

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

FILED
FEB 28 2022

COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

Direct Testimony

of

James A. Fallert

Submitted on behalf of

The Empire District Electric Company

February 28, 2022



TABLE OF CONTENTS
FOR THE DIRECT TESTIMONY OF JAMES A. FALLERT
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA
CASE NO. PUD 202100163

SUBJECT	PAGE
I. INTRODUCTION	1
II. PENSION AND OPEB EXPENSE	3
III. RATE BASE.....	4
IV. PENSION AND OPEB TRACKERS.....	5
V. CONCLUSION.....	5

LIST OF EXHIBITS IN SUPPORT OF DIRECT TESTIMONY

1.	JAF-1 Pensions and OPEB Expense Amounts
2.	JAF-2 Pension and OPEB Rate Base Balances

DIRECT TESTIMONY OF JAMES A. FALLERT
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA
CASE NO. PUD 202100163

1 **I. INTRODUCTION**

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

3 A. My name is James A. Fallert and my business address is 3507 Burgundy Way Dr., St.
4 Louis, MO 63129.

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

6 A. I am a consultant doing business as James Fallert Consultant LLC.

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

8 A. I am testifying on behalf of The Empire District Electric Company, a Liberty Utilities
9 company (“Liberty-Empire” or the “Company”).

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

11 A. I graduated from Southeast Missouri State University in 1976 with a Bachelor’s degree
12 in Business Administration, majoring in administrative management. I received a
13 Master’s in Business Administration in 1981 from Saint Louis University, with a major
14 in Finance.

15 I was employed by Laclede Gas Company (now known as Spire Missouri Inc.)
16 from 1976 until February 2012, when I retired as Controller of the Company. In this
17 position, I was responsible for the Company’s GAAP accounting (including pension
18 accounting), budgeting, management information reporting, and financial planning
19 functions. Subsequent to my retirement from Laclede, I have provided consulting
20 services regarding regulatory matters.

1 **Q. Have you previously testified before the Oklahoma Corporation Commission**
2 **(“Commission”) or any other regulatory agency?**

3 A. Yes. I provided testimony in Liberty-Empire’s previous Oklahoma rate case (Cause
4 No. PUD 201800133). Additionally, while employed at Laclede Gas Company, I
5 provided testimony before the Missouri Public Service Commission regarding
6 numerous rate cases and other matters. As a consultant, I have also provided testimony
7 before the Missouri Commission on behalf of Liberty-Empire and Laclede Gas
8 Company. Also, I have provided testimony on behalf of Liberty-Empire in Kansas.

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

10 A. I support the Company’s request for the amount of Pension and Other Post-
11 Employment Benefit (“OPEB”) costs to be included in the revenue requirement in this
12 case and the continuation of the pension and OPEB trackers as established in previous
13 cases and most recently continued in Cause. No. PUD 201800133. I also support the
14 inclusion in rate base of the prepaid pension asset and tracker balances.

15 **Q. Are you sponsoring any exhibits with your testimony?**

16 A. Yes. I am sponsoring Direct Exhibit JAF-1 which represents Pensions and OPEB
17 expense amounts and Direct Exhibit JAF-2 which represents Pension and OPEB rate
18 base balances.

19 **Q. Was the information contained in the exhibits obtained or derived from the books**
20 **and records of the company?**

21 A. Yes.

1 **II. PENSION AND OPEB EXPENSE**

2 **Q. What is the amount of pension expense that Liberty-Empire is requesting in this**
3 **case?**

4 A. This case includes total annual Oklahoma pension expense of \$538,343. This amount
5 consists of (1) 2021 non-service cost expense in accounts 426581 and 426591 of
6 \$288,800 (which is made up of \$141,714 determined by the Company's actuary and
7 pension settlement expense of \$147,085 based on experience in 2017 through 2021),
8 (2) 2021 service cost expense in accounts 926148 and 926150 of \$109,005 as
9 determined by the actuary and (3) five-year amortization of \$140,539 in account
10 926149 related to the trackers authorized in prior cases. The case also includes an
11 actuarially determined expense of \$58,842 in account 426582 for the Supplemental
12 Executive Retirement Plan ("SERP").

13 **Q. What is the amount of OPEB expense that Liberty-Empire is requesting in this**
14 **case?**

15 A. This case includes total annual Oklahoma OPEB expense of \$216,229, which includes
16 2021 OPEB expense determined by the Company's actuary of \$86,912 (non-service
17 cost in account 426585) and \$90,444 (service cost in account 926328), plus five-year
18 amortization of \$38,873 in account 926326 related to the tracker authorized in prior
19 cases.

20 **Q. Are these the final expenses for both pension and OPEB costs?**

21 A. The pension, SERP, and OPEB costs are based on the final actuarial calculation of 2021
22 costs. To the extent that a 2022 valuation of pension and OPEB costs becomes

1 available during the pendency of this case, it would be appropriate to consider this
2 valuation.

3 **Q. Have there been any noteworthy changes to the plans of which the Commission**
4 **should be aware?**

5 A. Yes. The Empire District Electric Company Employee's Retirement Plan was merged
6 into the Liberty Utilities Defined Benefit Pension Plan on December 31, 2019. As part
7 of this merger, a portion of the Liberty-Empire Plan, which consisted of the benefits
8 for participants hired after January 1, 2014, was spun-off and merged with the Liberty
9 Utilities Cash Balance Pension Plan. Additionally, certain employees who were moved
10 to the Liberty plans were reclassified into a separate group termed "Midstates2" in
11 order to expedite the appropriate allocations of the associated expenses.

12 **Q. What are the implications of these changes on calculation of the appropriate**
13 **expense for ratemaking purposes?**

14 A. The Liberty-Empire employees are now included in the broader Liberty Utilities
15 defined benefit and cash balance plans. However, the actuaries will still track and
16 report the portion of the plans applicable to Liberty-Empire separately. It will simply
17 be necessary to include in the adjustment both Liberty-Empire employees and the
18 portion of Midstates2 employees allocated to Liberty-Empire in both the Liberty
19 defined benefit and cash balance plans.

20 **III. RATE BASE**

21 **Q. What is the amount of rate base related to pensions and OPEBs that you are**
22 **requesting in this case?**

1 A. This case includes total rate base related to pensions and OPEBs of \$1,452,722. This
2 amount includes the prepaid pension asset of \$1,029,589, and regulatory assets related
3 to the trackers of \$228,770 for pensions and \$194,363 for OPEBs. The rate base
4 amounts are based on the assets and liabilities authorized by the Commission in Cause
5 No. PUD 201800133 as of December 31, 2021.

6 **IV. PENSION AND OPEB TRACKERS**

7 **Q. Please describe the pension and OPEB trackers currently being employed by**
8 **Liberty-Empire.**

9 A. These trackers were ordered by the Commission in several prior cases, most recently
10 in Cause No. PUD 201800133. The trackers defer the difference between pension and
11 OPEB expense as recorded and expense allowed in rates. This difference is
12 accumulated in a regulatory asset or liability account, as appropriate, and is included in
13 rates in a subsequent rate case via a five-year amortization.

14 **Q. Why were these trackers established?**

15 A. Pension and OPEB costs are subject to considerable volatility due to forces outside of
16 the control of the Company. The trackers ensure that the costs associated with these
17 employee benefits are neither over nor under recovered in rates. The Company believes
18 that the trackers are beneficial to all parties and should be continued in this case.

19 **V. CONCLUSION**

20 **Q. Does this conclude your direct testimony?**

21 A. Yes.

The Empire District Electric Company
Test Year Ending June 30,2021
Cause No. PUD 202100163
WP H-2-33 Pension and OPEB Expense

Line No.	FERC (a)	GL Account (b)	Description (c)	Reference (d)	Total Oklahoma	Total Oklahoma	Total Oklahoma
					Test Year Ending Balance (e)	Pro Forma Ending Balance (f)	Pro Forma Adjustment (g) = (f) - (e)
<u>PENSION</u>							
1	426	426581	Elect/Gas Pension NnServiceCst	Sch IS-2	\$ 115,631	\$ 275,533	\$ 159,902
2	426	426588	WGI NonService Pension Cost		(2,574)	-	2,574
3	426	426591	Non Service Cost - Central Empire		6,150	13,267	7,117
4	926	926146	FAS 87 SLCC Reimbursement		-	-	-
5	926	926147	FAS87 Reg Asset Accum. Exp		166,362	-	(166,362)
6	926	926148	FAS87 Pens - Elec/Gas		80,652	101,767	21,115
7	926	926149	FAS87 Pens - Reg Asset Amort. (5yr)		159,118	140,539	(18,579)
8	926	926150	Service Cost - Central Empire		3,812	7,238	3,426
9			<u>Total Pension Adjustment:</u>		529,151	538,343	9,192
<u>SERP</u>							
10	426	426582	SERP Pension NonServiceCost	Sch IS-2	70,730	58,842	(11,888)
11	426	426589	WGI NonService SERP Cost		(2,182)	-	2,182
12	926	926145	Pension SERP Defined Benefit		-	-	-
13			<u>Total SERP Adjustment:</u>		68,548	58,842	(9,706)
<u>OPEB</u>							
14	426	426585	Elec/Gas OPEB NonServiceCost	Sch IS-2	85,230	86,912	1,682
15	426	426590	WGI NonService OPEB Cost		(2,097)	-	2,097
16	926	926326	FAS106 OPEB - Reg Amortization		(24,832)	38,873	63,705
17	926	926327	FAS106 HC - Reg Asst Accum. Exp		(138,261)	-	138,261
18	926	926328	FAS106 HC - Elec/Gas		79,575	90,444	10,868
19			<u>Total OPEB Adjustment:</u>		(385)	216,229	216,614
20			<u>Total Pension/OPEB Adjustment:</u>		\$ 597,314	\$ 813,414	\$ 216,100

The Empire District Electric Company
 Test Year Ending June 30,2021
 Cause No. PUD 202100163
 WP B-3-3.3 Pension and OPEB Rate Base

Line No.	FERC (a)	GL Account (b)	Description (c)	Reference (d)	Total Oklahoma Test Year Ending Balance (e)	Total Oklahoma Pro Forma Ending Balance (f)	Total Oklahoma Pro Forma Adjustment (g) = (f) - (e)
<u>PENSION</u>							
1			Prepaid Pension Asset	Sch RB-9	\$ -	\$ 1,029,589	\$ 1,029,589
2	182	182369	OK Pension Under Recovered Amt	Sch RB-9	-	256,923	256,923
3	182	182370	OK Pension Cost Amort	Sch RB-9	230,128	(28,153)	(258,281)
4	182	182370	Adjustment to Remove FAS 88 Tracker Balance	Sch RB-9	296,695	-	(296,695)
5	254	254120	OK Pension Reg Liability	Sch RB-10	(652,973)	-	652,973
5			<u>Total Pension Adjustment:</u>		<u>(126,149)</u>	<u>\$ 1,258,359</u>	<u>1,384,509</u>
<u>OPEB</u>							
6	182	182371	OK OPEB Under Recovered Amt	Sch RB-9	214,875	263,045	48,170
7	254	254115	OK FAS106-Over Recd Amt	Sch RB-10	-	-	-
8	254	254119	OK OPEB Costs Amortization	Sch RB-10	(81,174)	(68,682)	12,492
9			<u>Total OPEB Adjustment:</u>		<u>133,701</u>	<u>194,363</u>	<u>60,662</u>
10			<u>Total Pension/OPEB Adjustment:</u>		<u>\$ 7,552</u>	<u>\$ 1,452,722</u>	<u>\$ 1,445,171</u>

CERTIFICATION

The undersigned, James Fallert, deposes and states that he is a Consultant, at James Fallert Consultant LLC, 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/ James A. Fallert _____

James A. Fallert