BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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	)))))	Case No. ER-2021-0312

<u>LIBERTY'S INITIAL POST-HEARING BRIEF</u>

COMES NOW The Empire District Electric Company d/b/a Liberty ("Liberty" or the "Company"), and for its initial Post-Hearing Brief addressing the only contested issue in this proceeding, respectfully states as follows to the Missouri Public Service Commission ("Commission"):

With the four partial stipulations, all of which may be treated as unanimous under the Commission's rules, only one issue remains contested in this proceeding: the question of how the revenue requirement should be allocated among the Company's customer rate classes (class revenue responsibilities). Pursuant to the stipulations and for purposes of the calculation of rates stemming from this general rate case proceeding, Liberty's revenue requirement increase is an annual increase of $35,515,913.

The Company recommends an allocation method based on the results of Liberty's class cost of service ("CCOS") study consistent with principles of fairness and equity, but that also considers customer bill impacts. Greg Tillman and Tim Lyons presented testimony on this issue on behalf of Liberty (Exhibits 27-29 and 36-38), and CCOS studies were prepared and provided in this case by the Company and the Midwest Energy Consumers Group ("MECG"). As explained in the Direct Testimony of Tim Lyons, the CCOS studies in this proceeding "support a movement toward a more equitable rate structure where class RORs move closer to the system ROR." Ex. 36, p. 3. This is because the CCOS studies demonstrate:

> (T)he current rate design produces a disparity in class rates of return ("ROR"). The Residential General ("RG"), Miscellaneous Service ("MS"), Municipal Street Lighting ("SPL"), and Special Lighting ("LS") rate classes produce RORs that are less than the system or overall ROR, indicating their rates recover less than their cost of service. The remaining commercial and industrial ("C&I") and Lighting rate classes produce RORS that are more than the system ROR, indicating their rates recover more than their cost of service.

Ex. 36, pp. 2-3.

Based on the Company's understanding of the rate design positions of the Office of the Public Counsel ("OPC") and MECG in this proceeding, and using the stipulated revenue requirement increase, Liberty calculates that an average residential customer will see an increase of approximately 7.6 percent under OPC's proposal or an increase of approximately 10.1% under MECG's proposal. "The Company agrees with OPC regarding the principle of gradualism – it is consistent with the Company's approach used in direct testimony. However, the Company also recognizes the principles of fairness and equity and would support some level of revenue neutral shift based on the outcome of the Company's overall cost of service, subject to customer bill impacts consistent with the Company's filed position." Ex. 38, Lyons Surr., p. 7.

Liberty's commercial customers are paying more than their cost of service, and the Company generally supports moving all classes closer to their true cost of service. Tr. Vol. 6, p. 103. With the Report and Order in Case No. ER-2014-0351, the Commission ordered revenue neutral adjustments between the Company's rate classes to more closely align each class with its cost of service.[1] Then, in Case No. ER-2016-0023, the Commission approved a settlement which

[1] "Staff's CCOS study supports the position of the Signatories that each rate component for each class be increased across the board for each class on an equal percentage basis. The Signatories also recommend a neutral adjustment recommended by the Signatories (a 0.75% increase for the residential class) to address the recognized 8.1% residential rate class discrepancy. MECG recommends an increase to residential rates by 25% of the needed 8.1% revenue neutral adjustment in order to send a more accurate pricing signal to all of Empire's customers and take a significant step towards moving the residential class closer to its cost of service. The difference

included a similar shift to the residential class. In Case No. ER-2019-0374, however, the Commission did not order any revenue neutral shifts among the Company's rate classes, thereby stalling the movement toward more closely aligning each class with its cost of service.

The Company's testimony and the rate design principles set forth therein could support an across the board revenue requirement increase in this case, which would result in an increase of approximately 7.6% for a typical residential customer, but Liberty's testimony and the rate design principles set forth therein also could support an increase in the residential rate in this case which would result in an increase of 9.9% for a typical residential customer. Tr. Vol. 6, pp. 103-104. Ultimately, Liberty recommends the Commission adopt a balanced, compromise approach in this case and authorize a slight revenue neutral shift. Specifically, the Company recommends a $1.67 million increase to the residential class and an equal reduction allocated proportionately to those non-lighting classes with a higher than average ROR. Based on the parameters mentioned above, this would result in an average residential customer seeing an increase of approximately 8.3 percent.

Permitting Liberty to charge reasonable rates that will allow the Company to recover its cost to provide electric service is an essential element of a long-recognized regulatory compact that assures the reliability of electric service. Liberty asks that the Commission recognize the overwhelming benefits of the Company's transformation in doing the right things for a sustainable future for Liberty's customers and, in conjunction with the decision on the one remaining contested issue, approve the four filed stipulations as a just and reasonable resolution of this case.

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between the two is not of such a significant amount as to cause 'rate shock.' The Commission finds that the increase to residential rates by 25% of the needed 8.1% revenue neutral adjustment is just and reasonable." Case No. ER-2014-0351, Report and Order issued June 24, 2015, effective July 24, 2015, p. 20.

WHEREFORE, Liberty submits its Initial Post-Hearing Brief, requests approval of the four filed stipulations, and requests such other and further relief as is just and proper under the circumstances.

Respectfully submitted,

THE EMPIRE DISTRICT ELECTRIC COMPANY

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CERTIFICATE OF SERVICE

I hereby certify that the above document was filed in EFIS on this 25th day of February, 2022, and sent by electronic transmission to all counsel of record.

/s/ Diana C. Carter