

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

In the Matter of The Empire District Electric)
Company d/b/a Liberty (Empire) for Authority)
to Implement Rate Adjustments Related to) **File No. ER-2023-0342**
the Company’s Fuel and Purchase Power) **Tariff No. JE-2023-0185**
Adjustment (FAC) Required in)
20 CSR 4240-20.090)

STAFF RECOMMENDATION FOR APPROVAL OF TARIFF SHEET

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through the undersigned counsel, and for its *Staff Recommendation for Approval of Tariff Sheet* respectfully states:

1. On March 31, 2023, The Empire District Electric Company d/b/a Liberty (Empire)(hereafter referred to as “Empire” or “Company”) submitted the direct testimony and work papers of Empire witness Brooke M. Prier and one tariff sheet designed to revise the Current Period Fuel Adjustment Rates (“FARs”) of its Fuel Adjustment Clause (“FAC”). The submitted tariff bears an effective date of June 1, 2023.

2. Concurrently on March 31, 2023, Empire submitted a true-up filing in File No. EO-2023-0343 to identify the net fuel costs it over- or under-collected from customers during the 27th Recovery Period prescribed by its FAC.¹ This amount is necessary to calculate the new FARs in this case.

3. The Commission ordered Staff to examine and analyze Empire’s filings in this case, and to file its recommendation no later than May 1, 2023, as required by Rule 20 CSR 4240-20.090(8), which states: “An electric utility that has a FAC shall file proposed tariff sheet(s) to adjust its FARs following each accumulation period.” The rule

¹ June 1, 2022 through November 30, 2022.

requires Staff to “determine if the proposed adjustment to the FARs is in accordance with the provisions of this rule, section 386.266, RSMo, and the FAC mechanism established, continued, or modified in the utility’s most recent general rate proceeding.”²

4. The Commission set an intervention deadline of April 17, 2023, for any party wishing to intervene in this matter. No parties filed to intervene in this matter.

5. On April 21, 2023, Empire filed one substitute tariff sheet to correct the amount reported on line 4, Missouri Energy Ratio (J) factor from 90.09 to 88.73. This correction did not have an impact on the overall rate.

6. Staff’s *Memorandum*, attached hereto as Appendix A and incorporated by reference, recommends the Commission issue an order approving the following proposed revised tariff sheet filed by Empire, as substituted on April 21, 2023, to become effective on June 1, 2023:

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

6th Revised Sheet No. 17q Cancelling 5th Revised Sheet No. 17q

7. The proposed changes to Empire’s FARs will result in a decrease to the typical Empire residential customer’s Fuel Adjustment Charge (based on 1,000 kWh) from \$17.98 to \$9.44, for a decrease of \$8.54.

8. Staff has verified that Empire has filed its 2021 annual report³ 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 periodic monthly reports as required by 20 CSR 4240-20.090(5). With the exception of the true-up filing in

² Commission Rule 20 CSR 4240-20.090(8)(F).

³ Empire has requested an extension to file its 2022 annual report until May 15, 2023.

File No. EO-2023-0343, Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

WHEREFORE, Staff recommends the Commission issue an order approving the P.S.C. Mo. No. 6 Section 4 6th Revised Sheet No. 17q, as substituted on April 21, 2023, Canceling 5th Revised Sheet No. 17q, to become effective on June 1, 2023.

Respectfully Submitted,

/s/ Travis J. Pringle

Travis J. Pringle
Missouri Bar No. 71128
Senior Counsel for the Staff of the
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Mo 65102-0360
(573) 751-5700 (Telephone)
(573) 526-1500 (Facsimile)
(Email) travis.pringle@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand delivered, transmitted by facsimile or electronically mailed to all parties and/or counsel of record this 1st day of May, 2023.

/s/ Travis J. Pringle

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2023-0342, Tariff Tracking No. JE-2023-0185
The Empire District Electric Company, d/b/a Liberty (Empire)

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

DATE: /s/ Cynthia M. Tandy 05/01/2023 /s/ Travis Pringle 05/01/2023
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: May 1, 2023

Summary and Staff Recommendation

On March 31, 2023, The Empire District Electric Company, d/b/a Liberty (Empire) (hereafter “Empire”) filed one (1) proposed tariff sheet, 6th Revised Sheet No. 17q Canceling 5th Revised Sheet No. 17q, bearing a proposed effective date of June 1, 2023, to revise the 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 March 31, 2023 and submitted to Commission Staff (“Staff”) work papers in support of the proposed tariff sheet. On April 21, 2023, Empire filed a substitute tariff sheet³ to correct the amount reported on line 4, Missouri Energy Ratio (J) factor from 90.09 to 88.73. This correction, however, does not have an impact on the overall rate. The Commission assigned the tariff sheet to Tariff Tracking No. JE-2023-0185.

Empire’s AP29 FARs

The testimony and work papers include information that supports Empire’s calculation of the dollar amount⁴ used to calculate the FARs for Accumulation Period 29 (“AP29”). That dollar amount is \$20,618,718 and results from:

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 6th Revised Sheet No. 17q.

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

³ Except as otherwise stated, all references herein to the tariff sheet in Tariff Tracking No. JE-2023-0185 shall be to the substitute proposed tariff sheet that Liberty-Empire filed April 21, 2023.

⁴ 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 6th Revised Sheet No. 17q.

1. The amount of \$18,574,079, found on Line 7 of 6th Revised Sheet No. 17q, which is equal to 95% of the difference between: a) Empire's Missouri jurisdiction⁵ actual fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenue⁶ and less renewable energy credits ("REC") revenue and b) Empire's Missouri jurisdiction net base energy cost⁷ during AP29; plus
2. The true-up amount of \$1,122,287⁸ which is the under-recovery amount of the FARs for Recovery Period 27 ("RP27"), found on Line 9 of 6th Revised Sheet No. 17q; plus
3. The interest for AP29, including over/under cumulative recovery balances from AP27 and AP28, all equal to \$922,353, found on Line 11 of 6th Revised Sheet No. 17q.

The Current Period FAR of \$.00888 per kWh (Line 14 of 6th Revised Sheet No. 17q) is equal to the FPA Amount of \$20,618,718 divided by the forecasted Missouri net system input ("NSI") for RP29 of 2,321,470,205 kWh, found on Line 13 of 6th Revised Sheet No. 17q.

Because of a difference in line losses, there are different FARs for service taken at primary and secondary voltage level. When accounting for line losses for the different voltage levels, the proposed FARs are \$.00926 per kWh for customers receiving service at primary voltage level, and \$.00944 per kWh for customers receiving service at secondary voltage level. Empire's present FARs are \$.01765 per kWh for customers receiving service at primary voltage level, and \$.01798 per kWh for customers receiving service at secondary voltage level.⁹

⁵ 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 AP29, J is equal to 88.73.% as reflected on line 4 of 6th Revised Sheet No. 17q, as substituted tariff sheet filed on April 21,2023. The 88.73.% J factor is derived from dividing total Missouri Retail kWh Sales for this accumulation period by the Total System kWh Sales 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 \$19,256,085.

⁶ For AP29, this amount is \$43,588,625 as reflected on line 1 of 6th Revised Sheet No. 17q.

⁷ For AP29, this amount is \$21,886,738 as reflected on line 2 of 6th Revised Sheet No. 17q.

⁸ Empire's RP27 true-up filing is contained in File No. EO-2023-0343.

⁹ Lines 15 and 16 of 5th Revised Sheet No. 17q.

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Primary	\$0.01765	\$0.00926	\$0.00839 Decrease
Secondary	\$0.01798	\$0.00944	\$0.00854 Decrease

Based on a monthly usage of 1,000 kWh, the proposed change to the FAR will decrease the Fuel Adjustment Charge of an Empire residential customer's bill from \$17.98 to \$9.44, a decrease in the customer's bill of \$8.54 per month. The accumulation periods, recovery periods, and other specifications of Empire's existing FAC are set out in its currently effective tariff sheets.

On page 6, line 22 through page 7, line 20 of her filed testimony, Company witness Brooke M. Prier describes the reasons for the decrease in the FAR's rates:

The actual average energy cost was \$17.33/MWh. This was roughly 2 times greater than the average FAC base factor of \$8.70/MWh. The primary event that occurred during the review period that contributed to this result was Winter Storm Elliott. This winter storm ushered in extremely cold temperatures beginning on December 21, 2022, and lasting through December 26, 2022. As a result, the Company set an all-time record peak demand of 1,249 MW on the evening of December 22nd with a temperature of minus 6° Fahrenheit. In general, this weather event affected the service territory by delivering extreme cold temperatures that greatly impacted the demand for electricity, generating unit operations, and market and fuel prices across the SPP region. During December 2022, high natural gas prices negatively impacted native load cost purchased from the market. Results from the six-month review period can be viewed as two distinct halves. During the months of September through November 2022, the average energy cost eligible for the FAC was only \$5.75/MWh, well below the FAC base factor. However, from December 2022 through February 2023 (the month of Winter Storm Elliott and the months that followed), the average energy cost eligible for the FAC was \$27.26/MWh. Weather was mild during both January and February 2023, with natural gas and market prices moderating. However, the weighted average cost of natural gas utilized by the Company's gas-fired generators was negatively impacted by the higher price of prior period imbalanced natural gas in January and higher priced imbalance natural gas and hedged natural gas in February, negatively impacting natural gas-fired facilities' market margins in those months. Actual total FAC eligible energy cost per MWh was above the Company budget of \$12.31/MWh by nearly 40.8%.

Staff Review

Staff reviewed Empire's proposed 6th Revised Sheet No. 17q Canceling 5th Revised Sheet No. 17q, the direct testimony of Empire witness Brooke M. Prier filed on March 31, 2023, the substitute tariff filed on April 21, 2023, and Empire's monthly filings and work papers for AP29. 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 6th Revised Sheet No. 17q, Canceling 5th Revised Sheet No. 17q. Staff also reviewed Empire's monthly interest rates that are applied to the monthly over- and under-recovery amounts for AP29, including cumulative amounts for AP28 and AP27, 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 AP29.¹⁰

Attachment A includes three charts that provide a summary of Empire's twenty-nine (29) FAC rate adjustment filings. Chart 1 illustrates a) Empire's FARs for primary and secondary voltage service levels for each of the twenty-nine (29) accumulation periods, and b) that there have been seventeen (17) 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-nine (29) accumulation periods with the cumulative under-collected amount through AP29 of approximately \$172 million. Chart 3 illustrates Empire's FAC cumulative under-collected percentage of cumulative total energy costs at the end of each of the twenty-nine (29) accumulation periods with the cumulative under-collected percentage through AP29 of approximately 8%.

Staff Recommendation

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.

¹⁰ Staff has requested additional information from Empire to calculate the FARs for AP29, along with suggesting the monthly reports be updated and re-filed when large adjustments are made after the monthly reports have already been filed. Empire has provided the additional information Staff requested, and has stated they are working to determine the best approach for adjustments made after monthly reports are filed, and will follow-up when they have a solution.

Commission Rule 20 CSR 4240-20.090(8)(H) 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 6th Revised Sheet No. 17q, canceling 5th Revised Sheet No. 17q filed on March 31, 2023, as substituted on April 21, 2023, become effective on June 1, 2023. 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 an order approving the following proposed tariff sheet, as substituted on April 21, 2023, to become effective on June 1, 2023, as requested by Empire, subject to both true-up and prudence reviews:

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

6th Revised Sheet No. 17q Cancelling 5th 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 AP29.

Staff has verified that Empire has filed its 2021 annual report,¹¹ but 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).

¹¹ Empire has requested an extension to file its 2022 annual report until May 15, 2023.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

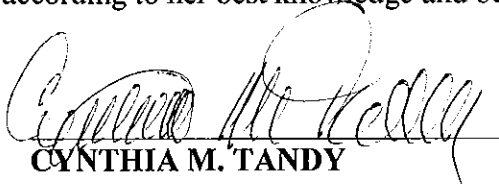
In the Matter of the of The Empire District)	
Electric Company d/b/a Liberty (Empire))	<u>File No. ER-2023-0342</u>
for Authority to Implement Rate)	Tariff No. JE-2023-0185
Adjustments Related to the Company's Fuel)	
and Purchase Power Adjustment (FAC))	
Required in 20 CSR 4240-20.090)	

AFFIDAVIT OF CYNTHIA M. TANDY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

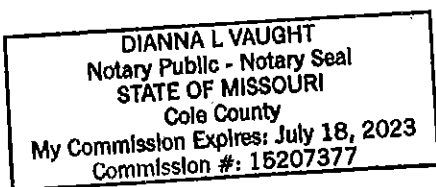
COMES NOW CYNTHIA M. TANDY and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

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 27th day of April, 2023.



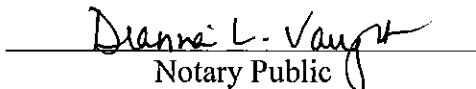
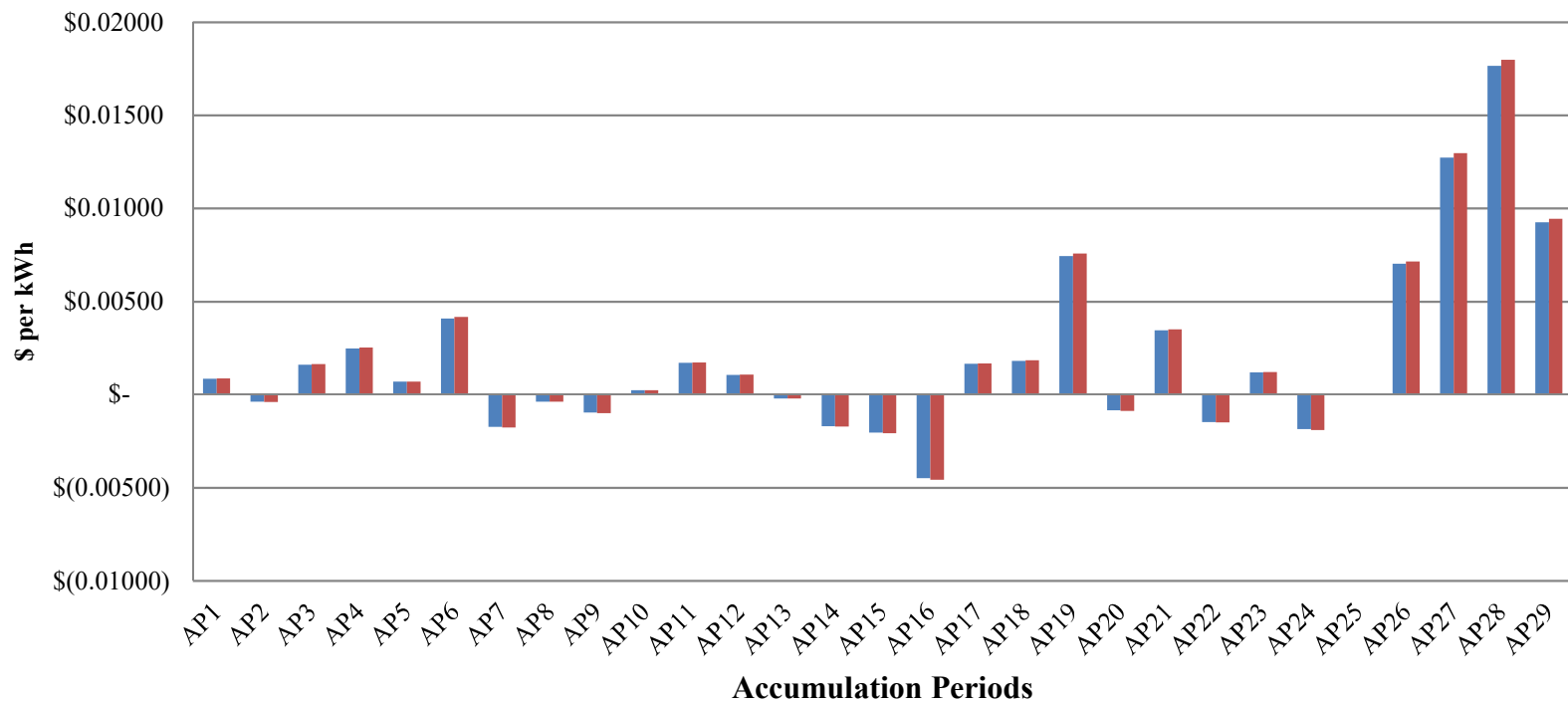

Notary Public

Chart 1: Empire Fuel Adjustment Rates



■ Primary Voltage FAR ■ Secondary Voltage FAR

Chart 2: Empire FAC Cumulative Under-Collection Amounts



Chart 3: Empire FAC Cumulative Under-Collection Percentage

Percentage of Cumulative Total Energy Costs

