

Exhibit No.:
Issue(s): *Fuel Adjustment Clause*
Witness: *Brooke Mastrogiannis*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *ER-2019-0374*
Date Testimony Prepared: *March 3, 2020*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

REBUTTAL TESTIMONY

OF

BROOKE MASTROGIANNIS

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

Jefferson City, Missouri
March 2020

1 **REBUTTAL TESTIMONY OF**

2 **BROOKE MASTROGIANNIS**

3 **THE EMPIRE DISTRICT ELECTRIC COMPANY**

4 **CASE NO. ER-2019-0374**

5 Q. Please state your name and business address.

6 A. My name is Brooke Mastrogiannis. My business address is 200 Madison Street,
7 Jefferson City, Missouri 65101.

8 Q. By whom are you employed and in what capacity?

9 A. I am employed by the Missouri Public Service Commission (“Commission”) as
10 a Utility Regulatory Auditor IV.

11 Q. Are you the same Brooke Mastrogiannis who has previously provided testimony
12 in this case?

13 A. Yes. I contributed to the *Staff Direct Report (Public and Confidential)*,
14 *Appendix 1 and Appendix 2 (Public and Confidential)* (“COS Report”) filed on January 15,
15 2020. I also contributed to the *Staff Direct Report - Class Cost of Service (Public and*
16 *Confidential)*, *Appendix 1, Appendix 2 (Public and Confidential)* and *Appendix 3* (“CCOS
17 Report”) filed on January 29, 2020.

18 **EXECUTIVE SUMMARY**

19 Q. What is the purpose of your rebuttal testimony?

20 A. The purpose of my rebuttal testimony is to address The Office of the Public
21 Counsel (“OPC”) witness Lena M. Mantle’s direct testimony proposing a change in the sharing
22 mechanism. I will then address Empire witness Aaron Doll’s Fuel Adjustment Clause (“FAC”)
23 direct testimony and supplemental direct testimony in which he proposes including 100% of

1 SPP and MISO transmission costs and revenues in the FAC, and his proposal to include SPP
2 Schedules 1a and 12 from the Base Factor calculation and tariff language. I will then briefly
3 address OPC witness Lena M. Mantle's direct testimony proposing the same transmission
4 percentage for revenues as for costs be included in the FAC. I will also address Empire witness
5 Aaron Doll's proposal to add language in the Off-System Sales Revenue ("OSSR") definition
6 of the FAC tariff and OPC's concern about the hedging costs of Empire's wind projects being
7 included in the FAC.

8 **FUEL ADJUSTMENT CLAUSE**

9 Q. Do you want to comment on any modifications to Empire's FAC that OPC
10 witness Lena M. Mantle is recommending?

11 A. Yes. Ms. Mantle recommends changing the sharing mechanism of the
12 difference between the actual FAC costs incurred and the base FAC costs to an 85%/15%
13 sharing mechanism.¹ This means that at the end of an FAC accumulation period, if the actual
14 costs exceed the estimated costs, customers are billed 85% of the difference and Empire absorbs
15 15%. In contrast, if the actual costs are lower than estimated costs, Empire returns 85% of the
16 difference to customers and Empire keeps the 15%.

17 Q. What is Staff's position regarding OPC witness Lena M. Mantle's proposal to
18 change the sharing mechanism to an 85%/15% sharing mechanism?

19 A. The current sharing mechanism is a 95%/5% ratio. Following a FAC
20 Accumulation Period, actual FAC costs are compared to estimated FAC costs, with 95% of the
21 difference returned to customers (when the estimated costs exceed the actual costs) or recovered

¹ Direct Testimony of Lena M. Mantle, Case No. ER-2019-0374, page 9.

1 from customers (when the actual costs exceed the estimated costs). It is Staff's position that
2 changing the sharing percentage in this rate case is inconsistent with prior Commission rulings
3 and the sharing percentages of other Missouri regulated electric utilities with FACs.² The
4 Commission even stated in its *Report and Order and Dissenting Opinion of Commissioner*
5 *Stephen M. Stoll* filed on April 29, 2015 in File No. ER-2014-0258 on page 111:

6 There is no sufficient reason to change the existing 95/5 sharing
7 percentage under which Ameren Missouri has operated for the past
8 several years. Imposing a significant financial burden on the Company
9 simply to experiment with an alternative sharing percentage would be
10 unfair to the Company. The Commission finds there is no reason to
11 change the sharing percentages in the fuel adjustment clause. The
12 Commission will retain the current 95%-5% sharing mechanism
13 included in Ameren Missouri's fuel adjustment clause.

14 Similarly, through its review in this case, and previous reviews in Empire prudence review
15 cases, Staff has found no sufficient reason to support a recommendation to change the sharing
16 mechanism at this time. Staff's position is to continue to recommend the current 95%/5%
17 sharing mechanism.

18 Q. Please explain why Staff is opposed to the Company's proposal to include
19 100% of both SPP and MISO transmission expenses and revenues in the FAC.

20 A. It is Staff's position that changing the percentage of transmission costs and
21 revenues Empire includes in its FAC would be inconsistent with prior Commission rulings and
22 would be inconsistent with the transmission percentage used by other Missouri investor-owned
23 electric utilities with FACs. The Commission stated in its Report and Order filed on June 24,
24 2015 in File No. ER-2014-0351 on page 29:

² Attached to this testimony, as Schedule BM-r1, is a schedule Ameren Missouri witness Andrew Meyer filed on January 21, 2020 with his rebuttal testimony in the current Ameren rate case, case number ER-2019-0335. This schedule lists each rate case in which a non-utility proposed a deviation from the 95%/5% FAC sharing mechanism. The Commission rejected each, and continues to order the 95%/5% ratio it implemented when the FAC began.

1 Based on the Commission interpretation of § 386.266, its
2 discretion under the Commission's rules to determine what rates will be
3 recovered in an FAC, and the facts presented, the Commission finds it
4 appropriate to exclude those transmission expenses that do not fall within
5 the two categories described above.

6 Empire's transmission costs to be included in the FAC are:

- 7 1) costs to transmit electric power it did not generate to its own
8 load (true purchased power); and,
9 2) costs to transmit excess electric power it is selling to third
10 parties to locations outside of SPP (off-system sales).

11 As such, it is Staff's position to continue to only include transmission costs in the FAC
12 that the Commission approved in the order above.

13 Q. Do previous Commission orders regarding transmission costs include
14 transmission revenues as well?

15 A. No. In the past, for Empire, Evergy Missouri West, and Evergy Missouri Metro,
16 the Commission has only approved transmission costs included in the FAC³. Therefore, Staff
17 is opposing both the Company's proposal to include 100% of transmission revenues and the
18 OPC's proposal to include the same percentage of transmission revenues as costs in the FAC.

19 Q. Does Empire witness Aaron Doll's direct testimony question and answer starting
20 on page 9 strengthen the Company's argument for the 100% proposal?

21 A. No. Mr. Doll states that there have been significant decreases to transmission
22 expense that were unable to be fully shared with Empire's customers due to the percentage
23 restrictions in the FAC tariff. However, it is Staff's understanding this decrease to transmission
24 expense is a limited occurrence based on a settlement agreement where Empire was entitled to
25 receive a refund, and as far as Staff is aware, this is a limited situation that does not occur often.
26 Staff is aware that the significant amount of transmission expense would not only increase the

³ In the Ameren 2016 and 2019 rate cases a small percentage of transmission revenues were included as part of settlement agreements.

1 base factor calculation, but also Empire’s continued Fuel Adjustment Rates (“FARs”) going
2 forward. For example, the Company’s total for transmission expense and revenue, if the
3 Commission approves 100% transmission expense and revenue to be included in the FAC, is
4 \$** _____ **. Staff’s total, if the Commission approves the 32.04% transmission expense
5 and no transmission revenues to be included in the FAC, is only \$** _____ **. This
6 difference in transmission expense and revenue percentage also represents a significant portion
7 of transmission expense that would be increasing for Empire’s customers if the Commission
8 approved Empire’s 100% proposal.

9 Q. Please explain why Staff is opposed to the Company’s proposed inclusion of
10 SPP Schedules 1a and 12 in the base factor calculation and tariff revisions.

11 A. It is Staff’s position that SPP Schedule 1a (Tariff Administration) and SPP
12 Schedule 12 (FERC Assessment) are not fluctuating fuel and purchased power costs, but instead
13 administrative costs, and should not flow through the FAC. This is consistent with how SPP
14 Schedule 1a and Schedule 12 have been approved by the Commission in the past Empire rate
15 cases, along with Every Missouri West and Every Missouri Metro cases; to not be included
16 in the FAC.

17 Q. Does Staff disagree with Empire witness Aaron Doll’s justification in his direct
18 testimony to add language to the OSSR definition in the FAC tariff?

19 A. Yes. Mr. Doll proposes language be added to the FAC tariff sheets’ definition
20 of OSSR “thereby excluding revenue from generation facilities declared Commercially
21 Operational and not yet in rates.”⁴ Mr. Doll also states in his direct testimony:

⁴ Proposed Tariff Sheet 1st Revised Sheet No. 17z.

1 The proposed revision adds language further defining what is
2 included in OSSR. OSSR includes sales from all generation assets of
3 which all are currently included in rates and any sales from the assets
4 that customers pay for are also credited back to customers. Future
5 generation projects, such as the recently approved Wind Projects, will
6 produce sales before the inclusion in rates of the associated generation
7 costs. Therefore, in order to provide for equitable treatment of revenue
8 in such situations, the Company proposes to modify the definition of
9 OSSR to only include sales revenue received from generation projects
10 that have been declared Commercially Operational and are being
11 recovered through customer rates.⁵

12 Staff takes the position that the FAC mechanism is intended to operate separately from general
13 rate cases, in that the Company is able to recover the impact of eligible costs and revenues from
14 its customers immediately through the FAR on a bi-annual basis without the need for an
15 intervening general rate case. For example, with purchased power agreement contracts, Empire
16 can recover those costs immediately through the FAR once the contract is effective; Empire
17 does not have to wait for a rate case to start recovering those costs, because the FAC tariffs do
18 not have a separate preclusion in the purchased power language. Similar to the purchased power
19 costs, it would be equitable treatment for the FAC to include applicable eligible costs and
20 revenues as well.

21 Q. Does Staff agree with Mr. Doll's assertion that if the FAC tariff is not modified
22 to exclude revenues associated with new generation facilities until such a time the plant is
23 placed into rate base, Empire will likely not have an opportunity to earn a fair rate of return?⁶

24 A. No. The expressed purpose of a Rate Adjustment Mechanism ("RAM")⁷ as
25 described in Missouri statute 386.266, is to capture variable fuel and purchased power costs
26 that occur outside of a general rate case process, Section 386.266.1., RSMo states:

⁵ Direct Testimony of Aaron Doll, Case No. ER-2019-0374, page 3.

⁶ Direct testimony of Aaron Doll, Case No. ER-2019-0374, page 4.

⁷ In this case, the FAC.

Rebuttal Testimony of
Brooke Mastrogianis

1 Subject to the requirements of this section, any electrical corporation
2 may make an application to the Commission to approve rate schedules
3 authorizing an interim energy charge, or periodic rate adjustments
4 outside of general rate proceedings to reflect increases and decreases in
5 its prudently incurred fuel and purchased-power costs, including
6 transportation....

7 The statute does not prohibit revenues or costs from being included in the RAM because
8 the cost to build or acquire a generation facility was not recorded in a plant in service account
9 balance during a prior general rate case. In fact, Empire's FAC is specifically designed to
10 account for such variable changes in costs and revenue outside of a general rate case, regardless
11 of whether related plant facilities have been directly included in rates in a general rate case.
12 If Mr. Doll's proposal is adopted, the result would be to improperly restrict the flow of
13 otherwise eligible revenues through the FAC on the basis that rates from a new general rate
14 case has not yet been ordered for Empire.

15 Q. Is Empire responsible for determining when to add new plant assets and when
16 to file rate cases that seek inclusion of those assets in rates?

17 A. Yes. Empire is responsible for all aspects of generation planning, including
18 decisions regarding the type and the quantity of generation needed to meet the needs of its
19 customers in the future. Empire is also responsible for planning the timing of its general rate
20 filings in order to reasonably mitigate any regulatory lag it might face due to new generation
21 additions. Staff witness J Luebbert addresses other concerns regarding this issue.

22 Q. Does OPC have concerns regarding this same issue?

23 A. Yes. OPC also has concerns that if the Commission adopts the Company's
24 proposed language, anticipated hedging costs of these wind projects would still be recorded in

1 FERC account 555 Purchased Power.⁸ Staff generally has the same concern, because the
2 proposed language was added to the OSSR section of the FAC tariff sheets, but not in the
3 Hedging Costs section or Purchased Power section of the FAC tariff sheets.

4 Q. How does Staff suggest mitigating these concerns prior to these wind projects
5 becoming fully operational in the next rate case, if the Commission does not accept Staff's
6 proposal to exclude this proposed OSSR language?

7 A. Staff recommends the suggested language proposed by the Company not be
8 included in the FAC tariff sheets; however, if the Commission does not accept Staff's proposal
9 then Staff suggests language similar to what the Company proposes for the OSSR section also
10 be included in both the Purchased Power and Hedging Costs sections of the FAC tariff sheets.

11 Q. Does this conclude your rebuttal testimony?

12 A. Yes, it does.

⁸ Direct Testimony of Lena M. Mantle, Case No. ER-2019-0374, pages 18-19.

**Non-Utility FAC Sharing Mechanism
Proposals Other than 95%/5%
(95%/5% Adopted/Approved
in Each Instance)**

Case Number	Utility	Party	Sponsoring Witness	FAC Sharing Mechanism Proposal
ER-2007-0002	Ameren Missouri	AARP	Ronald Binz (Nancy Brockway)	Sharing bands
		The Commercial Group	Kevin Higgins	50/50
		MIEC	Maurice Brubaker	80/20 with deadband and sharing bands
ER-2007-0004	Aquila	AARP	Nancy Brockway	50/50
		SIEU, AG-P & FEA	Donald Johnstone	50/50
ER-2008-0093	Empire	MIEC	Maurice Brubaker	95/5 with deadband and sharing bands
		Staff	Lena Mantle	60-80% pass through with 70 mid-point
		OPC	Ryan Kind	60/40
ER-2008-0318	Ameren Missouri	MIEC	Maurice Brubaker	80/20
		State of Missouri	Martin Cohen	80/20 Alternate: 85/15 for cost increases 95/5 for cost decreases
		OPC	Ryan Kind	50/50
ER-2010-0036	Ameren Missouri	Staff	John Rogers David Roos	95/5
		MIEC	Maurice Brubaker	80/20
		OPC	Ryan Kind	80/20
ER-2010-0130	Empire	Staff	Matt Barnes	95/5

Case Number	Utility	Party	Sponsoring Witness	FAC Sharing Mechanism Proposal
ER-2010-0356	KCPL-GMO	Staff	David Roos	75/25
		OPC	Ryan Kind	75/25
ER-2011-0004	Empire	Staff	Matt Barnes	85/15
		OPC	Ryan Kind	85/15
ER-2011-0028	Ameren Missouri	Staff	Lena Mantle	85/15
		OPC	Ryan Kind	85/15
ER-2012-0166	Ameren Missouri	Staff	Lena Mantle	85/15
		MIEC	None	85/15
		AARP/CCM	None	50/50
ER-2012-0175	KCPL-GMO	Staff	Matt Barnes	85/15
ER-2012-0345	Empire	Staff	Matt Barnes	85/15
ER-2014-0258	Ameren Missouri	OPC	Lena Mantle	90/10
		CCM	None	50/50
ER-2014-0351	Empire	OPC	Lena Mantle	90/10
ER-2014-0370	KCPL	Staff	Dana Eaves	95/5
		OPC	Lena Mantle	50/50
		MECG	Michael Brosch	95/5 (or anything higher than 0)
ER-2016-0023	Empire	Staff	David Roos	95/5
ER-2016-0156	KCPL-GMO	Staff	Matt Barnes	95/5
		OPC	Lena Mantle	90/10

Case Number	Utility	Party	Sponsoring Witness	FAC Sharing Mechanism Proposal
ER-2016-0179	Ameren Missouri	OPC	Lena Mantle	90/10
ER-2016-0285	KCPL	OPC	Lena Mantle	90/10
		OPC	Lena Mantle	90/10

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric)
Company's Request for Authority to File) Case No. ER-2019-0374
Tariffs Increasing Rates for Electric Service)
Provided to Customers in its Missouri)
Service Area)

AFFIDAVIT OF BROOKE MASTROGIANNIS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

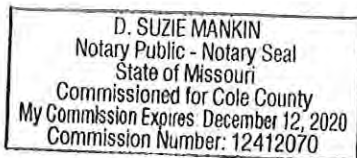
COMES NOW BROOKE MASTROGIANNIS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony*; and that the same is true and correct according to her best knowledge and belief.

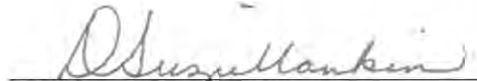
Further the Affiant sayeth not.


BROOKE MASTROGIANNIS

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 3rd day of March 2020.




Notary Public