

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of The Empire District Electric Company’s)
Request for Authority to Implement Rate Adjustments) Case No. ER-2020-0311
Related to the Company’s Fuel and Purchased Power)
Adjustment (“FAC”) Required by 20 CSR 4240-20.090)

RESPONSE TO COMMISSION ORDER

COMES NOW The Empire District Electric Company, a Liberty Utilities company (“Liberty-Empire” or “Company”), and for its Response to Commission Order, respectfully states as follows to the Missouri Public Service Commission (“Commission”):

1. On May 11, 2020, the Office of the Public Counsel (“OPC”) filed its Response to Staff Recommendation challenging the findings and recommendation of the Staff and disputing the accuracy of the Company’s proposed tariff sheet.

2. In its Response, OPC states: “Empire’s proposed tariff sheet 8th Revised Sheet No. 17ac includes and permits FAC recovery for coal inventory adjustments related to the retirement of the Asbury generating facility. Coal inventory adjustments are not included in the definition of Fuel Costs Incurred to Support Sales found on Original Sheet 17v of Empire’s tariff P.S.C. Mo. No. 5, Section 4. Therefore, these costs are not permissible for recovery under Empire’s FAC.” In its Memorandum attached to its Response, OPC states: “Staff did not reduce Empire’s request by costs associated with Asbury after the plant had been permanently shut down” and that “the journal entry to remove the cost of the contaminated, non-burnable coal from the inventory at the Asbury plant was not a cost incurred to support sales.”

3. The inventory adjustment challenged by OPC was properly recorded in account 501042 (Exhibit A), and this account was specifically designated as an eligible expense account for the FAC in the Company’s last general rate proceeding (Exhibit B). OPC’s challenge is not based on

the actual FAC language. Instead, it is based on OPC's continued misstatements regarding the date the Asbury plant was removed from operations. The Asbury plant was de-designated from the market at the end of the day on March 1, 2020. Until that date, the plant was in service. In fact, after March 1, 2020, and continuing to the present, parts of the facility remain in service – they are just supporting other aspects of the Company's operations instead of the operation of the Asbury plant as a coal-fired generating unit. OPC, however, asserts that "(a)ny FAC cost attributed to Asbury after December 12, 2019 should be removed from the calculations."

4. The Company was aware that a portion of the coal inventory would likely be unrecoverable from initial construction, but was unable to determine the exact quantity at that time. "Receiving, transferring, storing, using and measuring coal pile inventory levels is an inexact science. While every effort is made to accurately measure and report inventory levels, there are many factors that can and do influence coal inventory values over time. One such factor of inventory valuation concerns the base mat . . . There is no reliable method to determine the exact quantity of coal that is unrecoverable until all the recoverable coal is consumed." Exhibit C (Company Response to Staff DR 1).

5. The Company's data request response (Exhibit C) discusses many of the factors that contribute to the necessity for normal and recurring coal inventory adjustments. This list is not exhaustive, but it represents samples of the major factors that impact the accounting of coal inventories and provides an understanding of why inventory adjustments are necessary and frequent in nature.

6. The coal inventory adjustment challenged by OPC simply reconciled costs to accurately reflect that a quantity of zero tons of recoverable coal inventory existed as of December 31, 2019. These types of coal inventory adjustments are normal and recurring adjustments required

for the Company to remain in compliance with GAAP accounting (Exhibit C), and, as noted, the inventory adjustment was properly recorded to an eligible expense account for the FAC (Exhibits A and B). As such, the proposed tariff sheet, 8th Revised Sheet No. 17ac, should be approved.

WHEREFORE, Liberty-Empire presents this Response to Commission Order and requests such relief as is just and proper under the circumstances.

Respectfully submitted,

/s/ Diana C. Carter

Diana C. Carter MBE #50527

428 E. Capitol Ave., Suite 303

Jefferson City, Missouri 65101

Joplin Office Phone: (417) 626-5976

Cell Phone: (573) 289-1961

E-Mail: Diana.Carter@LibertyUtilities.com

CERTIFICATE OF SERVICE

I hereby certify that the above document was filed in EFIS on this 17th day of May, 2020, with notice of the same sent to all counsel of record.

/s/ Diana C. Carter