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Witness: *Brooke Mastrogiannis*
Sponsoring Party: *MoPSC Staff*
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Case No.: *ER-2021-0312*
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MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

SURREBUTTAL TESTIMONY

OF

BROOKE MASTROGIANNIS

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

CASE NO. ER-2021-0312

Jefferson City, Missouri
January 2022

**** Denotes Confidential Information ****

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1 I will also respond to the Office of the Public Counsel (“OPC”) witness Lena Mantle’s
2 rebuttal testimony regarding:

3 1) including the benefits of Paygo and production tax credits (“PTCs”)
4 in Empire’s rate case revenue requirement with tracking mechanisms to
5 reconcile to actuals in Empire’s next rate case instead of as a benefit in
6 the FAC;

7 2) including the benefits of SPP energy market revenues Renewable
8 Energy Credits (“RECs”) in the FAC;

9 3) including OPC to receive notices and be provided with a copy of
10 additional reporting information along with deadlines for Empire’s
11 quarterly FAC surveillance reports; and

12 4) Ms. Mantle’s alternative proposal to modify Empire’s FAC so that
13 100% of the Market Protection Plan Mechanism (“MPPM”) costs and
14 revenues flow through the FAC, while the 5% incentive still applies to
15 the rest of the FAC costs and revenues.

16 Lastly, I will update schedule BMM-d1 I provided in my Direct Testimony, and this
17 updated schedule will now be BMM-s1.

18 **FAC TRANSMISSION EXPENSES AND REVENUES**

19 Q. Company witness Doll suggests again in his rebuttal testimony on page 12 that
20 Empire believes that 100% of its transmission costs should be eligible for recovery. Does Staff
21 continue to oppose the Company’s proposal to include 100% of both SPP and MISO
22 transmission expenses and revenues in the FAC?

1 A. Yes. As stated in my rebuttal testimony,¹ in regards to the Company’s proposal
2 to include 100% of SPP transmission costs and revenues in the FAC, in its *Report and Order*
3 issued in Case No. ER-2014-0370, the Commission stated,

4 The evidence shows in this case that on a daily basis, KCPL sells all of
5 the power it generates into the SPP market and purchases from SPP
6 100% of the electricity it sells to its retail customers. However, based on
7 the Commission’s analysis in the two cases cited above, it would not be
8 lawful for KCPL to recover all of its SPP transmission fees through the
9 FAC. In addition, while KCPL’s transmission costs are increasing, those
10 costs are known, measurable, and not unpredictable, so the costs are not
11 volatile. The Commission concludes that the appropriate transmission
12 costs to be included in the FAC are 1) costs to transmit electric power it
13 did not generate to its own load (true purchased power); and 2) costs to
14 transmit excess electric power it is selling to third parties to locations
15 outside of SPP (off-system sales).²

16 In addition to that case, the Commission concluded similarly on this issue in its findings
17 in Case Nos. ER-2014-0258,³ ER-2014-0351,⁴ and ER-2019-0374.⁵ Therefore, Staff’s position
18 is to continue including in the FAC only transmission costs consistent with what the
19 Commission has previously approved in all of the above mentioned *Report and Orders*.

20 **FAC COMPONENTS RELATED TO WIND MARKET REVENUES**

21 Q. What is the Company’s and Staff’s proposal for certain FAC components related
22 to wind market revenues?

23 A. Company witness Doll states on page 16 of his direct testimony that Empire
24 proposes to include the following additional sources of revenue and expense received in the
25 “market revenue calculation”: Paygo, tax equity distributions, PTCs, and RECs. Also,

¹ Brooke Mastrogiannis’ Rebuttal Testimony in ER-2021-0312, pages 2-6.

² *Report and Order*, ER-2014-0370, page. 35 (Sept. 2, 2015).

³ *Report and Order*, filed on April 29, 2015, page 115.

⁴ *Report and Order*, filed on June 24, 2015, page 29.

⁵ *Amended Report and Order*, filed on July 23, 2020, page 72.

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1 Company witness Todd Mooney states in his rebuttal testimony that the Company proposes that
2 the “market revenue,” which includes Paygo, be treated exactly as Empire treats the revenue
3 from the rest of its generation assets; that is, to include it in the Company’s FAC. Paygo is
4 directly related to generation levels and is variable in nature. Therefore, it can be included in
5 the Company’s FAC where customers can receive this additional revenue in between general
6 rate cases.⁶ Also, Staff included in Staff’s Direct COS Report, in Appendix 3, Schedule
7 BMM-d1, the included subaccounts for Paygo, tax equity distributions, PTCs, and RECs in the
8 FAC, which is aligned with what the Company proposed in Direct. Staff determined that it is
9 appropriate to include these since all of these revenue components are tied to Empire’s new
10 wind generation.

11 Furthermore, Mr. Mooney and Mr. Doll both state in their rebuttal testimony that the
12 Company is open to discussing the possibility of a tracker mechanism for the wind-related costs
13 and revenues, including Paygo.⁷

14 Q. Does OPC witness Mantle provide alternatives for some of these components?

15 A. Yes. Although Ms. Mantle states in her direct testimony, on page 25, lines 20-21,
16 that SPP market revenues and REC revenues should be included in Empire’s FAC with tracking
17 mechanisms to reconcile to actuals in Empire’s next rate case, she also states in her direct
18 testimony, on page 25, lines 17 -19, that estimated benefits of Paygo and PTCs should be
19 included in Empire’s rate case revenue requirement with tracking mechanisms to reconcile to
20 actuals in Empire’s next rate case.

⁶ Empire witness Todd Mooney’s Rebuttal Testimony, page 5.

⁷ Empire witness Todd Mooney’s Rebuttal Testimony page 5 and Empire witness Aaron Doll’s Rebuttal Testimony page 10.

1 Then, in rebuttal testimony, Ms. Mantle expanded on her direct testimony by stating
2 that the best way to ensure timely pass through of these benefits is to include a normalized
3 amount of revenue for them in Empire’s revenue requirement and then track the difference. If
4 the normalized amount is accurate, then there should be little variation and any additional
5 benefits can be provided to customers in Empire’s next general rate case.⁸

6 Q. What is Staff’s opinion of Ms. Mantle’s expanded proposal?

7 A. Staff’s opinion is that the Paygo, tax equity distributions, PTCs, and RECs
8 should be included in the FAC because they are related to the new wind generation and
9 the revenues will be refunded to customers more quickly. However, Staff agrees that
10 OPC’s proposal is another option for customers to receive those benefits in Empire’s next
11 general rate case. If the Commission accepts OPC’s position, Staff recommends the net wind
12 revenue definition in the Company’s FAC tariff sheets detail the inclusion or exclusion of the
13 above-mentioned components, along with an update to the list of subaccounts to be included
14 and excluded in the FAC. Additionally, the FAC base factor would need to be updated
15 accordingly.

16 Q. What is Ms. Mantle’s proposal for SPP energy market revenues and
17 REC revenues?

18 A. Ms. Mantle proposes that revenues from the SPP energy market should be
19 treated exactly as Empire treats its SPP market revenue from the rest of its generation. Also,
20 revenue from the sale of RECs should be included in the FAC, just as the revenue from the sale
21 of RECs from Empire’s two wind PPAs are included in its FAC.⁹ Ms. Mantle also states that

⁸ OPC witness Lena Mantle’s Rebuttal Testimony, page 58.

⁹ OPC witness Lena Mantle’s Rebuttal Testimony, page 56.

1 the price per REC for the three wind farms Empire is *** [REDACTED] ***, she instead
2 implies that this seems extremely low and it should be in the range of \$1 to \$8 per REC.¹⁰

3 Q. Does Staff agree with Ms. Mantle's SPP energy market and REC revenues?

4 A. Yes, Staff already included both sources of revenue in the base factor
5 calculation provided on November 17, 2021. Furthermore, Empire has recently provided
6 Staff an average price per REC in Data Request Response No. 0390, which is approximately
7 ** [REDACTED] **. As such, Staff recommends Empire update its REC revenue calculation
8 for the three wind farms accordingly. Then, Staff recommends the FAC base factor be updated
9 accordingly.

10 Q. What is Ms. Mantle's position on the interplay between the MPPM and the
11 FAC costs and revenues?

12 A. As stated in Ms. Mantle's rebuttal testimony, because of the way the FAC 95/5%
13 incentive mechanism is set up, Empire would be required to track the differences in the total
14 MPPM costs and revenues and what flows through the FAC. Ms. Mantle then states regulatory
15 assets and liabilities for each of the costs and revenues would have to be applied in the next rate
16 case to assure both customers and shareholders that all revenues are received by the customers
17 and all costs are paid by the customers. With that being said, her alternative proposal is to
18 modify Empire's FAC so that 100% of the MPPM costs and revenues flow through the FAC,
19 while the 5% incentive still applies to the rest of the FAC costs and revenues.¹¹

20 Q. Does Staff support OPC's alternative proposal?

¹⁰ OPC witness Lena Mantle's Rebuttal Testimony, page 59.

¹¹ OPC witness Lena Mantle's Rebuttal Testimony, page 47.

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1 A. No. Staff is unclear what implications Ms. Mantle’s alternative proposal
2 would have on Empire’s FAC and Fuel Adjustment Rate (“FAR”) calculation. It is Staff’s
3 understanding that Ms. Mantle’s alternative proposal would allow for 100% of the MPPM costs
4 and revenues to flow through the FAC, while the “5% incentive,” as mentioned above, still
5 applies to the rest of the FAC costs and revenues. However, line 1 of tariff sheet 17q, is 100%
6 of Total Energy Cost (“TEC”), which under Ms. Mantle’s alternative proposal would include
7 100% of the MPPM costs and revenues, but the 95% adjustment is applied on line 7 to the TEC,
8 after subtracting out the net base energy costs and applying the Missouri jurisdictional factor,
9 therefore inherently adjusting the MPPM costs and revenues 95%. It seems that Ms. Mantle’s
10 alternative proposal would require additional line items in tariff sheet 17q, complicating that
11 tariff sheet and the FAR calculations even further.

12 Q. Is Staff updating its Schedule BMM-d1 from Direct Testimony?

13 A. Yes. Attached as Schedule BMM-s1 is an updated Schedule of the subaccounts
14 to be included and excluded in the FAC. Specifically, Staff is now excluding the wind hedges
15 subaccount from the FAC.

16 Q. Why is Staff making this change to this Schedule?

17 A. Since the filing of my direct testimony, Staff has learned after reading the
18 rebuttal testimony of Ms. Mantle that the hedge payments are a condition of Empire’s contract
19 with the tax equity partners to assure a certain revenue for each MWh. As a condition of its
20 contract with its tax equity partners, Empire will be making a payment for every MWh of
21 generation to assure a certain revenue for each MWh. Therefore, these payments are a price
22 hedge for the tax equity partners and provide no benefit to its customers.¹²

¹² OPC witness Lena Mantle’s Rebuttal Testimony, page 50.

1 The FAC tariff sheets currently describe hedging as, “Hedging costs are defined as
2 realized losses and costs (including broker commission fees and margins) minus realized gains
3 associated with mitigating volatility in the Company’s cost of fuel, fuel additives, fuel
4 transportation, emission allowances and purchased power costs, including but not limited to,
5 the Company’s use of derivatives whether over-the-counter or exchanged trading including,
6 without limitation, futures or forward contracts, puts, calls, caps, floors, collars and swaps.”
7 Staff’s understanding is that these new wind hedges would not be mitigating volatility in the
8 Company’s cost of fuel, fuel additives, fuel transportation, emission allowances, and purchased
9 power costs. As a renewable generation resource, the wind projects should not cause costs to
10 be incurred for fuel, fuel additives, fuel transportation, emission allowances, or purchased
11 power costs. Therefore, the hedge agreements associated with the projects do not mitigate
12 volatility of the cost categories included in the tariffed hedging definition. Furthermore, in
13 contrast to the other types of fuel hedging activities, the wind project hedges will not result in
14 realized gains from mitigating the ascribed volatility. Instead, it is only mitigating volatility
15 for their tax equity partner. Based on this new understanding of the wind hedges, it is
16 Staff’s opinion that these type of hedges are not includable in the FAC as it is stated in the
17 FAC tariff sheets.

18 **OPC OTHER FAC CHANGES**

19 Q. What does OPC witness Mantle recommend for the FAC reporting requirements
20 in her rebuttal testimony?

21 A. Ms. Mantle recommends on page 62 of her rebuttal testimony that the OPC and
22 other parties to this case should also receive the notices and be provided with a copy of this

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1 additional reported information. She also recommends that the Commission set a deadline for
2 the quarterly FAC surveillance reports. The deadlines she recommends¹³ are as follows:

3	<u>Quarter Ending:</u>	<u>Submission deadline:</u>
4	March 31	End of May
5	June 30	End of August
6	September 30	End of November
7	December 31	End of February

8 Q. Does Staff agree with Ms. Mantle's proposals?

9 A. Yes.

10 Q. Does this conclude your surrebuttal testimony?

11 A. Yes, it does.

¹³ OPC witness Lena Mantle's Rebuttal Testimony, page 62.

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) Case No. ER-2021-0312
Authority to File 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 *Surrebuttal Testimony of Brooke Mastrogiannis*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Brooke Mastrogiannis
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 7th day of January, 2022.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377

Dianna L. Vaught
Notary Public

List of Sub-Accounts Included and Excluded for FAC

<u>GL</u>	<u>Descriptions</u>	<u>GL</u>	<u>Descriptions</u>	<u>GL</u>	<u>Descriptions</u>
501	<u>Included:</u>	506	<u>Included:</u>	555	<u>Included:</u>
501042	Fuel -Coal	506127	Limestone Expense -Iatan	555430	Direct Purchases
501045	Fuel -Oil	506128	Powdered Activated Carbon	555431	Purchase Power Tolling Fees
501054	Fuel -Natural Gas	506129	Ammonia Expense	555432	Energy Imbalance
501183	Sales Of Ash	506201	Limestone Expense	555437	Interrupt Svc Compensation
501211	Ineffect (Gain)Loss Deri Steam	506202	Ammonia Expense	555800	DA Asset Energy
501212	Effective (Gn)Lss Deriv Steam	506203	Powdered Activated Carbon	555810	DA Non-Asset Energy
501216	NonFAS133Deriv(Gain)/LossSteam	506204	Lime Expense	555820	DA Virtual Energy
501300	Fuel -Tires			555840	DA Reg-Up
501401	Ops Mtls-Fuel Handling	548	<u>Included:</u>	555850	DA Reg-Down
501607	Fuel Adm E Trader Commission	548202	Ammonia Expense	555860	DA Spinning
				555870	DA Supplemental
501	<u>Excluded:</u>	447	<u>Included:</u>	555880	DA Other PP Expense
501011	Conv & Seminar-Fuel	447113	Gen Ark Off-Sys Sale-Resale	555900	RT Asset Energy
501400	Ops Labor-Fuel Handling	447124	Gen Ks Off-System Sale-Resale	555910	RT Non-Asset Energy
501601	Fuel Administration -Asbury	447133	Gen Mo Off-Sys Sale-Resale	555920	RT Virtual Energy
501604	Fuel Administration -Riverton	447143	Gen Ok Off-Sys Sales-Resale	555940	RT Reg-Up
501605	Fuel Administration Plum Point	447810	SPP IM Revenue -AR	555950	RT Reg-Down
		447820	SPP IM Revenue -KS	555960	RT Spinning
547	<u>Included:</u>	447830	SPP IM Revenue -MO	555970	RT Supplemental
547205	Natural Gas SLCC Tolling	447840	SPP IM Revenue -OK	555980	RT Other PP Expense
547206	Nat Gas-Tolling SLCC Ineffectiv	447850	SPP IM Revenue	555999	Purchased Power - Net Metering [*]
547207	Nat Gas-Tolling SLCC Effective	447860	Bilateral/Off Line Aux Revenue		
547208	Comb Turb Fuel Sales -Nat Gas	447851	MJMEUC Revenue [#]	555	<u>Included:</u>
547210	Combust Turb Fuel Natural Gas	447861	MJMEUC FAC Revenue Excluding Long-Term	555990	TCR Activity
547211	Ineffect (Gain)Loss Deriv Gas			555995	ARR Activity
547212	Effective (Gain)Loss Deriv Gas	447	<u>Excluded:</u>		
547213	Fuel -No 2 Oil Fuel	447430	Aec -Off-Sys-Missouri		
547301	NonFAS133 Deriv (Gain)/Loss	447540	Oklahoma G R D A Off-System	555501	Wind Hedge - (Gain)/Loss [*] Replaces 547302
547302	Wind Hedge (Gain)/Loss [*] DELETE	447610	Energy Imbalance -Arkansas	555502	Wind Hedge Stub Period- (Gain)/Loss [*]
547607	Fuel Adm E Traders Commission	447620	Energy Imbalance -Kansas		
		447861	MJMEUC FAC Revenue Long-Term Capacity Only [#]	565	<u>Included:</u>
547	<u>Excluded:</u>	447630	Energy Imbalance -Missouri	565413	Trans Of Electricity By Others
547605	Fuel Adm State Line	447640	Energy Imbalance -Oklahoma	565414	SPP Fixed Chg -Native Load Exclude S1-A
547606	Fuel Adm Energy Center			565416	Non SPP Fixed Chg -Native Load
547210	Natural Gas Fixed Transportation and Fixed Storage	457	<u>Excluded:</u>	565417	PP Non SPP Var -Native Load
		457137	Ot EI RvOffSys LTFSTF PTP Trms [@]	565418	Gen Non SPP Var -Native Load
409	<u>Included:</u>	457138	Ot EI RvOffSys NnFrm PTP Trms [@]	565419	Off Sys Sales Trans Costs
409115	Prov-Red Inc-PTC[*]	457141	Sch 11 NITS [@]		
		457142	Sch 11 PTP [@]	565	<u>Excluded:</u>
411	<u>Included:</u>	457160	Sch 1 PTP [@]	565414	SPP Schedule 1-A only [@]
411800	Gains-Disposition Emmiss Allow			565415	SPP Var Chg Schedule 12 [@]
509	<u>Included:</u>	457	<u>Excluded:</u>	575	<u>Excluded:</u>
509052	Emission Allowance Exp	457131	Oth EI Rev-Sched Sys Ctrl&Disp	575700	IM Market Facilitation, Monitor [*] [@]
		457139	Ot EI RvOffSys NITS Rev		
		457140	Oth EI Rev-Off-Sys Losses		
				456	<u>Included:</u>
				456071	Misc Elec Rev-Green Credits-AR
				456072	Misc Elec Rev-Green Credits-KS
				456073	Misc Elec Rev-Green Credits-MO
				456074	Misc Elec Rev-Green Credits-OK
				456075	REC Revenue
				456210	REC Revenue - Wind [*]
				456230	PTC Revenue - Wind [*]
				456250	Misc Revenue - Wind [*]
				456260	Wind - PAYGO - FAC [*]
				456270	Wind - Partner Contribution/Distributions - FAC [*]

Footnotes: [*] indicates new proposed account.
 [#] indicates account previously excluded from FAC.
 [@] indicates account Empire proposed to include and Staff proposes to keep excluded