BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matters of the Request of The Empire District	)	
Electric Company d/b/a Liberty (Empire) for Authority to	)	
Implement Rate Adjustments Related to the Company's	)	Case Nos. ER-2021-0332
Fuel and Purchased Power Adjustment (FAC)	)	and EO-2021-0333
Required in 20 CSR 4240-20.090 and FAC True-Up	)	

REPLY TO OPC'S RESPONSE TO
STAFF'S APPROVAL RECOMMENDATION

COMES NOW The Empire District Electric Company d/b/a Liberty, and pursuant to the *Order Shortening Time for Responses* issued May 13, 2021, respectfully states as follows to the Missouri Public Service Commission ("Commission"):

1. As noted in the Staff Recommendation to Approve Tariff Sheet, Liberty filed a proposed tariff sheet, bearing a proposed effective date of June 1, 2021, to revise its current period Fuel Adjustment Rates ("FARs") of its Fuel Adjustment Clause ("FAC"), and concurrently submitted a FAC true-up filing to identify the true-up amount of $1,293,237 for the 23rd Recovery Period of its FAC.

2. As the Company and Staff explained, for the subject Accumulation Period, Liberty's actual total energy costs eligible for the FAC were significantly higher than the base energy cost included in Liberty's current Missouri rates. Under normal circumstances, the Company would file a FAC rate tariff that is designed to recover 95 percent of the energy cost differences, or approximately $167,436,489. In an effort to assist customers by deferring certain costs that would otherwise be due in the near future, however, the Company is seeking approval to defer $168,720,211 of an amount deemed "extraordinary," while continuing to have a reasonable expectation of recovery subject to a prudence review.

3. This continued reasonable expectation of recovery of prudent costs that would normally flow through the FAC is key to easing the economic impact on customers, without resulting harm to the Company. As explained in the Direct Testimony of Charlotte T. Emery filed herein on behalf of Liberty, the "extraordinary" costs proposed by the Company to be removed from the FAC mechanism need to remain as a deferred debit on the Company's Generally Accepted Accounting Principles ("GAAP") financial statements; and for this to occur, the Company needs to have a reasonable expectation of recovery. This reasonable expectation of recovery is the same as any other FAC-eligible fuel and purchased power costs incurred by the Company on behalf of Missouri customers, as these costs would normally have been recoverable from customers (subject to a prudency review) through the FAC mechanism.

4. On May 12, 2021, the Office of the Public Counsel ("OPC") filed a response to Staff's recommendation to approve Liberty's filings. OPC recommends the Commission reject the proposed FAC tariff citing, among other things, that the FAC requires rates for Liberty's Recovery Period 25 to be designed to recover the true-up amount under-collected during Liberty's Recovery Period 23.

5. The total under recovery of $167,436,489, for accumulation period 25, is reported on line 7 of Liberty's proposed tariff sheet, 2nd Revised Sheet No. 17q, Canceling 1st Revised Sheet No. 17q. This amount is reduced by the extraordinary costs of $168,720,211, identified in the Ms. Emery's Direct Testimony and shown on page two of Schedule CTE-2, resulting in a total over recovery of $1,283,722. In order to bring the FAR to $0, Liberty included interest expense in the amount of $9,515 and the under recovered true-up amount of $1,293,237, from Recovery Period 23, in the FPA calculation.

6. The rates for Liberty's Recovery Period 25, as set forth in Liberty's proposed FAC tariff, are specifically designed to recover the true-up amount under-collected during Liberty's Recovery Period 23. Liberty's filings are also otherwise in compliance with the provisions of Liberty's FAC and applicable law and, as such, should be approved by the Commission.

7. Determining the precise "extraordinary" amount of fuel and purchased power costs from the February storm was challenging due to several obstacles, beginning with determining when the storm began, but Liberty is committed to easing the economic burden that would otherwise be placed on its customers.

8. While the Company records indicate, from a cost viewpoint, the most critical days were February 13-19, a rise in natural gas prices above normal expectations was first experienced around February 8, 2021. Another obstacle arises in bifurcating the costs between "ordinary" and "extraordinary" during the critical days of the storm. Intuitively, there would have been a level of fuel costs incurred even if the storm had not occurred. However, being able to determine the level of "ordinary" fuel costs would only be as accurate as the Company's estimate based on such factors as the 30-year-normal weather forecast for heating degree days and the Company's fuel budget. Lastly, not all components of total fuel costs are readily allocable as daily costs.

9. There may be different possible approaches to measure the "extraordinary" fuel costs. Due to the challenges outlined above, however, the Company ultimately relied on the most recently established net base energy rate ($23.38 MWH), which was approved by the Commission in Case No. ER-2019-0374, to determine the normal net base energy costs for the FAC filing.

WHEREFORE, Liberty requests that the Commission issue an interim rate adjustment order approving Liberty's tariff sheet, P.S.C. MO. No. 5, Sec 4, 2nd Revised Sheet No. 17q, Canceling P.S.C. Mo. No 5, Sec 4, 1st Revised Sheet No. 17q, to become effective June 1, 2021, subject to true-up and prudence reviews, and containing language that the Commission finds that Liberty may continue to have a reasonable expectation of recovery of the prudent, extraordinary costs deferred by Liberty (but ordinarily recovered through the FAC mechanism). Liberty requests such other and further relief as is just and proper under the circumstances.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that the above document was filed in EFIS on this 17th day of May, 2021, with a copy of the same sent to all counsel of record.

/s/ Diana C. Carter