

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of The Empire District )  
Gas Company d/b/a Liberty (Empire) )  
Tariff Filing of the Purchased Gas )  
Adjustment (PGA) )

**Case No. GR-2022-0127**  
Tracking No. JG-2022-0147

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission and for its Recommendation, states as follows:

1. On November 4, 2021, Empire District Gas Company (“Empire”) filed three tariff sheets bearing an effective date of December 1, 2021, Tariff File No. JG-2022-0147, an accompanying cover letter with supporting worksheets, and direct testimony from Empire witness Phillip Gillam. The tariff sheets were filed to reflect changes in Empire’s Purchased Gas Adjustment (“PGA”) factors as a result of estimated changes in the cost of natural gas. Also included in this filing is the annual change to the Actual Cost Adjustment (“ACA”) factor and a request by Empire to extend the ACA recovery period due to the February 2021 Cold Weather Event.

2. The Commission issued an order on November 5, 2021, directing Staff to file a recommendation regarding Empire’s request and corresponding tariff sheets, Tariff File No. JG-2022-0147, no later than November 12, 2021.

3. On November 10, 2021, Empire submitted revised substitute PGA tariff sheets, in Tariff File No. JG-2022-0147, with effective dates of December 1, 2021, and noted in its transmittal letter that the revisions in the substituted tariff sheets were to address minor errors Staff had noted to Empire.

4. Staff has reviewed Empire's filing and has determined it was calculated in conformance with Empire's PGA Clause. Staff does not oppose the approval of these tariff sheets on less than thirty (30) days' notice. Such action is supported by Empire's Commission-approved PGA clause allowing for notice of ten (10) business days for PGA change (both increases and decreases) filings. Therefore, Staff recommends the Commission approve the substitute revised tariff sheets (No. JG-2022-0147), filed on November 10, 2021, on an interim basis, subject to refund, for service on and after December 1, 2021.

5. Staff acknowledges the February 2021 Cold Weather Event had a significant impact on certain natural gas prices,<sup>1</sup> and in Staff's opinion, is an extraordinary event as contemplated in Empire's tariff. Staff, therefore, recommends the Commission grant Empire's request stated in the direct testimony of Empire witness Phillip Gilliam to extend its ACA recovery period.

6. Due to the limited time available to review the documentation supporting the ACA factor submitted in this filing, Staff requests permission to submit its results and recommendations regarding the information included in this ACA filing to the Commission on or before December 15, 2022.

**WHEREFORE**, for the foregoing reasons and those stated in Staff's Memorandum attached hereto, Staff recommends that the Commission issue an order approving Empire's request to extend its ACA recovery period and the substitute revised tariff sheets in Tracking No. JG-2022-0147, on an interim, subject to refund status; and further order Staff to file its recommendation Empire's ACA filing no later than December 15, 2022.

Respectfully submitted,

**/s/ Jamie S. Myers**

Jamie S. Myers  
Deputy Staff Counsel  
Missouri Bar Number 68291  
P.O. Box 360  
Jefferson City, MO 65102  
573-526-6036 (Voice)  
573-526-6969 (Fax)  
[jamie.myers@psc.mo.gov](mailto:jamie.myers@psc.mo.gov)

Attorney for Staff of the  
Missouri Public Service Commission

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record on this 12<sup>th</sup> day of November, 2021.

**/s/ Jamie S. Myers**

---

<sup>1</sup> See Case Nos. AO-2021-0264 and GO-2021-0365.

## MEMORANDUM

**TO:** Missouri Public Service Commission Official Case File  
Case No. GR-2022-0127, Tariff No. JG-2022-0147  
Empire District Gas Company

**FROM:** Michael J. Ensrud, Research/Data Analyst - Procurement Analysis Dept.

/s/ David M. Sommerer 11/12/2021      /s/ Jamie Myers 11/12/2021  
Financial and Business Analysis Div./Date      Staff Counsel's Office/Date

**SUBJECT:** Staff Recommendation for Empire District Gas Company  
Scheduled Winter PGA Filing  
Effective Date December 1, 2021

**DATE:** November 12, 2021

On November 4, 2021, Empire District Gas Company (“Empire” “EDG” or “Company”), filed three tariff sheets bearing a proposed effective date of December 1, 2021. In addition Empire filed a single page cover letter, testimony, and supporting worksheets. The tariff sheets were filed to reflect changes in Empire’s Purchased Gas Adjustment (PGA) factors as the result of estimated changes in the cost of natural gas for the upcoming winter season and changes in the Actual Cost Adjustment (ACA) factors. On November 10, 2021, the Company submitted substitute tariffs to correct minor errors on tariff sheet nos. 62 and 65.

Beyond the requirements of past PGA filings, this PGA contains proposals for deferred recovery of natural gas costs that is newly authorized by the Missouri Public Service Commission’s (Commission) Order in Case No. GT-2022-0080. Case No. GT-2022-0080 allows expansion of PGA recovery beyond the 12 months limitation that existed prior to Case No. GT-2022-0080.

The specific tariff language added authorizes “extraordinary” impacts to be mitigated over longer periods of time (fluctuating up to five (5) years) was inserted as the result of the GT-2022-0080 proceeding, but has never been utilized until the pending filing. Tariff Sheet 56 contains:

Upon request by the Company, Staff, or OPC, and for **good cause shown**, when an **extraordinary event** has occurred, **supported by affidavit**, the Commission may permit the Company to divide the cumulative balances of each System’s deficit gas cost recovery revenue (ACA account under-recovery) by estimated sales volumes for an extended period which shall not exceed 5 years. **(Emphasis Added)**

In its cover letter, Empire attributes the following as being the justification for multiple year recovery - meaning the “extraordinary event” that triggers this form of relief:

Pursuant to changes recently made to the Company’s PGA tariff, the Company is also seeking, through verified direct testimony, **extended recovery periods** and a different carrying cost rate for extraordinary costs stemming from Winter Storm Uri. **(Emphasis Added)**

The cover letter also gives reference to the magnitude of Total PGA (Regular PGA plus ACA) rate increase that will be forthcoming:

As a result of this filing, for the North System, the effect of these changes will increase the firm PGA rate from the current \$0.36195 per Ccf (100 cubic feet) to \$0.71850 per Ccf. For the South System, the effect of these changes will increase the firm PGA rate from the current \$0.39040 per Ccf to \$0.96720 per Ccf. For the Northwest System, the effect of these changes will increase the firm PGA rate from the current \$0.32579 per Ccf to \$0.64494 per Ccf.

In his submitted testimony for EDG, Mr. Phillip Gillam states the following:

**Q. For what period is the Company seeking to recover its costs in this filing?**

A. The Company is seeking to recover estimated PGA costs from September 2021 through August 2022 and cost over or under-recoveries from September 2020 through August 2021. Specifically, the Company is seeking to recover the estimated Regular Purchased Gas Adjustment (“RPGA”) Factor costs and the ACA Factor, which is the difference between its actual gas costs and actual cost recoveries. (Page 3 & Page 4)

**Q. Please briefly describe the circumstances under which the Company incurred extraordinary costs.**

A. During the month of February 2021, from February 10 through February 18, extreme cold in the region created demand for gas by consumers far in excess of seasonal norms for utilities throughout the Midwest, including the Company. This caused delivered gas prices to rise dramatically. This run up increased the Company’s cost to serve its customers. In total, the Company’s cost of gas for Storm Uri during this period was approximately \$31.2 million as compared to a typical February of approximately \$1.7 million and \$15.4 million annually. (Page 4)

EDG proposes to spread Empire’s 2020-2021 ACA under-recovery balance over three years for the North and Northwest Systems, and five years for the South System. Even after taking into account the proposed deferral treatment, EDG is still recommending significant increases over existing ACA rates for these systems:

Table 1. Current and Proposed Firm Sales ACA Rates by Service Territory (\$/Ccf)

	<u>Current</u>	<u>Proposed</u>	<u>Total Impact</u> <u>ACA</u>
South	\$(0.03861)	\$0.16089	\$0.1995
North	\$(0.04146)	\$0.11724	\$0.1587
Northwest	\$(0.01835)	\$0.12106	\$0.13941

In addition to the significant increased related to ACA under-recoveries, current estimated natural gas prices as reflected in the Regular PGA estimate have increased significantly over last year’s mandatory PGA filing. Customers will be paying both for past price increases from Storm URI and present increases in current natural gas costs. This is true despite the mitigation of the Storm URI impacts due to spreading past costs incurred over three or five years- in lieu of the traditional 12 months.

The present filing does not immediately reflect any rate impact from EDG’s proposal to use a value equal to its Weighted Average Cost of Capital (WACC) of 8.53 % (as the Company recommends in its current general rate case in Case No. GR-2021-0320), as compared to the more typical application of carrying costs equal to the current prime rate minus 2.0%. However, at some time in the future the Company does state that it will propose this carrying cost for application to the deferred costs. On page 7, lines 22 and 23, the Company states that... “There is no reason in this case why the Company’s shareholders should be required to pay to extend the recovery of prudently incurred costs.”

The Staff does not necessarily agree at this time that the WACC is the appropriate carrying cost rate. Due to the fact that the prudence of the underlying Storm URI cost will not be reviewed until 2022, with any hearing addressing the prudence likely scheduled for early 2023, Staff recommends that the Company should not be allowed to accrue the higher WACC until the Commission has ruled on the underlying prudence of the costs. The Staff would further note that discovery is necessary to inquire as to whether the WACC truly represents the Company’s access to debt sources that could have funded impacts from Storm URI, and there have been significant over-recoveries from past ACAs for which the normal prime minus two percent carry cost valuation was applied.

On November 5, 2021 the Commission issued its “**Order Directing Expedited Staff Recommendation and Setting Time for Responses**”. The order directs Staff to file its recommendation no later than November 12, 2021.

Case No. GR-2022-0127, under which these changes were filed, was established to track EDG’s natural gas costs to be reviewed in its 2020-2021 ACA filing. Case No. GR-2021-0121 was established to track the Company’s natural gas costs to be reviewed in its (2019-2020) ACA filing. These rate changes should be made on an interim basis, subject to refund pending final Commission decisions in ACA Case No. GR-2022-0127 (2020-2021 ACA period) and ACA Case No. GR-2021-0121 (2019-2020 ACA period).

Due to the limited time available to review the documentation supporting the ACA factors submitted in this filing, the Procurement Analysis Department (PAD) requests permission to submit its results and recommendations regarding the information included in this ACA filing to the Commission on or before December 15, 2022.

The Staff has verified that the Company has filed its annual report and is not delinquent on any assessment. Staff has reviewed this filing and is not aware of any issue currently pending before the Commission that affects or is affected by this filing, other than those mentioned above.

Staff has reviewed this filing and determined that the rates on the proposed tariff sheets were calculated in conformance with Empire’s PGA Clause. Staff asks the Commission to take notice of Empire’s tariff language that allows for approval of these tariff sheets on less than thirty (30) days’ notice is demonstrated by Empire’s Commission-approved PGA clause allowing for ten (10) business days’ for PGA change filings. The Staff is able to support a recommendation of approval in part because the calculations of the PGA and ACA factors do not include the higher carrying costs discussed in the Company’s Direct Testimony. Therefore, Staff recommends that the following tariff sheets filed on November 4, 2021, as substituted on November 10, 2021, be approved on an interim basis, subject to refund:

P.S.C.MO. No. 2, 17th Revised Sheet No. 62;  
P.S.C. MO. No. 2, 17th Revised Sheet No. 63; and  
P.S.C. MO. No. 2, 17th Revised Sheet No. 65.

The tariff sheets represent the Company’s Winter PGA filing for its three PGA service areas and reflects changes in the PGA factors and the ACA factors. These tariff sheets bear an issue date of November 4, 2021, and a proposed effective date of December 1, 2021.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of The Empire District Gas )  
Company d/b/a Liberty (Empire) Tariff Filing ) Case No. GR-2022-0127  
of the Purchased Gas Adjustment (PGA) )

**AFFIDAVIT OF MICHAEL J. ENSRUD**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COMES NOW MICHAEL J. ENSRUD** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation* in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

  
MICHAEL J. ENSRUD

**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 12<sup>th</sup> day of November 2021.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: April 04, 2025  
Commission Number: 12412070

  
Notary Public