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MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

TARIFF/RATE DESIGN DEPARTMENT

REBUTTAL TESTIMONY

OF

SARAH L.K. LANGE

**THE EMPIRE DISTRICT ELECTRIC COMPANY,
d/b/a Liberty**

CASE NOS. EO-2022-0040/EO-2022-0193

Jefferson City, Missouri
May 2022

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **SARAH L.K. LANGE**

4 **THE EMPIRE DISTRICT ELECTRIC COMPANY,**
5 **d/b/a Liberty**

6 **CASE NOS. EO-2022-0040/EO-2022-0193**

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5 **d/b/a Liberty**

6 **CASE NOS. EO-2022-0040/EO-2022-0193**

7 Q. Please state your name and business address.

8 A. My name is Sarah L.K. Lange and my business address is Missouri Public
9 Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.

10 Q. Who is your employer and what is your present position?

11 A. I am employed by the Missouri Public Service Commission (“Commission”)
12 and my title is Economist, Tariff/Rate Design Department, Industry Analysis Division.

13 Q. What is your educational background and work experience?

14 A. A copy of my credentials and case experience is attached as Schedule SLKL-r1.

15 Q. Does this testimony address both files EO-2022-0040 and EO-2022-0193?

16 A. Yes. Except where noted, references are to materials provided in the
17 EO-2022-0040 docket.

18 **SUMMARY OF RECOMMENDATION**

19 Q. Have you prepared a quantification of the offsetting excess revenues associated
20 with the higher-than-normal level of sales to customers that occurred during the period of
21 Winter Storm Uri?

22 A. Yes. The excess collection, net of Fuel Adjustment Clause (FAC) base, is
23 approximately \$2.76 million.

1 Q. Have you reviewed the direct testimony of Katrina Niehaus, including those
2 tariff sheets provided at pages 78 – 82 of Schedule KN-4?

3 A. Yes.

4 Q. Do you recommend that the Commission order filing of sheets in substantial
5 conformance with those sheets provided at pages 78 – 82 of Schedule KN-4 in its Report and
6 Order in this case?

7 A. No. Both the language and rates contained in these tariff sheets are
8 unreasonable.

9 Q. Is Staff proposing an alternative that is more reasonable?

10 A. Yes. Staff recommends implementation of any financing order approved in
11 these cases through the tariff and rate design provided as Schedule SLKL-r2, attached, as
12 modified to accommodate any changes ordered by the Commission. Staff recommends that the
13 Commission order state the rates related to the Securitized Utility Tariff Charges be recovered
14 from all applicable customers on the basis of loss-adjusted energy sales, and that no detailed
15 allocation discussion is therefore necessary.

16 ***Brief Overview of Mechanism and Underlying Rationale***

17 Q. Could you provide an outline of the key characteristics of the Securitized Utility
18 Tariff Charge (“SUTC”) mechanism recommended by Staff?¹

¹ For purposes of clarity within this recommendation, I will generally use the following terms:

Securitized Utility Tariff Charge (SUTC): will refer to the general authority provided under the statute.

Rate: will refer to a per-kWh amount to be applied to customer usage for purposes of rendering a bill, whether subject to further voltage adjustment or not, expected to be in cents or mills.

Charge amount: will refer to the upfront ordered amount, expected to be in the millions.

Annual charge amount: The charge amount, divided by the number of years applicable.

Annual recovery amount: the Annual Charge Amount, plus whatever additional costs or expenses are expected to be recovered through the SUTC in a given year, such as transaction costs or an allowance for past uncollected rate recovery.

1 A. Yes.

- 2 1. The SUTC will be recovered from all customers based on each customer's
3 consumption of energy, adjusted to reflect that customer's consumption of
4 energy at transmission voltage.
- 5 2. The SUTC will be billed to customers with a rate in effect over 6-month
6 Recovery Periods. To determine that rate Liberty will aggregate the revenue
7 required to pay bondholders over a 6-month period Accumulation Period
8 that is staggered from the Recovery Period with the following components:
- 9 a. A projection of the transaction costs associated with servicing the
10 bond and administering this tariff during the next Accumulation
11 Period;
- 12 b. A reconciliation of the projected and actual transaction costs for the
13 most-recently concluded Accumulation Period;
- 14 c. A true-up of the difference between the prorated portion of the annual
15 recovery amount expected to be billed and the prorated portion of the
16 annual recovery amount actually billed for the most-recently
17 concluded Accumulation Period;
- 18 d. A Revenue Adjustment ordered by the Commission in a separate
19 annual proceeding to increase the otherwise-applicable Rate to
20 account for net uncollected revenue.
- 21 e. A carrying cost adjustment.
- 22 f. An Emergency Adjustment, when ordered, to maintain sufficient
23 ability to make bond payments.
- 24 3. Liberty shall make a tariff filing 45 days prior to the beginning of each
25 Recovery Period, and concurrently file certain required information under
26 affidavit.

27 Note, any changes in the overall amount to be appropriately reflected in
28 the securitized bond issuance will be handled prospectively in a suitable general
29 rate case.

1 Q. What additional details are necessary to design an effective tariff to implement
2 SUTC recovery?

3 A. Each of the following items will require resolution by this Commission to create
4 a compliance tariff packet in these cases, EO-2022-0040 and EO-2022-0193.

- 5 1. **The degree of consolidation of any SUTC authorized in EO-2022-**
6 **0040 and EO-2022-0193.** Specifically, should one bond be issued or
7 two; should a single tariff provision be utilized, or should two be utilized;
8 should transaction costs, true-ups, revenue adjustments, and other rate
9 components be calculated separately or as-consolidated; should two
10 separate line items appear on customer bills?
- 11 2. **The treatment of partial payments and late payments.** If a payment
12 – whether made timely or not - is not adequate to cover the full bill
13 rendered, how the payment should be allocated between the SUTC, other
14 charges for usage, and local taxes. Interactions with the requirements of
15 the Cold Weather Rule at 20 CSR 4240-13.055 must also be fully vetted
16 prior to tariff promulgation.
- 17 3. Any ordered treatment to account for the difference between when
18 revenues pursuant to the SUTC are received and when bond payments
19 or transaction cost payments are made.
- 20 4. Whether to base the SUTC on projected and actual collections, projected
21 and actual bills, or projected and actual bills adjusted for net projected
22 and actual collections.
- 23 5. The dates of Recovery and Accumulation periods, and whether such
24 periods should be designed to align with billing months, revenue months,
25 calendar months, or be of a fixed calendar date.
- 26 6. Treatment of changes in customer base and service territory.
- 27 7. Allocation of the SUTC to ultimate customers.

28 Staff's recommended resolution of these items is embodied in the specimen tariff
29 provided. The specific tariff provided is for illustrative purposes only. Additional discussion of
30 detailed provisions is provided in the body of this testimony.

31 Q. What considerations should guide resolution of these issues?

1 A. The resolution of these issues should result in an objective mechanism that
2 enables timely review and turnaround by the Staff and Commission in rate implementation, and
3 is easily understood and administered by the Liberty billing department, and that is sufficiently
4 predictable and protected so that an optimal rate is obtained from the financial community.

5 **SUTC TARIFF AND MECHANISM**

6 Q. Did you review Liberty’s response to Staff Data Request (DR) No. 0052 in
7 EO-2022-0040?

8 A. In response to DR No. 0052 in File No. EO-2022-0040, Liberty confirmed that
9 the form of the tariff sheets provided as Schedule KN-4 are Liberty’s desired tariff sheets to
10 result from this case.

11 Q. Do those sheets reasonably accommodate implementation of any financing order
12 that may result from this case?

13 A. No.

14 Q. Does Liberty acknowledge that significant revisions to the contents of those
15 tariff sheets are necessary?

16 A. Yes. In response to DR No. 0050 Liberty confirmed that Liberty intends to
17 update the requested allocation of the SUTC annual recovery amounts to reflect Liberty witness
18 Mr. Lyon’s surrebuttal Class Cost of Service Study in Case ER-2021-0312 and the Class Usage
19 values agreed-upon in that case by the parties to the January 28, 2022 *Non-Unanimous Partial*
20 *Stipulation and Agreement*, subject to and in accordance with an order of the Commission in
21 ER-2021-0312.

22 Q. Did Staff submit DRs to Liberty concerning any provisions in their requested
23 tariff sheets?

1 A. Yes. Based on the referenced responses, Liberty acknowledges the following
2 deficiencies and errors in their requested tariff sheets. The classes listed are no longer accurate,
3 and the rates for Electrical Vehicles (EV) service are excluded.²

- 4 1. The class allocation factors do not reflect those resulting from the
5 conclusion of the ER-2021-0312 case, which Liberty asserts would be
6 more proper.³
- 7 2. The references to “Distribution” service or rates are applicable to all
8 retail rates.⁴
- 9 3. There is no such thing as a threshold rate or threshold usage under the
10 Missouri law or existing practices.⁵
- 11 4. The true-up procedure is not fully developed.⁶

2 DR No. 0103 REQUEST: Please clarify whether Empire intends that kWh sold under its Electric Vehicle charging rates would be subject to a securitized charge? Please identify the “periodic billing requirement allocation factor” applicable to each such rate, and the method for deriving such amount. Identify the witness and testimony location of any testimony in either this docket or in File No. EO-2022-0193 further supporting or describing this treatment. RESPONSE: It is the Company’s understanding that the EV usage would be subject to the securitization rate, similar to the application of the FAC.

3 DR No. 0050 REQUEST: Please refer to Karen S. Hall testimony at page 12-13. Is it Liberty’s intent to update the calculations there-in to reflect Mr. Lyon’s surrebuttal Class Cost of Service Study in Case ER-2021-0312 and the Class Usage values agreed-upon in that case by the parties to the January 28, 2022 “Non-Unanimous Partial Stipulation and Agreement?” RESPONSE: Yes, subject to and in accordance with an order of the Commission in ER-2021-0312.

4 DR No. 0055 REQUEST: Please refer to page 48 of Schedule KN-4 and explain what is meant by “distribution-related” in the sentence “The securitizable balance as of any given date is equal to the balance of distribution-related securitized utility tariff costs plus carrying costs accruing on that balance at 6.77% through the date the securitized utility tariff bonds are issued.” RESPONSE: The phrase was meant to indicate that the securitized utility tariff costs were incurred to provide retail service.

DR No. 0049 REQUEST: Please refer to Karen S. Hall testimony at page 13. Please explain what the “distribution revenue requirement” is, as used there-in. RESPONSE: This is synonymous with the retail revenue requirement or, simply, the revenue requirement.

DR No. 0054 REQUEST: Please refer to page 21 of Schedule KN-4 and explain what is meant by the phrase “Liberty’s rates for distribution service.” RESPONSE: This phrase is synonymous with “retail rates” or, simply, “rates.”

5 DR No. 0098 REQUEST: Please define “threshold usage” and explain how it is calculated or identified as used in the sentence “divide the Periodic Billing Requirement for each customer class by the maximum of the forecasted billing units or the threshold billing units for that class, to determine the threshold rate.” RESPONSE: “Threshold usage” do not apply in Missouri and were inadvertently included in the sample tariff. The Company is not opposed to removing this language from the final tariff.

6 DR No. 0047 REQUEST: Please describe the Company’s proposed true-up adjustment process and provide: a) estimated frequency of the true-up; b) timeline for the true-up adjustments’ effects on customer billings; c) specific sample work papers to be provided in the true-up process; and d) estimations of the potential dollar amount range of true-up rate adjustments. Please include proposed processes for dispute of the proposed true-up

1 Q. Has Liberty acknowledged that the proposed ordered language concerning
2 estimation, forecasts, and true-up is subject to significant further definition?

3 A. Yes. Provided below is Staff's DR No. 0101, and Liberty's response:

4 DR No. 0101 REQUEST:

5 Identify the statutory authority, if any, for the estimation and forecasts
6 referenced in the draft order provision "To assure adequate securitized utility
7 tariff charge revenues to fund the periodic payment requirement and to avoid
8 large overcollections and undercollections over time, the servicer will reconcile
9 the securitized utility tariff charges using Liberty's most recent forecast of
10 electricity deliveries (i.e., forecasted billing units) and estimates of transaction-
11 related expenses. The calculation of the securitized utility tariff charges will also
12 reflect both a projection of uncollectible securitized utility tariff charges and a
13 projection of payment lags between the billing and collection of securitized
14 utility tariff charges based upon Liberty's most recent experience regarding
15 collection of securitized utility tariff charges."

16
17 Other than billing units, please identify each possible expense, cost, or revenue
18 amount subject to estimation, forecasting, or projection. For each, describe how
19 the estimate, projection, or forecast is trued up or reconciled? For each, describe
20 whether and how the Commission will have an opportunity to assess the
21 reasonableness of the estimate, projection or forecast, and evaluate the prudence
22 of the decision to rely on the estimate, projection, or forecast? Include a
23 description of the process and timeline for each such review. Identify the witness
24 and testimony location of any testimony in either this docket or in File No.
25 EO-2022-0193 further supporting or describing this treatment.

26
27 RESPONSE:

28 At this time the Company is not specifically aware of any other components that
29 would be subject to projection outside of the billing units. However, according

amounts. RESPONSE: a. The Company will complete a true-up adjustment to the Securitized Utility Tariff Charge (SUTC) at least annually. b. The effect of the true-up would be reflected in customer billings until the next adjustment is made. c. These have not yet been developed. d. The Company is unable to determine this at this time.

DR No. 0047.1 REQUEST: In response to DR No. 0047, the Company stated that they have not yet developed work papers to be provided in the true-up process, nor do they have any estimations of potential dollar amount ranges of the true-up rate adjustments. Please provide a status update on the development of true-up work papers, including an estimation of when the Company will be able to provide further details about the true-up process and work papers to be used in the true-up process. RESPONSE: The Company continues to develop the true up workpapers. Liberty anticipates it will be able to provide a draft of the respective workpapers on or before April 15, 2022 and will update this response with the respective draft workpapers accordingly.

1 to Section 393.1700.2(3)(e), the electrical corporation shall file with the
2 Commission at least annually a petition or a letter applying the formula based
3 true-up mechanism and, based on estimates of consumption for each rate class
4 and other mathematical factors [emphasis added], requesting administrative
5 approval to make the applicable adjustments. As such it could be possible, any
6 or all, of the collection components may from time to time require the utilization
7 of a projection adjustment to ensure the recovery of the revenues sufficient to
8 provide for the principal, interest, acquisition, defeasance, financing costs, or
9 redemption premium and other fees costs and charges in respect of securitized
10 utility tariff bonds approved under the financing order. The formula based
11 true-up mechanism, as outlined in Section 393.1700.2(3)(c)e, requires the
12 financing order include a “formula-based true-up mechanism for making, at least
13 annually, expeditious periodic adjustments in the securitized utility tariff
14 charges that customers are required to pay pursuant to the financing order and
15 for making any adjustments that are necessary to correct for any overcollection
16 or undercollection of the charges or to otherwise ensure the timely payment of
17 securitized utility tariff bonds and financing costs and other required amounts
18 and charges payable under the securitized utility tariff bonds.” This “true-up
19 mechanism” is the primary credit enhancement for the transaction. In order
20 to obtain the highest possible credit rating, the rating agencies insist that the
21 true-up mechanism be as free of impediments as possible. It is Liberty’s
22 understanding that its proposed true-up mechanism is consistent with the current
23 requirements of the credit rating agencies to achieve the highest possible bond
24 rating without the need for any additional overcollateralization which would
25 ultimately lead to higher costs for customers. It is also the Company’s
26 understanding the true-up process is not a process to evaluate the prudence of
27 the decision to rely on the estimate, projection or forecast; rather, Section
28 393.1700.2(3)(e) states the review of the [true-up] filing shall be limited to
29 determining whether there are any mathematical or clerical errors in the
30 application of the formula-based true-up mechanism relating to the appropriate
31 amount of any overcollection or undercollection of securitized utility tariff
32 charges and the amount of an adjustments. Refer to the testimony of Company
33 witness Karen S. Hall starting on page 14 and Company witness Charlotte T.
34 Emery starting on page 24 for discussions regarding the true-up mechanism
35 and a reconciliation process. Furthermore, each respective witness provided a
36 sample tariff as an attachment to their testimony. The sample tariff includes
37 further recommendations of a proposed true-up process surrounding timing
38 and other respective components. The current sample tariffs propose a 30 day
39 review period.

1 Q. Did Staff submit DRs to Liberty concerning other areas of the Application where
2 further clarity is necessary?

3 A. Yes. Based on these responses, additional delineation is necessary concerning,
4 at a minimum, the following areas:

- 5 1. Interaction of Liberty’s internal proration procedures with any tariff
6 design intended to address uncollectibles or past-due balances.⁷
- 7 2. Ambiguity of Liberty’s proposed Periodic Billing Requirement
8 Allocation Factor (PBRAF) determination timing and procedure.⁸

9 Q. What content must be contained in any tariff provisions authorizing recovery of
10 a securitized balance pursuant to RSMo. Section 393.1700?

7 DR No. 0100 REQUEST: Identify the statutory authority, if any, for the proration process described in the draft order as “If any customer does not pay the full amount it has been billed, the amount will be allocated to the securitized utility tariff charges in the same proportion that such charges bear to the total bill. The first dollars collected would be attributed to past due balances, if any. If cash collections are not sufficient to pay a customer’s current bill once those balances are paid in full then the cash would be prorated between the different components of the bill” Identify the witness and testimony location of any testimony in either this docket or in File No. EO-2022-0193 further supporting or describing this treatment. RESPONSE: Please note the Company has proposed that the securitized utility tariff charges will be billed and collected by Liberty, acting as servicer, for the SPE. As such, to the extent a customer does not pay his/her utility bill in full, the securitized utility tariff charge has neither a higher priority of collection nor a lower priority than other rates and charges collected by Liberty. Therefore, the amount is pro-rated, and the pro-rated portion of the securitized utility tariff charge will be remitted by the Servicer in accordance with the terms of the Servicing Agreement executed with the SPE. The Securitization Statute does not explicitly provide authority for the pro-ration process described in the draft order. Rather, the proration process is a proposal that reflects the reality that while securitized utility tariff charges are nonbypassable by customers, there needs to be a process/mechanism in place to determine how a partial customer payment is allocated. Furthermore, the proposal aligns with the Company’s current internal process of the customer payment hierarchy related to when a customer payment is not sufficient to pay a customer’s current bill. That hierarchy is as follows: (1) funds apply towards any past due balances; and (2) then it would apply to current bill charges.

8 DR No. 0102 REQUEST: Please clarify whether it is Empire’s intention that the “periodic billing requirement allocation factors” will be established on an interim basis in this proceeding, then established with permanency in Empire’s next general rate case, or whether Empire intends that the PBRAFs are subject to adjustment in each general rate case? Please clarify whether it is Empire’s intention that the method of determining the PBRAFs relied upon in an initial allocation shall be used for all future allocations, or whether Empire believes that the method and calculation will both be subject to change in the next (or subsequent, if applicable) general rate case. Identify the witness and testimony location of any testimony in either this docket or in File No. EO-2022-0193 further supporting or describing this treatment. RESPONSE: The Direct Testimony of Empire witness Hall discusses the allocation factors used in establishing the periodic billing requirement for the initial securitized utility tariff charge, and the future treatment is prescribed by statute. As such, it is Empire’s intent to comply with the Securitization Statute, which states the following regarding the periodic billing requirement allocation factors on an interim basis “...until the electrical corporation completes a general rate proceeding, and once the commission's order from that general rate proceeding becomes final, all subsequent applications of an adjustment mechanism regarding securitized utility tariff charges shall incorporate changes in the allocation of costs to customers as detailed in the commission's order from the electrical corporation's most recent general rate proceeding.”

1 A. In addition to the typical provisions necessary to bill customers applicable
2 charges to effectuate any mechanisms necessary to adjust those charges pursuant to ordered
3 terms, Section 393.1700 imposes additional requirements as discussed below.

4 ***Define to whom and for what term the rates are applicable***

5 Q. What statutory language governs the amounts the tariff is to be designed
6 to collect?

7 A. “The tariff applicable to customers shall indicate the securitized utility tariff
8 charge and the ownership of the charge.”⁹ The tariff provisions must contain the “securitized
9 utility tariff charge(s)”¹⁰ designed to recover the “securitized utility tariff costs.”¹¹

10 Q. To whom are the rates to collect the SUTC applicable?

11 A. The rates are applicable to all existing or future retail customers receiving
12 electrical service from the electrical corporation or its successors or assignees under
13 commission-approved rate schedules, except for customers receiving electrical service under
14 special contracts¹² as of August 28, 2021, even if a retail customer elects to purchase electricity

⁹ Section 393.1700. 4.(1).

¹⁰ Section 393.1700.1.(16) “Securitized utility tariff charge”, the amounts authorized by the commission to repay, finance, or refinance securitized utility tariff costs and financing costs and that are, except as otherwise provided for in this section, nonbypassable charges imposed on and part of all retail customer bills, collected by an electrical corporation or its successors or assignees, or a collection agent, in full, separate and apart from the electrical corporation's base rates, and paid by all existing or future retail customers receiving electrical service from the electrical corporation or its successors or assignees under commission-approved rate schedules, except for customers receiving electrical service under special contracts as of August 28, 2021, even if a retail customer elects to purchase electricity from an alternative electricity supplier following a fundamental change in regulation of public utilities in this state.

¹¹ Section 393.1700.1.(17) “Securitized utility tariff costs”, either energy transition costs or qualified extraordinary costs as the case may be.

¹² Section 393.1700.1.(19) “Special contract”, electrical service provided under the terms of a special incremental load rate schedule at a fixed price rate approved by the commission.

1 from an alternative electricity supplier following a fundamental change in regulation of public
2 utilities in this state.^{13, 14}

3 Q. Did Liberty provide service to any customers pursuant to a “special contract,”
4 as defined by Section 393.1700.1(19) as of August 28, 2021?

5 A. No. Liberty did not then (and does not currently) serve any customers pursuant
6 to a special incremental load rate schedule at a fixed price rate approved by the Commission.

7 Q. For what term are the rates applicable?

8 A. The rates are applicable for so long as the securitized utility tariff bonds are
9 outstanding and until all financing costs have been paid in full.¹⁵ The Commission is to specify
10 in its Report and Order “the period over which securitized utility tariff costs and financing costs
11 may be recovered.”¹⁶

12 Q. Can the rates change over that time?

13 A. Yes. The Commission is to describe in its Report and Order “[h]ow securitized
14 utility tariff charges will be allocated among retail customer classes. The initial allocation shall
15 remain in effect until the electrical corporation completes a general rate proceeding, and once
16 the commission's order from that general rate proceeding becomes final, all subsequent
17 applications of an adjustment mechanism regarding securitized utility tariff charges shall
18 incorporate changes in the allocation of costs to customers as detailed in the commission's order
19 from the electrical corporation's most recent general rate proceeding;”¹⁷ Also, the statute
20 includes references to establishment of a true-up mechanism.

¹³ Section 393.1700.1.(16).

¹⁴ Section 393.1700. 2.(3)(c)d.

¹⁵ Section 393.1700. 2.(3)(c)d.

¹⁶ Section 393.1700. 2.(3)(c)a.

¹⁷ Section 393.1700. 2.(3)(c)h.

1 Q. When will rates to collect the SUTC take effect?

2 A. After the final terms of an issuance of securitized utility tariff bonds have been
3 established and before the issuance of securitized utility tariff bonds, Liberty is to issue a
4 compliance tariff sheet bearing the appropriate rates.¹⁸

5 Q. Are the rates avoidable or bypassable?

6 A. No. The imposition and collection of SUTC rates authorized under a financing
7 order shall be nonbypassable.¹⁹

8 Q. What does this mean for net metered customers?

9 A. Pursuant to the definition of “Securitized utility tariff charge,” rates authorized
10 through a securitization process are nonbypassable charges imposed on and part of all retail
11 customer bills, separate and apart from the electrical corporation's base rates[.]”²⁰ In pertinent
12 part, Section 386.890.5 provides “Consistent with the provisions in this section, the net
13 electrical energy measurement shall be calculated in the following manner: (1) For a customer-
14 generator, a retail electric supplier shall measure the net electrical energy produced or consumed
15 during the billing period in accordance with normal metering practices for customers in the
16 same rate class, either by employing a single, bidirectional meter that measures the amount of
17 electrical energy produced and consumed, or by employing multiple meters that separately
18 measure the customer-generator's consumption and production of electricity; (2) If the
19 electricity supplied by the supplier exceeds the electricity generated by the customer-generator
20 during a billing period, the customer-generator shall be billed for the net electricity supplied by
21 the supplier in accordance with normal practices for customers in the same rate class; (3) If the

¹⁸ Section 393.1700. 2.(3)(c)i.

¹⁹ Section 393.1700. 2.(3)(c)d.

²⁰ Section 393.1700.1.(16).

1 electricity generated by the customer-generator exceeds the electricity supplied by the supplier
2 during a billing period, the customer-generator shall be billed for the appropriate customer
3 charges for that billing period in accordance with subsection 3 of this section and shall be
4 credited an amount at least equal to the avoided fuel cost of the excess kilowatt-hours generated
5 during the billing period, with this credit applied to the following billing period[.]” Staff
6 interprets the interaction of these provisions to result in the applicability of rates for collection
7 of the SUTC to the net metered amount, by month, if the net of the energy consumed exceeds
8 the energy produced by net metering customers, but SUTC rate shall not be credited against the
9 net metered amount, by month, if the net energy produced exceeds the energy consumed for
10 that month.

11 Q. Is tariff language necessary to guide the applicability of the SUTC under future
12 scenarios related to changes in the utility’s certificated territory?

13 A. Yes. From time to time, utilities may request additional authority to serve a
14 larger geographic area, or to exchange certificated areas with another investor owned utility,
15 a municipal utility, or a cooperative utility. Further, utilities may merge or be acquired.
16 A well-designed tariff will include necessary details to guide the applicability of the SUTC to
17 customers and entities under each of these circumstances. In general, the SUTC must remain
18 nonbypassable, even if a premise or customer ceases service with Liberty and initiates service
19 with a different utility, whether or not regulated by this Commission. However, in the event
20 that an entire existing customer base of a different utility is merged with the customer base of
21 Liberty, it would not be appropriate for the separate customer base to become responsible for
22 the Liberty SUTC, particularly if that customer base, as a whole, was part of a different utility
23 during the time of Winter Storm Uri or the life of Asbury.

1 Q. Does the draft Liberty tariff address the issues of net metering and other
2 customer generators or the potential for changes in certificated territory?

3 A. Liberty's tariff does not clarify provisions related to customer-generators, and
4 addresses changes in territory only in part. The draft includes "SERVICE AREA - the
5 Company's [service area, the service area previously served by Liberty Central Company, as it
6 existed on the date of approval of the Financing Order in Case No. []."

7 Q. Why is this problematic?

8 A. It is not uncommon for electric utilities to acquire additional service area. This
9 is the most frequent of the transactions listed above. Under the Liberty draft language, new
10 customers obtained in this manner would be exempted from the SUTC, requiring special billing
11 procedures. However, under the Staff-recommended language, these more common
12 transactions would result in no needed change to billing procedures, but changes to billing
13 procedures would be required in the rarer instances of customer swaps, and mergers with other
14 existing utilities.

15 ***Define the mechanisms for true-up and other adjustments of the rates to be billed***

16 Q. Is it contemplated that a reconciliation between (a) the actual securitized
17 utility tariff costs financed by securitized utility tariff bonds and (b) the final securitized utility
18 tariff costs incurred by the electrical corporation or assignee will occur through operation of
19 the tariff?

20 A. No. Section 393.1700. 2.(3)(c)k. requires that an authorizing Report and Order
21 includes:

22 [a] statement specifying a future ratemaking process to reconcile
23 any differences between the actual securitized utility tariff costs financed
24 by securitized utility tariff bonds and the final securitized utility tariff

1 costs incurred by the electrical corporation or assignee **provided that**
2 **any such reconciliation shall not affect the amount of securitized**
3 **utility tariff bonds or the associated securitized utility tariff charges**
4 **paid by customers[.] [Emphasis added.]**

5 Q. What statutory authority exists for a true-up mechanism?

6 A. Section 393.1700. 2.(3)(e)²¹ requires:

7 (1) a formula-based true-up mechanism relating to the appropriate amount of
8 any overcollection or undercollection of securitized utility tariff charges

9 (2) that is effectuated at least annually

10 (3) that is based on estimates of consumption for each rate class and other
11 mathematical factors

12 (4) adjustments shall ensure the recovery of revenues sufficient to provide for
13 the payment of principal, interest, acquisition, defeasance, financing costs, or
14 redemption premium and other fees, costs, and charges in respect of securitized
15 utility tariff bonds approved under the financing order

16 (5) the Commission shall either approve the request or inform the electrical
17 corporation of any mathematical or clerical errors in its calculation within thirty
18 days. If the commission informs the electrical corporation of mathematical or
19 clerical errors in its calculation, the electrical corporation shall correct its error
20 and refile its request.

²¹ If the commission issues a financing order, the electrical corporation shall file with the commission at least annually a petition or a letter applying the formula-based true-up mechanism and, based on estimates of consumption for each rate class and other mathematical factors, requesting administrative approval to make the applicable adjustments. The review of the filing shall be limited to determining whether there are any mathematical or clerical errors in the application of the formula-based true-up mechanism relating to the appropriate amount of any overcollection or undercollection of securitized utility tariff charges and the amount of an adjustment. The adjustments shall ensure the recovery of revenues sufficient to provide for the payment of principal, interest, acquisition, defeasance, financing costs, or redemption premium and other fees, costs, and charges in respect of securitized utility tariff bonds approved under the financing order. Within thirty days after receiving an electrical corporation's request pursuant to this paragraph, the commission shall either approve the request or inform the electrical corporation of any mathematical or clerical errors in its calculation. If the commission informs the electrical corporation of mathematical or clerical errors in its calculation, the electrical corporation shall correct its error and refile its request. The time frames previously described in this paragraph shall apply to a refiled request.

1 Further, the Commission is required to include in its order “A formula-based true-up
2 mechanism for making, at least annually, expeditious periodic adjustments in the securitized
3 utility tariff charges that customers are required to pay pursuant to the financing order and for
4 making any adjustments that are necessary to correct for any overcollection or undercollection
5 of the charges or to otherwise ensure the timely payment of securitized utility tariff bonds and
6 financing costs and other required amounts and charges payable under the securitized utility
7 tariff bonds,” pursuant to Section 393.1700.2.(3)(c)e.

8 Q. Did Liberty include a proposed true-up mechanism in its filing, as required by
9 Section 393.1700.2.(2)(f)?

10 A. Yes. Liberty’s draft tariff included the following mechanism:

11 TRUE-UP ADJUSTMENT PROCEDURE:

12 Not less than 60 days prior to the first billing cycle for the Company’s
13 [month] billing month, and no less frequently than annually, the Servicer shall
14 file a revised Rider SUTC setting forth the upcoming SUTC period’s SUTC
15 Rates, complete with all supporting materials. The adjusted SUTC Rates will
16 become effective on the first billing cycle of the Company’s [month] billing
17 month. The Commission will have 30 days after the date of the true-up filing in
18 which to confirm the accuracy of the of the Servicer’s adjustment. Any
19 necessary corrections to the adjusted SUTC Rates, due to mathematical errors in
20 the calculation of such rates shall be refiled.

21 In addition, optional interim true-up adjustments may be made more
22 frequently by the Servicer at any time during the term of the Securitized Utility
23 Tariff Bonds to correct any undercollection or overcollection, as provided for in
24 the Financing Order, in order to assure timely payment of the Securitized Utility
25 Tariff Bonds based on rating agency and bondholder considerations. Further, the
26 Servicer must make mandatory interim true-up adjustments semi-annually (or
27 quarterly beginning 12 months prior to the final scheduled payment date of the
28 last tranche of the Securitized Utility Tariff Bonds) if the Servicer forecasts that
29 Securitized Utility Tariff Charge collections will be insufficient to make all
30 scheduled payments of principal, interest and other amounts in respect of the
31 Securitized Utility Tariff Bonds on a timely basis during the current or next
32 succeeding payment period and/or or to replenish any draws upon the capital
33 subaccount. In the event an interim true-up (whether mandatory or optional) is
34 necessary, the interim true-up adjustment must use the methodology utilized in
35 the most recent annual true-up and be filed not less than 60 days prior to the

1 following month's first billing cycle for implementation. Filing with and review
2 by the Commission will be accomplished for the interim true-up adjustment in
3 the manner as for the annual true-up adjustment set forth above. In no event will
4 a mandatory interim true-up adjustment occur more frequently than every six
5 months provided, however, that mandatory interim true-up adjustments
6 beginning 12 months prior to the final scheduled payment date of the last tranche
7 of the Securitized Utility Tariff Bonds shall occur quarterly.

8 The true-up shall be conducted in the following manner. The Servicer shall:

9 (a) allocate the upcoming period's Periodic Billing Requirement based on
10 the PBRAFs approved in the Financing Order;

11 (b) calculate undercollections or overcollections from the preceding period
12 in each class by subtracting the previous period's Securitized Utility Tariff
13 Charge revenues collected from each class from the Periodic Billing
14 Requirement determined for that class for the same period;

15 (c) sum the amounts allocated to each customer class in steps (a) and (b)
16 above to determine an adjusted Periodic Billing Requirement for each customer
17 class;

18 (d) divide the Periodic Billing Requirement for each customer class by the
19 maximum of the forecasted billing units or the threshold billing units for that
20 class, to determine the threshold rate;

21 (e) multiply the threshold rate by the forecasted billing units for each class
22 to determine the expected collections under the threshold rate;

23 (f) allocate the difference in the adjusted Periodic Billing Requirement and
24 the expected collections calculated in step (e) among the Securitized Utility
25 Tariff Charge customer classes using the PBRAFs approved in this Financing
26 Order;

27 (g) add the amount allocated to each class in step (f) above to the expected
28 collection amount by class calculated in step (e) above to determine the final
29 Periodic Billing Requirement for each class; and

30 (h) divide the final Periodic Billing Requirement for each class by the
31 forecasted billing units to determine the Securitized Utility Tariff Charge rate by
32 class for the upcoming period. The final Periodic Billing Requirement class
33 percentage of the total Periodic Billing Requirement equals the adjusted
34 PBRAFs.

35 Q. Is this approach reasonable and implementable?

36 A. No. The class-level reconciliation process is not reasonable, and could produce
37 unreasonable results in its own operation, and contribute to problematic rate switching.

38 As described below, Staff recommends an energy-based recovery design, which fully renders

1 class-level reconciliation unnecessary. However, even if a class-level recovery is ordered, the
2 Liberty method should be adjusted because rate switching will exacerbate differences in the
3 proposed class-level rates, which will encourage further rate switching. Further, the tendency
4 of customers to switch to a class with a lower experienced bill, when possible, will lead to
5 chronic underrecovery of the annual recovery amount, all else being equal.²² These interactions
6 are illustrated in the example, Example A, provided below based on an assumed thirteen year
7 recovery period. As illustrated by Example A, as customers switch from Class A to Class B to
8 avoid higher bills (reflected by Forecasted Billing Units decreasing over time for Class A while
9 increasing over time for Class B), the securitized utility tariff charges result in chronic
10 undercollection of amounts sufficient to service the debt:

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20 *continued on next page*

²² Note, the Liberty tariff makes reference to a “threshold usage” and a resulting “threshold rate” but no definition is provided and Liberty has acknowledged in response to DR No. 0098 that this language is not intended to apply in their Missouri tariff. If the threshold usage is intended to be the level of kWh assumed in the rate case where the Liberty-requested PBRAF were determined, this would mitigate the rate switcher problem, but exacerbate the potential for underrecovery, all else being equal.

Example A

	Securitized Utility Tariff Charge	PBRAAF	Periodic Billing Requirement	Forecasted Billing Units	Initial Rate	Actual Billing Units	Recovery	(Shortfall)
2022 Class A		0.75	\$ 750,000	10,000,000	\$ 0.0750	9,950,000	\$ 746,250	\$ (3,750)
1 Class B		0.25	\$ 250,000	5,000,000	\$ 0.0500	5,050,000	\$ 252,500	\$ 2,500
Total	\$ 1,000,000	1.00	\$ 1,000,000	15,000,000		15,000,000	\$ 998,750	\$ (1,250)
	Securitized Utility Tariff Charge	PBRAAF	Periodic Billing Requirement with Prior Period Shortfall	Forecasted Billing Units	Initial Rate	Actual Billing Units	Recovery	(Shortfall)
2023 Class A		0.75	\$ 750,000	9,950,000	\$ 0.0754	9,900,000	\$ 746,231	\$ (3,769)
2 Class B		0.25	\$ 250,000	5,050,000	\$ 0.0495	5,100,000	\$ 252,475	\$ 2,475
Total	\$ 1,000,000	1.00	\$ 1,000,000	15,000,000		15,000,000	\$ 998,706	\$ (1,294)
	Securitized Utility Tariff Charge	PBRAAF	Periodic Billing Requirement with Prior Period Shortfall	Forecasted Billing Units	Initial Rate	Actual Billing Units	Recovery	(Shortfall)
2024 Class A		0.75	\$ 750,000	9,900,000	\$ 0.0758	9,850,000	\$ 746,212	\$ (3,788)
3 Class B		0.25	\$ 250,000	5,100,000	\$ 0.0490	5,150,000	\$ 252,451	\$ 2,451
Total	\$ 1,000,000	2.00	\$ 1,000,000	15,000,000		15,000,000	\$ 998,663	\$ (1,337)
	Securitized Utility Tariff Charge	PBRAAF	Periodic Billing Requirement with Prior Period Shortfall	Forecasted Billing Units	Initial Rate	Actual Billing Units	Recovery	(Shortfall)
2025 Class A		0.75	\$ 750,000	9,850,000	\$ 0.0761	9,800,000	\$ 746,193	\$ (3,807)
4 Class B		0.25	\$ 250,000	5,150,000	\$ 0.0485	5,200,000	\$ 252,427	\$ 2,427
Total	\$ 1,000,000	3.00	\$ 1,000,000	15,000,000		15,000,000	\$ 998,620	\$ (1,380)
	Securitized Utility Tariff Charge	PBRAAF	Periodic Billing Requirement with Prior Period Shortfall	Forecasted Billing Units	Initial Rate	Actual Billing Units	Recovery	(Shortfall)
2026 Class A		0.75	\$ 750,000	9,800,000	\$ 0.0765	9,750,000	\$ 746,173	\$ (3,827)
5 Class B		0.25	\$ 250,000	5,200,000	\$ 0.0481	5,250,000	\$ 252,404	\$ 2,404
Total	\$ 1,000,000	4.00	\$ 1,000,000	15,000,000		15,000,000	\$ 998,577	\$ (1,423)
	Securitized Utility Tariff Charge	PBRAAF	Periodic Billing Requirement with Prior Period Shortfall	Forecasted Billing Units	Initial Rate	Actual Billing Units	Recovery	(Shortfall)
2027 Class A		0.75	\$ 750,000	9,750,000	\$ 0.0769	9,700,000	\$ 746,154	\$ (3,846)
6 Class B		0.25	\$ 250,000	5,250,000	\$ 0.0476	5,300,000	\$ 252,381	\$ 2,381
Total	\$ 1,000,000	5.00	\$ 1,000,000	15,000,000		15,000,000	\$ 998,535	\$ (1,465)
	Securitized Utility Tariff Charge	PBRAAF	Periodic Billing Requirement with Prior Period Shortfall	Forecasted Billing Units	Initial Rate	Actual Billing Units	Recovery	(Shortfall)
2028 Class A		0.75	\$ 750,000	9,700,000	\$ 0.0773	9,650,000	\$ 746,134	\$ (3,866)
7 Class B		0.25	\$ 250,000	5,300,000	\$ 0.0472	5,350,000	\$ 252,358	\$ 2,358
Total	\$ 1,000,000	6.00	\$ 1,000,000	15,000,000		15,000,000	\$ 998,493	\$ (1,507)
	Securitized Utility Tariff Charge	PBRAAF	Periodic Billing Requirement with Prior Period Shortfall	Forecasted Billing Units	Initial Rate	Actual Billing Units	Recovery	(Shortfall)
2029 Class A		0.75	\$ 750,000	9,650,000	\$ 0.0777	9,600,000	\$ 746,114	\$ (3,886)
8 Class B		0.25	\$ 250,000	5,350,000	\$ 0.0467	5,400,000	\$ 252,336	\$ 2,336
Total	\$ 1,000,000	7.00	\$ 1,000,000	15,000,000		15,000,000	\$ 998,450	\$ (1,550)
	Securitized Utility Tariff Charge	PBRAAF	Periodic Billing Requirement with Prior Period Shortfall	Forecasted Billing Units	Initial Rate	Actual Billing Units	Recovery	(Shortfall)
2030 Class A		0.75	\$ 750,000	9,600,000	\$ 0.0781	9,550,000	\$ 746,094	\$ (3,906)
9 Class B		0.25	\$ 250,000	5,400,000	\$ 0.0463	5,450,000	\$ 252,315	\$ 2,315
Total	\$ 1,000,000	8.00	\$ 1,000,000	15,000,000		15,000,000	\$ 998,409	\$ (1,591)
	Securitized Utility Tariff Charge	PBRAAF	Periodic Billing Requirement with Prior Period Shortfall	Forecasted Billing Units	Initial Rate	Actual Billing Units	Recovery	(Shortfall)
2031 Class A		0.75	\$ 750,000	9,550,000	\$ 0.0785	9,500,000	\$ 746,073	\$ (3,927)
10 Class B		0.25	\$ 250,000	5,450,000	\$ 0.0459	5,500,000	\$ 252,294	\$ 2,294
Total	\$ 1,000,000	9.00	\$ 1,000,000	15,000,000		15,000,000	\$ 998,367	\$ (1,633)
	Securitized Utility Tariff Charge	PBRAAF	Periodic Billing Requirement with Prior Period Shortfall	Forecasted Billing Units	Initial Rate	Actual Billing Units	Recovery	(Shortfall)
2032 Class A		0.75	\$ 750,000	9,500,000	\$ 0.0789	9,450,000	\$ 746,053	\$ (3,947)
11 Class B		0.25	\$ 250,000	5,500,000	\$ 0.0455	5,550,000	\$ 252,273	\$ 2,273
Total	\$ 1,000,000	10.00	\$ 1,000,000	15,000,000		15,000,000	\$ 998,325	\$ (1,675)
	Securitized Utility Tariff Charge	PBRAAF	Periodic Billing Requirement with Prior Period Shortfall	Forecasted Billing Units	Initial Rate	Actual Billing Units	Recovery	(Shortfall)
2033 Class A		0.75	\$ 750,000	9,450,000	\$ 0.0794	9,400,000	\$ 746,032	\$ (3,968)
12 Class B		0.25	\$ 250,000	5,550,000	\$ 0.0450	5,600,000	\$ 252,252	\$ 2,252
Total	\$ 1,000,000	11.00	\$ 1,000,000	15,000,000		15,000,000	\$ 998,284	\$ (1,716)
	Securitized Utility Tariff Charge	PBRAAF	Periodic Billing Requirement with Prior Period Shortfall	Forecasted Billing Units	Initial Rate	Actual Billing Units	Recovery	(Shortfall)
2034 Class A		0.75	\$ 750,000	9,400,000	\$ 0.0798	9,350,000	\$ 746,011	\$ (3,989)
13 Class B		0.25	\$ 250,000	5,600,000	\$ 0.0446	5,650,000	\$ 252,232	\$ 2,232
Total	\$ 1,000,000	12.00	\$ 1,000,000	15,000,000		15,000,000	\$ 998,243	\$ (1,757)

Rebuttal Testimony of
Sarah L.K. Lange

1 Q. Would either issue be expected under the Staff-recommended mechanism?

2 A. No.

3 Q. Is the proposed Liberty treatment of the difference between billed revenues and
4 collected based on objective criteria that can be assessed for mathematical and clerical
5 accuracy?

6 A. No. Liberty's mechanism relies on Liberty's subjective assumptions of future
7 levels of uncollectibles, and does not apparently include a means of incorporating the portions
8 of revenues that were not collected during the recovery period, but that are recovered in whole
9 or in part in the future. In contrast, Staff's mechanism relies on explicit adjustments determined
10 through an external case process, to be incorporated and true-ed up pursuant to the "Revenue
11 Adjustment" procedure.

12 Q. What Accumulation and Recovery Periods are the most reasonable under any
13 tariff design?

14 A. Detailed discussion among Liberty, Staff, and other interested stakeholders is
15 necessary to ascertain the optimal dates and method for the specific application of the
16 mechanism recommended in the attached specimen tariff. Considerations will include
17 coincidence of the rate changes under this mechanism with one or more of the following:

18 1. Existing Rate Schedule Rate effective dates, which are the first and fifth
19 billing periods after June 16. Under this definition, it is Staff's understanding
20 that the date on which a given customer's rate is changed depends on that
21 customer's billing cycle, with approximately 30 days difference from the first to
22 last cycle, and the usage is neither metered nor prorated for the actual date
23 specified.

24 2. Existing Fuel Adjustment Clause effective dates, which are the billing
25 months of June and December. Under this definition, it is Staff's understanding

1 that the date on which a given customer's rate is changed depends on that
2 customer's billing cycle, with approximately 30 days difference from the first to
3 last cycle, and the usage is neither metered nor prorated for the actual date
4 specified.

5 3. Existing Demand Side Investment Mechanism Rider effective date,
6 which was the January, 2022 billing month. Under this definition, it is Staff's
7 understanding that the date on which a given customer became responsible for
8 payment of the charge varied depending on that customer's billing cycle, with
9 approximately 30 days difference from the first to last cycle, and the usage is
10 neither metered nor prorated for the actual date specified.

11 Given the deployment of AMI infrastructure, Staff has recommended in appropriate cases that
12 rate effective dates be transitioned to fixed dates, meaning that usage at midnight on that
13 calendar date would dictate the portion of a customer's bill that is to be billed under one set of
14 rates versus the successive set of rates. For purposes of its specimen tariff attached to this
15 testimony as Schedule SLKL-r2, consider the dates provided as illustrative only. Within this
16 illustrative language, calendar months are used to define Accumulation periods, and the
17 mid-month is used to define Recovery periods, intended as a stand-in for the average billing
18 month start.

19 Q. Is it your understanding that incorporation of the option to adjust the Recovery
20 Period Amount on an emergency basis during a Recovery Period would result in lower
21 securitized tariff charges than if the Commission did not authorize the possibility of such
22 adjustment?

23 A. Yes, based on representations from Jordan Yarett, Staff's consultant with the
24 firm Ducera, I understand this to be the case.

1 Q. Does the Staff draft tariff incorporate a provision to authorize an adjustment,
2 subject to true-up, to the recovery period amount made pursuant to a Commission order in
3 EO-2022-0040 or in EO-2022-0193, each separately, authorizing a change in that recovery
4 period's recovery period amount due to circumstances which raise substantial doubt as to the
5 ability to make timely bond payments in the absence of such adjustment?

6 A. Yes. However, reviewing interim true-up adjustment filings could be
7 administratively burdensome to both the Commission and the Staff, and use should be limited
8 to remedy acute undercollections.

9 ***Tariff provisions required to implement billing procedures and customer bill contents***

10 Q. What tariff requirements are stated or implied in the language contained in
11 Section 393.1700.4?

12 A. Based on this language, the tariff provisions should clearly state the following:

13 1. State the securitized utility tariff charge, including that the
14 amounts authorized are “nonbypassable charges imposed on and part of all retail
15 customer bills, collected by an electrical corporation or its successors or
16 assignees, or a collection agent, in full, separate and apart from the electrical
17 corporation's base rates, and paid by all existing or future retail customers
18 receiving electrical service from the electrical corporation or its successors or
19 assignees under commission-approved rate schedules, except for customers
20 receiving electrical service under special contracts as of August 28, 2021, even
21 if a retail customer elects to purchase electricity from an alternative electricity
22 supplier following a fundamental change in regulation of public utilities in this
23 state.”²³, ²⁴

²³ Section 393.1700. 4.(1).

²⁴ Section 393.1700.1.(16).

1 2. State each rate applicable to service with identification of the
2 case number approving each applicable financing order issued to the electrical
3 corporation.²⁵

4 3. State the ownership of the charge including that upon transfer of
5 the utility tariff property to an assignee that the assignee is the owner of the
6 rights to securitized utility tariff charges and that Liberty is acting as a collection
7 agent or servicer for the assignee.

8 Include a requirement that the securitized utility tariff charge on each
9 customer's bill appear as a separate line item and include both the rate and the
10 amount of the charge on each bill.²⁶

11 4. Clarify how these charges are collected if no/partial/late
12 payment.

13 Q. How does Liberty propose to address non-payment and late payments?

14 A. Liberty's draft order states "If any customer does not pay the full amount it has
15 been billed, the amount will be allocated to the securitized utility tariff charges in the same
16 proportion that such charges bear to the total bill. The first dollars collected would be attributed
17 to past due balances, if any. If cash collections are not sufficient to pay a customer's current bill
18 once those balances are paid in full then the cash would be prorated between the different
19 components of the bill." The draft order also includes "To assure adequate securitized utility
20 tariff charge revenues to fund the periodic payment requirement and to avoid large
21 overcollections and undercollections over time, the servicer will reconcile the securitized utility
22 tariff charges using Empire's most recent forecast of electricity deliveries (i.e., forecasted
23 billing units) and estimates of transaction-related expenses. The calculation of the securitized
24 utility tariff charges will also reflect both a projection of uncollectible securitized utility tariff

²⁵ Section 393.1700. 4.(1).

²⁶ Section 393.1700. 4.(2).

1 charges and a projection of payment lags between the billing and collection of securitized utility
2 tariff charges based upon Empire's most recent experience regarding collection of securitized
3 utility tariff charges."

4 Q. How are these proposed projections trued up under the requested Liberty tariff?

5 A. No procedure is described.

6 Q. How is the reasonableness of the projection assessed under the requested
7 Liberty tariff?

8 A. No procedure is described.

9 Q. What priorities should be balanced in determining a suitable treatment of partial
10 and late payments?

11 A. While the investment community is anticipated to reward payment certainty
12 with overall lower costs, access to electricity is also a concern, as well as compliance with other
13 applicable statutes such as the Cold Weather Rule. Ease of administration including certainty
14 of estimates and replacement with actual data on a timely basis are also priorities. Staff's
15 recommended tariff seeks to strike a reasonable balance between these objectives, particularly
16 in the design of the Revenue Adjustment provision to complement the partial payment
17 provision. With regards to the Cold Weather Rule, payments are prorated among charge
18 categories in proportion to their percentage of the overall bill. Otherwise, all amounts collected
19 go first to the Securitized Utility Tariff Charge. Under the interaction of these provisions, full
20 repayment of the SUTC will not be a barrier to service for a customer who has been
21 disconnected or is in threat of disconnection, but the Revenue Adjustment provision will ensure
22 a steady cash flow pursuant to the SUTC charge.

1 **REVENUE ALLOCATION AND RATE DESIGN**

2 *Revenue Requirement Causation of Asbury*

3 Q. What required testimony is the utility to provide in a request for a financing
4 order related to energy transition costs?

5 A. Among other things, Liberty was to provide “A description of the electric
6 generating facility or facilities that the electrical corporation has retired or abandoned, or
7 proposes to retire or abandon, prior to the date that all undepreciated investment relating thereto
8 has been recovered through rates and the reasons for undertaking such early retirement or
9 abandonment, or if the electrical corporation is subject to a separate commission order or
10 proceeding relating to such retirement or abandonment as contemplated by subdivision (2) of
11 this subsection, and a description of the order or other proceeding.”²⁷

12 Q. What causation of the retirement of Asbury is identified in the testimonies of
13 Company witnesses Doll and Rooney?

14 A. At page 16 in his direct testimony accompanying the Asbury Application,
15 Liberty witness Mr. Doll testifies:

16 A. The evaluation of Asbury’s ongoing useful life given market
17 conditions, the lower cost of wind, and the avoidance of additional
18 environmental compliance-related investment in Asbury, was first
19 conducted by Charles River Associates (“CRA”) in the Generation Fleet
20 Savings Analysis (“GFS”)”. The results of the GFS indicated that the
21 investments that would be required for compliance with the CCR rules
22 could not be justified because of Asbury’s economic obsolescence, as
23 evidenced by its performance in the SPP IM. Instead, the study showed
24 that Asbury should be retired since there were less expensive ways for
25 Liberty to serve its load.” Mr. Rooney discusses the design and
26 operations of the Asbury facility. In addition, at page 4, Mr. Frank
27 Graves testifies “Liberty should be fully compensated for the investment
28 it made in a valuable asset that the Company expected to run for many
29 more years – until recently when a previously unforeseen and

²⁷ Section 393.1700. 2.(1)(a).

1 unavailable alternative to deliver better long-term value came along. To
2 do otherwise would penalize the Company, discouraging future capital
3 investments, and generally disincentivizing all jurisdictional utilities
4 from being proactive and doing the right thing on customers' behalf in
5 regard to asset replacements. This is particularly important at this
6 juncture in the energy sector's transition, characterized by a variety of
7 newer technologies gaining acceptance and the improved economics of
8 renewable resources." At page 9, Mr. Graves testifies "starting in the
9 2017 Generation Fleet Savings Analysis ("GFSA"), various market
10 changes including the evolution of the Southwest Power Pool ("SPP")
11 market, reductions in forecasted natural gas prices, fairly flat (almost no)
12 load growth, substantial drops in the cost of new wind as well as more
13 creative investment vehicles, and improving (much higher) wind
14 generation capacity factors resulted in reduced economic support for
15 retaining Asbury beyond 2019. Specifically, Liberty's 2017 GFSA
16 results showed that retiring Asbury by the Spring of 2019 and adding
17 800 MW of new wind generation shortly after would result in \$325
18 million in 20-year present value revenue requirement ("PVRR") savings
19 under the base case outlook for its customers compared to no new wind
20 and retaining Asbury until its notional book life through 2035."
21 Mr. Graves continues at page 10 that "Similarly, Liberty's 2018 IRP
22 Update again preferred Asbury retirement, with an estimated \$169
23 million 20-year PVRR savings from retirement of Asbury in 2019 in
24 conjunction with the addition of 600 MW new wind in 2020, compared
25 to no wind and retaining Asbury until 2035." At pages 11-12 Mr. Graves
26 testifies "Plan 4, in which Asbury was to be retired at the end of 2019
27 and replaced with 19 a mix of solar and solar-plus-storage, was selected
28 as the Company's Preferred Plan, leading to the situation faced in this
29 proceeding as to how to address the recovery of its undepreciated past
30 investment costs." Finally, at page 55, Mr. Graves testifies "it is
31 important that Liberty's be allowed to recovery all the costs included in
32 its petition. This is in part to protect the cash flow and balance sheet and
33 also to signal and assure investors and 4 lenders that the Commission is
34 fairly recognizing that (1) the past investment costs incurred at the plant
35 were already thoroughly subjected to established processes for
36 identifying prudent investment choices to meet mandated needs, which
37 have integrity for future rate treatment; and (2) **it is encouraging (rather
38 than penalizing) utility decisions of this kind, finding system
39 improvements where retirements and the proposed replacement
40 with other lower cost resources will create lower going-forward costs
41 for customers than would have otherwise been incurred with the
42 continued operation of Asbury. This kind of utility behavior should
43 be supported, not discouraged. In today's marketplace with the
44 move towards renewable generation and decarbonization, it is even
45 more imperative to incent utilities and investors to act as Liberty has
46 done here. [Emphasis added.]**

1 In other words, the causation of the Asbury retirement was the decision to meet
2 Liberty’s capacity requirements with a new investment in generation with high capital and low
3 production costs,²⁸ via a “creative investment vehicle,” resulting in increased capacity costs,
4 but an overall decrease in total company revenue requirement as occasioned by decreased net
5 costs of participation in the SPP integrated energy market. This is further discussed by Staff
6 expert/witness J Luebbert in his rebuttal testimony in this case.

7 Q. Should costs incurred to reduce Liberty’s overall net cost of obtaining energy
8 through the SPP be allocated to customers on the basis of customer energy usage?

9 A. Yes. As such, class level distinctions are unnecessary, only loss adjustments are
10 needed.

11 Q. Given that the decision to retire Asbury was part of a cogent plan by Liberty to
12 increase its capital costs while lowering its operating costs specifically its production costs and
13 its cost of obtaining energy to serve its load, would it be unreasonable to allocate these costs on
14 any basis other than loss-adjusted energy?

15 A. Yes. Classes with relatively high energy consumption per customer will be the
16 biggest beneficiaries of both the reduced operating costs and the reduced costs of obtaining
17 energy to serve load. Apportioning the cost of the Asbury retirement consistent with how the
18 “benefit” of the wind generation is flowed to customers is the only reasonable resolution.

²⁸ At page 16 Mr. Graves states “Several types of possible new generation capacity to replace Asbury (if attractive for energy benefits) were considered in the 2019 IRP. The capital cost assumptions Liberty used to evaluate these were largely consistent with industry estimates (or a bit higher for gas combined cycle (“CC”) and wind) based on comparisons to then available projections from the National Renewable Energy Laboratory (“NREL”) and the U.S. Department of Energy (“DoE”) Energy Information Administration’s (“EIA”) Annual Energy Outlook (“AEO”). Liberty’s IRP finds that the lowest cost resources to replace Asbury’s power are new solar and storage, whose cost estimates were reasonable. Figure 5 below shows these costs for the different types of generation capacity. **These costs alone do not establish whether Asbury was attractive or not, but given that wind and solar have no fuel costs, their low capital costs directionally supported retirement.**” [Emphasis added.]

1 Q. What language should be included in the Commission’s order regarding
2 allocation of the annual recovery amount regarding Asbury?²⁹

3 A. The Commission order should state the Asbury SUTC should be recovered from
4 all applicable customers on the basis of loss-adjusted energy sales, and that no detailed
5 allocation discussion is therefore necessary.

6 ***Revenue Requirement and Offset Causation – Winter Storm Uri***

7 Q. What required testimony is the utility to provide in a request for a financing
8 order related to qualified extraordinary costs?

9 A. Among other things, Liberty was to provide “A description of the qualified
10 extraordinary costs, including their magnitude, the reasons those costs were incurred by the
11 electrical corporation and the retail customer rate impact that would result from customary
12 ratemaking treatment of such costs;”³⁰

13 Q. Which Liberty witness describes the company’s requested allocation of the
14 securitized balance and related costs?

15 A. This is addressed by Karen Hall.

16 Q. What allocation does she request?

17 A. As phrased in testimony, Liberty requests recovery be allocated based on the
18 distribution revenue requirement allocation determined by Tim Lyons as part of Liberty’s direct
19 filing in File No. ER-2021-0312. However, based on DR responses, “Distribution,” means
20 “retail rates,” and the company intends to update its requested allocation to align with the final

²⁹ Section 393.1700. 2.(3)(c)h.

³⁰ Section 393.1700. 2.(2)(a).

1 revenue allocation to be ordered by the Commission in that rate case. Note, several Liberty rate
2 classes listed by Ms. Hall have been combined/eliminated in that rate case.

3 Q. What causation does Ms. Hall identify for the extraordinary costs?

4 A. At page 4, Ms. Hall testifies that qualified extraordinary costs were incurred by
5 Liberty “on behalf of its customers for service during Winter Storm Uri[.]” She further testifies
6 “the costs and the circumstances around this anomalous weather event are further described in
7 the Direct Testimony of Company witnesses Aaron Doll and John Olsen.”

8 Q. Based on the testimonies of Aaron Doll and John Olsen, including the Utilicast
9 Report appended to the testimony of John Olsen, what caused the extraordinary costs?

10 A. These testimonies discuss Liberty’s difficulties in obtaining natural gas to fire
11 its units due to shortfalls in gas production and failure of the pipeline to ensure deliveries,
12 difficulties in maintaining adequate gas pressure to run its units, difficulties in restarting units
13 on fuel oil when gas was not available, disputes with SPP for recovery of adequate revenues
14 for units that did run, and Liberty’s actions to cut power to certain customers to ensure broader
15 system operations. This is clarified in Liberty’s response to DR No. 0059:

16 Request No. 0059

17 REQUEST: Please provide further explanation and support for
18 the account increases in the 555 and 447 accounts, or if this has already
19 been addressed, please specify whose direct testimony this support is
20 contained within.

21 RESPONSE: The Winter Weather Event or Storm Uri, which
22 occurred in February 2021, resulted in the highest locational marginal
23 prices (“LMP”) ever recorded in the Southwest Power Pool (“SPP”) at
24 \$4,274.96/MWh in the Day-Ahead (“DA”) market. In the “A
25 Comprehensive Review of SPP’s Response to the February 2021 Winter
26 Storm” the SPP Market Monitoring Unit (“MMU”) stated that “it is clear

1 that extremely high natural gas prices were the primary driver of record
2 high energy offers that exceeded the Federal Energy Regulatory
3 Commission (FERC)-required offer cap of \$1,000/megawatt-hour
4 (MWh) for the first time in SPP's market history." The extreme increase
5 in natural gas prices came at the confluence of surging demand on
6 account of extreme cold weather over large parts of the midcontinent
7 footprint and supply constraints on natural gas pipelines due to
8 production issues caused by the extreme temperatures. According to
9 "The February 2021 Cold Weather Outages in Texas and in the South
10 Central United States" report issued by FERC/NERC Regional Entity
11 Staff, "...gas production at its lowest point on February 17 declined by
12 an estimated 21 Bcf/d[ay], exceeding a 50 percent decline when
13 compared to average production in January 2021." Empire procured
14 adequate supply in advance to offer their generating resources at their
15 economic maximums. **Although energy sold from generation will
16 often serve as a hedge for load, the high natural gas prices on the
17 midcontinent combined with insufficient pressure on the pipeline
18 resulted in significantly high fuel costs and the Company having to
19 lower the output of their resources. [Emphasis added.]**

20 Q. But for the AAO, how would those costs be recovered?

21 A. Through the FAC, from customers on the basis of energy consumption, as
22 adjusted for losses.

23 Q. If generation had run at higher levels, would it have netted against the cost of
24 obtaining energy to serve load?

25 A. Yes.

26 Q. Does Liberty's natural gas service territory overlap its electric service territory?

27 A. No.

1 Q. Does the testimony offered by Liberty require clarification as to its meaning?

2 A. Yes. Liberty's testimony generally used the term "distribution service" in lieu
3 of the word "retail service." Liberty does not offer its rates as unbundled Distribution and
4 Energy rates, as is done by some utilities in some jurisdictions.

5 Request No. 0049 Witness/Respondent: Karen Schaus Hall

6 REQUEST: Please refer to Karen S. Hall testimony at page 13.
7 Please explain what the "distribution revenue requirement" is, as used
8 there-in. RESPONSE: This is synonymous with the retail revenue
9 requirement or, simply, the revenue requirement.

10 Request No. 0053 Witness/Respondent: Jeff Westfall

11 REQUEST: Please refer to page 17 of Schedule KN-4 and
12 explain whether "increased demand for electric power" was experienced
13 on only Liberty's local distribution system, or also on transmission
14 facilities local to Liberty and/or owned by Liberty. RESPONSE: By
15 design, the distribution and transmission systems incur minor energy
16 losses when transporting power to customers, but the loss is very small
17 and is slightly higher on the distribution side than on the transmission
18 side. Therefore, the increased demand was due to the higher demand
19 from Liberty's customers on its distribution system.

20 Request No. 0054 Witness/Respondent: Katrina Niehaus

21 REQUEST: Please refer to page 21 of Schedule KN-4 and
22 explain what is meant by the phrase "Liberty's rates for distribution
23 service." RESPONSE: This phrase is synonymous with "retail rates" or,
24 simply, "rates."

25 Request No. 0055 Witness/Respondent: Katrina Niehaus

26 REQUEST: Please refer to page 48 of Schedule KN-4 and
27 explain what is meant by "distribution-related" in the sentence "The

1 securitizable balance as of any given date is equal to the balance of
2 distribution-related securitized utility tariff costs plus carrying costs
3 accruing on that balance at 6.77% through the date the securitized utility
4 tariff bonds are issued.” RESPONSE: The phrase was meant to indicate
5 that the securitized utility tariff costs were incurred to provide retail
6 service.

7 Q. If the \$193 million had been collected through the FAC, how would it have been
8 collected?

9 A. It would have been collected from each customer proportionate to their energy
10 usage, adjusted for losses.

11 Q. What language should be included in the Commission’s order regarding
12 allocation of the annual recovery amount associated with Winter Storm Uri?³¹

13 A. The Commission order should state the Winter Storm Uri SUTC should be
14 recovered from all applicable customers on the basis of loss-adjusted energy sales, and that no
15 detailed allocation discussion is therefore necessary.

16 Q. Are there other reasons that the Commission should consider allocating both the
17 Asbury and the Winter Storm Uri SUTCs on the basis of loss-adjusted energy sales?

18 A. Yes. The allocation and true-up methods recommended by Staff will be easier
19 for Liberty to administer, and will be less prone to error than the more complex and vague
20 methods requested by Liberty. Staff notes that Liberty has had to file substitute tariffs three out
21 of four times in the most recent Fuel Adjustment Clause (FAC) filings in the last two years.³²

³¹ Section 393.1700. 2.(3)(c)h.

³² EO-2022-0275 (Substitute tariffs filed April 19, 2022); EO-2021-0333 (Substitute tariffs filed May 25, 2021);
EO-2021-0098 (Substitute tariffs filed October 22, 2020).

EXCESS REVENUES DURING WINTER STORM URI PERIOD

Q. Have you reviewed Staff’s weather normalization adjustment for the Winter Storm Uri period that was incorporated into the billing determinants agreed to in the Commission-approved January 28, 2022, *Non-Unanimous Partial Stipulation and Agreement* in the Liberty rate case, ER-2021-0312?

A. Yes.

Q. Based on the application of weather normalization to the actual billing units during the Winter Storm Uri period using the Staff weather normalization adjustment, what excess revenues were contributed by customers in the Residential, Commercial Building, and Space Heating classes, net of the applicable FAC base factor?

A. Those amounts, which I provided to Staff expert/witness Amanda C. McMellen, by rate schedule, are illustrated below.

	kWh	Gross Revenue	FAC Base Revenue	Net Revenue
Residential	30,001,182	\$ 3,064,839	\$ 673,284	\$ 2,391,556
Commercial Building	2,892,070	\$ 344,243	\$ 64,904	\$ 279,339
Space Heating	1,268,958	\$ 118,269	\$ 28,478	\$ 89,791
				\$ 2,760,686

These amounts are not subject to FAC sharing, and represent the revenue from the additional sales made during the Winter Storm Uri period. During this time, using the Residential class as an example, customers consumed approximately 30 million more kWh than would have been consumed under “normal” weather conditions. Those sales resulted in just over \$3 million in revenue than would have been billed by Liberty under “normal” weather conditions. However, to account for operation of Liberty’s FAC, the portion of FAC base factor associated with each

1 additional kWh were removed to determine the excess revenue attributable to weather during
2 the Winter Storm Uri period.

3 **CONCLUSION AND RECOMMENDATION**

4 Q. What tariff design should be ordered to comply with the Commission's Report
5 and Order in these cases?

6 A. Staff recommends the tariff design contained in the specimen tariff sheets
7 attached as Schedule SLKL-r2. In the alternative, the requested Liberty tariff design should be
8 modified as discussed here-in.

9 Q. What level of adjustment should be made to the proposed securitization of
10 qualified extraordinary costs associated with Winter Storm Uri based on extraordinary revenues
11 contributed by Liberty customers during Winter Storm Uri?

12 A. As recommended by Staff expert/witness Amanda C. McMellen, the
13 Commission should account for \$2,760,686 in net revenue generated from additional sales
14 made during Winter Storm Uri.

15 Q. Does this conclude your rebuttal testimony?

16 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Petition of The Empire)
District Electric Company d/b/a Liberty to) Case No. EO-2022-0040
Obtain a Financing Order that Authorizes the)
Issuance of Securitized Utility Tariff Bonds)
for Qualified Extraordinary Costs)

In the Matter of the Petition of The Empire)
District Electric Company d/b/a Liberty to)
Obtain a Financing Order that Authorizes the) Case No. EO-2022-0193
Issuance of Securitized Utility Tariff Bonds)
for Energy Transition Costs Related to the)
Asbury Plant)

AFFIDAVIT OF SARAH L. K. LANGE

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW SARAH L. K. LANGE and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Sarah L. K. Lange*; and that the same is true and correct according to her best knowledge and belief.

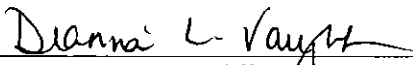
Further the Affiant sayeth not.



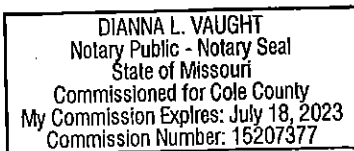
SARAH L.K. LANGE

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 12th day of May, 2022.



Notary Public



Sarah L.K. Lange

I received my J.D. from the University of Missouri, Columbia, in 2007, and am licensed to practice law in the State of Missouri. I received my B.S. in Historic Preservation from Southeast Missouri State University, and took courses in architecture and literature at Drury University. Since beginning my employment with the MoPSC I have taken courses in economics through Columbia College and courses in energy transmission through Bismarck State College, and have attended various trainings and seminars, indicated below.

I began my employment with the Commission in May 2006 as an intern in what was then known as the General Counsel's Office. I was hired as a Legal Counsel in September 2007, and was promoted to Associate Counsel in 2009, and Senior Counsel in 2011. During that time my duties consisted of leading major rate case litigation and settlement, and presenting Staff's position to the Commission, and providing legal advice and assistance primarily in the areas of depreciation, cost of service, class cost of service, rate design, tariff issues, resource planning, accounting authority orders, construction audits, rulemakings and workshops, fuel adjustment clauses, document management and retention, and customer complaints.

In July 2013 I was hired as a Regulatory Economist III in what is now known as the Tariff/ Rate Design Department. In this position my duties include providing analysis and recommendations in the areas of RTO and ISO transmission, rate design, class cost of service, tariff compliance and design, and regulatory adjustment mechanisms and tariff design. I also continue to provide legal advice and assistance regarding generating station and environmental control construction audits and electric utility regulatory depreciation. I have also participated before the Commission under the name Sarah L. Kliethermes.

Presentations

Midwest Energy Policy Series – Impact of ToU Rates on Energy Efficiency (August 14, 2020)

Billing Determinants Lunch and Learn (March 27, 2019)

Support for Low Income and Income Eligible Customers, Cost-Reflective Tariff Training, in cooperation with U.S.A.I.D. and NARUC, Addis Ababa, Ethiopia (February 23-26, 2016)

Fundamentals of Ratemaking at the MoPSC (October 8, 2014)

Ratemaking Basics (Sept. 14, 2012)

Participant in Missouri's Comprehensive Statewide Energy Plan working group on Energy Pricing and Rate Setting Processes.

Relevant Trainings and Seminars

Regional Training on Integrated Distribution System Planning for Midwest/MISO Region (October 13-15, 2020)

“Fundamentals of Utility Law” Scott Hempling lecture series (January – April, 2019)

Today’s U.S. Electric Power Industry, the Smart Grid, ISO Markets & Wholesale Power Transactions (July 29-30, 2014)

MISO Markets & Settlements training for OMS and ERSC Commissioners & Staff (January 27–28, 2014)

Validating Settlement Charges in New SPP Integrated Marketplace (July 22, 2013)

PSC Transmission Training (May 14 – 16, 2013)

Grid School (March 4–7, 2013)

Specialized Technical Training - Electric Transmission (April 18–19, 2012)

The New Energy Markets: Technologies, Differentials and Dependencies (June 16, 2011)

Mid-American Regulatory Conference Annual Meeting (June 5–8, 2011)

Renewable Energy Finance Forum (Sept. 29–Oct 3, 2010)

Utility Basics (Oct. 14–19, 2007)

Testimony and Staff Memoranda

<u>Company</u>	<u>Case No.</u>
The Empire District Electric Company d/b/a Liberty In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Energy Transition Costs Related to the Asbury Plant	EO-2022-0193
The Empire District Electric Company d/b/a Liberty In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Qualified Extraordinary Costs	EO-2022-0040
Ameren Transmission Company of Illinois In the Matter of the Application of Ameren Transmission Company of Illinois for a Certificate of Convenience and Necessity Under Section 393.170 RSMo Relating to Transmission Investments in Southeast Missouri	EA-2022-0099

<u>Company</u>	<u>Case No.</u>
The Empire District Electric Company d/b/a Liberty In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Energy Transition Costs Related to the Asbury Plant	EO-2022-0193
The Empire District Electric Company d/b/a Liberty In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Qualified Extraordinary Costs	EO-2022-0040
The Empire District Electric Company d/b/a Liberty In the Matter of the Request of The Empire District Electric Company d/b/a Liberty for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area	ER-2021-0312
Union Electric Company d/b/a Ameren Missouri In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Adjust its Revenues for Electric Service	ER-2021-0240
Ameren Transmission Company of Illinois In the Matter of the Application of Ameren Transmission Company of Illinois for a Certificate of Public Convenience and Necessity to Construct, Install, Own, Operate, Maintain, and Otherwise Control and Manage a 138 kV Transmission Line and associated facilities in Perry and Cape Girardeau Counties, Missouri	EA-2021-0087
Evergy Affiliates In the Matter of the Application of Evergy Metro, Inc. d/b/a Evergy Missouri Metro and Evergy Missouri West, Inc. d/b/a Evergy Missouri West for Approval of a Transportation Electrification Portfolio	ET-2021-0151
Spire Missouri, Inc. In the Matter of Spire Missouri Inc.'s d/b/a Spire Request for Authority to Implement a General Rate Increase for Natural Gas Service Provided in the Company's Missouri Service Areas	GR-2021-0108
Union Electric Company d/b/a Ameren Missouri In the Matter of the Request of Union Electric Company d/b/a Ameren for Approval of its Surge Protection Program	ET-2021-0082
Union Electric Company d/b/a Ameren Missouri In the Matter of the Request of Union Electric Company d/b/a Ameren Missouri to Implement the Delivery Charge Adjustment for the 1st Accumulation Period beginning September 1, 2019 and ending August 31, 2020	GT-2021-0055

<u>Company</u>	<u>Case No.</u>
The Empire District Electric Company d/b/a Liberty In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Energy Transition Costs Related to the Asbury Plant	EO-2022-0193
The Empire District Electric Company d/b/a Liberty In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Qualified Extraordinary Costs	EO-2022-0040
The Empire District Electric Company In the Matter of The Empire District Electric Company's Tariffs Approval of a Transportation Electrification Portfolio for Electric Customers in its Missouri Service Area	ET-2020-0390
The Empire District Electric Company In the Matter of The Empire District Electric Company's Tariffs to Increase Its Revenues for Electric Service	ER-2019-0374
Union Electric Company d/b/a Ameren Missouri In the Matter of of Union Electric Company d/b/a Ameren Missouri's Tariffs to Decrease Its Revenues for Electric Service	ER-2019-0335
KCP&L Greater Missouri Operations Company In the Matter of KCP&L Greater Missouri Operations Company Request for Authority to Implement Rate Adjustments Required by 4 CSR 240-20.090(8) And the Company's Approved Fuel and Purchased Power Cost Recovery Mechanism	ER-2019-0413
Union Electric Company d/b/a Ameren Missouri In the Matter of of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Revenues for Natural Gas Service	GR-2019-0077
Union Electric Company d/b/a Ameren Missouri In the Matter of the Application of Union Electric Company d/b/a Ameren Missouri Revised Tariff Sheets	ET-2019-0149
The Empire District Electric Company In the Matter of The Empire District Electric Company's Revised Economic Development Rider Tariff Sheets	ET-2019-0029
The Empire District Electric Company In the Matter of a Proceeding Under Section 393.137 (SB 564) to Adjust the Electric Rates of The Empire District Electric Company	ER-2018-0366

<u>Company</u>	<u>Case No.</u>
The Empire District Electric Company d/b/a Liberty In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Energy Transition Costs Related to the Asbury Plant	EO-2022-0193
The Empire District Electric Company d/b/a Liberty In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Qualified Extraordinary Costs	EO-2022-0040
Union Electric Company d/b/a Ameren Missouri In the Matter of the Application of Union Electric Company d/b/a Ameren Missouri for Permission and Approval and a Certificate of Public Convenience and Necessity Authorizing it to Construct a Wind Generation Facility	EA-2018-0202
Kansas City Power & Light Company KCP&L Greater Missouri Operations Company In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service	ER-2018-0145 ER-2018-0146
Union Electric Company d/b/a Ameren Missouri In the Matter of the Application of Union Electric Company d/b/a Ameren Missouri for Approval of Efficient Electrification Program	ET-2018-0132
Union Electric Company d/b/a Ameren Missouri In the Matter of the Application of Union Electric Company d/b/a Ameren Missouri for Approval of 2017 Green Tariff	ET-2018-0063
Laclede Gas Company Laclede Gas Company d/b/a Missouri Gas Energy In the Matter of Laclede Gas Company's Request to Increase Its Revenue for Gas Service, In the Matter of Laclede Gas Company d/b/a Missouri Gas Energy's Request to Increase Its Revenue for Gas Service.	GR-2017-0215 GR-2017-0216
Kansas City Power & Light Company In the Matter of Kansas City Power & Light Company's Demand Side Investment Rider Rate Adjustment And True-Up Required by 4 CSR 240-3.163(8)	ER-2017-0316
Kansas City Power & Light Company In the Matter of Kansas City Power & Light Company's Demand Side Investment Rider Rate Adjustment And True-Up Required by 4 CSR 240-3.163(8)	ER-2017-0167

<u>Company</u>	<u>Case No.</u>
The Empire District Electric Company d/b/a Liberty In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Energy Transition Costs Related to the Asbury Plant	EO-2022-0193
The Empire District Electric Company d/b/a Liberty In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Qualified Extraordinary Costs	EO-2022-0040
KCP&L Great Missouri Operations Company In the Matter of KCP&L Greater Missouri Operations Company's Annual RESRAM Tariff Filing	ET-2017-0097
Grain Belt Express Clean Line, LLC In the Matter of the Application of Grain Belt Express Clean Line LLC for a Certificate of Convenience and Necessity Authorizing It to Construct, Own, Operate, Control, Manage, and Maintain a High Voltage, Direct Current Transmission Line and an Associated Converter Station Providing an Interconnection on the Maywood - Montgomery 345 kV Transmission Line	EA-2016-0358
Kansas City Power & Light Company In the Matter of Kansas City Power & Light Company's Demand Side Investment Rider Rate Adjustment And True-Up Required by 4 CSR 240-3.163(8)	ER-2016-0325
Kansas City Power & Light Company In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service	ER-2016-0285
Union Electric Company d/b/a Ameren Missouri In the Matter of Union Electric Company d/b/a Ameren Missouri for Permission and Approval and a Certificate of Public Convenience and Necessity Authorizing it to Offer a Pilot Subscriber Solar Program and File Associated Tariff	EA-2016-0207
Union Electric Company d/b/a Ameren Missouri In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariff to Increase Its Revenues for Electric Service	ER-2016-0179
KCP&L Great Missouri Operations Company In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service	ER-2016-0156

<u>Company</u>	<u>Case No.</u>
The Empire District Electric Company d/b/a Liberty In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Energy Transition Costs Related to the Asbury Plant	EO-2022-0193
The Empire District Electric Company d/b/a Liberty In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Qualified Extraordinary Costs	EO-2022-0040
Empire District Electric Company In the Matter of The Empire District Electric Company's Request for Authority to Implement a General Rate Increase for Electric Service	ER-2016-0023
Ameren Transmission Company of Illinois In the Matter of the Application of Ameren Transmission Company of Illinois for Other Relief or, in the Alternative, a Certificate of Public Convenience and Necessity Authorizing it to Construct, Install, Own, Operate, Maintain and Otherwise Control and Manage a 345,000-volt Electric Transmission Line from Palmyra, Missouri to the Iowa Border and an Associated Substation Near Kirksville, Missouri	EA-2015-0146
Ameren Transmission Company of Illinois In the Matter of the Application of Ameren Transmission Company of Illinois for Other Relief or, in the Alternative, a Certificate of Public Convenience and Necessity Authorizing it to Construct, Install, Own, Operate, Maintain and Otherwise Control and Manage a 345,000-volt Electric Transmission Line in Marion County, Missouri and an Associated Switching Station Near Palmyra, Missouri	EA-2015-0145
Union Electric Company d/b/a Ameren Missouri In the Matter of Union Electric Company d/b/a Ameren Missouri's 2nd Filing to Implement Regulatory Changes in Furtherance of Energy Efficiency as Allowed by MEEIA	EO-2015-0055
Kansas City Power & Light Company In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service	ER-2014-0370
Empire District Electric Company In the Matter of The Empire District Electric Company for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Company's Missouri Service Area	ER-2014-0351

<u>Company</u>	<u>Case No.</u>
The Empire District Electric Company d/b/a Liberty In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Energy Transition Costs Related to the Asbury Plant	EO-2022-0193
The Empire District Electric Company d/b/a Liberty In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Qualified Extraordinary Costs	EO-2022-0040
Union Electric Company d/b/a Ameren Missouri City of O'Fallon, Missouri, and City of Ballwin, Missouri, Complainants v. Union Electric Company d/b/a Ameren Missouri, Respondent	EC-2014-0316
Union Electric Company d/b/a Ameren Missouri In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariff to Increase Its Revenues for Electric Service	ER-2014-0258
Union Electric Company d/b/a Ameren Missouri Noranda Aluminum, Inc., et al., Complainants, v. Union Electric Company d/b/a Ameren Missouri, Respondent	EC-2014-0224
Grain Belt Express Clean Line, LLC In the Matter of the Application of Grain Belt Express Clean Line LLC for a Certificate of Convenience and Necessity Authorizing It to Construct, Own, Operate, Control, Manage, and Maintain a High Voltage, Direct Current Transmission Line and an Associated Converter Station Providing an Interconnection on the Maywood - Montgomery 345 kV Transmission Line	EA-2014-0207
KCP&L Great Missouri Operations Company In the Matter of KCP&L Greater Missouri Operations Company's Application for Authority to Establish a Renewable Energy Standard Rate Adjustment Mechanism	EO-2014-0151
Kansas City Power & Light Company In the Matter of Kansas City Power & Light Company's Filing for Approval of Demand-Side Programs and for Authority to Establish A Demand-Side Programs Investment Mechanism	EO-2014-0095
Veolia Energy Kansas City, Inc. In the Matter of Veolia Energy Kansas City, Inc. for Authority to File Tariffs to Increase Rates	HR-2014-0066

Non-bypassable Securitized Utility Tariff Cost Charge

Applicability and Non-bypassability of Charge

The Rate described here-in is applicable to each kWh provided to existing or future retail customers in Missouri receiving electrical service under commission-approved rate schedules from Liberty, its successors, or assignees, even if a retail customer elects to purchase electricity from an alternative electricity supplier following a fundamental change in regulation of public utilities in Missouri.

For customers subject to billing under the Net-metering Easy Connection Act (Act), if the electricity supplied by Liberty exceeds the electricity generated by the customer-generator during a billing period, the customer-generator shall be billed the Rate applicable to each kWh as netted pursuant to the terms of the Act and this tariff. If the electricity generated by the customer-generator exceeds the electricity generated by the customer-generator during a billing period, the customer shall not be issued a credit based on the Rate applicable to each kWh as netted pursuant to the terms of the Act and this tariff, nor shall the Rate be considered to be part of the avoided fuel cost of Liberty for purposes of the Act. For customers who are authorized to back-flow energy under some other provision of law, or for any portion of back-flowed energy that exceeds that authorized under the terms of applicable net-metering provisions, the Rate shall be applicable to each kWh provided by the utility, without any offset.

In the event that the certificated territory defined within this tariff book becomes combined through merger or acquisition or other corporate action with territory defined within another regulated utility's tariff book, this charge shall be applicable only to the territory defined within this tariff book immediately prior to such combination. In the event the territory defined within this tariff book is modified by territorial agreement, granting of new Certificate of Convenience and Necessity, or modification of the existing Certificate of Convenience and Necessity, this charge will become applicable to any new customers or premises acquired. This charge will continue to be applicable to any customers or premises (new or existing) currently served by Liberty, but subsequently served by some other electric service provider as a result of a territorial agreement or modification of a territorial agreement, whether the other electric service provider is regulated by this Commission or exempted from regulation by this Commission by any current or future law. In such instance applicable kWh shall be included in all applicable calculations contained herein.

The rate per kWh applicable to each customer described above shall be the Rate in effect for a given period of time, multiplied by the Voltage Adjustment Factor applicable to the voltage at which that customer receives service at that time. The on-bill charge resulting from application of such rate shall appear as a line item on each bill to each customer.

Term of Charge

The rates designed to recover this charge are applicable to each kWh for so long as the securitized utility tariff bonds are outstanding and until all financing costs have been paid in full.

Collection and Ownership of Charge

This charge is to be collected by Liberty, its successors or assignees, or a collection agent, in full, separate and apart from the other rates, riders, and charges specified in this Tariff. Ownership of the revenues produced by the rates designed to recover this charge will reside with **[INSERT UPON FINALIZATION]**, or its successors or assignees, as applicable.

Partial Payments

If any customer does not pay the full amount it has been billed, the charge associated with this rate will have the first priority. In the event a customer under a Payment Agreement under the Cold Weather Rule, 20 CSR 440-13.055 makes late or incomplete payments, payments received will be prorated among charge categories in proportion to their percentage of the overall bill.

Time Periods:

Initial Recovery Period from Effective Date of Order through June 14, 2022.

Accumulation Period 1 from Effective Date of Order through January 31, 2022.

Recovery Period 1 from June 15, 2023 through December 14, 2023.

Accumulation Period 2 from February 1, 2023 through July 30, 2024.

Recovery Period 2 from December 15, 2024 through June 14, 2024.

Accumulation Period 3 from August 1, 2024 through January 31, 2025.

Recovery Period 3 from June 15, 2025 through December 14, 2025.

Accumulation Period 4 from February 1, 2025 through July 30, 2026.

Recovery Period 4 from December 15, 2026 through June 14, 2026.

Accumulation Period 5 from August 1, 2026 through January 31, 2027.

Recovery Period 5 from June 15, 2027 through December 14, 2027.

Accumulation Period 6 from February 1, 2027 through July 30, 2028.

Recovery Period 6 from December 15, 2028 through June 14, 2028.

Accumulation Period 7 from August 1, 2028 through January 31, 2029.

Recovery Period 7 from June 15, 2029 through December 14, 2029.

Accumulation Period 8 from February 1, 2029 through July 30, 2030.

Recovery Period 8 from December 15, 2030 through June 14, 2030.

Accumulation Period 9 from August 1, 2030 through January 31, 2031.

Recovery Period 9 from June 15, 2031 through December 14, 2031.

Accumulation Period 10 from February 1, 2031 through July 30, 2032.

Recovery Period 10 from December 15, 2032 through June 14, 2032.

Accumulation Period 11 from August 1, 2032 through January 31, 2033.

Recovery Period 11 from June 15, 2033 through December 14, 2033.

Accumulation Period 12 from February 1, 2033 through July 30, 2034.

Recovery Period 12 from December 15, 2034 through June 14, 2034.

Accumulation Period 13 from August 1, 2034 through January 31, 2035.

Recovery Period 13 from June 15, 2035 through December 14, 2035.

Recovery Periods shall coincide with the actual date listed, or the first billing period to occur after the date listed, whichever approach is used for the generally-applicable rate schedules in place at a given time during the duration of this SUTC tariff.

Securitized Utility Tariff Recovery Mechanism:

Securitized Utility Tariff Amount: Liberty, its successors or assignees, shall abide by this tariff to accomplish collection of **[INSERT UPON FINALIZATION]** pursuant to File No. EO-2022-0040 and **[INSERT UPON FINALIZATION]** pursuant to File No. EO-2022-0193.

Seasonal Proration of Securitized Utility Tariff Amounts:

The product of $[1/13 \text{ of Securitized Utility Tariff Amount}_{\text{EO-2022-0040}}$, divided by the total projected sales for the next two accumulation periods], times the projected sales for the next accumulation period.

Seasonal Proration of Securitized Utility Tariff Amounts:

The product of [1/13 of Securitized Utility Tariff Amount_{EO-2022-0193}, divided by the total projected sales for the next two accumulation periods], times the projected sales for the next accumulation period.

Recovery Period Amount_{EO-2022-0040} = Prorated SUTCA_{EO-2022-0040} + the sum of the Components described below for the relevant accumulation period.

Recovery Period Amount_{EO-2022-0193} = Prorated SUTCA_{EO-2022-0040} + the sum of the Components described below for the most recently-completed accumulation period for which information is available.

Rate_N Calculation =
$$\frac{\text{Recovery Period Amount}}{\text{Forecasted Sales for relevant recovery period}}$$

Components:

Projected Transaction Costs = The expected level of costs and expenses for administering this tariff and servicing the bonds for each accumulation period, including a projection of payment lags between the collection of charge revenues and the payment of bond payments.

Transaction Cost Reconciliation = The difference between projected and actual transaction costs for a completed recovery period.

True-up Amount = [Forecasted Sales – (Actual Sales + Projected Sales)] x Rate in effect prior recovery period.

Revenue Adjustment:

1. To coincide with each June rate change, Empire shall initiate a docket to establish a level of projected uncollectables net of projected past due collections and proceeds on debt sales to be included in the upcoming Rate Calculation, to reflect the expected net collection shortfall for the subsequent two Recovery Periods. Recovery of this amount will be prorated between the recovery periods based on projected sales for each recovery period.
2. Each subsequent calculation under Step 1 will be adjusted to reconcile the ongoing difference between projected uncollectables, past due collections, and proceeds on debt sales.

Carrying cost-related adjustment (if any): [INSERT UPON FINALIZATION]

Emergency adjustment: An adjustment, subject to true-up, to the recovery period amount made pursuant to a Commission order in EA-2022-0040 or in EA-2022-0193, each separately, authorizing a change in that recovery period's recovery period amount due to circumstances which raise substantial doubt as to the ability to make timely bond payments in the absence of such adjustment.

Sales definitions:

For purposes of this section, billing months shall be associated with the recovery period and accumulation periods in which the majority of the days fall. If an equal number of days for a given billing

month are in different periods, that billing month shall be associated with the period in which the larger number of sales are expected to occur.

Forecasted Sales = Forecasted Sales at Primary + Forecasted Sales at Secondary + Forecasted Sales at Transmission.

Forecasted Sales at Primary

(Sum of forecasted Missouri retail kWh sales at meter to customers served at primary voltage for the billing months included within a recovery period) x VAF_{PRIM}

Forecasted Sales at Secondary

(Sum of forecasted Missouri kWh sales at meter to customers served at secondary voltage for the billing months included within a recovery period) x VAF_{SEC}

Forecasted Sales at Transmission

(Sum of forecasted Missouri retail kWh sales at meter to customers served at transmission voltage for the billing months included within a recovery period) x VAF_{TRNS}

Actual Sales = Actual Sales at Primary + Actual Sales at Secondary + Actual Sales at Transmission.

Actual Sales at Primary

(Sum of actual billed Missouri retail kWh sales at meter to customers served at primary voltage for the billing months included within a recovery period) x VAF_{PRIM}

Actual Sales at Secondary

(Sum of actual billed Missouri kWh sales at meter to customers served at secondary voltage for the billing months included within a recovery period) x VAF_{SEC}

Actual Sales at Transmission

(Sum of actual billed Missouri retail kWh sales at meter to customers served at transmission the billing months included within a recovery period) x VAF_{TRNS}

In the event more delineated voltage adjustments become implemented in the FAC or other rate design, such service levels shall be incorporated into this rider at the next true up.

Filing Procedure:

Initial Rate Filing: Within 10 days of the issuance of [TRIGGERING ACT] Liberty shall file with 30 days' notice a tariff sheet to implement an initial rate using a calculation consistent with that described below, but only for the portion of the year remaining until the next designated Filing Date. Amounts collected under this initial rate filing are subject to Reconciliation and True-up.

On or before the Filing Date, Liberty shall prepare and file the information described below under affidavit. On the Filing Date, Liberty shall prepare and file a tariff sheet to be sequentially designated, and bearing a heading indicating its applicability to all sales for the billing months of December of the current year to and including November of the next year.

Filing Date: 45 days prior to the start of each Recovery Period

Rate Effective Date: The start of each billing cycle associated with the first billing month following the start of each Recovery Period

Voltage Adjustment Factors Approved in Most Recent General Rate Case or in a proceeding conducted for that purpose

VAF_{PRIM} =

VAF_{SEC} =

VAF_{TRNS} =

Forecasted Sales by component

Actual Sales by component

[INSERT LINE FOR EACH COMPONENT]

Rate =

Voltage-Adjusted Rates=