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

EMPIRE'S STATEMENT OF POSITIONS

COMES NOW The Empire District Electric Company d/b/a Liberty ("Empire" or the "Company") and, using the issues as set forth in the Amended List of Issues filed herein on January 28, 2022, presents Empire's Statement of Positions. In this regard, Empire respectfully states as follows to the Missouri Public Service Commission ("Commission"):

Issue No. 2. - Voltage Optimization Study:

(a) Should the Commission order Empire to issue a request for proposals for an independent, third-party consultant to conduct a study in calendar year 2022 of its distribution system designed to gauge the costs and benefits of a voltage optimization program in Empire's service territory?

(b) Should Empire be ordered to select a consultant based on ranked majority voting from Empire, Staff and OPC to have the cost/benefit study performed?

(c) Should Empire be ordered to file the cost/benefit study in Empire's PISA docket with a target date on or before December 31, 2022?

Empire's Position: No, as there is no indication that such a study is needed at this time. The Company is always happy to work with the Office of the Public Counsel ("OPC") and other interested stakeholders and agrees to discuss, specifically, whether a voltage optimization study is needed. Empire recently implemented advanced metering infrastructure ("AMI"), leading to a multitude of customer benefits. Through the analysis of the new AMI data, new initiatives, which could potentially include a voltage optimization study, will be prioritized based on value, need, and potential benefits.

Jeff Westfall Surrebuttal Testimony ("Surr."), pp. 2-3.

Issue No. 3 - Reliability Reporting: Should the Commission order Empire to report additional details of its reliability investment programs?

Empire's Position: Empire will continue to invest in reliability programs to further improve reliability, system operability, and safety. This issue has been resolved by Empire and the Staff of the Commission ("Staff") and will be addressed in a second stipulation.

Westfall Surr., pp. 3-4.

Issue No. 4 – PISA:

(a) Should the Commission order Empire to file cost-benefit analyses for investments greater than $1 million and outcome-based objective metrics (benchmarks) that include both baseline and target metrics in Case No. EO-2019-0046 by the end of the calendar year 2022?
(b) If so, should Empire be ordered to meet with interested parties to discuss the parameters and assumptions surrounding the filing at least twice leading up to the filing?
(c) Should Empire be ordered to update the studies and metrics on an annual basis as long as PISA is in place for Empire?

Empire's Position: No, although Empire would be happy to continue to discuss this issue with OPC and other interested stakeholders and would be happy to participate in a workshop or rulemaking proceeding on this issue. The directives being requested by OPC are not appropriate for this general rate proceeding, and the terms of these requested directives (such as "outcome-based objective metrics") have not been properly defined.

Issue No. 5 - Project Guardian:

(a) Should the Commission order Empire to meet with Staff and OPC on Project Guardian?
(b) Should the Commission order Empire to meet with Staff and OPC on all other "pilots" the Company is currently running or plans to run.

Empire's Position: (a) Yes, Empire agrees to meet with Staff and OPC on Project Guardian. (b) No. Although Empire is always happy to work with the OPC and other interested stakeholders on relevant issues, it would be inappropriate for the Commission to issue the requested directive.

Chad Hook Direct, pp. 13-15; Hook Surr., pp.6-8.

Issue No. 6 - Empire's Emergency Conservation Plan: Should Empire's Emergency Conservation Plan be modified to trigger phase I of the plan when SPP wholesale market energy prices reach $500/MWh ($0.50/kWh) and phase II when SPP wholesale market energy prices reach $1000/MWh ($1.00/kWh)?

Empire's Position: This issue was raised for the first time in surrebuttal testimony. Thus, Empire has not had the opportunity to respond in testimony. Having said this, the issue as identified is an extremely significant, far reaching policy issue. It is an issue that is not specific to Empire. It is an industry-wide issue as to when power that is used for many purposes, to include basic space heating, should be cut.

While a significant and important question, it is a question far beyond the purposes of a general rate case in general, and this rate case in specific.

Issue No. 7 - Value of Lost Load Study: Should Empire be required to engage with interested stakeholders at least twice for input regarding the scope, methodology, questions and goals of a value of lost load study to be conducted in calendar year 2022 before the cold weather season by an independent third party retained by Empire for purposes of recommending changes to Empire's Emergency Conservation Plan embodied in its tariff?

Empire's Position: This issue was raised for the first time in surrebuttal testimony. Thus, Empire has not had the opportunity to respond in testimony. The response to issue 6 above is equally applicable to this issue.

This concerns an extremely significant, far-reaching policy issue. It is an issue that is not specific to Empire. It is an industry-wide issue as to when power that is used for many purposes, to include basic space heating, should be cut. While a significant and important question, it is a question far beyond the purposes of a general rate case. The study should not be specific to Empire, nor the costs borne by Empire.

Issue No. 8 - Low-Income Programs:

(a) Should the LIPP continue?
(b) If so, what, if any, modifications should be made?

Empire's Position: Yes, Empire's LIPP should continue. Existing funding of $250,000 is sufficient to accommodate 1,000 customers per year under the proposed structure. Empire supports an additional $250,000 shareholder contribution to double participation from the current cap.

Empire also recommends modifications to make it easier for limited income customers to remain enrolled in LIPP, including waiving the payment requirement to stay current within 60 days of bill date. Additionally, Empire recommends increasing the discount to two times the customer charge during the peak heating months of December through February and cooling months of June through August.

(c) Should the Commission order Empire to implement a Keeping Current and Keeping Kool-like bill assistance program?
(d) If so, should the Commission order Empire to provide shareholder funding of $750,000 annually?

Empire's Position: No. For several reasons, including less program complexity, lower administrative cost, and the ability to help a larger number of customers relative to the customer and shareholder investments, Empire believes its current LIPP is more appropriate.

(e) Should the Commission order Empire to create a Critical Needs Program consistent with the Critical Needs Program the Commission approved in Case Nos: GR-2021-0108 and ER-2021-0240?
(f) If so, should the Commission order annual funding of $200,000, with funding split 50/50 between customers and shareholders, and with unspent funding allocated to Empire's bill assistance program?

Empire's Position: Empire agrees the Critical Needs Program has significant merit to ensure CAAs are able to hire and train implementors to process federal and other funds for the benefit of low-income customers. With cold weather, higher fuel prices, and inflation on the rise, Empire supports the administration of a $100,000 customer funded program with possible future shareholder contributions dependent on the success of the program pilot.

(g) Should the Commission order Empire to fund a one-time independent 3rd party needs assessment study that should not exceed $100,000 in funding from Empire's bill assistance program.

Empire's Position: In the event LIPP funding is not fully utilized, Empire would commission a one-time needs assessment study with available capital to continue the refinement of its low-income program(s).

Jon Harrison Direct Testimony ("Dir."), pp. 18-21; Harrison Rebuttal Testimony ("Reb."), pp. 10-12; Harrison Surrebuttal Testimony ("Surr."), pp. 4-7.

9. **Late Fee**: Should Empire's late fee be reduced from 0.5% to 0.25%?

Empire's Position: No. Empire supports late fees that encourage timely payment. While late fees may have a small impact on limited income customers, late fee avoidance also prompts higher wage earners to pay on time – which has an important impact on working capital and bad debt expense. Empire's late fee charge is appropriate in comparison to other utilities' fees, including the Ameren Missouri late fee which, pursuant to agreement with OPC, is being reduced from 1.5% to 1%.

Harrison Reb., pp. 12-13.

10. **Low-Income Weatherization Program ("LIWAP")**

(a) Should the budget for the LIWAP program be increased by $500,000?
(b) If so, should Empire be ordered to provide shareholder funding for this amount?

Empire's Position: No. Such a dramatic increase in funding does not appear to be appropriate, given that the community action agencies ("CAAs") have neither utilized nor overspent their budgets in previous years. Additionally, Empire does not believe additional dollars on this program would be the best use of shareholder funds in support of Empire's limited income customers.

(c) Should the Commission order Empire to give the three agencies—Economic Security Corporation, Ozark Area Community Action Corporation, and West Central Missouri Community Action Agency—more discretion in how they may utilize funds from Empire?

Empire's Position: Empire would be happy to discuss with OPC and the CAAs new parameters for the use of funds, including an agreement to allow more discretion on the part of the CAAs.

(d) Should the Commission order Empire's Annual Low-Income meetings to continue to occur?

Empire's Position: Empire supports this request by OPC.

Nate Hackney Dir., p. 6; Hackney Reb., p. 3; Hackney Surr., p. 2.

11. **J.D. Power Customer Satisfaction Reports:** Should Empire be required to file its future annual company-specific J.D. Power Reports (not just the scores) in this docket together with memoranda that detail how Empire is improving its relationships with its customers in light of the J.D. Power Report scores of Empire relative to its peers, as well as its relative rank across the United States, and specifically as it pertains to its cost of service.

Empire's Position: Empire should not be required to file with the Commission future J.D. Power reports on Empire's scores and how its rates compare to those of other utilities. There is no evidence in this case of ongoing concerns about Empire's service to its customers, and as detailed in Mr. Harrison's testimony, Empire is in compliance with the Commission's billing rules. Mr. Wilson's testimony demonstrates that rate comparisons are highly specific by customer class and utility size and that conducting the rate comparison sought by OPC is not an "apples to apples" comparison. To require this ongoing reporting is unnecessary and unduly burdensome.

Harrison Reb., pp. 3-9;
Timothy Wilson Reb., pp. 4-5.

12. Billing

(a) Should the Commission order Empire to meet with Staff and OPC at least twice before its next rate case regarding input on the feasibility of future bill revisions with the intent to update the bill's contents in a cost-effective and customer informative manner moving forward?

(b) Should Empire be ordered to update its bill and its website with the following information within one month (or sooner) of rates going into effect in this case?

- Provide a link to the SAFHR website https://www.mohousingresources.com/safhr and not the Company's website;
- Include some supporting messaging containing relevant information (i.e., what it is, how one can participate, etc.) regarding Project Help;
- Include language containing contact information regarding Low-Income Weatherization Assistance Program ("LIWAP") enrollment; and
- Add language that directs further billing questions to a hyperlink to the Company's website which provides an FAQ of greater billing detail (e.g., this is what a MEEIA surcharge is, this is what the FAC is, what do TOU rates mean, etc.).

Empire's Position: This issue has been resolved by Empire and OPC and will be addressed in a second stipulation.

Jon Harrison Dir., p.14.

13. Charitable Contributions

(a) Should the Commission disallow [an amount] from Empire's revenue requirement for an alleged failure for the past five years to comply with the minimum charitable donations Empire agreed to and the Commission ordered it to do?
(b) Should the Commission order Empire to remove the statement on its website about the $500,000 level of funding customers received from Liberty for COVID-19 relief?

Empire's Position: (a) No. Empire has fully complied with the charitable donations provision of the merger stipulation. (b) No. This decision should be left to the discretion of Empire's management.

Jon Harrison Reb., pp. 2-3.

14. Rate Base Issue: What are the appropriate Cash Working Capital expense lag days for Asbury?

Empire's Position: This issue was raised for the first time in surrebuttal testimony. Thus, Empire has not had the opportunity to respond in testimony. However, the Cash Working Capital component of the Accounting Authority Order was authorized in case number ER-2019-0374.

15. Income Statement Issue: Should credit rating agency fees in the amount of $431,779 be included in the cost of service?

Empire's Position: Credit agency fees were paid by Empire during the test year and should be included in Empire's cost of service. Empire Witness Emery's Surrebuttal Schedule CTE-15 is the Company's Supplemental Data Request response to OPC DR 3035 and which provides the general ledger details supporting the prudently incurred Credit Agency Fees Empire directly paid during the test year.

Charlotte Emery Surr., p. 7.

Issue No. 16 - Wind Projects:

(a) Should rate base be reduced based on test generation wind revenue?

Empire's Position: No. Empire negotiated a provision in the Purchase Sale Agreements calling for a "Tax Benefit Adjustment Amount" to compensate Empire for the 10 lost economic value resulting from Empire's closing of the purchase transaction for the Wind Projects at a later date than the projects started earning PTCs or operating profits.

This lost economic value consists of two items: (1) the Net Present Value ("NPV") of lost operating profits (i.e. revenues less operating expenses) over the 30 year useful life of the Wind Projects; and (2) the NPV of lost Production Tax Credits ("PTCs") over the 10 year PTC eligibility period. The lost economic value of these two items is offset by a third factor: (3) the increase to the economic value of the projects to Empire caused by the later timing of Empire's cash outlay to make the investments in the Wind Projects (all else being equal, an investment made at a later point in time increases the NPV of that investment).

In accordance with the purchase agreements associated with the Wind Projects, there was a reduction of the purchase price of the Wind Projects based on that economic value and, therefore, the rate base associated with the Wind Projects was in turn reduced. OPC proposes a rate base reduction of $2,844,543.

Todd Mooney Reb., pp. 6-7; Mooney Surr., pp. 6-8.

(b) Should the amount of the rate base addition of the wind projects include reductions by the net revenues, RECs, and PTCs generated by the wind projects (including for test power) until the date new rates from this case become effective?

Empire's Position: Empire has responded to the issue raised by OPC in Issue 16(a) above and explains that the "Tax benefit Adjustment Amount" did result in a reduction of the purchase price, and as a result rate base, prior to Empire's purchase of the projects. This issue of a reduction related to the list in this issue, for a period extending to the date rates become effective, was raised by OPC for the first time in surrebuttal testimony and Empire has not been given an opportunity to respond in testimony. However, Empire states generally that there is no support for a rate base reduction based on amounts received by utility after its in-service date and doing so would be a violation of Empire's tariffs and constitute retroactive ratemaking.

(c) Should the amount of the rate base addition of the wind projects include reductions for the payments to Tenaska pursuant to the Purchase and Sale Agreement when it elected to terminate its role as contractor for two of the wind projects?

Empire's Position: No. The purchase price that Empire paid for the Kings Point and North Fork Ridge Wind Projects **did not change** due to the exit fees paid to Tenaska by LUCo. Hence, Empire's customers are not bearing this cost and there is no justification for a reduction to rate base.

Todd Mooney Surr., pp. 9-10.

(d) Should the Commission order Empire District Electric Company to provide additional information regarding the **[redacted]** of the Neosho Ridge wind farm?

Empire's Position: This issue has been resolved by Empire and the Staff of the Commission ("Staff") and will be addressed in a second stipulation.

17. PAYGO

(a) Should Paygo be included as an FAC revenue?

Empire's Position: Yes. PAYGO should be included in the FAC as that will allow customers to receive the benefit of the PAYGO revenues in the most timely fashion.

(b) Should Paygo be included in the general revenue requirement?

Empire's Position: If the Commission decides that the PAYGO revenues should not be included in the FAC, then the revenues should be included in the revenue requirement, and ongoing levels tracked against the amount included in the revenue requirement.

(c) Should an estimated amount of Paygo be included in revenue requirement and the balance tracked and adjusted in the next general rate case?

Empire's Position: See the response to 17(b) above. The difference between the amount included in the revenue requirement and the OPC position is an additional $4,000,000 be included.

Todd Mooney Reb., pp. 4-6;
Aaron Doll Dir., pp. 15-16; Doll Reb., p. 10;
Tisha Sanderson Surr., pp. 3-4.

18. Market Price Protection Mechanism ("MPPM")

(a) Is it necessary and appropriate for the Commission to make changes to the MPPM in this case?

Empire's Position: No. The MPPM, as it is currently designed, was a result of negotiations between multiple parties to reach a protection mechanism that was reasonable to all involved and was ultimately ordered by the Commission in Case No. EA-2019-0010. While some inputs have changed, there have been no significant changes to the MPPM and it will operate as intended. Hence, there is no basis to set aside or change what the Commission ordered in Case No. EA-2019-0010.

Moreover, the Commission ruled that "the mechanism shall go into effect on the first day of the month after the effective date of rates in which a wind project is first placed into rates and shall remain in effect for 10 years following the effective date for rates resulting from the first general rate case in which all wind projects are included in rates." (Case No. EA-2019-0010, Report and Order, p. 59). Thus, the ten years of the MPPM will only start with the conclusion of this case. We only know marginally more today than we did at the time the Commission ordered the MPPM in Case No. EA-2019-0010. There is no need to make fundamental changes at this time.

(b) If so,

i. Should the rate base revenue requirement component remain formulaic or only change with the effective dates of new rates?

Empire's Position: As stated above, no changes should be made to the MPPM at this time. However, if the Commission wants to clarify any items, Empire believes it is appropriate to clarify that the rate base should not be formulaic and decreasing every single year, if Empire's customers' base rates are not changing every year. Therefore, it would be appropriate for the rate base for the wind projects to be updated at the conclusion of each general rate case.

ii. What costs should be included?

Empire's Position: Operational costs directly related to wind project operations.

iii. What revenues should be included?

Empire's Position: As stated above, no changes should be made to the MPPM at this time. However, if the Commission wants to clarify any items, Empire believes it is appropriate to clarify revenues as follows:

The value of RECs was not explicitly identified in the MPPM. However, the value of RECs has significantly increased since 2019. Given that Empire is proposing to return the value of RECs to customers, and that they are now expected to represent significant value, it is appropriate to include them in the calculation of the MPPM.

Similarly, the value of 1% of the PTCs that are allocated to Empire was not explicitly identified in the MPPM. However, consistent with the proposed treatment of RECs, PTCs earned by Empire benefit customers and should be included in the calculation of the MPPM.

iv. How should the PPA replacement value be calculated?

Empire's Position: As stated above, no changes should be made to the MPPM at this time. However, if the Commission decides to change the calculation of the PPA replacement value, it should be mindful that this item is designed to recognize the value provided by the new wind projects related to Empire's renewable requirements. However, knowing that the renewable requirement for the Company may change over the course of the next decade, the Company some additional specificity may be beneficial. As such, the Company foresees that the PPA replacement would reflect the greater of the generation replacement for the PPA wind farms or the amount of MWh needed for compliance of Missouri's retail load to any renewable standards over the duration of the MPPM.

v. When should a jurisdictional allocation factor be applied?

Empire's Position: The factor should be applied at the end of the ten year period, as shown in the examples.

vi. Should the MPPM include interest on the cumulative costs/gains?

Empire's Position: No. No provision for interest is currently found in the MPPM.

vii. If the cumulative value at the end of ten years is a net cost, how should the net cost be shared between customers and Empire?

Empire's Position: There are too many unknowns related to whatever cumulative value may exist over ten years from now to address this in any greater detail than is currently reflected in the MPPM.

(c) How should the components in Empire's MPPM be tracked?

Empire's Position: The Company will produce a calculation annually based on the MPPM formula and record any regulatory asset/liability that results from the calculation. In addition to tracking the Annual Savings Value annually, the Company will make the information, and supporting documentation, available to the parties.

Aaron Doll Reb. pp. 9-10; Doll Sur., p. 5;
Todd Mooney Reb., pp. 2-4; Mooney Sur., pp. 10-14;
Tisha Sanderson Dir., pp. 12-14; Sanderson Reb., p. 12.

19. Fuel Adjustment Clause ("FAC")

(a) Should the revised FAC subaccount testimony schedule submitted by Empire be adopted?

Empire's Position: Yes. These subaccounts address the specific accounting classifications for Empire's new Wind Projects. The revisions are related to account classifications only and do not impact the Company's requested revenue requirement and/or the Company's proposed FAC base.

Charlotte Emery Reb., pp. 1-2.

(b) Which FERC subaccounts, if any, should be added to Empire's FAC?

Empire's Position: The included subaccounts are found in Empire witness Emery's Rebuttal testimony at Rebuttal Schedule CTE-1.

Charlotte Emery Reb., Sched. CTE-1.

(c) Which FERC subaccounts, if any, should be removed from Empire's FAC?

Empire's Position: The excluded subaccounts are found in Empire witness Emery's Rebuttal testimony at Rebuttal Schedule CTE-1.

Charlotte Emery Reb., Sched. CTE-1.

(d) What should be included in the FAC base factor for this case?

Empire's Position: The FAC base factor for this case should be $11.66/MWh.

Todd Tarter Dir., all; Tarter Sur., pp. 3-4.

(e) What is the percentage of SPP and MISO transmission expense that should be recovered through the FAC?

Empire's Position: Empire believes that 100% of the transmission costs should be eligible for recovery. In the alternative, the Commission should establish a tracker for transmission expenses not allowed to flow through fuel.

Aaron Doll Dir., pp. 21-29; Doll Reb., p. 12; Doll Sur., p. 6.

(f) What percentage of the SPP transmission revenues should be included in the FAC? What is the amount of transmission revenues that should be included in the FAC base factor calculation?

Empire's Position: Consistent with its position as to transmission expense, Empire would propose to flow 100% of transmission revenue related to retail load back to customers through the FAC. In the alternative, the Commission should establish a tracker for transmission revenues not allowed to flow through fuel.

Aaron Doll Dir., pp. 21-29.

(g) What amount of REC revenues from the Wind Projects shall be included in the FAC base factor calculation?

Empire's Position: The amount of REC revenues in Empire's FAC base factor calculation for the new Wind Projects is $467,554. OPC proposes an additional revenue amount of $763,829.

Todd Tarter Dir., Sched. TWT-3.

(h) Should the wind project costs that Empire calls hedging costs/gains be included in the FAC?

i. If yes, what amount of costs/gains should be included in the calculation of the FAC base factor?

Empire's Position: Empire has not included any amount for hedging costs/gains in its FAC base factor calculation. The hedge agreement causes Empire to both have a cost/gain and to pay/receive cash. Empire incurs/realizes costs or gains from the hedge with the wind projects. Simultaneously, the Wind Projects have the opposite transaction and incur/realize the opposite gain or cost in the same amount from Empire. Thus, Empire recommends that cash receipts are included in the FAC and any cash payments to the hedge also be included. However, it is most important that there is a matching of the hedge settlements paid by/received by the Wind Projects with the equal and opposite hedge settlements received by/paid by Empire to ensure there is no impact from the hedge. Thus, if payments are explicitly excluded, then any receipts need to also be excluded.

Todd Mooney Surr., p. 13.

(i) Should the paygo component of the wind project contracts be included in the FAC?
    i. If yes, what amount of paygo should be included in the calculation of the FAC base factor?

Empire's Position: Yes, as described in Issue 17 above. Empire has not included any amount for PAYGO in its FAC base factor calculation because it will not be paid until 2022.

(j) Should the value of the wind project production tax credits transferred to Empire be included in the FAC?

Empire's Position: Yes. Empire proposes to include the following additional sources of revenue and expense received in the "market revenue" calculation: Paygo, Tax Equity distributions, Renewable Energy Credits ("RECs"), and production tax credits. The amount of production tax credits revenues in Empire's FAC base factor calculation for the new Wind Projects is $607,568.

Aaron Doll Dir., pp. 15-17;
Todd Tarter Dir., Sched. TWT-3.

(k) What additional FAC reporting requirements should the Commission require of Empire?

(l) How should the FAC tariff sheets be revised?
    i. Should the FAC tariff sheets include language that allows the Commission to allow a variance from any provision of the FAC?
    ii. Should the FAC tariff sheets include language that would allow for extended recovery periods?
    iii. Should the FAC tariff sheets explicitly prohibit recovery of retirement and/or decommissioning costs related to the retirement of a generation plant? If so, what language should be adopted?

iv. Should the FAC tariff sheets explicitly prohibit recovery of fuel and purchased power costs for research and development? If so, what language should be adopted?

20. **Transmission Tracker:** If Empire is not authorized to include transmission revenues and expenses in the FAC, should Empire be granted a transmission tracker to track transmission revenues and expenses between rate cases?

Empire's Position: The Company believes that 100% of its transmission costs should be eligible for recovery as the benefits provided by a robust transmission system are not withheld from customers between cases and neither should the costs. The Company believes that the investment in the Bulk Electric System is critical to ensure reliability and allow for a more efficient delivery of low-cost power to customers.

Aaron Doll Dir., pp. 23-29; Doll Reb., p. 12.

21. **Rate of Return; Return on Equity; Capital Structure; Cost of Debt**

(a) What return on common equity should be used for determining the rate of return?

Empire's Position: The reasonable and appropriate return on common equity to be used for determining the rate of return is 10.00 percent. The difference between the Company position and Staff position has a revenue requirement impact of $(6,788,879). The difference between the Company and OPC positions would have a revenue requirement impact of $(13,548,470).

(b) What capital structure should be used for determining the rate of return?

Empire's Position: Based upon the methodology recommended by OPC and approved by the Commission in Empire's last rate case, Empire's booked capital structure on June 30, 2021, is the most economical capital structure as compared to the capital structure of APUC and LUCo, and is reasonable to use in determining the rate of return in this case. That capital structure consists of 52.79% common equity and 47.21% debt. The difference between the Company position and Staff position has a revenue requirement impact of $(503,761). The difference between the Company and OPC positions would have a revenue requirement impact of $(6,943,222).

(c) What cost of debt should be used for determining rate of return?

Empire's Position: Empire's actual cost of debt as of June 30, 2021, of 3.67% is reasonable and should be used in determining the rate of return. The difference between the Company and OPC position would have a revenue requirement impact of $2,910,266.

John Reed Dir., p. 3.; Reed Reb., p. 3; Reed Surr., p. 19.

22. **Allowance for Funds Used During Construction:** What metric should be used for Empire's carrying cost rate for funds it uses during construction that are capitalized?

Empire's Position: Empire's current AFUDC rate is 7.21%. The components of the AFUDC rate is 2.44% AFUDC debt and 4.77% AFUDC equity.

23. Class Cost of Service and Rate Design: How should Empire's revenue requirement be allocated amongst Empire's customer rate classes (class revenues responsibilities)?

Empire's Response: The Company's class cost of service study can be relied upon (see Lyons' surrebuttal, p. 6, lines 1-7) to guide how the revenue requirement is allocated to each rate class (see Lyons' surrebuttal, p. 7, lines 3-6) The Company recommends an allocation method that considers the results of the class cost of service study consistent with the rate design principles of fairness and equity but also considers customer bill impacts consistent with the rate design principle of gradualism (see Lyons' rebuttal testimony p. 16, line 19 through p. 17, line 5.)

Timothy Lyons, Dir., pp. 8-37; Lyons Reb., pp. 2-23; Lyons Surr., pp. 2-8.

24. Depreciation Issues: Should the Commission allow Empire to book assets for general plant in accordance with the Federal Energy Regulatory Commission Accounting Release 15?

Empire's Position: Empire should be allowed to implement AR-15 for general plant. FERC issued this guidance nearly 25 years ago, most utilities in the country use the approach in FERC's AR-15 guidance (including some in MO) and it is designed to reduce administrative burden as well as ensure small dollar, large volume assets are retired in a timely manner.

Dane Watson Dir., pp. 4, 9-27; Watson Reb., pp. 12, 50-53; Watson Surr., pp. 2-5.

25. Retiree Issue: Is Empire meeting the merger stipulation employee benefit obligations to its retired employees?

Response: Yes. Empire continues to honor its obligations under the Stipulation and Agreement in Case No. EM-2016-0213.

Charlotte Emery Reb., pp.35-36.

26. Asbury

(a) Should the $122.4 million of net book value of Empire's 2015 AQCS investment in Asbury that remained when Empire retired Asbury be included in Empire's cost-of-service through the Asbury AAO or otherwise?
(b) What is the retirement date for Asbury?
(c) What balances should be included in the Asbury AAO regulatory asset?
(d) What balances should be included in the Asbury AAO regulatory liability?

Empire's Position: Asbury is no longer an issue in this proceeding. With the filing of surrebuttal testimony, the Company's rate request has been revised to reflect the Company's election to seek to securitize all components of its retired Asbury plant.

27. Resource Adequacy: Do Empire's current resources provide adequate electricity to meet its customers' load requirements?

Empire's Position: Yes. Empire has continued to maintain compliance with the Southwest Power Pool's ("SPP") Resource Adequacy ("RA"). In the Resource Adequacy Primer For State Regulators issued by the National Association of Regulatory Utility Commissioners ("NARUC"), it is stated that in SPP, Load Responsible Entities (LRE) "are responsible for ensuring they have access to enough generating capacity to meet their load obligations. They must also satisfy planning reserve margin (PRM) obligations to ensure available capacity is sufficient to serve load at times of peak demand. They must demonstrate compliance with these requirements by identifying their owned resources in a submission as required by SPP's tariff or by procuring capacity through bilateral contracts." Empire has met its capacity obligations and PRM per the requirements of SPP.

Aaron Doll Reb, pp. 6-8; Doll Surr., pp. 1-5.

28. Storm Uri

(a) What is the amount of Empire's prudently incurred extraordinary Storm Uri costs?
(b) Over what time should Empire's prudently incurred extraordinary Storm Uri costs be amortized?
(c) What carrying costs should apply?
(d) Should Empire collect a return on Empire's prudently incurred Storm Uri costs?

Empire's Position: The Storm Uri costs are no longer an issue in this proceeding. On January 19, 2022, the Company filed its Verified Petition for Financing Order seeking authorization to issue securitized utility tariff bonds to recover the extraordinary costs Empire incurred on behalf of its customers during Storm Uri (Commission Case No. EO-2022-0040). As such, with the filing of surrebuttal testimony, the Company's rate request has been revised to reflect the Company's election to securitize the Storm Uri costs in lieu of pursuing traditional rate recovery in this proceeding.

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 31st day of January, 2022, and sent by electronic transmission to all counsel of record.

/s/ Diana C. Carter