BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF THE EMPIRE DISTRICT	)	
ELECTRIC COMPANY, A KANSAS	)	
CORPORATION, FOR AN ADJUSTMENT IN ITS	)	CAUSE NO. PUD 202100163
RATES AND CHARGES FOR ELECTRIC SERVICE	)	
IN THE STATE OF OKLAHOMA	)	

Direct Testimony

of

Charlotte T. Emery

Submitted on behalf of

The Empire District Electric Company

February 28, 2022

Liberty™

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THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA
CAUSE NO. PUD 202100163

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DIRECT TESTIMONY OF CHARLOTTE T. EMERY
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA
CAUSE NO. PUD 202100163

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Charlotte T. Emery. My business address is 602 South Joplin Avenue, Joplin, MO, 64802.

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

A. I am employed by Liberty Utilities Service Corp. as a Director of Rates and Regulatory Affairs for the Liberty Central Region, which includes The Empire District Electric Company ("Liberty-Empire" or "Company").

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

A. I am testifying on behalf of Liberty-Empire.

Q. Please describe your educational and professional background.

A. I graduated from College of the Ozarks, Point Lookout, Missouri, in 2000 with a Bachelor of Science degree with a major in Accounting. I have been a Certified Public Accountant ("CPA") in the State of Missouri since 2006. I was hired by Liberty-Empire in July 2016 as a Rates Analyst and promoted to my current position as Director Rates and Regulatory Affairs Department in 2021.

Prior to joining the Company, I worked for six years in the regulated insurance industry in Springfield, Missouri as a Director of Accounting. In addition, I have nine years of public accounting experience working for both a national and "Big Four" accounting firms. My primary roles at these organizations included serving as a supervisor for financial statement audits and a tax consultant.

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

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

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

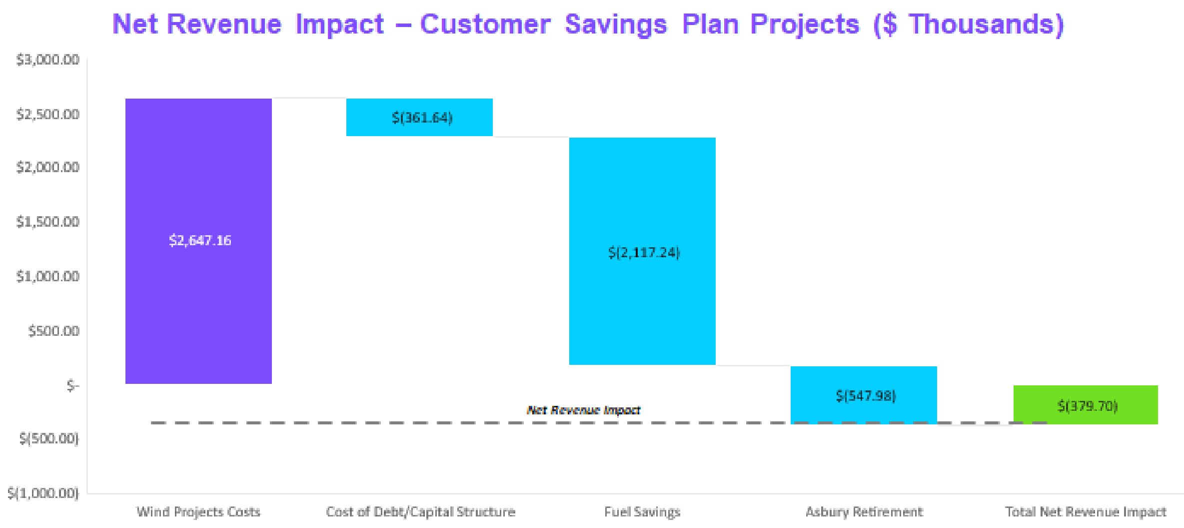
A. My Direct Testimony serves many purposes. First, I provide and explain the basis for the Company's overall revenue requirement and cost to serve its retail electric customers in Oklahoma. I sponsor the Minimum Filing Requirements ("MFRs") submitted pursuant to Oklahoma Title 165, Chapter 70 of the Commission's rules. I have included an index of the Application Package and Supplemental Package MFR requirements in Direct Exhibit CTE-2 and Direct Exhibit CTE-3, respectively, to serve as a guide to assist in its review for completeness.

I also explain the basis and calculation of revenue requirements for the critical investments supporting the Company's ongoing pivot towards a more customer centric, economic, and technologically advanced service model, namely:

- the commissioning of 600 MW of new wind generation (the "Wind Projects");
- the retirement of the Asbury Coal Plant ("Asbury"); and
- the deployment of Advanced Metering Infrastructure ("AMI").

When combined, these investments result in sustainable long-term savings for our customers over the next two decades. In the immediate timeframe, they also act to reduce the amount of the increase being sought in this application. For example, the net effect of the Company's proposal regarding the Asbury plant and the requested revenue requirement of the new Wind Projects results in a net revenue requirement savings of $379,698; see Figure CTE-1 below.

Figure CTE-1



In addition, I support several rate base and income statement pro-forma adjustments. Finally, my testimony proposes modifications to the Tax Change Rider ("TCR") tariff language that was approved in the Company's last case, which was created to credit customers the regulatory liabilities established by Order No. 687311 in Cause No. PUD 201700471 and as described in the Company's Direct and Rebuttal Testimony in Cause No. PUD 201800133.

Q. Are you sponsoring any exhibits with your testimony?

A. Yes. I am sponsoring the following exhibits:

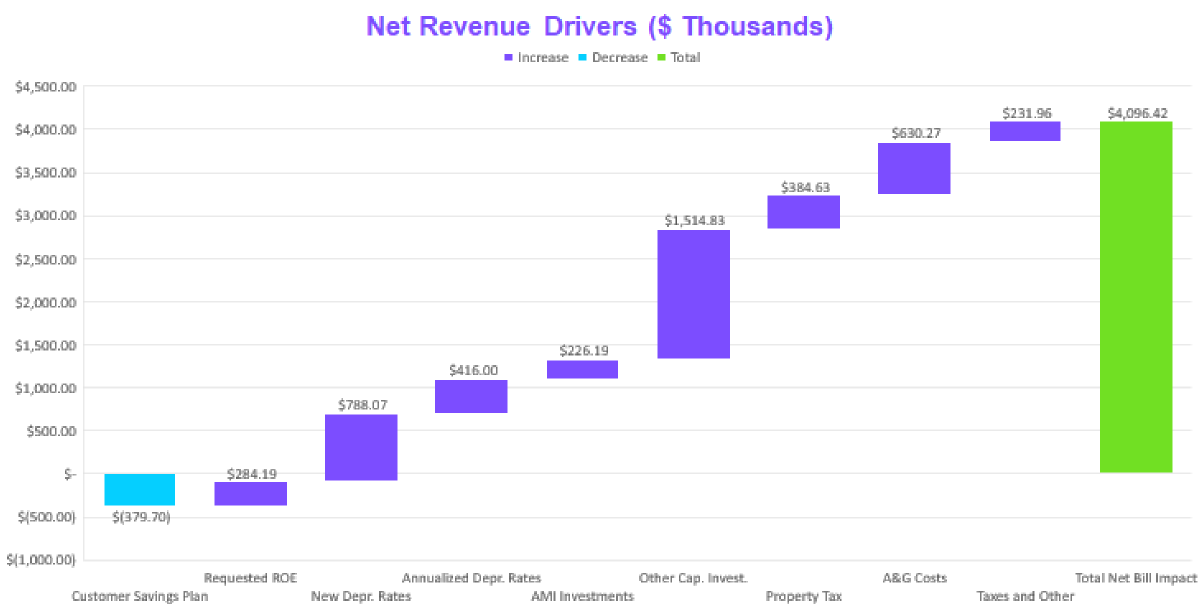
Exhibit	Description
Direct Exhibit CTE-1	Case References
Direct Exhibit CTE-2	Application Package Index
Direct Exhibit CTE-3	Supplemental Package Index
Direct Exhibit CTE-4	TCR Tariff

II. OVERVIEW OF GENERAL RATE CHANGE

Q. Please summarize the base rate relief the Company is seeking in this proceeding.

A. The Company is seeking to recover an annual base rate revenue deficiency of $6,213,660 , and when factoring in fuel savings associated with the Wind Projects of $2,117,240 the net revenue increase is $4,096,420. This also includes the Company's proposed rebasing of revenues collected under the SPPTC Rider. The total revenue requirement requested by the Company in this proceeding is $18,069,266, based on a jurisdictional rate base of $81,393,683. Figure CTE–2 reflects the major drivers of the Company's proposed rate increase:

Figure CTE-2



Q. Is the Company seeking any cost recovery associated with Winter Storm Uri in this Cause?

A. No. The Company will be requesting recovery of Winter Storm Uri costs in a separate cause.

Q. How did Liberty-Empire determine its annual revenue deficiency and its need for a general rate change?

A. This request is based on a test year ending June 30, 2021. The Company has proposed adjustments for known and measurable changes to the test year and to normalize operating results. The MFR schedules ("Schedules"), as presented, contain all expense items except fuel and purchased power energy costs and Schedule 12 and 1A costs, which are not included in base rates, but recovered through separate riders not at issue in this proceeding. Figure CTE-3 below shows a calculation of the annual revenue deficiency.

Figure CTE-3

Line No.	Revenue Requirement Component	Reference Schedule	Dollar Amount
1	Total Rate Base	MFR Schedule B-1	$ 81,393,683
2	Required Rate of Return	MFR Schedule B-1	7.06%
3	Required Net Operating Income	Line 1 x Line 2	5,742,903
4	Operating Income Deficiency	MFR Schedule B-1	4,712,439
5	Gross Revenue Conversion Factor	MFR Schedule B-1	1.3186
6	Total Revenue Deficiency	Line 4 x Line 5	6,213,660
7	Fuel Cost Savings		2,117,240
8	Net Revenue Deficiency	Line 6 - Line 7	$ 4,096,420

Q. Please state the general relief sought from the Commission through this application.

A. Liberty-Empire is requesting a general rate change (as defined in OAC 165:70-1-2) pursuant to the Chapter 70 MFR requirements. The accounting exhibits, schedules, testimony and evidence that support the general rate change are included in the Application package filed in this Cause. The Company's schedules and workpapers are based on the financial results of the test year ending June 30, 2021. The Application contains pro forma adjustments to rate base (see Section B of the Application Package) and pro forma adjustments to operating income (see Section H of the Application Package). The pro forma adjustments reflect reasonably known and measurable changes that occur during and after the test year.

Q. How were the MFR Schedules and workpapers prepared?

A. The MFR schedules and workpapers were prepared in accordance with the books and records of the Company that are maintained in compliance with the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts. The Company also followed the Commission's rules with regard to the preparation of the MFRs and the Application package. Furthermore, the Company prepared a supplemental package described in OAC 165:70-5-20.

III. REVENUE REQUIREMENT

Q. What is meant by the term "revenue requirement"?

A. A utility's "revenue requirement" is the sum of its Operation and Maintenance ("O&M") expenses, depreciation expense, income and other taxes, and a fair return on the utility's rate base. The revenue requirement is often determined based on a historical test year with pro forma adjustments reflecting reasonably known and measurable changes to revenues, expenses and rate base items. When the revenue requirement exceeds the utility's normalized test year revenues, a revenue deficiency exists, which is the case here, and a rate increase is required. The calculation presented in this case is made specific to the Company's Oklahoma retail jurisdiction.

Q. What are the general categories of pro forma adjustments proposed by the Company?

A. *Pro forma* adjustments generally fall into one of the following categories:

1) Normalization Adjustments - made to rate base and expenses to offset unusual levels of operations recorded during the test year. An example of such an adjustment would be the use of a 13-month average for materials and supplies to address the variable nature of the expense.

2) Annualization Adjustments - made to recognize a cost which occurred during the test year that will be ongoing and must be captured on a prospective basis. An example of such an adjustment would be the adjustment to payroll to account for salary increases during the *pro forma* period. This annualization is necessary to adjust payroll costs to a level reflecting the *pro forma* salary for the entire year.

3) Out of Period Adjustments - which consider known and measurable changes that occur outside the end of the test year. An example of such an adjustment would be increases in Plant in Service based on Construction Work that is expected to be complete, used and useful by the end of the pro forma Update period.

4) Costs that are not necessary to provide electric service - An example of such an adjustment would be to remove common plant utilized by Liberty-Empire's gas or water utility affiliates.

5) Costs recovered elsewhere - made to adjust the test year to reflect any cost recovery that occurs outside of base rates. An example of such an adjustment would be to remove franchise fees. This adjustment is necessary to ensure that customers are appropriately charged for these costs recovered or passed through a separate mechanism or tariff condition.

Q. What test year is the Company proposing in this case?

A. The Company is proposing a historical test year based on twelve months ended June 30, 2021.

Q. Did Liberty-Empire update its test year for changes occurring six months after its test year?

A. Yes. Liberty-Empire made known and measurable adjustments for changes occurring through December 31, 2021. The impact of the update process has been included in the Company's revenue requirement presented in this Application.

Q. What is Liberty-Empire's calculated overall rate of return?

A. Liberty-Empire's calculated overall rate of return at current rates is 1.27 percent. This cost of capital earned under the current rates is calculated by dividing the adjusted test year operating income by the adjusted test year rate base. Liberty-Empire's current authorized cost of capital is 7.27%[1], thus reflecting that the Company is significantly underearning.

Q. Please summarize the base rate relief the Company is seeking in this proceeding.

A. As stated above, the Company is seeking to recover an annual base rate revenue deficiency of approximately $6,213,660 based on a rate base of approximately $81,393,683.

Q. What is the revenue requirement model?

A. A revenue requirement model is the analysis that calculates the various components of the revenue requirement which was mentioned previously in my testimony and provides a determination if a utility is earning its authorized rate of return.

[1] Per Joint Stipulation and Settlement Agreement Section B, Cost of Capital for Allowance of Funds Used During Construction or other recovery mechanisms that include a full return component.

Q. Please describe the MFR Schedules supplied in the Company's Application package that reflect the calculation of the rate relief being requested in this Cause.

A. Schedule B-1 - Revenue Requirement, presents the Company's proposed revenue requirement and the overall revenue requirement calculation. Schedule B-2 - Rate Base, reflects the Company's test year rate base, including pro-forma adjustments and the resulting pro forma rate base. Rate base is the value of property on which a public utility is permitted to earn a specified rate of return. Schedule H-1 - Income Statement, provides the test year statement of operating income with pro forma adjustments and the resulting pro forma operating income. Schedule B-3 - Rate Base Adjustments, and Schedule H-2 - Income Statement Adjustment, provides the known and measurable adjustments to rate base and operating income that the Company reasonably expects through the update period. Schedule J-2 - Pro Forma Income Taxes, calculates income taxes based on state and federal effective tax rates. Schedule J-2.1 - Interest Synchronization, calculates the synchronized interest expense based on the Company's rate base and weighted cost of debt. The Interest Synchronization calculation is necessary to properly calculate the amount of income taxes to be recovered through rates as the Company receives a tax deduction for interest expense which reduces the Company's taxable income. Schedule F-1 - Components of Capital, presents the overall cost of capital used in the calculation of the revenue requirement, which will be addressed in detail by Company witness Daniel S. Dane (the reasonableness of Liberty-Empire's capital structure and Liberty-Empire's cost of equity).

Q. Does Liberty-Empire allocate its costs to operate across the four states in which it operates as well as its FERC jurisdictional operations?

A. Yes. Because Liberty-Empire's financial information is reported on a total Company basis for many rate making components (i.e., rate base, production expenses, transmission expenses, customer expenses), it is necessary to determine a method to allocate costs between the various jurisdictions in which Liberty-Empire operates. Liberty-Empire operates in four retail jurisdictions (Missouri, Arkansas, Kansas and Oklahoma), and the Company also has two FERC formula rates which are used for transmission and wholesale generation customers.

Q. Please describe the allocations used to populate the Oklahoma jurisdictional balances in the Company's revenue requirement.

A. The basis of the Oklahoma jurisdictional allocations used by the Company to populate its Oklahoma balances is determined either directly or indirectly by the allocation of the Company's demand (12-month average coincidental peak) and energy consumption (12-month ending KWH sales) at the test year end among each of its five jurisdictions (four state retail and FERC). In addition, the Company also direct assigns accounts as appropriate. When assigning allocations to its costs, the Company looks at each individual general ledger account to determine the appropriate method of allocation. This helps ensure that accounts that may be jurisdictional specific are either allocated 100% to Oklahoma or if it is unrelated to Oklahoma then Oklahoma customers are assigned none of those costs. See WP K-2 & K-3 supplied in the Company's Supplemental Package to see a detailed listing of the basis for the allocations for each category of costs, as well as, if there are direct assignments within those types of costs.

WP K-2 & K-3 reflects that the jurisdictional demand drives the allocation of the production and transmission plant; the distribution plant is direct assigned as it is plant specific to that respective jurisdiction; and the intangible and general plant is allocated based off the allocation of total production, transmission, and distribution plant combined. Many of the other cost categories are then allocated based off the allocation of electric plant (by the demand allocation factor indirectly). Variable expenses, such as fuel inventory and other production expenses, are allocated based on each jurisdiction's 12-month ending energy consumption at the test year. The Company also uses its distribution of labor and 12-month average customer count to allocate the general ledger accounts within the A&G and Customer Accounts/Assistance categories, respectively. There are also accounts that may be retail specific or wholesale specific, whereas for example, the Company will create an allocation of its 12-month average coincidental peak based solely on its retail demand. By assigning an allocation basis for each specific general ledger account, this helps to ensure that the Company is including the appropriate amount of costs in its revenue requirement for its Oklahoma customers and prevents subsidization of costs among its five jurisdictions.

IV. <u>WIND PROJECTS</u>

Q. Please briefly summarize the background of the wind projects in question.

A. During the first half of 2021, Liberty-Empire acquired interest in three wind generation projects through a holding company. These transactions were previously presented in PUD 201700471 (the "Customer Savings Plan case"). My colleagues Kevin Melnyk, Aaron Doll, Drew Landoll and Shaen T. Rooney will provide the details concerning the construction, acquisition, financing, operation, and market revenue generation for these projects in their respective direct testimony.

Q. What relief is the Company seeking in regard to its investment in the Wind Projects and the costs incurred to acquire and operate them?

A. The Company is requesting that the Commission authorize Liberty-Empire to treat its capital investment, to acquire the wind projects, as a rate base investment and allow Liberty-Empire to recover the operating expenses associated with the Wind Projects in the same manner that it recovers the operating expense of its generation assets today.

Q. Why is this proposed ratemaking treatment reasonable?

A. The Wind Projects will be jointly owned by Liberty-Empire and the tax equity partner which is similar to Liberty-Empire's joint ownership of its Iatan and Plum Point generation. In those cases, Liberty-Empire's costs to acquire the generating units have been included in Liberty-Empire's rate base, and the associated operating costs were passed through to customers. In the case of the Wind Projects, Liberty-Empire's customers will recognize savings from the acquisition of the Wind Projects. Therefore, it is also appropriate for customers to pay the costs associated with them.

Q. Has this type of ratemaking treatment been approved by other regulatory Commissions?

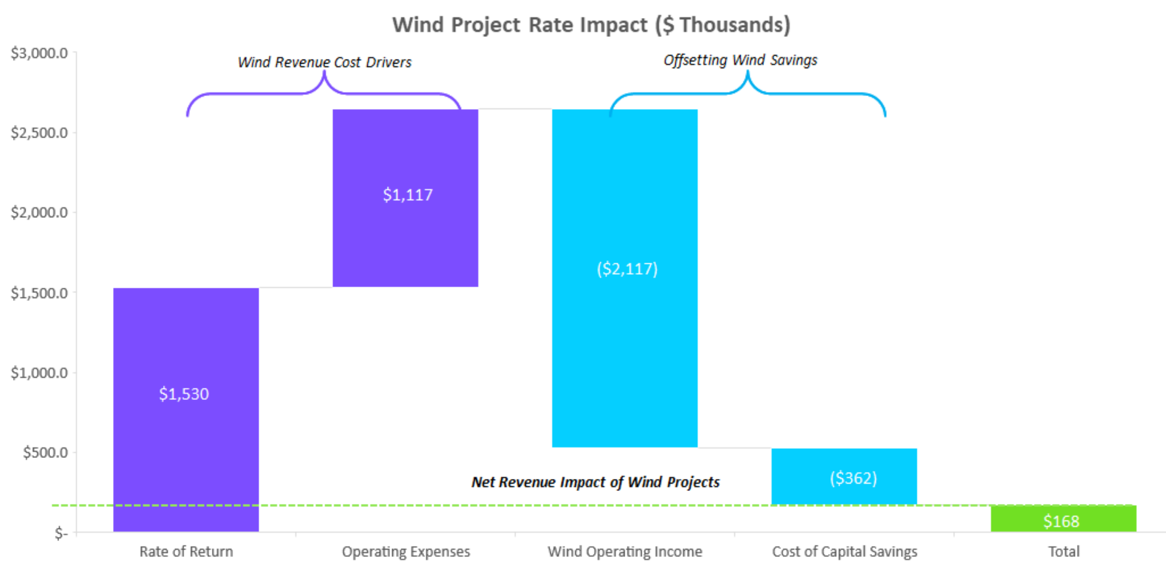
A. Yes. The Missouri Public Service Commission issued an Order in Case Number EO-2018-0092 and EA-2019-0010 allowing "look-through" accounting which authorized Liberty-Empire to record its capital investment and operating costs to acquire the Wind Projects as utility plant in service and the recovery of applicable Wind Project operating costs. I would further note that no stakeholders in case number ER-2021-0312 (the rate case filed in Missouri seeking recovery of the Wind Projects) objected to the utilization of the "look-through" ratemaking approach.

Q. Has the Company included the costs of the Wind Projects in its cost of service in this case? If so, please explain how.

A. Yes. The Company reflected its Wind Project investments as plant in service and seeks to recover the associated Cost of Capital and the Operation and Maintenance ("O&M") Expenses associated with the projects. Importantly, the Wind revenue requirement is reduced approximately 80% by the wind net operating income. Figure CTE-4 illustrates this concept using a waterfall diagram, while I address each component in detail below.

It is also important to note that there are several other cost and/or revenue drivers associated with the Wind Projects, which the Company will seek to record (or credit to) customers directly through the Fuel Adjustment Rider ("FA"). I discuss these additional items below as well.

Figure CTE-4



Q. What cost drivers make up the Rate Base of the Wind Projects?

A. The rate base amount upon which the Cost of Debt and Return on Equity are calculated reflects the net book value of the physical plant supporting wind generation. The physical plant is made up of wind turbine assets and other civil and electrical infrastructure required to safely generate, collect and transmit the electricity towards the load centers where it is consumed. Please refer to the Direct Testimony of the Company Witness Shaen T. Rooney for a more detailed description of these assets.

Q. How is the Accumulated Deferred Income Taxes (ADIT) component of the Rate Base calculated?

A. For Liberty-Empire's ownership share it is calculated in the same manner as it is for all other regulated plant.

Q. What makes up the Operating Costs component of the Wind revenue requirement?

A. The majority of these recurring expenses relate to the costs that the Company and its service providers incur in servicing the wind projects themselves – including the day-to-day site, system and market operations, asset management analytics and physical asset and site upkeep work, insurance expenditures, lease payments to the easement landowners, ongoing environmental mitigation and others. The scope and nature of these services and the associated payment terms and conditions are prescribed in a series of agreements that my colleagues Aaron J. Doll, Kevin Melynk and Shaen T. Rooney discuss in their testimony.

Q. Do the local property taxes include those for the wind farm located in Kansas?

A. No. There are no property taxes assessed to the Neosho Ridge Wind Project for the ten years immediately following the taxable year in which construction or installation of the Kansas Wind farm is completed. This is a result of Kansas Statute Annotated §79-201, which exempts an applicant from paying property tax. However, the Company entered an agreement to pay $1,000,000 per year in lieu of property tax to Neosho County.

Q. How did the Company calculate the Depreciation Rate for the calculation of the net Rate Base Wind Projects?

A. For wind production assets, we propose to use a depreciation rate of 3.33% and for wind transmission assets, we propose utilizing the transmission depreciation rates that are being recommended by the new Depreciation Study supported by Company Witness Dane Watson. As Mr. Watson explains in his Direct Testimony, there is not enough information about the Wind Projects at this time to have included them in his depreciation study. The proposed rate assumes the recovery of the Wind Projects over a thirty-year period of the projects' easement leases. At this point, the depreciation rate does not incorporate the dismantlement costs, asset removal or salvage value, all of which can be explored at the time when a future wind asset depreciation study is completed.

Q. Please describe the proposed Wind Project-related costs and revenue items that will be included in the FA rather than base rates.

A. Liberty-Empire proposes that the impact of items such as the Wind Projects' market revenues, Production Tax Credits ("PTCs"), Renewable Energy Credits ("RECs"), Hedge Net Settlements, PAYGO contributions and other variable costs related to tax equity be included as eligible items of Liberty-Empire's FA charge which is adjusted on a monthly basis. The Direct Testimony of company witnesses Kevin Melnyk and Aaron J. Doll describe the nature of these items in more detail.

Q. What is the impact on the Company's net annual revenue as a result of including the Wind Projects in the Company's base rates and FA?

A. The net annual revenue impact for the Wind Projects included in the Company's request is projected to be $529,924. This net revenue impact is approximately 80% lower than the sum of Wind Projects' annual Cost of Capital and Operating Costs due to the offsetting effect of electricity sales revenues using zero-dollar fuel that the Company is proposing to offset the rate impact for its customers. This tangible and sustainable value would not have been possible without the Company's decision to retire Asbury when it did and replenish its installed capacity with clean and sustainable wind generation financed in conjunction with tax equity partners.

While it effectively traces the same calculation as the Figure CTE-4 at the start of this section, Figure CTE-5 below provides a more detailed accounting breakdown of the net Wind Project revenue requirement calculation.

Figure CTE 5

Line No.	Description	Reference	Total Oklahoma Wind Project
	(a)	(b)	(d)
	Rate Base		
1	Rate Base	Schedule B-2	$ 17,572,665
2	Rate of Return Requested	Schedule E-1	7.06%
3	Return on Rate Base	Line 1 x Line 2	$ 1,239,877
	Operating Expenses		
4	Non-FAC Operating Expenses	Schedule F-1	1,116,931
5	Income Taxes		-
6	Operating Income (Loss) After Taxes	Line 4 - Line 5	1,116,931
	Cost of Capital		
7	Rate Base	Line 1	17,572,665
8	Weighted Cost of Debt	Schedule E-1	1.78%
9	Interest Deduction	Line 7 x Line 8	312,301
10	Weighted Cost of Equity	Schedule E-1	5.28%
11	Equity Return	Line 7 x Line 10	927,576
12	GRCF	2021 Rev. Req. Model	1.3130
13	Total Equity Return	Line 11 x Line 12	1,217,932
	Project Revenue Requirement		
14	Operating Expense	Schedule F-1	1,116,931
15	Total Equity Return	Line 13	1,217,932
16	Total Debt Return	Line 9	312,301
17	**Project Revenue Requirement**	Sum: Lines 14 - 16	**$ 2,647,164**
	Reductions to Rates		
18	EDE FAC Operating Income	Schedule F-1	$ 2,117,240
19	**Net Impact to Rates**		**$ 529,924**

Q. Please describe the Wind Projects adjustments that you are sponsoring.

A. The specific adjustments are as follows, and their nature is described above:

- WP C-2-1 for plant additions specific to the Wind Projects and the respective Accumulated Depreciation.
- WP B-3-5 includes the projected ADIT balance for the Wind Projects at the end of the update period in the case.
- WP H-2-8 includes the revenues received by Liberty-Empire for three affiliate contracts: Asset Management and Administrative Services Agreement ("AMA"); Energy Management Services Agreement ("EMSA"); and Operations and Maintenance Agreement ("OMA") each between Liberty-Empire and each of the Wind Project companies.
- WP H-2-30 includes expenses for the three affiliate contracts mentioned above as well as lease expense, property tax, service and maintenance agreement costs, affiliate services agreement costs, insurance, and post-construction environmental costs for the Wind Projects. Please see the testimony of Shaen T. Rooney, Kevin Melynk and Aaron J. Doll for an explanation of the affiliate contracts.

V. ASBURY RETIREMENT

Q. Please briefly describe Asbury and its retirement circumstances.

A. Asbury was a coal-power plant constructed in 1970. As recently as 2014, the plant underwent significant emission control upgrades, to comply with environmental policy requirements. As it continued operating, its operating economics continued to erode as detailed in Aaron J. Doll's Direct Testimony.

The Company analyzed retiring Asbury as part of its Generation Fleet Savings Analysis presented to the Oklahoma Commission in 2017 as well as in its 2019

Integrated Resource Plan ("IRP"). Most recently in the Company's 2019 IRP, Liberty-Empire determined that retirement of Asbury in 2019 would yield the benefits of $93 million over 20 years for its customers when compared to its continued operation until its end of useful life.[2] Pursuant to this analysis, Asbury was retired on March 1, 2020.

Q. Was the Company directed to track the costs related to the impact of retiring Asbury?

A. Yes. As part of the Joint Stipulation and Settlement Agreement that was approved in Cause No. PUD 201800133, the Company agreed to establish a Regulatory Asset/Liability beginning on the date Asbury retired for the purpose of capturing the impact on the revenue requirement of retiring Asbury.

Q. Did the Company comply with the Commission's directions?

A. Yes. The Company established the regulatory accounts to track the costs of the impact as of March 2020, the date Asbury retired.

Q. What is the estimated balance of the Asbury Liability?

A. The estimated balance of the items to be tracked through the regulatory account as of December 31, 2021, the update period in this case, resulted in a regulatory liability of $1,300,101 as shown below in Figure CTE–6 below. The Company will update this account balance during the pendency of this case with actual information.

[2] File No. EO-2019-0049, 2019 IRP, Volume 7, pg. 10.

Figure CTE-6

ASBURY REGULATORY LIABILITY			
1	Plant In Service	$	(7,207,307)
2	Accumulated Depreciation		1,891,459
3	Prepayments		-
4	Materials and Supplies and Inventory		(272,682)
5	ADIT		(75,578)
6	Excess ADIT		72,834
7	Stub Period Tax Reform		201,617
8	**Total Net Rate Base**		**(5,389,657)**
9	Return On Asbury		(719,918)
10	Amortization Expense		(4,004)
11	Depreciation Expense		(239,428)
12	Non-Fuel/Non-Labor Operating & Maintenance Expenses		(183,306)
13	Property Taxes		(112,367)
14	Non-Labor Asbury Retirement/Decommissioning Costs		128,411
15	Income Taxes		(169,489)
16	**Total Asbury Regulatory Liability:**	**$**	**(1,300,101)**

Q. How did the Company reflect Asbury's retirement in its Revenue Requirement?

A. The Company reflected the adjusted regulatory asset and liability as of December 2021 as components of rate base, and included the associated amortization of these regulatory accounts in its proposed revenue requirement. In addition, the Company removed the revenue previously reserved as a result of the regulatory liability for which the Company now seeks recovery. The adjustment amounts included in the revenue requirement are shown in Figure CTE-7 below and will be discussed in further detail later in my testimony.

Figure CTE-7

Description	SCH/WP	Adjustment Amount
BALANCE SHEET		
Remove Asbury ARO amounts & add the Oklahoma Portion of Asbury Abandoned Projects	WP B-3-3.4	(210,522)
To remove the Asbury Obsolete Inventory	WP B-3-3.5	(49,085)
Reclass Asbury portion of inventory into separate asset account	WP B-3-3.8	32,671
Reclass Asbury portion of inventory out of Total Inventory account	WP B-3-7	(32,671)
Asbury Regulatory Liability	WP B-3-4.4	463,384
Reclass Asbury portion of ADIT into regulatory liability	WP B-3-4.5	(1,099,374)
Reclass Asbury portion of ADIT out of ADIT account	WP B-3-6	1,099,374
Reclass Asbury portion of Excess ADIT into separate liability	WP B-3-4.6	(487,388)
Reclass Asbury portion of Excess ADIT out of Total Excess ADIT account	WP B-3-4.6	487,388
Reclass Asbury portion of Tax Reform Stub Period into separate liability	WP B-3-4.6	101,040
Reclass Asbury portion of Tax Reform Stub Period out of Total Stub Period account	WP B-3-4.6	(101,040)
INCOME STATEMENT		
To reverse the amount of test year revenues being offset for the Asbury Regulatory liability	WP H-2-5	782,675
Asbury Regulatory Rate Base Amortization (30-year amortization)	WP H-2-18	122,926
Asbury Regulatory Liability Amortization - less Asbury return amounts (2-year amortization)	WP H-2-18	(290,091)

Q. Is the Company continuing to incur costs related to Asbury?

A. Yes. The Company continues to incur expenses for taxes, insurance, and other costs to keep the property safe until it is dismantled. As indicated in the Direct Testimony of Liberty-Empire witness Drew Landoll, Liberty-Empire was able to re-purpose a portion of Asbury so it could be used in the operation of the Company's Wind Projects and new solar generation.

Q. Will the Company incur costs in the future related to the portion of Asbury that has been retired?

A. Yes. The Company will incur costs for decommissioning and/or disposal of retired assets and will also incur costs related to environmental monitoring of the coal ash pond. Please see the Direct Testimony of Liberty-Empire witness Drew Landoll for further discussion on the Asbury plant decommissioning and environmental monitoring.

Q. How is the Company proposing to recover the continuing and future costs associated with Asbury?

A. The Company proposes the Commission authorize a deferral accounting treatment. The deferral accounting treatment that Liberty-Empire is requesting would track the continuing and future costs, including decommissioning, and any revenues from sale of scrap material through an Asbury Regulatory account until the facility has been fully decommissioned. By tracking these costs/revenues, it ensures customers pay no more or no less than the actual expenses/revenues incurred. Liberty-Empire will propose an amortization of these costs in a future rate case.

Q. Are there other costs the Company proposes to track through the Asbury Regulatory Account?

A. Yes. The Company proposes to track the return to customers of the excess ADIT and Tax Reform Stub Period costs through the Asbury Regulatory Account so that any excess refunds of these costs to customers may offset the continuing and future costs related to Asbury as described above.

Q. What is the annual revenue requirement impact of the Company's Asbury proposal?

A. The annual revenue requirement for the impact of Asbury included in the calculation of base rates in this cause is $104,352. Figure CTE-8 compares the Company's proposal with the calculation of the Asbury revenue requirement that is currently being collected in base rates. As can be inferred from netting out the current and proposed Revenue Requirement calculations (columns (c) and (d) respectively), the Company's proposal results in annual revenue requirement savings of $547,983 as compared to the costs included in PUD 201800133.

Figure CTE-8

Line No.	Description	Reference	Total Oklahoma Asbury (Retired Plant) Base Rates PUD 201800133	Total Oklahoma Asbury (Retired Plant) Proposed PUD 202100163
	(a)	(b)	(c)	(d)
1	Net Retired Asbury Plant		$ 5,288,102	$ 5,140,816
2	Materials and Supplies and Inventory		280,573	32,671
3	ADIT		(1,023,796)	(1,099,374)
4	Excess ADIT		(560,222)	(487,388)
5	Stub Period Tax Reform		(100,578)	101,040
6	Asbury Regulatory Liability		-	(580,182)
7	Net Rate Base	(Line 1 thru Line 6)	3,884,080	3,107,583
8	Revenues Related to Retired Plant		-	-
9	Amortization Related to Retired Plant		303,639	(167,166)
10	Operating Income (Loss) Before Taxes	(Line 8 - Line 9)	(303,639)	167,166
11	Income Taxes		66,449	52,256
12	Operating Income (Loss) After Taxes	(Line 10 - Line 11)	(370,088)	114,910
13	Current Rate of Return	(Line 12 / Line 7)	-9.53%	3.70%
14	Rate of Return		7.27%	7.06%
15	Required Net Operating Income	(Line 7 x Line 14)	282,247	219,262
16	**Asbury Revenue Requirement:**	(Line 15 - Line 12)	652,335	104,352

VI. AMI

Q. Please describe the AMI investment.

A. As described in the Direct Testimony of Company witness Chad C. Hook, AMI is a comprehensive metering solution working in concert to create two-way communications between customer meters and the utility. AMI meters, sometimes referred to as "smart meters," are digital meters with advanced features and capabilities beyond traditional electricity meters. The meters transmit information to field collectors, forming a mesh network, which is flexible in that the meters route data via nearby devices creating a mesh network of coverage. Within the network, each meter serves as a repeater to help transfer the data to the collectors, which then transmit the information to the AMI control center through a cellular network. Please see Mr. Hook's Direct Testimony for a more detailed description of this project including the progress of implementation; customer benefits of AMI; and operational efficiencies enabled by AMI.

Q. Are the customers expected to experience savings associated with the AMI project?

A. Yes. The new meters have two-way electronic communication. Meter reads as well as remote connects and disconnects may be achieved electronically, thereby eliminating expenses to manually read meters such as labor and labor related costs, vehicle expense, and related overheads.

Q. Did the Company make an adjustment to its revenue requirement to reflect any operational benefits or efficiencies it anticipates to realize as a result of its AMI implementation?

A. Yes. Based on anticipated operational savings, the Company included a pro forma adjustment to reflect a reduction in meter reading expenses. See adjustment H-2-34 below.

Q. Is the Company seeking recovery of retired meters within this case?

A. Yes. See adjustment B-3-3.6 for AMI Stranded Meters costs.

Q. Have other jurisdictions addressed recovery of retired meter costs due to AMI deployment?

A. Yes. In Missouri, Kansas City Power and Light ("KCP&L") received recovery by adjusting its meter reserve account for the stranded costs.[3] Oklahoma Gas and Electric ("OG&E") in Oklahoma started its Smart Grid project in 2010 and received approval to recover its retired meter costs driven by its AMI program over a six-year period.[4]

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[3] ER-2014-0371 Order Approving Stipulation and Agreement Issued July 17, 2015.
[4] OG&E Cause No. PUD 201000029 Order No. 576595 p. 18.

Q. How is the AMI investment reflected in the Company's cost of service?

A. The Company reflects the AMI investment in plant and included the operation and maintenance ("O&M") expense, depreciation, and taxes related to AMI in its cost of service. Figure CTE-9 below shows the adjustment amounts included in the revenue requirement for the AMI project.

Figure CTE-9

Description	SCH/WP	Adjustment Amount
BALANCE SHEET		
To include AMI Plant in Service	WP C-2-1	328,348
To include AMI Accumulated Depreciation	WP C-2-1	(7,999)
To reflect the regulatory asset for stranded meters	WP B-3-3	265,053
To remove stranded meter costs from Plant in Service and Accumulated Depreciation	WP D-2-3	(265,053)
INCOME STATEMENT		
To reflect an annual amount of revenues received from customers who have opted out of using the AMI meters.	WP H-2-6	1,260
To reflect an annual amount of amortization related to the stranded meters regulatory asset	WP H-2-18	17,670
To include outside service epenses needed for the AMI project based on pricing sheets from third-party vendors.	WP H-2-31	877,376
To reflect the savings related to the reduction of meter readers needed after deployment of the AMI meters.	WP H-2-34	(1,185,567)

Q. What is the annual revenue requirement impact related to AMI?

A. The annual revenue requirement for the AMI project included in the calculation of base rates in this cause is $226,186. The calculation of the AMI revenue requirement is shown in Figure CTE-10 below.

Figure CTE-10

The Empire District Electric Company			
Test Year Ending June 30,2021			
Cause No. PUD 202100163			
Schedule 1 - AMI Revenue Requirement Summary			
			Total Oklahoma
Line			Pro Forma
No.	Description	Reference	Balance
	(a)	(b)	(c)
1	Rate Base	Schedule 2	$ 1,178,207
2	Revenues		1,260
3	Expenses		116,572
4	Operating Income (Loss) Before Taxes	(Line 2 - Line 3)	(115,312)
5	Effective Tax Rate	Schedule 4	24.16%
6	Income Taxes	(Line 4 x Line 5)	(27,859)
7	Operating Income (Loss) After Taxes	(Line 4 - Line 6)	(87,453)
8	Current Rate of Return	(Line 7 / Line 1)	-7.42%
9	Rate of Return Requested	Schedule 4	7.06%
10	Required Net Operating Income	(Line 1 x Line 9)	83,131
11	Income Deficiency	(Line 10 - Line 7)	170,584
12	Gross Revenue Conversion factor	Schedule 5	1.3186
13	Revenue Deficiency	(Line 11 x Line 12)	224,926
14	Revenue Deficiency %	(Line 13 / Line 2)	17851.25%
15	**Revenue Requirement**	(Line 2 + Line 13)	$ 226,186

VII. RATE BASE

Q. What is the Company's proposed rate base in this Cause?

A. As shown in MFR Schedule B-2, Rate Base Summary, the Company's pro forma rate base is $81,393,683. It is comprised of the test year rate base of $77,309,509, with pro-forma adjustments totaling $4,084,174.

Q. Do any of the Company's proposed rate base adjustments relate to Plant?

A. Yes. The Company proposes the following adjustments to test year plant:

- C-2-1 for Plant Additions;
- C-2-2 to remove Construction Work in Progress (“CWIP”);
- C-2-3 to remove Plant Held for Future Use; and
- C-2-4 for the removal of Common Plant.

Q. Please describe adjustment C-2-1 for Plant Additions.

A. C-2-1 increases plant in service and accumulated depreciation for projects reasonably expected to be placed in service and used and useful by December 31, 2021. This adjustment consists of three different categories of additions: Wind, AMI, and all other investments. The increase for Wind additions is $154,939, for AMI additions is $328,348, and for all other investments is $6,198,584. In total, this results in an increase for Oklahoma jurisdictional plant in service of $6,681,871. The accumulated depreciation is split in a similar way as the plant in service. The increase to accumulated depreciation for Wind is $1,739, for AMI is $7,999, and for all other investments is $9,385. This results in an increase for total Oklahoma jurisdictional accumulated depreciation of $19,123.

Q. Please describe adjustment C-2-2 to Remove CWIP.

A. The Company is not seeking rate base treatment of CWIP in this Cause; therefore, the $3,671,896 balance of Oklahoma CWIP at the June 2021 test year end has been removed through this adjustment. All projections of plant that will be deemed “in service” between the test year end and the December 31, 2021 updated period is being captured in the plant additions adjustment, C-2-1.

Q. Please describe adjustment C-2-3 to Remove Plant Held for Future Use.

A. In WP C-2-3, the Company removed all Plant Held for Future use which was allocated to the Oklahoma jurisdiction, totaling $65,880, from rate base.

Q. Please describe adjustment C-2-4 for Common Plant Removal.

A. There are certain general plant assets recorded on Liberty-Empire's books that are shared between Liberty-Empire electric and other non-electric affiliated business entities; therefore, a portion must be removed from the cost of service to avoid subsidization by Oklahoma electric customers. In WP C-2-4, the Company calculated a "mass rate" to remove a percentage of common plant utilized by the other businesses, which includes certain buildings such as the Joplin Corporate Office, the Joplin Kodiak Operations Office, and the Ozark Call Center. The adjustment results in a decrease to Total Company and Oklahoma jurisdictional plant by $7,133,744 and $218,614, respectively, and reduces the associated accumulated depreciation reserve by $4,056,234 Total Company and $124,303 Oklahoma jurisdictional.

Q. Do any of the Company's proposed adjustments relate to Accumulated Depreciation/Amortization?

A. Yes. The Company proposes the following adjustments to test year accumulated depreciation/amortization:

- D-2-1 for additional Accumulated Depreciation;
- D-2-2 for additional Accumulated Amortization; and
- D-2-3 for Stranded Meters.

Q. Please describe adjustment D-2-1 for Additional Accumulated Depreciation.

A. Adjustment D-2-1 decreases the Company's rate base by $1,351,144 for the Oklahoma jurisdiction to account for the additional accumulated depreciation related to the test year level of assets (less the test year balance of common plant removed) expected to be incurred by the end of the update period ending December 31, 2021.

Q. Please describe adjustment D-2-2 for Additional Accumulated Amortization.

A. Adjustment D-2-2 decreases the Company's rate base by $4,746,600 on a Total Company basis and $145,360 on an Oklahoma jurisdictional basis to account for the additional accumulated amortization related to the test year level of assets expected to be incurred by the end of the update period ending December 31, 2021.

Q. Please describe adjustment D-2-3 to update Accumulated Depreciation Related to the Replacement of Existing Meters.

A. Adjustment D-2-3 properly reflects the balance of accumulated depreciation related to the stranded meters which is being requested as a regulatory asset within this case. Currently accumulated depreciation is understated; therefore, this adjustment is to increase accumulated depreciation by the amount of stranded meters within the regulatory asset. This adjustment increases accumulated depreciation by $265,053.

Q. Did the Company propose any other adjustments to rate base?

A. Yes. The Company proposed the following additional adjustments to rate base:

- B-3-1 for Cash Working Capital;
- B-3-2 to adjust Prepayments, Materials and Supplies, Customer Deposits & Customer Advances to a 13-month Average;
- B-3-3 to adjust the Regulatory Assets;
- B-3-4 to adjust the Regulatory Liabilities;
- B-3-5 to adjust the Accumulated Deferred Income Taxes ("ADIT"); and
- B-3-6 to reclass the Asbury ADIT.

Q. Please describe adjustment B-3-1 for Cash Working Capital.

A. This adjustment decreases the Company's rate base by $360,872 on an Oklahoma jurisdictional basis to account for the appropriate level of cash working capital. Please refer to Company witness Timothy S. Lyons' Direct Testimony for discussion on the approach to develop the lead-lag study.

Q. Please describe adjustment B-3-2 for the 13-Month Average Adjustments.

A. A thirteen-month average is used to help smooth fluctuations in costs and better represent a normal level of costs for inclusion in rate base when setting new rates. When applying this method, it results in an increase to materials and supplies of $7,520,315 on a Total Company basis and an increase of $255,205, for the Oklahoma jurisdiction. Prepayments were decreased by $435,120 for Total Company and decreased by $13,327 for Oklahoma. A thirteen-month average results in an increase of customer deposits by $288,936 for Total Company and an increase of $14,450 for Oklahoma. Customer advances result in an increase of $769,308 on a Total Company basis. Customer advances are direct assigned to each jurisdiction and within the thirteen months of the test year, Oklahoma had no fluctuation in the balance and therefore, had no adjustment on an Oklahoma jurisdictional basis.

Q. Please describe adjustment B-3-3 to update the Regulatory Assets.

A. B-3-3 was used to adjust the current authorized regulatory asset balances at the test year, to the balances expected at the end of the update period, December 2021. In addition, the Company is also proposing the same adjustment to any new regulatory assets being requested in this case. The total increase to regulatory assets is $1,453,832 at an Oklahoma jurisdictional level and that balance is comprised of the following regulatory asset adjustments:

- B-3-3.1 Rate Case Expense: This adjustment is to reflect the balance of the deferred asset for rate case expense, which consists of two components. The first component is costs anticipated for the current case and the second is to remove out amortization expense approved in Cause No. PUD 201800133[5] through the end of this preceding. This results in a pro forma ending balance of $1,083,568 for Oklahoma Rate Case Expense.
- B-3-3.2 COVID-19 Regulatory Assets: Beginning March 15, 2020, with the issuance of the Governor's Declaration of Emergency, in Cause No. PUD 202000050 Order No. 711412, until September 1, 2020, the Company was authorized to record bad debt expenses as a regulatory asset. These expenses included bad debts associated with factoring of accounts receivable, costs associated with expanded payment plans, waived fees, and incremental expenses directly related to the suspension or delay in disconnection services (or reconnection of services). Therefore, this adjustment removes $6,046 from the test year.
- B-3-3.3 Pension/OPEB/Prepaid Pension: Please see the Direct Testimony of Company witness James A. Fallert regarding the rate base adjustments made for Pension and OPEB.
- B-3-3.4 Asbury Stranded Plant: This adjustment removes the Asset Retirement Costs and associated Asset Retirement Obligations from the test year Asbury regulatory asset balance as these costs have not been fully paid out by the end of our respective update period in this case. The Company would propose when

[5] Order No. 703403 Final Order Adopting Joint Stipulation and Settlement Agreement.

these costs are paid the amounts be reflected in the deferral account requested by the Company. In addition, the adjustment adjusts for Oklahoma's portion of Asbury project costs which has been deemed abandoned since its retirement. With this adjustment, the resulting pro forma balance of the regulatory asset for Oklahoma's portion of the Asbury stranded plant is $5,140,816. This will result in an Oklahoma adjustment of $(210,522).

- B-3-3.5 Asbury Obsolete Inventory: This adjustment removes the Oklahoma portion of test year Asbury obsolete inventory included in the cost of service. This balance is being included in the calculation of adjustment B-3-4.4 as an offset to the regulatory liability and including it in this account as well, would cause the cost of service to not be accurate. This adjustment reduces rate base by $49,085.
- B-3-3.6 AMI Stranded Costs: This adjustment reflects the estimated balance for the stranded meters replaced by the new meters as a part of the AMI project. The Company is requesting a regulatory asset of $265,053 to be included in rate base.
- B-3-3.7 Low Income Assistance Program ("LIAP"): This adjustment is to exclude the Low-Income Assistance Program from rate base. These costs will be included in a future Cost of Service once the four-year Program has been completed. The total to be removed from rate base is $4,435.
- B-3-3.8 Asbury Inventory Reclass: This adjustment is to reclass from the Company's materials and inventory general ledger account to the regulatory

asset account established to capture the transactions associated with the Asbury retired plant. The amount of the reclass adjustment is $32,671.

Q. Please describe adjustment B-3-4 to update the Regulatory Liabilities.

A. B-3-4 was used to adjust the regulatory liability balances at the test year, to the balance at the end of the update period, December 2021. The total increase to regulatory liabilities is $11,656 at an Oklahoma jurisdictional level and that balance is comprised of the following regulatory liability adjustments:

- B-3-4.1 SWPA: In WP B-3-4.1, the Company made an adjustment for SWPA that will decrease the liability for the six months of amortization expense, which results in a pro forma adjustment of $34,715. The pro-forma balance of the liability is expected to be $4,144.
- B-3-4.2 Tax Reform Excess ADIT: This adjustment is to reflect the balance of the Tax Reform Excess ADIT regulatory liability at the end of the update period. This is performed by removing an additional six months of amortization for the update period, as well as increasing the balance based on the Commission Order from the last case associated with the Attorney General's recommended use of an Oklahoma tax rate instead of a composite tax rate. Lastly, incorporating in the difference of the appropriate ARAM amortization amount. This results in a pro forma adjustment that reduces the liability in the amount of $331,016 and an Oklahoma pro forma ending balance of $3,648,491.
- B-3-4.3 Tax Reform Stub Period: This adjustment is to reflect the appropriate balance of the Tax Reform Stub Period regulatory liability at the end of our update period. This was accomplished by increasing the liability to agree with

the October 2021 actual balance per the general ledger which represents a reasonable anticipated balance for our Update Period. The Company's account balance at the end of our test year was $506,097. The pro forma balance to our update period is $756,365, resulting in an increase to the liability of $250,269.

- B-3-4.4 Asbury Liability: Adjustment B-3-4.4 updates the test year Oklahoma Asbury regulatory liability balance of $1,043,567 for costs expected to be incurred through the December 2021 update period of this cause. In addition, this adjustment also removes the test year balance of the return reserved for Asbury to comply with the Commission authorized liability. However, it is the Company's position that it should be allowed to earn a return on its unrecovered plant balance, as described further in the Direct Testimony of Company witness Frank C. Graves. This results in an Oklahoma jurisdictional adjustment of $463,384, decreasing the pro forma balance of the Asbury regulatory liability to $580,182.
- B-3-4.5 Asbury ADIT Reclass: This adjustment is to reclass $1,099,374 of ADIT related to Asbury's portion of retired plant from the deferred taxes general ledger account into a regulatory liability account.
- B-3-4.6 Asbury Tax Reform Excess ADIT & Stub Period Reclass: This adjustment is to reclass $487,388 of excess ADIT and $101,040 of Stub Period Tax Reform related to Asbury's portion of retired plant from their original general ledger accounts into separate regulatory liability accounts. As this is just an account reclass, this adjustment has a net effect on rate base of zero.

- B-3-4.7 SPPTC Over/Under Removal: The purpose of this adjustment is to remove out the regulatory liability associated with the over/under recovery of the SPPTC rider. This balance is removed as this is a separate rate paid by Oklahoma customers and is not included in the Cost of Service for base rates This results in an increase to rate base by $4,901 on an Oklahoma level.

Q. Please describe adjustment B-3-5 to Update ADIT.

A. Adjustment B-3-5 increases the amount of accumulated deferred income taxes included in rate base by $20,027,166 on a Total Company level and by $610,736 for Oklahoma jurisdictional basis. The adjustment is performed to reflect the expected balance of ADIT at December 31, 2021.

Q. Please describe adjustment B-3-6 to Reclass the Asbury ADIT.

A. As described above, this adjustment is to reclass $1,099,374 of ADIT related to Asbury's portion of retired plant from the deferred taxes general ledger account into a regulatory liability account. As this adjustment is simply an account reclass, this adjustment has a net effect on rate base of zero.

Q. Please describe adjustment B-3-7 to Reclass the Asbury Inventory.

A. As described above, this adjustment is to reclass $32,671 of inventory related to Asbury's portion of retired plant from the materials and inventory general ledger account into a regulatory asset account. As this adjustment is simply a reclass entry, it has a net effect on rate base of zero.

VIII. <u>OPERATING INCOME</u>

Q. Has the Company proposed any adjustments to its test year operating income?

A. Yes. The Company has proposed multiple adjustments to normalize and annualize balances to arrive at what is deemed a normal test year.

Q. Do any of the proposed adjustments relate to revenue?

A. Yes. The Company proposes the following adjustments to test year revenue:

- H-2-1 to remove FA Related Revenues;
- H-2-2 to remove Unbilled Revenues;
- H-2-3 to remove Tax Change Rider ("TCR") Revenues;
- H-2-4 to weather normalize revenues;
- H-2-5 to reverse out the test year accounting revenue entries pertaining to the Asbury Liability;
- H-2-6 to annualize revenues for Customers who have opted-out of using the AMI meters;
- H-2-7 to remove Franchise Fees collected during the test year;
- H-2-8 to annualize the anticipated revenue to be received from the Company's investment in the Wind Projects;
- H-2-9 to normalize the reconnect/disconnect and late fee revenues as a result of COVID;
- H-2-10 to remove SPPTC Rider Revenues; and
- H-2-11 to remove Annual Assessment Rider Revenues.

Q. Please describe adjustment H-2-1 to remove FA Related Revenues.

A. The FA related revenues are removed out of the Company's cost of service because these revenues are already collected from customers in the FA, and therefore it would be inappropriate to include in base rates. This results in a decrease to Oklahoma revenues by $8,905,885.

Q. Please describe adjustment H-2-2 to remove Unbilled Revenues.

A. This adjustment removes $385,177 of revenues from test year that were not billed to or received from customers during the test year and which billing determinants were not reflected in the billing determinants used to calculate a weather normalized level of revenues. Therefore, this adjustment is required in order to avoid an inappropriate inclusion of unbilled revenues.

Q. Please describe adjustment H-2-3 to remove TCR Revenue Credits.

A. This adjustment is for the Tax Rider credits which have reduced the test year revenue, this adjustment results in an increase to revenues for the Oklahoma jurisdiction by $1,127,165.

Q. Please describe adjustment H-2-4 to weather normalize test year revenues.

A. Weather normalization refers to the adjustment necessary to remove the effects of temporary impacts to Test Year revenue due to the external factor of weather.

The weather adjusted revenue by tariff ID was calculated using the weather normalization data calculated by Company witness Eric Fox.

In order to determine the revenue impact of the adjusted usage, summer and winter percentage ratios were calculated using the test year actual usage by month including July through October for Summer service and November through June for Winter service. Using the calculated Summer/Winter ratio, the adjusted usage was applied against the last usage rate block for each seasonal rate. These two adjusted revenue figures, when added together, provide the total revenue adjustment by tariff ID. These tariff ID totals were then aggregated into three rate classes, which are Residential, Commercial, and Industrial. Residential includes the two Residential rate class, RG Residential General and RH Residential Heat (sometimes referred to as Residential Total). Commercial includes the Commercial class and the GP (General Power) class.

Finally, the Industrial group includes the TEB (Total Electric Building) class. This results in an overall decrease of Oklahoma revenues by $25,621.

Q. Please describe adjustment H-2-5 for the reversal of revenues related to the Asbury Retirement Liability.

A. To comply with the Commission Order related to the Company's retirement of the Asbury generating plant the Company established a regulatory liability to reserve for the impact of the retirement. As a function of recording the regulatory liability the Company reserved/reduced a portion of its base rate revenue we collected from our customers. This adjustment reverses the reduction to test year revenues. The adjustment serves to reflect a more accurate balance of revenue going forward since the regulatory account will be included in rates at the conclusion of this rate case. This results in an Oklahoma level adjustment to increase revenues by $782,675.

Q. Please describe adjustment H-2-6 for AMI Opt-Out Fees.

A. This adjustment reflects the estimated revenue related to the monthly opt-out fees which the Company expects to receive for those customers who choose not to have electronically read meters. This adjustment increases revenues by $1,260 on an Oklahoma jurisdictional level.

Q. Please describe adjustment H-2-7 to remove franchise fee revenues.

A. This adjustment reduces test year revenues by $164,002 for the Oklahoma jurisdiction to ensure the revenues from Franchise Fees are not included in the Company's base rates. Franchise Fees are collected by the Company on behalf of local governments and then remitted to those governments.

Q. Please describe adjustment H-2-8 for Non-FA Wind Revenues.

A. The costs in WP H-2-8 represent an annual amount Non-FA Wind Revenues for the Wind Projects. The total amount of revenue allocated to Oklahoma is $76,169. This amount represents costs associated with the following components: Operations and Maintenance Agreement, Asset Management and Services Agreement and Energy Management Services Agreement.

Q. Please describe adjustment H-2-9 for the normalization of Late Fees and Disconnect Revenues.

A. Because of the impact COVID has had on Late Fees and Disconnect Revenues in a portion of the Company's test year balance, the Company is proposing to adjust its late fee and disconnect revenues to a five-year average to normalize those revenues. This adjustment reduces test year revenues by $7,178 for the Oklahoma Jurisdictional level.

Q. Please describe adjustment H-2-10 to remove SPPTC Rider Revenues.

A. In WP H-2-10, the Company makes an adjustment to remove the SPPTC Rider Revenues. The total revenues to be removed is $64,782.

Q. Please describe adjustment H-2-11 to remove Annual Assessment Rider Revenues.

A. In WP H-2-11, the Company makes an adjustment to remove revenues related to the Annual Assessment Rider. An adjustment of $14,880 is needed to remove revenues related to the Annual Assessment Rider.

Q. Do any of the proposed adjustments relate to expenses?

A. Yes. The Company proposes the following adjustments to test year expenses:

- H-2-12 to remove SPPTC Rider Expenses;
- H-2-13 to remove FA Expenses;

- H-2-14 to normalize non-labor O&M generation expenses;
- H-2-15 to normalize the non-labor, non-fuel expenses for Asbury departments 110, 150, and the new department 115;
- H-2-16 to normalize the electronic customer payment fees;
- H-2-17 to annualize the uncollectible expense account;
- H-2-18 to annualize amortization expense related to the regulatory assets and liabilities;
- H-2-19 to include an annualized amount of rate case expense;
- H-2-20 to normalize the level of expected insurance premium expense;
- H-2-21 to normalize the amount of injuries and damages and worker's compensation claims paid out;
- H-2-22 to annualize payroll and payroll tax expense;
- H-2-23 to annualize expenses for employee benefits;
- H-2-24 to remove the Annual Assessment Fees;
- H-2-25 to annualize depreciation expense;
- H-2-26 to annualize amortization expense;
- H-2-27 to annualize property tax related to non-wind plant;
- H-2-28 to remove franchise fees expenses from the test year;
- H-2-29 to include interest on customer deposits as an operating expense;
- H-2-30 to annualize the expenses incurred from the Company's investment in the Wind Projects;
- H-2-31 to include outside service expenses related to the AMI project;
- H-2-32 to normalize the training and travel expenses;

- H-2-33 to normalize the pension and OPEB expenses;
- H-2-34 to reflect the savings related to the reduction of meter readers;
- H-2-35 to remove bad debt expense related to COVID; and
- H-2-36 to normalize federal and state income taxes.

Q. Please describe adjustment H-2-12 to remove SPPTC Rider Expenses.

A. In WP H-2-12, the Company proposes an adjustment to remove Schedule 12 and 1A costs for the SPPTC Rider. The Total Company test year balances for Schedule 12 and 1A is $3,424,883 resulting in a pro forma adjustment of $101,190 for the Oklahoma jurisdiction.

Q. Please describe adjustment H-2-13 to remove FA Expenses.

A. Similar to the FA related revenues discussed above, the FA related expenses are also removed out of the Company's cost of service because they are collected from customers in the FA, and therefore it would be inappropriate to include in base rates. This results in a decrease to Oklahoma expenses by $9,633,970.

Q. Please describe adjustment H-2-14 to normalize the Generation O&M Expenses.

A. In order to capture a major maintenance overhaul cycle, the Company utilized a five-year average for the most of its generating units. However, a four-year average was utilized for the Riverton Plant. Riverton 12 which compromises the majority of Riverton generation and O&M expenses was converted to a combined cycle unit and entered service in May 2016. Currently, the Company expects Riverton to have a maintenance cycle of 7-8 years, but this amount of data is not yet available. The Company utilized a six-year average for Stateline Combined Cycle in order to capture a major maintenance cycle in the adjustment. This adjustment increases the Company expenses by $696,071 on a Total Company basis and $22,299 on an Oklahoma jurisdictional level.

Q. Please describe adjustment H-2-15 which serves to normalize O&M expense after the retirement of Asbury.

A. WP H-2-15 removes the test year non-labor, non-fuel O&M amounts for the Asbury generating plant (Departments 110 & 150) as the test year is no longer representative of normal O&M costs as the Asbury plant was retired on March 1, 2020. In addition, the Company is adjusting for a newly created department (Department 115), which was established to account for the projected costs to support services for many of Liberty-Empire's generating facilities, including the new solar and Wind Projects. The projected costs for the Department 115 is based on the budget for 2021, less those costs specifically accounted for in WP H-2-30 for the Wind O&M costs. Therefore, this adjustment increases the Company's annual non-labor, non-fuel O&M expenses by $1,584,824 at a Total Company level or $43,320 at an Oklahoma jurisdictional level, resulting in a pro forma balance of $678,385 Total Company or $17,943 Oklahoma jurisdiction.

Q. Does the Company offer customers different methods to pay their bills?

A. Yes. The Company recognizes that it is not "one size fits all" when it comes to paying one's utility bill, and as a result, has worked to provide as many bill payment options for customers as reasonably possible. Currently customers may pay a bill through walking into a one of the Company's walk-in centers, by mailing in payments, at a third party location, through online banking (ACH), or by paying online using a card. Currently our Oklahoma customers are using all of these options, though we have experienced an increase on the part of our customers to pay electronically by card. Total

Company electronic payments have increased 87% in the last six years from 379,329 in 2016 to 708,595 in 2021.

Q. Are there any fees associated with making payments?

A. Currently, the only method of payment which results in a direct charged fee to our Oklahoma customers is through the use of their credit/debit card. That fee is currently $1.75 per residential payment and $7.75 for commercial payments. This fee is imposed by the third party that processes the card payments.

Q. Should customers have to pay an additional fee for making online payments with a card?

A. No. Although the Company generally attempts to assign costs to the appropriate cost-causers as part of its cost of service study, online transactions are a normal part of the daily life for many Liberty-Empire customers. The fees associated with these transactions are similar to bank fees the Company incurs and which are included in the cost of service paid by all customers.

Q. How does the Company propose to recover the costs associated with online card payments?

A. The Company proposes recovering these fees the same as other bank fees in its costs of service. Inclusion of these fees represents a very small part, less than half percent, of the Company's cost to serve its customers and provides the opportunity to meet customers' needs to potentially improve the percentage of customers who pay their bills in a timely fashion.

Q. Please describe adjustment H-2-16 related to Customer Payment Fees.

A. Adjustment H-2-16 proposes to increase operating expenses by $20,906 which represents an estimated annual amount of fees paid by residential and commercial customers based on the number of card payments received in the most recent nine months and multiplied by the per transaction fees ($1.75 for residential and $7.75 for commercial).

Q. Please describe adjustment H-2-17 for Uncollectible Expense.

A. Adjustment H-2-17 increases Oklahoma uncollectible expenses by $9,663 when normalizing uncollectible expense based on a four-year historical uncollectible percentage. The four-year historical average used to calculate the uncollectible percentage excluded the test year and the first preceding year as it was impacted by various payment plans provided to customers related COVID-19. In addition, the adjustment reflects the incremental increase in uncollectible expenses anticipated for the requested revenue deficiency.

Q. Please describe adjustment H-2-18 to annualize Amortization Expense for the Regulatory Assets and Liabilities.

A. H-2-18 reflects the adjustment to amortization expense for certain regulatory assets and liabilities in order to annualize the expense as of the update period. The total increase to amortization expense is $1,069,506 Oklahoma jurisdictional level and is inclusive of adjustments to the following accounts:

- COVID-19 Amortization: The Company is proposing a four-year amortization. The Total Company pro forma balance is $84,497, amortized over four years resulting in an annual amortization of $21,124 related to COVID-19 amortization expenses.
- Stranded Meter Amortization: The Company is proposing a 15-year amortization period related to the regulatory asset for stranded meters described above, which results in an annual amortization of $17,670.

- LIAP Amortization: The Company is not proposing rate base treatment of the LIAP regulatory asset within this case, and therefore there is no amortization expense included in the cost of service associated with this regulatory asset.
- SWPA Amortization: As of the end of the test year the amortization expense related to the SWPA regulatory liability reflects a balance of $69,036, which already represents an annualized amount, and therefore, no additional pro-forma adjustment is necessary.
- Tax Reform Excess ADIT Amortization: The Unprotected Excess Accumulated Deferred Income Taxes ("Excess ADIT") adjustment reflects a proposed annual amortization balance of ($168,306). The Protected Excess ADIT credit is calculated based on the Average Rate Assumption Method or ARAM. Due to IRS rules, the Company cannot accelerate the return or amortization of the Protected portion of the Excess ADIT credit. As a result, the Protected portion of Excess ADIT will be returned to customers over the average remaining life of the related assets. Therefore, the annual amortization expense is ($83,343) for Protected Excess ADIT. This results in an overall pro forma ending amortization expense amount associated with Excess ADIT of ($251,649).
- Tax Reform Stub Period Amortization: This adjustment is proposing a pro forma ending regulatory asset balance of $756,365, which the Company is proposing to be amortized over four years resulting in an annual amortization expense of $189,091.
- Asbury Regulatory Assets Amortization: The proposed amortization period for the unrecovered net plant and Asbury inventory is 30 years, which is consistent

with the life of the Company's Wind Projects which are included in this Cause. This proposal results in an annual amortization adjustment of $172,450 (Oklahoma jurisdiction).

- Asbury Liability Amortization: The Company proposes accelerating the return of these funds for the benefit of our customers by amortizing the regulatory liability over two years adjusted for one item; the return on the Asbury liability net rate base. In amortizing the ($580,182) pro forma Oklahoma regulatory liability described above over two years, this results in an annual decrease to amortization expense of ($290,091).
- Asbury ADIT, Excess ADIT, and Stub Period Amortization: As previously discussed, the Company is proposing a 30-year amortization for the recovery of the Asbury retired plant, and to align with that amortization, the Company has also included an amortization period of 30 years for the Asbury portion of ADIT, the protected and unprotected portion of Excess ADIT ("EDIT"), and the Tax Reform Stub Period balance. This results in annual amortization expense of ($36,646), ($16,246), and $3,368, respectively.

Q. Please describe adjustment H-2-19 to annualize Rate Case Expense.

A. The balance of rate case expense in this case is comprised of costs incurred after the update period from the last case as well as costs anticipated for the current case. Within the final order of cause PUD 201800133, the Commission stated that "all rate case expenses incurred after March 31, 2019 will be captured in a regulatory asset for consideration and review in the next general rate case proceeding and the amount of rate case expenses included in the regulatory asset shall be no more than $100,000." Therefore, to comply with the Commission Order the Company has reduced rate case costs from the last case by $1,647. The Company has included an additional $801,723 which represents the rate case costs for this case. With these two components together, the total expense is $901,723, amortized over four years which results in an annualized expense amount of $225,431. This results in a pro forma adjustment of $70,976 on an Oklahoma level.

Q. Please describe adjustment H-2-20 to normalize Insurance Premium Expense.

A. The Company is proposing adjustment H-2-20 to reflect an annualized amount of non-wind insurance expense for its insurance policy premiums that will either be renewed by the update period or will be known and measurable at the time of the update period. Therefore, the Company made an addition to its insurance premium expenses for $911,882 Total Company or $25,370 Oklahoma jurisdictional, resulting in a pro forma balance of $5,951,586 (Total Company) or $165,758 (Oklahoma jurisdiction). Refer to adjustments H-2-30 later in my testimony for the discussion surrounding the Company's proposed adjustment for the Wind Project Insurance Premium expense.

Q. Please describe adjustment H-2-21 to normalize Injuries and Damages Expense.

A. Adjustment H-2-21 normalizes the amount of expenses, within the test year, that relate to injuries and damages. The Company compares test year expenses to a five-year average of public liability and property damage payouts as well as a five-year average of workers compensation payouts. The Total Company balance at the end of the test year was ($141,691). The five-year average for public liability, property damage, and workers compensation is $263,373. Therefore, the total company adjustment is $405,064. The total company adjustment is allocated to Oklahoma using an allocation factor of 2.79% bringing the total Oklahoma adjustment to 11,292.

Q. Please describe adjustment H-2-22 to annualize Payroll Expense.

A. This adjustment is to include in the cost of service an annualized level of payroll and payroll taxes expected at the end of the update period. To calculate this adjustment the Company obtained the annual salary amount for each active employee at the end of the test year and included in its adjustment a portion of annualized payroll related to overtime. This annualized amount of overtime was determined by using an overtime percentage computed for the non-union and union employees based upon a two-year average of overtime hours actually incurred and the overtime rate as of June 30, 2021. This rate was then applied to the Company's pro forma base payroll amounts as previously described. In addition to annualizing the base salaries and overtime, the Company also included in its cost of service payroll related to open positions the Company anticipates to be filled by the end of the update period. These amounts were then compared back to the test year amounts included in the cost of service and an adjustment was made for the difference.

The annualized level of payroll related to the base salaries at the test year as mentioned above is $1,030,935, the annualized level of payroll related to overtime is $188,216, and the annualized level of payroll related to the open positions anticipated to be filled by the update period is $48,609, resulting in an Oklahoma total pro forma level of payroll of $1,267,759 or a Total Company pro forma balance of payroll of $42,508,767. To adjust the test year to this pro forma balance an adjustment of $13,659,416 Total Company or $415,828 Oklahoma jurisdiction was necessary.

Q. Was an adjustment made for payroll taxes?

A. Yes, the Company made an adjustment to its test year level of payroll taxes based on the pro forma level of payroll included in the cost of service and applying the 2021 tax rates. The pro forma amount of payroll taxes included in the cost of service is \$2,916,849 Total Company or \$81,315 on an Oklahoma jurisdictional basis, resulting in a pro forma adjustment to increase the test year balances by \$791,527 Total Company or \$22,066 Oklahoma jurisdiction.

Q. Please describe adjustment H-2-23 to annualize Employee Benefit Expense.

A. Liberty-Empire currently offers a variety of benefits, such as, Medical, Dental, Vision, Life Insurance, Accidental Death and Dismemberment, Accident Insurance, Short and Long-Term Disability, and a 401k match, to its employees. For H-2-23, the Company obtained the annualized amounts it was incurring for each employee at the test year end and included benefit amounts for any open positions that the Company anticipates being filled by the end of the update period. To determine an annualized 401k expense, the actual 401k match rates that each employee was receiving at the test year end was used and then the Company match rate was used for the open positions. These rates were then applied to the pro forma salary amounts calculated in adjustment H-2-22 and then compared back to the test year amounts included in the cost of service. The annualized pro forma balance of benefits related to active employees at the test year end is \$7,660,898 Total Company and an annualized pro forma balance of benefits for open positions that are anticipated to be filled by the end of the update period is \$432,776 Total Company, resulting in a total pro forma balance of \$8,093,674 or \$225,633 at an Oklahoma jurisdictional level. To adjust the test year to this pro forma balance an adjustment of (\$54,946) Total Company or (\$1,532) Oklahoma jurisdiction is needed.

Q. Please describe adjustment H-2-24 to remove Annual Assessment Fees.

A. In WP H-2-24, the Company makes an adjustment to remove Annual Assessment Fees. The Total Company test year balances for the Annual Assessment fees are $1,987,272 resulting in a pro forma adjustment of $15,242 for the Oklahoma jurisdiction.

Q. Please describe adjustment H-2-25 to annualize Depreciation Expense.

A. In WP H-2-25, the Company annualizes depreciation expense based on the expected plant in service at the end of the update period which includes the plant additions in WP C-2-1. This adjustment consists of two different components, one to adjust the depreciation expense based on current depreciation rates, as well as, the incremental increase related to the updated depreciation rates from the most recent depreciation study. The amount of depreciation expense related to the current rates results in an increase to expenses of $848,404, and the incremental increase from the new depreciation rates results in an increase of $666,359. This results in a total increase to operating expenses of $1,514,763.

Q. Please describe adjustment H-2-26 to annualize Amortization Expense.

A. In WP H-2-26, the Company annualizes amortization expense based on the expected intangible plant in service at the end of the update period which includes the intangible plant additions in WP C-2-1. This results in an overall increase of $239,768 for the Oklahoma jurisdiction.

Q. Please describe adjustment H-2-27 to annualize Non-Wind Property Tax Expense.

A. This adjustment represents the annualized amount of property tax expense expected to be incurred for the Company's pro forma non-wind plant that is included in its cost of service. The property tax rate utilized by the Company in this adjustment is based on its estimated 2021 property tax liability. This results in a Oklahoma pro forma balance of non-wind property tax expense of $980,927. Refer to adjustments H-2-30 later in my testimony for the discussion surrounding the Company's proposed adjustment for the Wind Project property tax expense.

Q. Please describe adjustment H-2-28 to remove Franchise Fee Tax Expense.

A. In conjunction with adjustment H-2-7 discussed above, adjustment H-2-28 removes $10,171,440 for total company or $184,102 for Oklahoma related to franchise tax expenses from its revenue requirement calculation.

Q. Please describe adjustment H-2-29 for Interest on Customer Deposits.

A. Under Oklahoma Rule OAC 165:35-19-10(g), the Company is required to pay interest on customer deposits held either more than a year or less than a year. There are different interest rates applicable for these amounts. This adjustment applies to the correct level of interest expense of $20,954 based on the calculation shown in WP H-2-29.

Q. Please describe adjustment H-2-30 for Non-FA related Wind Expenses.

A. The costs in adjustment H-2-30 represent an annual amount Non-FA Expenses for the Wind Projects. The total amount of expense allocated to Oklahoma is $638,984. This amount represents costs associated with the following components: Operations and Maintenance Agreement, Asset Management and Services Agreement, Energy Management Services Agreement, Service and Maintenance Agreement, Affiliate Services Agreement Expenses, Insurance Expense, Land Lease & Met Towers Expense, Post Construction Environmental Costs and Property Tax.

Q. Please describe adjustment H-2-31 for AMI Outside Services Expense.

A. The costs in adjustment H-2-31 represent the outside service expenses related to the Itron service contracts for the AMI Project. This results in an increase to Total Company expenses by $877,376 and an increase to Oklahoma expenses by $28,460.

Q. Please describe adjustment H-2-32 for the normalization of test year Training and Travel Expenses due to COVID.

A. In WP H-2-32, to normalize the training and travel expenses the Company uses a five-year average. Due to the travel restrictions surrounding COVID-19, the travel and training expenses captured in the test year reflect a lower-than-normal balance and therefore are being adjusted. The Total Company pro forma balance comes to an adjustment of $291,607, resulting in a pro forma balance of $8,858 for the Oklahoma jurisdiction. To adjust the test year to this pro forma balance an adjustment of $240,784 Total Company or $7,386 Oklahoma jurisdiction is needed.

Q. Please describe adjustment H-2-33 for Pension and OPEB Expense.

A. Please see the Direct Testimony of Company witness James A. Fallert regarding the expense adjustments made for Pension and OPEB.

Q. Please describe adjustment H-2-34 to reflect savings related to the reduction in Meter Readers.

A. Adjustment H-2-34 reflects the estimated reduction of $1,185,567 in contracted meter reader expenses on a Total Company level and a reduction of $31,656 on an Oklahoma jurisdictional basis expected to occur by the time new rates are in effect. This results in an Oklahoma pro forma ending balance of $0 for the contracted meter reader expense. After deployment of the AMI Meters, the Company plans to retain four employees to read meters manually when necessary.

Q. Please describe adjustment H-2-35 to remove Bad Debt Expense recorded in the test year for COVID.

A. Adjustment H-2-35 normalizes bad debt expense by removing the Bad Debt Expense, related to COVID, from the test year. Therefore, the Company has removed $20,214 of Bad Debt Expense, for the Oklahoma jurisdiction, from the test year.

Q. Please describe adjustment H-2-36 for the update to Income Taxes.

A. Adjustment H-2-36 is to annualize income taxes based on pro forma income statement balances. This results in a decrease to income taxes on an Oklahoma level of $597,550.

IX. <u>TCR TARIFF</u>

Q. What is the TCR Tariff?

A. The TCR tariff was set up in Cause No. PUD 20180133to refund the class allocated regulatory liability for the differences in tax rates used to compute the normalized tax component of current rates, as well as to flow back the regulatory liability for "unprotected" assets that resulted in Order No. 687311 in Cause No. PUD 201700471. Additionally, the rider was set up to provide the ability to appropriately balance the accumulated excess deferred account for protected assets due to fluctuations in amortization due to the utilization of the Average Rate Assumption methodology ("ARAM").

Q. Was there an update to the TCR rates after the conclusion of Year 1?

A. Yes.

Q. Does the Company propose to keep the TCR Rider in effect?

A. Yes. Part of the purpose of the rider was to true up the amortization for protected portion of the EDIT liabilities when the balance in base rates as established in the rate case differs from the ARAM amortization. The Company proposes to continue truing up these differences and those related to Unprotected Excess ADIT and the Stub Period balances after this rate case.

Q. What is the proposed base amount of the TCR Rider after this case?

A. The Company is proposing the TCR Rider be revised to reflect an initial $0 base amount for the TCR Rider and on an annual basis it shall be updated to reflect the difference of the amount included in base rates associated with Protected Excess ADIT, Unprotected Excess ADIT and Stub Period compared to the actual amortization expense amounts. The difference will be included either as a credit or a recovery line item on our Oklahoma customer monthly bills. Refer to <u>Direct Exhibit CTE-4</u> for an example of the revised tariff.

X. <u>CONCLUSION</u>

Q. Does this conclude your direct testimony?

A. Yes.

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

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WP C-10.4	Lease - MDC Cooper Creek CONFIDENTIAL
WP C-10.5	Lease - Sprouls CONFIDENTIAL
WP C-10.6	Lease - PAR CONFIDENTIAL
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WP C-10.8	Lease - Verizon Stockton Addendum CONFIDENTIAL
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	WP J-6	Deferred Income Taxes Unrecorded
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K.	**Jurisdictional Separations and Allocations/Cost of Service**	
	WP K-1	Rate of Return
	WP K-2 & WP K-3	Allocations to Jurisdictions
	WP K-4	Classification of Expenses
	WP K-5	Classification of Rate Base
	WP K-6	Allocation Factors
	WP K-7	Demand and Energy Factors
	WP K-8	Support for Production Allocation Methodology or Demand Allocation Factors
	WP K-9	Summary of Changes in Allocation Factors
	WP K-10	Payroll Expense Distribution
	WP Section K(3)	Holding Company Cost Allocations
L.	**Rate Design Cost of Service (2)**	
	WP L-1	Rate of Return
	WP L-1-1	Existing Rate Schedules/Existing Rate Classes
	WP L-1-2	Proposed Rate Schedules/Existing Rate Classes
	WP L-2	Allocation of Revenue Deductions to Rate Classes
	WP L-3	Allocation of Rate Base to Rate Classes
	WP L-4	Classification of Expenses
	WP L-5	Classification of Rate Base
	WP L-6	Allocation factors
	WP L-7	Demand and Energy Factors
	WP L-8	Unit Cost Analysis
	WP L-9	Support for Production Allocation Methodology or Demand Allocation Factors
	WP L-10	Summary of Changes in Allocation Factors
	WP L-11	Payroll Expense Distribution
	WP L-13	Demand Data by Strata
	WP L-14	Demand Estimates Methodology
M.	**Proof of Revenue/Rate Design (3)**	
	WP M-1	Fuel or Purchased Energy Factor
	WP M-2	Proposed Changes in Miscellaneous Charges
	WP M-3	Present and Proposed Rate Classes
	WP M-3-1	Justification of Proposed Changes
	WP M-4	Proof of Revenue Statement
	WP M-4-1	Proof of Revenue/Present Rates
	WP M-5	Bill Comparisons
	WP M-6	Test Year Data by Rate Class
	WP M-7	Weather Normalization
	WP M-7-1	Revenue Normalization
	WP M-8	Historical Sales Data
	WP M-8-1	60-Month Sales & Consumption
	WP M-9	Weather Data
	WP M-10	Normal Degree Days
N.	**Proposed Rate Schedules**	
	WP N	Proposed Rate Schedules

Section	Description	
O.	**Notice**	
	WP O	Notice
P.	**Affiliate Information**	
	WP P-1/WP P-2	Affiliate/Subsidiary Balance Sheets & Income Statements
	WP P-1/WP P-2	2020 Q4 - APCo Financial Statements CONFIDENTIAL
	WP P-1/WP P-2	2020 Q4 - APUC Financial Statements
	WP P-1/WP P-2	2020 Q4 - LUC LUSC Financial Statements CONFIDENTIAL
	WP P-1/WP P-2	2020 Q4 - LUCO Financial Statements CONFIDENTIAL
	WP P-3	Cost Allocation Basis
	WP P-3	Cost Allocation Basis - Appendix
	WP P-4	Affiliate/Subsidiary General Data
	WP P-4	2019 Affiliate Transaction Report
	WP P-4	2020 Affiliate Transaction Report
	WP P-5	Affiliate/Subsidiary Contracts
	WP P-5	Affiliate/Subsidiary Contract APUC
	WP P-5	Affiliate/Subsidiary Contract LUC
	WP P-5	Affiliate/Subsidiary Contract LUCo
	WP P-5	Affiliate/Subsidiary ContractLUSC
	WP P-5	Affiliate/Subsidiary Contract Park Water
	WP P-6	Assets Sold/Transferred to Affiliates/Subsidiaries
	WP P-7	Services/Products from Affiliates/Subsidiaries
	WP P-8	Services Products to Affiliates/Subsidiaries
Q.	**Fuels and/or Purchased Power**	
	WP Q	Fuels and/or Purchased Power
Part 9	**Accounting Provisions**	
	165:70-5-60	Accounting Treatments Specifically Approved by the Commission
	165:70-5-61	Recent Accounting Pronouncements

Footnotes:

(1) - See WP Section J - Income Taxes for WP J-1 through WP J-7.

(2) - See WP Section L - Rate Design Cost of Service CONFIDENTIALfor WP L-1 through WP L-14.

(3) - See WP Section M - Proof of Revenue & Rate Design CONFIDENTIAL for WP M-1 through WP M-5.

THE EMPIRE DISTRICT ELECTRIC COMPANY
d/b/a Liberty-Empire
602 Joplin Street
Joplin, Missouri 64801

4th Revised Sheet No. 28
Replacing 3rd Revised Sheet No.28
Date Issued: 02-28-22

STANDARD PRICING SCHEDULE: STATE OF OKLAHOMA

TAX CHANGE RIDER
SCHEDULE – TCR

APPLICABILITY:

This Tax Change Rider (TCR) is applicable to all electric service retail customers provided under any retail rate schedule, whether metered or unmetered (except where not permitted under a separately negotiated contract with a customer). The Rider will be reflected as a separate line item on a customer's monthly bill as Rider TCR.

PURPOSE:

The purpose of the Rider TCR is to reflect the difference of the amount included in base rate revenue associated with Protected Excess ADIT, Unprotected Excess ADIT and the Stub Period Amortization compared to the actual amortization expense amounts. Furthermore, the rider will also incorporate any changes in the annual amortization amounts for the protected assets when the amortization of the protected portion of the ADIT liabilities differs from the amortization (the amortization determined by the average rate assumption method ("ARAM") as required by the TCJA Section 13001(d) or other method specified by subsequent tax law changes) recorded on the books and records of the Company.

TRUE-UP PROCESS:

The true-up amount will be calculated by comparing the actual amortization expense amounts to those amounts included in base rates in Cause PUD 202100163. The TCR Rider rates will be updated annually based on a filing submitted by the Company. The Company will file the revised rate annually within sixty (60) days after each annual update period. The first update period will occur one year after new base rates take effect in PUD 202100163.

	Rate per kWh
RG	($0.00000)
RH	($0.00000)
CB	($0.00000)
GP	($0.00000)
TEB	($0.00000)
PT	($0.00000)
SPL	($0.00000)
LS	($0.00000)

Rates Authorized by the Oklahoma Corporation Commission: Public Utility Division Stamp:

(Effective)	(Order No.)	(Cause No.)
November 1, 2020	703403	PUD-201800133
October 1, 2020	703403	PUD-201800133
October 9, 2019	703403	PUD-201800133

CERTIFICATION

The undersigned, Charlotte Emery, deposes and states that she is the Director of Rates and Regulatory Affairs, that she 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 her information, knowledge and belief after reasonable inquiry.

/s/ Charlotte T. Emery

Charlotte T. Emery