to retire Asbury, which significantly reduces the Company's fuel and operational expenses. The primary components of the proposed revenue increase is shown below:

Table MD-1

New capital projects	$1,741
Increase in ROR	$284
Depreciation	$1,204
A&G	$630
Taxes	$617
Increase	$4,476
CSP	($380)
Net increase	$4,096

[1]The Company is seeking an increase of $6,213,660 in base rate revenues and an estimated annual reduction of $2,117,240 in fuel revenue due to savings in fuel costs associated with the Wind Projects.

Q. If approved by the Commission, when would Liberty-Empire's expect new rates to take effect?

A. New rates are expected to take effect in September 2022.

Q. Is Liberty-Empire proposing any mechanisms that will help mitigate the impact of a significant rate increase?

A. Yes. The Company proposes a phase-in rate plan over three years, as explained in detail in Company Witness Timothy S. Lyons' Direct Testimony.

Q. How will rates change in the first year of phase-in plan?

A. In the first year of the plan, which includes the twelve months beginning September 2022, the Company's base rates would increase by $3.3 million; however, as Mr. Lyons explains, much of that increase will be offset by a decrease in fuel costs the Company recovers via the Fuel Adjustment Rider ("FA"), which is attributable to savings associated with the production of wind energy. As such, the net increase is much lower. For example, the net increase for a typical residential customer is expected to be approximately 9.8%.

Q. How will rates change in the second and third years of the phase-in plan?

A. In the second year, which includes the twelve months beginning September 2023, rates will increase by a total of $1.7 million, an increase of approximately 11.3% over the previous year. In September 2024, the third and final increase is implemented, increasing rates by $1.2 million, or 6.5%.

Q. Does Empire-Liberty profit from phasing its proposed rate increases in this manner?

A. No. As Mr. Lyons explains in his testimony, the Company is proposing to recover a carrying charge to offset the cost of the deferral of its revenue increase. That is the only amount being requested that is greater than the Company's test year revenue deficiency.

III. DRIVERS OF THE REQUESTED REVENUE INCREASE

Q. What is the purpose of this section of your testimony?

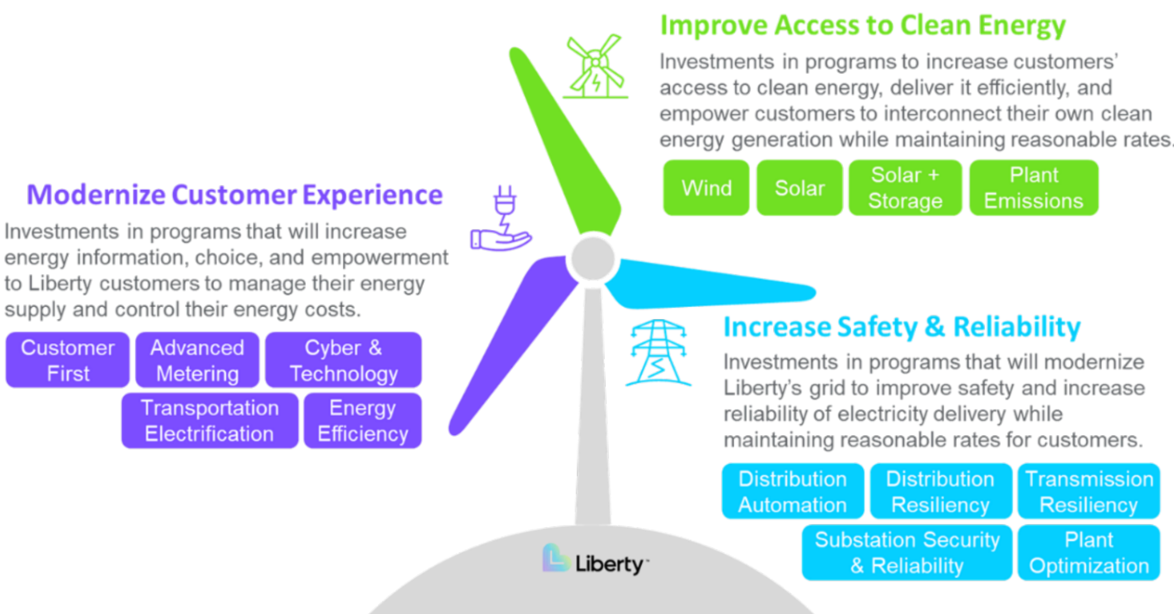
A. In this section, I describe the key drivers of the Company's requested revenue increase. For context, I discuss the Company's Clean Transition Plan (the "Plan") and summarize Liberty-Empire's approach to making decisions about investment and initiatives that enhance the services it provides its customers. I then discuss each of the main drivers underlying our requested rate increase, including the decision to retire Asbury and the investments in the Wind Projects, our investments in AMI, and our expected changes to expenses for depreciation, A&G, and taxes.

Clean Transition Plan

Q. Can you please summarize at a high level Liberty-Empire's approach to making decisions about investments and initiatives that enhance the services it provides its customer?

A. Yes, the Company's Clean Transition Plan (the "Plan") creates a framework within which the organization can evaluate options and set strategy. At its core, the Plan embeds three objectives within the processes by which the Company seeks to evolve its business.

Figure MD-1



Q. What is the first objective?

A. To modernize the customer experience by giving customers more access to information about how they consume energy and to empower them to make more informed, more effective decisions about that consumption.

Q. Can you provide an example of how that objective is reflected in this application?

A. Yes. Our investment in AMI is a clear reflection of this priority. As is discussed in greater detail elsewhere in our application, the new infrastructure will give our customers in Oklahoma the opportunity to understand the way they interact with our system in ways they never have and will also create tools and options for them to adapt their usage based on their preferences and in response to changing market conditions

Q. Please summarize the second objective and provide an example of how it is reflected in this application.

A. To provide our customers with access to clean generation without having to compromise the quality and reliability of the services they receive and to do so at reasonable rates. Our retirement of the Asbury facility and our investment in the Wind Projects are direct reflections of that priority.

Q. Is there a contradiction between making investments in new, cleaner generation that contribute to the need for a rate increase and your stated objective of keeping rates reasonable?

A. No. It is never easy to ask our customers to bear the cost of a rate hike and we recognize that our current request is significant. But we strongly believe that these investments create long term benefits that rationalize our request and create savings for our customers. Of particular interest is that our decision to retire Asbury and invest in the Wind Projects is based on detailed analyses we conducted which show that costs to our customers will be reduced by about $170 million over the life of their assets.[2] Moreover, the Company believes that its proposal to implement its requested rate increase over a period of multiple years can also help mitigate the impacts to our customers.

Q. What is the third objective and how is it reflected in this application?

A. Enhancing reliability and safety is a priority in everything we do as an organization and is the third central objective in the Plan. Our application includes a number of investments which support that objective and include the replacement of equipment at the end of their service lives and investments to increase the sectionalization, of our transmission and distribution system that will help reduce the number of customers

[2] This estimate was developed on the basis of extension modeling that the Company conducted when it was considering its decisions to retire Asbury and to invest in new resources. Much of that work was done before the Missouri Public Service Commission ("MPSC") and in consultation with the MPSC's staff and with other stakeholders in that jurisdiction. That proceeding, which was docketed as EO-2018-0092, and the Company's related analyses that supported our decisions to retire Asbury and invest in the Wind projects, are discussed in the Direct Testimonies of Company Witnesses Shaen Rooney, Aaron Doll, and Kevin Melnyk.

impacted by outages when they do occur and enable faster restoration times. Construction of new substations and reconductoring projects also provide additional system redundancy and make our system more operable under a variety of normal operating conditions and weather events.

Asbury Retirement and Wind Projects

Q. Please summarize the rationale behind the decision to retire Asbury and invest in new wind generation

A. Over four years ago, Liberty-Empire came to the Commission with a plan to develop lower cost wind resources near its service territory and to retire its Asbury coal plant, which was becoming increasingly uneconomic.[3] We have executed on that plan and were able to put the projects online with costs that are consistent with initial estimates. and the Company now owns 600 MW of wind generation[4].

Q. Did the Company's approach to financing the Wind Projects create savings for customers?

[3] In October 2017, Empire brought to the Commission its innovative proposal to deliver between $172 million and $325 million in long-term savings to its customers by developing up to 800 MW of wind generation with tax equity partners in conjunction with retiring its Asbury coal fired generation plant. In doing so the company proposed avoiding continued costly environmental compliance obligations further exacerbated by the declining operating economics of the plant. The Company called this its "Customer Savings Plan." The plan was premised on a rigorous economic analysis called the "Generation Fleet Savings Analysis," which found that the lowest cost way for Liberty-Empire to serve its load obligations over the next twenty to thirty years was to undertake a near-term strategy that builds up to 800 MW of wind strategically located wind in or near Empire's service territory in 2019 and 2020 and retire the Asbury coal plant in 2018 or 2019. This analysis was described in detail in the testimony of James McMahon in Cause No. PUD 201700471. As discussed by Mr. McMahon in that testimony, the Generation Fleet Savings Analysis was based on Integrated Resource Planning modeling, which, in part, determined that it was not economic to keep Asbury operational, and that retiring Asbury and providing for cost recovery of the return on and of the remaining plant balance through a regulatory asset over a thirty year period was the lowest cost plan for customers.

4 In Case No. EA-2019-0010, the MPSC concluded that "Empire's proposed acquisition of 600 MW of additional wind generation assets is clearly aligned with the public policy of the Commission and this state." July 11, 2018, Report and Order, Case No. EO-2018-0092, p. 20. As a result of that Commission order, the Company subsequently sought and received Certificates of Convenience and Necessity for the North Fork Ridge, Kings Point, and Neosho Ridge wind projects.

A. Yes. We financed the investment in partnership with tax equity investors who contributed nearly half of the capital necessary to acquire these wind farms. In this way we were able to leverage federal tax policy, particularly the availability of Production Tax Credits ("PTCs") leveraging federal tax policy. This approach allowed us to reduce our customers' expected cost of energy while also generating electricity from environmentally responsible sources.

Q. What does it mean that Asbury had become uneconomic?

A. That it was increasingly unable to compete in the wholesale energy market. Because its costs were higher than other plans in the Southwest Power Pool ("SPP"), Asbury was called upon to generate less often, causing its net capacity factor to drop from 76.42% in 2010 to 46.97% in 2019[5]. Because the plant was running less, it was creating less value for Liberty-Empire's customers. Had it stayed in operation, Asbury would have required significant environmental upgrades to comply with the Environmental Protection Agency's Coal Combustion Residuals ("CCR") rules. Liberty-Empire undertook an analysis of Asbury's economics in both 2017 and in 2019, the results of which showed that committing new capital to Asbury could not be rationalized and that retiring the plant would result in savings of approximately $93 million over the next twenty years. These analyses ultimately provided the basis for the Company's decision to decommission the plant.

Q. Aside from those savings, how else do customers benefit from retiring Asbury?

[5] Calculated based on Unit Statistics workbooks maintained by the Company's Compliance - Renewable and Environmental Department.

A. By replacing coal generation with wind resources, Liberty-Empire has also simplified a major part of its supply chain logistics and reduced its reliance on an out-of-state commodity that is subject to increasing policy uncertainty.

Q. How much does the Asbury retirement reduce the Company's fuel costs?

A. By about $73 million per year, across all of the Company's jurisdictions. The avoidance of the fuel costs that would otherwise be attributable to Liberty-Empire's customers in Oklahoma is the driver of the expected reduction of fuel costs.

Q. Is all of the Company's infrastructure at Asbury being retired?

A. No. We were able to repurpose some of the assets used to serve Asbury which are now in use to help operate and maintain our wind projects and other generation facilities.

Q. How many employees did the Company lay off as a result of the Asbury closure?

A. None. All of our former Asbury employees were given the opportunity to remain with the Company following the plant's closure. A large number of the ones that chose to have transitioned to work on our wind farms, having undergone the appropriate training where required. We are proud of that outcome and strongly believe that this pivot to renewable generation marks an important moment in our Company's history.

Q. How is Asbury's retirement reflected in the Company's rate request?

A. As I described above, there are cost savings associated with Asbury's retirement reflected in our case. While flowing these cost savings through to customers along with the SPP market revenues, the Company is also requesting a Regulatory Asset for the recovery of and its authorized return on the undepreciated plant balance associated with Asbury.

Q. Why should the Company be authorized to earn a return on a facility that it has now retired?

A. The Company should be appropriately compensated for the investment it made in an asset that it expected to run for many more years, whose obsolescence was beyond the control of Company management, and which was retired only after Liberty-Empire identified an alternative that would create significant value for our customers. Denying it the opportunity to return on a prudent investment that was subsequently removed from service for valid reasons would effectively penalize the Company for making decisions that benefit its customers.

Q. Could denial of the Company's return on its Asbury investment make it more difficult to make other investments on behalf of its customers?

A. Yes. Uncertainty about the recovery of returns on prudently made investments that become obsolete due to factors beyond utilities' control could make it increasingly challenging for those firms to introduce new technologies into commercial operation, regardless of how much they could benefit customers. Liberty-Empire strongly believes that the benefits of scale in access to financing and operations, technical expertise, and accountability inherent in our regulatory framework make vertically integrated utilities like ours an optimal vehicle for responsible, measured and sustainable transition that our sector is undergoing, and that those companies should have an opportunity to earn their authorized returns when they makes prudent decisions in consultation with, and under the supervision of, their regulators that create benefits their customers. Company Witness Frank C. Graves discusses this topic in detail in his testimony.

Q. Has Liberty-Empire previously consulted with the Commission regarding its decision to retire Asbury and invest in the Wind Projects?

A. Yes, extensively. That effort begin in Oklahoma 2017 when Liberty-Empire proposed its CSP,[6] which outlined its plan at the time to develop up to 800 MW of wind generation in conjunction with retiring its Asbury coal fired generation plant and avoiding continued costly environmental compliance obligations. This plan was based on exhaustive planning and scenario analysis which demonstrated significant long-term savings to customers. At the time of the CSP filing, Liberty-Empire was in the process of soliciting proposals and selecting qualified bidders to take full advantage of the production tax credits under the Internal Revenue Code.

Q. Were the parties to that proceeding supportive of the Company's plan?

A. Yes. The response from the Attorney General and the Public Utility Division ("PUD") was in support of the wind investment plan proposed by Liberty-Empire. On behalf of the Attorney General, Todd F. Bohrmann stated, that "the Company has demonstrated that its acquisition of up to 800 MW of new wind resources under the CSP is cost effective compared with its 2016 IRP preferred plan, including on a risk-adjusted basis…I would recommend approval of Empire's request to record its investment in, and the costs to operate and maintain, up to 800 MW for any wind projects acquired as part of the CSP."[7] Separately, PUD recommended approval of the tax equity partnership as part of the CSP[8].

Q. What was the course of action agreed upon in that proceeding?

A. The parties filed a Joint Stipulation and Settlement Agreement which requested an order from the Commission authorizing the Company's Request for Proposal ("RFP")

[6] Cause No. PUD 201700471.
[7] Cause No. PUD 201700471, Responsive Testimony of Todd F. Bohrmann p. 24, ln 11-15.
[8] Cause No. PUD 201700471, Responsive Testimony of Zachary Quintero, p. 12, ln 18-19.

for the acquisition of up to 800 MW of "strategically located wind generation" using federal tax incentives in conjunction with tax equity partners[9]. Ultimately due to intervening circumstances, Liberty-Empire filed a Motion to Withdraw Application and Dismiss Cause, and a Final Order was issued addressing only the treatment of the tax savings resulting from the Tax Cuts and Jobs Act.

Q. Are the Wind Projects currently operating?

A. Yes, all three projects are online and producing energy.

Depreciation

Q. Please briefly explain why the Company's depreciation expense has increased?

A. The Company's depreciation expense has increased due to two reasons. First due to annualizing depreciation expense for the update period. This adjustment results in additional depreciation expense of $848,404. Second, the Company conducted a depreciation study on its assets and the result of the study recommends revised depreciation rates. The revised depreciation rates have an impact on the Company's cost of service by increasing depreciation expense on an annual basis by $666,359.

Q. Is this increase reasonable?

A. Yes. It is reasonable that the cost of service calculation properly reflect the appropriate ongoing depreciation expense the Company anticipates incurring on a yearly basis. For further discussion on these items refer to Company Witness Dane Watson and Charlotte T. Emery direct testimony.

A&G and Taxes

Q. Why have A&G expenses increased?

[9] Cause No. PUD 201700471, Joint Stipulation and Settlement Agreement, Section III (A).

A. The Company's A&G expenses has seen an increase primarily related to increases in wages, salaries and benefits since the last rate case. Furthermore, additional expenses associated with the Company's Pension and Other Post Retirement Benefits. For further discussion on these items refer to Company Witness's James A. Fallert and Ms. Emery direct testimony.

Q. Why have tax expenses increased?

A. Due to the Company's continued capital investments since the last case and the respective increase in assessed valuations the Company has properly annualized the Property Tax Expense included in its Cost of Service calculation. In addition, the Revenue Requirement includes a commensurate increase in income tax expense. For further discussion on this item refer to Company Witness Ms. Emery's direct testimony.

Q. Is there an estimate of how much customer bills would increase if the Commission approves the Company's request?

A. Yes. The average Residential General Service customer would see a monthly increase of approximately $13, or 9.8%, based on assumed using 980 kWh in the first year on which rates are approved. The average commercial customer's monthly bill would increase by approximately $27, or an 12.8% increase. Both of those estimates assume an increase in the Company's base rates as requested in our application offset by reductions in the FA attributable to the Asbury retirement and the new Wind Projects. Company Witness Lyons's testimony provides additional detail, including bill impacts for other classes and for subsequent years.

IV. INTRODUCTION OF WITNESSES

Q. Please introduce the other witnesses who will be providing testimony in this proceeding on behalf of Liberty-Empire.

A. The following additional witnesses are providing Testimony in support of Liberty-Empire's rate change and other requests for relief:

Witness	Title	Topic(s)
Shaen T. Rooney	Senior Manager of Strategic Projects	Wind projects Other capital projects
Aaron J. Doll	Senior Director of Energy Strategy	Wind projects, including benefits from the investment and affiliate issues Decision to retire Asbury
Jeffery Westfall	Central Region Director of Electric Operation – Transmission & Distribution	Transmission and distribution system investments
Chad C. Hook	Regional Director of Operations Strategy	AMI
Frank C. Graves	Consultant	Empire-Liberty's return on its Asbury investment
Drew Landoll	Director of Strategic Projects	Decommissioning plan for Asbury Creation of the Asbury Renewable Operations Center
Charlotte T. Emery	Director of Rates and Regulatory Affairs	Revenue requirement
Dan Dane	Consultant	ROE Capital structure Cost of debt
Eric Fox	Consultant	Weather normalization study
Timothy S. Lyons	Consultant	Lead lag study Class cost of service study, rate design
Nathaniel W. Hackney	Senior Reporting and Systems Analyst	Energy efficiency
Dane A. Watson	Consultant	Depreciation study
James A. Fallert	Consultant	Pension expense
Kevin Melnyk	Senior Vice President of Regulated Infrastructure Development	Empire-Liberty's decision to acquire the Wind Projects, financing, and benefits to customers

Q. Does this conclude your Direct Testimony?

A. Yes.

CERTIFICATION

The undersigned, Matthew DeCourcey, deposes and states that he is Vice President, Rates and Regulatory Strategy, that he has personal knowledge of the matters set forth in the foregoing responses and the information contained therein is true and accurate to the best of his information, knowledge and belief after reasonable inquiry.

/s/ Matthew DeCourcey

Matthew DeCourcey