

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2023-0122, Tariff Tracking No. JE-2023-0060
The Empire District Electric Company d/b/a Liberty (Empire)

FROM: Cynthia M. Tandy, Lead Senior Utility Regulatory Auditor

DATE: /s/ Cynthia M. Tandy 10/31/2022 /s/ Kevin Thompson 10/31/2022
Energy Resources Department / Date Staff Counsel Department / Date

SUBJECT: Staff Recommendation for Approval of Tariff Sheet Filed to Change Rates
Related to The Empire District Electric Company d/b/a Liberty (Empire)
Fuel Adjustment Clause

DATE: October 31, 2022

Summary and Staff Recommendation

On September 30, 2022, The Empire District Electric Company d/b/a Liberty (Empire) (hereafter “Empire”) filed one (1) proposed tariff sheet, 5th Revised Sheet No. 17q Canceling 4th Revised Sheet No. 17q, bearing a proposed effective date of December 1, 2022, to revise its Current Period Fuel Adjustment Rates¹ (“FARs”) of its Fuel Adjustment Clause (“FAC”) used to determine the Fuel Adjustment Charge² on customers’ bills. Empire also filed direct testimony of its witness Brooke M. Prier on September 30, 2022 and submitted to Commission Staff (“Staff”) work papers in support of the proposed tariff sheet.

Empire’s AP28 FARs

The testimony and work papers include information that supports Empire’s calculation of the dollar amount³ used to calculate the FARs for Accumulation Period 28 (“AP28”). That dollar amount is \$38,778,820 and results from:

1. The amount of \$35,951,682, found on Line 7 of 5th Revised Sheet No. 17q, which is equal to 95% of the difference between: a) Empire’s Missouri jurisdiction⁴ actual

¹ The Current Period FARs for service at primary voltage and above and for service at secondary voltage are located on lines 15 and 16, respectively, of proposed 5th Revised Sheet No. 17q.

² The actual line item on the customer’s bill is: Fuel Charge.

³ The dollar amount used to calculate the Current Period FAR is called the Fuel and Purchased Power Adjustment (“FPA”) which is located on line 12 of proposed 5th Revised Sheet No. 17q.

⁴ Missouri Energy Ratio (J) = (Missouri retail kWh sales)/(Total system kWh sales), where Total system kWh sales includes sales to municipalities that are associated with Empire and excludes off-system sales. See 1st Revised Sheet No 17o. For AP28, J is equal to 88.39% as reflected on line 4 of 5th Revised Sheet No. 17q. The 88.39% J factor is derived from dividing total Missouri Retail kWh Sales for this accumulation period by the Total System kWh Sales

- fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenue⁵ and less renewable energy credits (“REC”) revenue and b) Empire’s Missouri jurisdiction net base energy cost⁶ during AP28; plus
2. The true-up amount of \$2,473,664⁷ which is the under-recovery amount of the FARs for Recovery Period 26 (“RP26”), found on Line 9 of 5th Revised Sheet No. 17q; plus
 3. The interest for AP28, including over/under cumulative recovery balances from AP26 and AP27, all equal to \$353,474, found on Line 11 of 5th Revised Sheet No. 17q.

The Current Period FAR of \$.01693 per kWh (Line 14 of 5th Revised Sheet No. 17q) is equal to the FPA Amount of \$38,778,820 divided by the forecasted Missouri net system input (“NSI”) for RP28 of 2,595,845,000 kWh, found on Line 13 of 5th Revised Sheet No. 17q.

Because of a difference in line losses, there are different FARs for service taken at primary and above voltage levels and at secondary voltage level. When accounting for line losses for the different voltage levels, the proposed FARs are \$.01765 per kWh for customers receiving service at primary voltage level and above, and \$.01798 per kWh for customers receiving service at secondary voltage level. Empire’s present FARs are \$.01273 per kWh for customers receiving service at primary voltage level and above and \$.01297 per kWh for customers receiving service at secondary voltage level.⁸

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Primary	\$.01273	\$.01765	\$0.00492 Increase
Secondary	\$.01297	\$.01798	\$0.00501 Increase

for this accumulation period. As explained in footnote 2 of the current tariff, Empire calculates (TEC-B)*J on a monthly basis, and Line 5 is the sum of each month’s calculation. For this reason, the calculation of the total energy cost minus the net base energy cost (line 3) multiplied by the Missouri Energy Factor (line 4) does not equal the amount entered on line 5. Line 3 multiplied by line 4 equals \$37,844,614.

⁵ For AP28, this amount is \$83,085,695 as reflected on line 1 of 5th Revised Sheet No. 17q.

⁶ For AP28, this amount is \$40,270,201 as reflected on line 2 of 5th Revised Sheet No. 17q.

⁷ Empire’s RP26 true-up filing is contained in File No. EO-2023-0123.

⁸ Lines 15 and 16 of 4th Revised Sheet No. 17q.

Based on a monthly usage of 1,000 kWh, the proposed change to the FAR will increase the Fuel Adjustment Charge of an Empire residential customer's bill from \$12.97 to \$17.98, an increase in the customer's bill of \$5.01 per month. The accumulation periods, recovery periods, and other specifications of Empire's existing FAC are set out in its currently effective tariff sheets⁹.

On page 6, line 15 through page 7, line 2 of her filed testimony, Company witness Brooke M. Prier describes the reasons for the increase in the FAR's rates:

The actual average energy cost was \$30.90/MWh. This was roughly 1.9 times greater than the average FAC base factor of \$16.04/MWh. On June 1, 2022, during the mid-point of the period, the FAC base factor changed from \$23.38/MWh to \$8.70/MWh. The \$16.04/MWh used in this comparison is based on the average FAC base factor weighted by the number of days in the period. Simply put, the central driver of this result was the higher than budgeted SPP market prices that were primarily the result of natural gas prices being consistently greater than the budget during the period. Additionally, there was a high demand for electricity in the region as the summer period May through August was much warmer than normal. The high market prices and warm weather negatively impacted native load cost when compared to budget. Actual total FAC eligible energy cost per MWh was above the Company budget of \$14.24/MWh or nearly 2.2 times greater than budget.

Staff Review

Staff reviewed Empire's proposed 5th Revised Sheet No. 17q Canceling 4th Revised Sheet No. 17q, the direct testimony of Empire witness Brooke M. Prier filed on September 30, 2022, and Empire's monthly filings and work papers for AP28. Staff verified that the actual fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenues and less REC revenues, match the fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenues and less REC revenues in Empire's proposed 5th Revised Sheet No. 17q Canceling 4th Revised Sheet No. 17q. Staff also reviewed Empire's monthly interest rates that are applied to the monthly over- and under-recovery amounts for AP28, including cumulative amounts for AP27 and AP26, and the calculation of the monthly interest amounts. The information filed with the tariff sheet and work papers includes sufficient data to calculate the FARs for AP28.

⁹ On March 9, 2022, the Commission approved Empire's Fourth Partial Stipulation and Agreement, which was filed on February 5, 2022. This Stipulation and Agreement allowed new FAC tariff sheets to become effective June 1, 2022. The new tariff is P.S.C.Mo. No. 6, Sec. 4 1st, Revised Sheet No. 17i through 1st Revised Sheet No. 17p. (please review to make sure I have stated this correctly CMT).

Attachment A includes three charts that provide a summary of Empire's twenty-eight (28) FAC rate adjustment filings. Chart 1 illustrates a) Empire's FARs for primary and secondary voltage service levels for each of the twenty-eight (28) accumulation periods, and b) that there have been sixteen (16) positive FARs, eleven (11) negative FARs, and one (1) zero FAR. Chart 2 illustrates Empire's FAC cumulative under-collected amount at the end of each of the twenty-eight (28) accumulation periods with the cumulative under-collected amount through AP28 of approximately \$127 million. Chart 3 illustrates Empire's FAC cumulative under-collected percentage of cumulative total energy costs at the end of each of the twenty-eight (28) accumulation periods with the cumulative under-collected percentage through AP28 of approximately 6.3%.

Staff Recommendation

Empire filed the 5th Revised Sheet No. 17q Canceling 4th Revised Sheet No. 17q, and based on Staff's review, Staff has determined that the adjustment is in compliance with Commission Rule 20 CSR 4240-20.090, Section 386.266 RSMo, and Empire's FAC embodied in its tariff.

Commission Rule 20 CSR 4240-20.090(8)(H)¹⁰ provides in part:

(H) Within sixty (60) days after the electric utility files its testimony and tariff sheet(s) to adjust its FARs, the commission shall either—

1. Issue an interim rate adjustment order approving the tariff sheet(s) and the adjustments to the FARs;
2. Allow the tariff sheet(s) and the adjustments to the FARs to take effect without commission order; or
3. If it determines the adjustment to the FARs is not in accordance with the provisions of this rule, section 386.266, RSMo, and the FAC mechanism established in the electric utility's most recent general rate proceeding, reject the proposed rate sheets, suspend the timeline of the FAR adjustment filing, set a prehearing date, and order the parties to propose a procedural schedule. The commission may order the electric utility to file tariff sheet(s) to implement interim adjusted FARs to reflect any part of the proposed adjustment that is not in question.

Empire has requested that the 5th Revised Sheet No. 17q Canceling 4th Revised Sheet No. 17q filed on September 30, 2022, become effective on December 1, 2022. Thus, the tariff sheet was filed with sixty (60) days' notice. Based on its examination and analysis of the information Empire filed and submitted in this case, Staff recommends the Commission issue

¹⁰ Effective January 30, 2019.

an order approving the following proposed tariff sheet, to become effective on December 1, 2022, as requested by Empire, subject to both true-up and prudence reviews:

P.S.C. Mo. No. 6 Section 4

5th Revised Sheet No. 17q Cancelling 4th Revised Sheet No. 17q

Staff's recommendation for approval of the Current Period FARs in this case is solely based on the accuracy of Empire's calculations, and is not indicative of the prudence of the fuel costs during AP28. Staff would also note that Company witness Brooke M. Prier states in her direct testimony on page 6 lines 2 through 6, "The limitation of recovering only 95% of the variance between actual and expected costs means that the Company may incur costs when market prices rise about previous expectations. Liberty is working to better understand these costs and determine whether a future request for their recovery may be appropriate." Staff is unsure of the intent of this statement, but Staff wants to reiterate that Empire chose to elect having an FAC in their last general rate case, along with all previous rate cases since 2008 (Case No. ER-2008-0093). Its own testimony also reflects having a 95/5% sharing mechanism, which was and has been approved by the Commission. Therefore, and in addition, Staff's recommendation is not an endorsement of a future request by Liberty to recover any costs above 95% of the variance between actual and expected costs.

Staff has verified that Empire has filed its 2021 annual report and is not delinquent on any assessment. Empire is current on its submission of its Surveillance Monitoring reports as required in 20 CSR 4240-20.090(6) and its monthly reports as required by 20 CSR 4240-20.090(5).

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the of The Empire District)
Electric Company d/b/a Liberty (Empire)) File No. ER-2023-0122
for Authority to Implement Rate)
Adjustments Related to the Company's Fuel)
and Purchase Power Adjustment (FAC)
Required in 20 CSR 4240-20.090

AFFIDAVIT OF CYNTHIA M. TANDY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW CYNTHIA M. TANDY and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

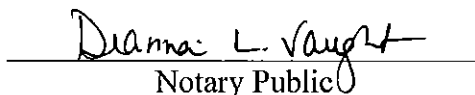
Further the Affiant sayeth not.


CYNTHIA M. TANDY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 26th day of October, 2022.

DIANNA L VAUGHT
Notary Public - Notary Seal
STATE OF MISSOURI
Cole County
My Commission Expires: July 18, 2023
Commission #: 15207377


Notary Public

ATTACHMENT A

Chart 1: Empire Fuel Adjustment Rates

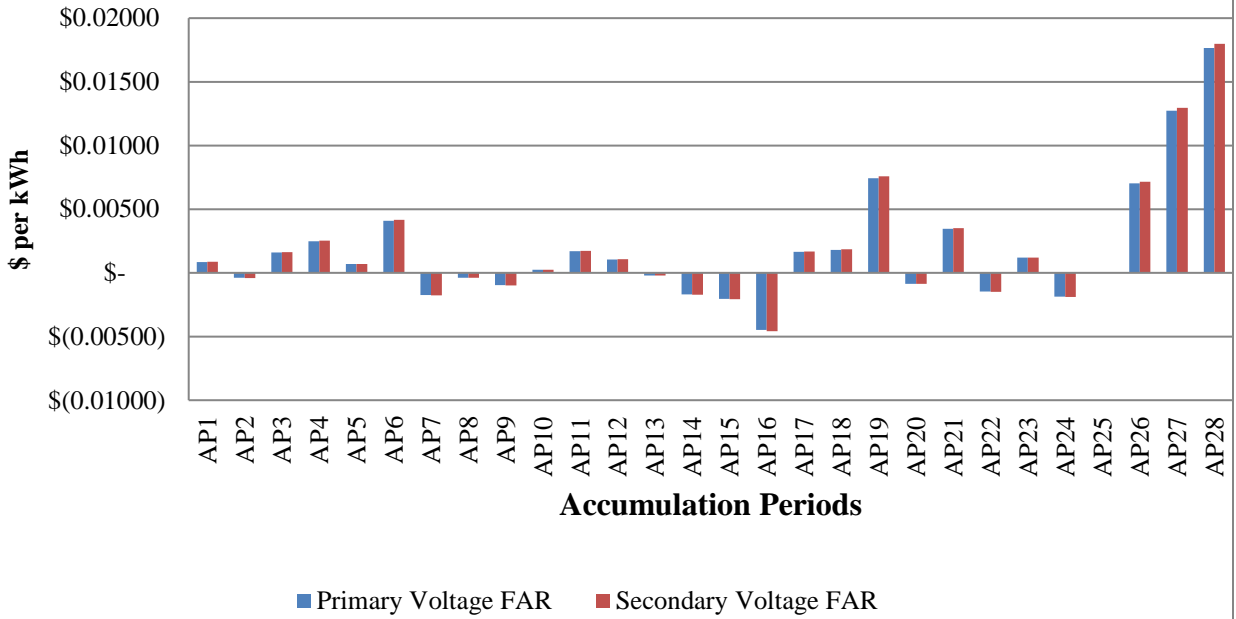
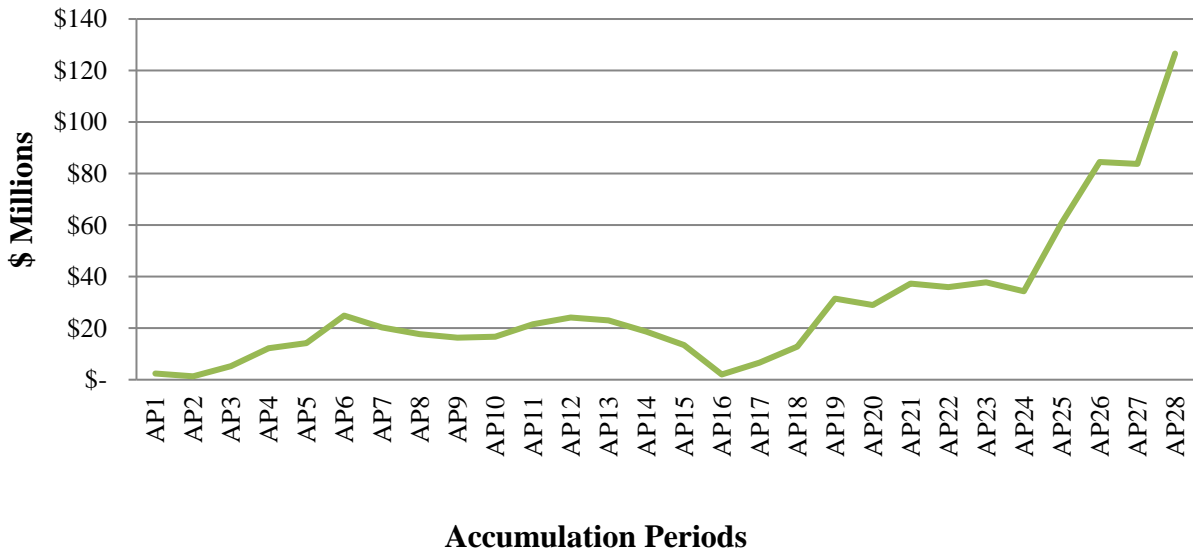


Chart 2: Empire FAC Cumulative Under-Collection Amounts



ATTACHMENT A (con't)

Chart 3: Empire FAC Cumulative Under-Collection Percentage

