

Exhibit No.:
Issue: Fuel Adjustment Clause
Witness: Brooke Mastrogiannis
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal/True-Up Direct
Testimony
Case No.: ER-2019-0374
Date Testimony Prepared: March 27, 2020

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

SURREBUTTAL / TRUE-UP DIRECT TESTIMONY

OF

BROOKE MASTROGIANNIS

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

Jefferson City, Missouri
March 27, 2020

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1 whether to include ancillary costs and unit train costs in the FAC base factor. I will also respond
2 to Empire witness Mr. Aaron Doll's FAC rebuttal testimony in which he responds to the
3 Office of the Public Counsel's ("OPC") witness Ms. Lena M. Mantle's direct testimony
4 regarding associated revenues from the Missouri Joint Municipal Electric Utility Commission
5 ("MJMEUC") contract¹ flowing through the FAC. Then I will briefly address Mr. Doll's
6 rebuttal testimony regarding transmission costs and revenues included in the FAC, which
7 encompasses OPC witness Ms. Mantle's rebuttal testimony over the same issue. Lastly, I will
8 briefly address OPC witness Ms. Mantle's rebuttal testimony proposing additional reporting
9 requirements within the FAC.

10 **TRUE-UP DIRECT**

11 Q. What is Staff's trued-up base factor?

12 A. Staff's trued-up base factor calculation is \$0.02333/kWh. This true-up base
13 factor represents an updated fuel model which changes the Net System Input ("NSI"), the
14 pass-through SPP transmission cost percentage, and the true-up adjustments also reflected in
15 Staff's revenue requirement.

16 Q. Does this trued-up base factor calculation also include changes Staff made in
17 response to Empire witness Todd Tarter's rebuttal testimony regarding ancillary costs and unit
18 train costs?

19 A. Yes. Staff has now included ancillary services costs but has not included unit
20 train costs in the base factor calculation.

¹ This contract was received by Staff in the Company Response to Staff Data Request No. 0083.

1 Q. Should the unit train costs be included in the FAC Base Factor in this case?

2 A. No. Based upon the Company's response to Staff's Data Request No. 0309, the
3 unit train cost is a fixed monthly cost and does not vary based upon the commodity used.
4 Empire's FAC Rider is designed to recover "variable" fuel and purchased power costs, as
5 variable costs cannot be determined into the future. Since unit train costs can be determined
6 precisely into the future and can have an appropriately determined and annualized amount and
7 are included in permanent rates, this type of fixed cost would not be appropriate for special
8 ratemaking treatment in this case.

9 Q. Should the ancillary services costs be included in the FAC Rider and become
10 part of the FAC Base Factor?

11 A. Yes. The nature of these costs is variable and result from Empire's buying
12 and selling power in the SPP market, as detailed in Empire's response to Staff's Data
13 Request No. 0310. These costs are not predictable with any level of certainty and should
14 receive special regulatory treatment by including them in Empire's Rider FAC. Therefore,
15 Staff is recommending costs associated with ancillary services be included in the FAC Base
16 Factor calculation.

17 **SURREBUTTAL**

18 **Fuel Adjustment Clause**

19 Q. What is Staff's position regarding Empire witness Aaron J. Doll's rebuttal
20 testimony and OPC witness Lena M. Mantle's direct testimony regarding the revenues from
21 MJMEUC's contract in the FAC?

22 A. According to Empire witness Mr. Doll's rebuttal testimony, it is Staff's
23 understanding that the language used in describing the Off-System Sales Revenue ("OSSR")

1 portion of its FAC tariff does not allow the revenues associated with the MJMEUC contract to
2 flow through the FAC, because OSSR is defined currently in the FAC tariff as “Revenue From
3 Off-System Sales (Excluding revenue from full and partial requirement sales to
4 municipalities).”² Furthermore, since Staff is opposed³ to the establishment of an Accounting
5 Authority Order (“AAO”) as Mr. Doll suggests,⁴ Staff’s recommendation is for Empire to file
6 additional reporting requirements with its FAC monthly reports and Fuel Adjustment Rate
7 filing workpapers. These additional reporting requirements will demonstrate that the energy
8 purchased from Liberty-Empire related to MJMEUC’s agreement will be billed to the cities
9 (Staff understands these cities to be Monett and Mt. Vernon, Missouri) via MJMEUC and will
10 thereby reduce a portion of the fuel expense that is allocated and billed to Liberty-Empire’s
11 retail customers. This reduced portion of fuel expense will clearly illustrate that the energy
12 purchased for these specific cities via MJMEUC is not flowing through the FAC in order to be
13 collected from all Liberty-Empire’s retail customers.

14 Q. Has Staff’s position changed since rebuttal testimony was filed regarding the
15 transmission cost and revenue percentages that should be in the FAC?

16 A. No. As I stated in my Rebuttal Revenue Requirement testimony, changing the
17 percentage of transmission costs and revenues Empire includes in its FAC would be
18 inconsistent with prior Commission rulings and the transmission percentages used by other
19 Missouri investor-owned electric utilities with FACs.⁵ Staff’s authority for this comes from
20 a Commission Report and Order that states: “Empire’s transmission costs to be included in

² Rebuttal testimony of Empire witness Aaron J. Doll, pages 7 and 8.

³ Rebuttal testimony of Staff witness Kimberly K. Bolin, page 7 line 15 through page 9 line 8.

⁴ Rebuttal testimony of Empire witness Aaron J. Doll, page 8, lines 5 through 13.

⁵ Rebuttal testimony of Brooke Mastrogiannis filed on March 3, 2020 in File No. ER-2019-0374 on pages 3 and 4.

1 the FAC are: 1) costs to transmit electric power it did not generate to its own load
2 (true purchased power); and, 2) costs to transmit excess electric power it is selling to third
3 parties to locations outside of SPP (off-system sales).”⁶

4 Section 386.266.1, RSMo states that the purpose of a FAC is to “reflect increases and
5 decreases in [Empire’s] prudently incurred fuel and purchased power costs, including
6 transportation.”⁷ Interpreting this clause, the Commission stated that it “limits the costs that
7 can be flowed through the FAC for recovery between rate cases. It allows for recovery of
8 transportation costs, which has been determined to include transmission costs, but such
9 transmission costs are limited to those connected to purchased power costs.”⁸

10 Empire is proposing to include SPP transmission costs that are not directly related to its
11 purchased power; however, Staff continues to propose that only transmission costs associated
12 with “true” purchased power and off-system sales, consistent with the statute and Commission
13 authority, be recovered in Empire’s Rider FAC.

14 Q. Do you want to comment on any modifications to Empire’s FAC that OPC
15 witness Lena M. Mantle is recommending?

16 A. Yes. Ms. Mantle recommends that Empire continue to submit its FAC quarterly
17 surveillance reports.⁹ Ms. Mantle also recommends that OPC and other parties receive notices
18 and be provided with a copy of the additional information from the reporting requirements

⁶ Commission Report and Order filed on June 24, 2015 in File No. ER-2014-0351 on page 29.

⁷ See also Commission Report and Order filed on April 29, 2015 in File No. ER-2014-0258 on page 115:

In fact, the policy underlying the FAC statute is clear on its face. The statute is meant to insulate the utility from unexpected and uncontrollable fluctuations in transportation costs of **purchased power**. [Emphasis added.]

⁸ Commission Report and Order filed on April 29, 2015 in File No. ER-2014-0258 on pages 114-115.

⁹ OPC witness Ms. Mantle’s rebuttal testimony filed on March 3, 2020, page 15 lines 7 through 23.

1 recommended by Staff in its Cost of Service Report.¹⁰ Staff does not oppose these
2 reporting requirements.

3 Q. Does this conclude your surrebuttal / true-up direct testimony?

4 A. Yes, it does.

¹⁰ OPC witness Ms. Mantle's rebuttal testimony filed on March 3, 2020, page 14 lines 14 and 15 and Staff's Cost of Service Report filed on January 15, 2020, page 99.

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 their oath declares that they are of sound mind and lawful age; that they contributed to the foregoing Surrebuttal/True-Up Direct Testimony; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

Further the Affiant sayeth not.

/s/ Brooke Mastrogiannis
BROOKE MASTROGIANNIS