

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 Tariffs Increasing) **File No. ER-2019-0374**
Rates for Electric Service Provided)
To Customers in its Missouri)
Service Area)

COMMISSION QUESTIONS

Issue Date: April 28, 2020

Effective Date: April 28, 2020

The Commission issues the following questions for the parties to answer. The questions are organized according to the issues as previously filed by the parties. Commission questions are blue with the answering party designated at the beginning of the question.

1. Rate of Return—Return on Equity, Capital Structure, and Cost of Debt

- a. *Return on Common Equity – what return on common equity should be used for determining rate of return?*
- b. *Capital structure – What capital structure should be used for determining rate of return?*
- c. *Cost of debt – What cost of debt should be used for determining rate of return?*

1. Staff – LUCo provides shared corporate support functions and services to all of its various affiliates, both regulated and unregulated, on a centralized basis. In evaluating whether the use of Empire's Capital Structure is more "economical" than LUCo's, why is it appropriate to remove the debt associated with LUCo's unregulated affiliates from its capital structure, but not make a companion adjustment to reduce a portion of equity that is used to serve unregulated affiliates?
2. Staff - What percentage of LUCo's total debt is attributable to unregulated affiliate debt? What percentage of LUCo's equity is attributable to equity in unregulated affiliates? What would be LUCo's capital structure if an equivalent percentage of LUCo's debt to and equity in unregulated utilities were removed?

2. Rate Design, Other Tariff and Data Issues

- a. *Should the GP and TEB rate schedules be fully consolidated?*
- b. *Should the CB and SH rate schedules be partially consolidated?*
- c. *Should “grandfathered” multifamily customers taking service through a single meter be given the option of being served on the CB/SH rate schedule?*
- d. *How should Empire’s revenue requirement be allocated amongst Empire’s customer rate classes (Class revenues responsibilities)?*
- e. *How should the rates for each customer class be designed?*
- f. *What should be the amount of the residential customer charge?*
- g. *Should Empire continue its Low-Income Pilot Program as is, or modify it?*
- h. *Should Empire be ordered to consolidate the PFM rate schedules into the GP/TEB rate schedule in a future proceeding?*
- i. *Should Empire be ordered to incorporate shoulder months into the Special Contract / Praxair rate structures in the next rate proceeding?*
- j. *Should Empire be ordered to work to incorporate shoulder months into the rate structures of all non-lighting rate schedules?*
- k. *Should Empire be ordered to retain each of the following: Primary costs by voltage; Secondary costs by voltage; Primary service drops; Line extension by rate schedule and voltage; Meter costs by voltage and rate schedule*
- l. *Should Empire be ordered to use of AMIs for near 100% sample load research as soon as is practical, but no more than 12 months after 90% of AMI are installed*

1. Empire - When does Empire anticipate reaching the 90% level for AMI installation?

- m. *Should Empire be ordered to retain individual hourly data for future bill comparisons*
- n. *Should Empire be ordered to retain coincident peak determinants for use in future rate proceedings*
- o. *How should the amount collected from customers related to the SBEDR charge be billed, and should there be a separate line item on customers’ bills?*
- p. *By when should Empire move customers served on CB/SH that exceed the demand limits of those schedules to the appropriate rate schedule?*
- q. *What, if any, revenue neutral interclass shifts are supported by the class cost of service study?*
- r. *How should any revenue requirement increase or decrease be allocated to each rate class?*
- s. *How should any residential revenue requirement increase or decrease be apportioned to the energy (kWh) rates?*
- t. *What, if any, changes to the CB, SH, GP and TEB customer charge are supported by the class cost of service study?*

- u. *What, if any, changes to the CB, SH, GP and TEB customer charge should be made in designing rates resulting from this rate case?*
 - v. *How should any CB and SH revenue requirement increase or decrease be apportioned to the energy (kWh) rates?*
 - w. *How should any GP and TEB revenue requirement increase or decrease be apportioned to the demand (kW) and energy (kWh) rates?*
 - x. *How should any LP revenue requirement increase or decrease be apportioned to the demand (kW) and energy (kWh) rates?*
 - y. *What, if any, changes to the current SC-P energy (kWh) rates should be made to align with Market Prices?*
 - z. *How should production-related costs be allocated to each rate class?*
 - aa. *How should plant accounts 364, 366 and 368 be classified?*
 - bb. *How should primary and secondary distribution plant facility costs be allocated to each rate class?*
 - cc. *How should General plant facility costs be allocated to each rate class?*
1. OPC - Public Counsel did not list a position on Rate Design sub-issue f, what is the appropriate customer charge. Although the Global Stipulation, now joint position statement, called for the customer charge to remain at \$13.00 per month, Empire took the position that the customer charge should be increased to \$19.00 per month. What is OPC's current position, if any, as to the appropriate customer charge and why?
 2. OPC – What would be the impact to residential ratepayers to increase the customer charge?

3. Jurisdictional Allocation Factors

What is the appropriate jurisdictional allocation factors to be used in the cost of service?

1. Empire - Do the jurisdictional allocation factors proposed by Empire include an adjustment for the 6% load reduction occurring after the end of the true-up period as described by Richard corrected direct testimony on pages 26-28. If yes, please quantify the adjustment.
2. Empire - How would the true-up jurisdictional allocations calculated in Empire Exhibit 57 be incorporated into the revenue requirement? What would the change to the revenue requirement be based upon the jurisdictional allocation factors alone?
3. Staff - In the Final Reconciliation Staff indicated that the test year allocation difference was (\$11,044,496). Please provide a work paper detailing how the amount was determined.
4. Staff - Has Staff considered the differences in the Empire and Staff true-up jurisdictional allocation factors? Please quantify the difference?

5. Staff and Empire, please identify what accounts were not true-up through the end of January 2020 when you performed your calculations, but instead the amounts were based on the September 2019 update period. (if easier, please identify the account's that were revised up through the true-up period.)

4. WNR and SRLE Adjustment Mechanisms

- a. *Should the Commission approve, reject, or approve with modifications Empire's proposed Weather Normalization Rider?*
 - b. *Is it lawful for the Commission authorize Empire to implement a Sales Reconciliation to Levelized Expectations ("SRLE") mechanism, such as those Staff and Empire are proposing in this case?*
 - c. *Should the Commission adopt Staff's Sales Reconciliation to Levelized Expectations Proposal ("SRLE") or approve the SRLE with modifications as suggested by the Company?*
1. Empire - What revenue impacts has Empire experienced due to weather and/or conservation?
 2. Empire - In Nathaniel Hackney's direct testimony, he stated that "Liberty-Empire's current intention is to file a MEEIA portfolio and request for a DSIM before the completion of this pending rate case." What is the projected timing of this filing?
 3. Empire - Referring to Stipulation, Appendix C-Filing (1) mentions monthly Actual Blocked Usage (ABU) yet the rate formula uses annual Adjustment Period (AP). What if any importance is monthly ABU? If monthly ABU is to be used, provide the Normalized energy usage to be used in the calculation by month.
 4. Empire - Since the tariff may be modified in any future EDE rate case, any other kWh-based rider that will be added or subtracted from the calculation should be identified. Does Empire currently have any other kWh-based riders? Please identify.
 5. Empire - Referring to Stipulation, Appendix C, Filing (2)-4 months of estimates seems to be too much. Why not 1 or 2 months? What is the difficulty in using more actual information?
 6. Empire - Referring to Stipulation, Appendix C, Rate Adjustment Calculation (4)-What is the purpose of this language? What if customer of newly-constructed premise was already a customer in a rental property or apartment? How would this customer's usage be considered under the SRLE? How will customer growth be determined and considered in the SRLE?
 7. Empire - Referring to Stipulation, Appendix C, Rate Case Information-Does every customer's usage exceed the kWhs included in the base charge? If not, how is that considered in this rider? Does this information need to be provided by month? How were the normalized annual energy usage amounts

determined? Are these negotiated amounts? If so, please explain how these amounts were determined. Provide the normalized annual energy usage amounts generated by each party in the case and cite to the testimony where this information is found.

8. Staff - Statute 386.266(3) references “impact on utility revenue of increases or decreases in residential and commercial customer usage due to variations in either weather, conservation, or both.” Based on this Statute, Empire initially proposed a WNR, which Staff had several issues with its structure (based on billed amount instead of rate based), application (individual customer instead of customer group), practicality (monthly vs annual) and potential legal implications, as outlined in Michael Stahlman’s rebuttal testimony.
 - a. In response, Staff proposed the SRLE as an alternative to Empire’s WNR. What are the pros and cons of the SRLE and the WNR?
 - b. What revenue impacts has Empire experience due to weather and/or conservation that would justify the need for the SRLE or WNR, and how did Staff determine those revenue impacts were due to weather or conservation?
9. Staff - In the Ameren gas rate case (GR-2019-0077) Staff tested the Volumetric Indifference Reconciliation to Normal (VIRN) using various rate structures and considering various factors. The results indicated that certain types of rate structure work better than others. What are the differences between the VIRN and the SRLE? How does the SRLE work with the residential rate structure (proposed by Staff in it CCOS), which with both inclining and declining designs for the summer and winter seasons respectively.
10. Staff - Empire’s proposed tariff sheet No. 25, states that the WNR “adjusts each customer’s bill for the difference in electric usage caused by the variation between actual Heating Degree Days (HDDs) and normal HDDs during the Heating billing period, and the variation between actual Cooling Degree Days (CDDs) and normal CDDs during the Cooling billing period.” Hence, the WNR was designed to adjust for weather. Why did Staff recommend the SRLE, which adjusts for both weather and conservation?
11. Staff - Robin Kliethermes in her rebuttal testimony (pages 2 through 4) present information on Empire’s estimated bills and the impact of estimated data on the WNR. Subsequently in her surrebuttal, she stated that one of the latent benefits of the SRLE is that it “would effectively true-up the over or under estimation of normalized residential billing determinants used to set rates in this case.”
 - a. Has the SRLE been tested with Empire’s data over the Empire’s test period and Staff’s test period?
 - b. Has staff performed any analysis on the quantity of Empire’s estimated bills that are over and under estimated; the degree of the over or under estimation and the net impact of the total over and under estimations?

12. Staff - Robin Kliethermes' surrebuttal states "Given the expected uptick in residential energy consumption due to the response to COVID-19, the SRLE would have the latent benefit of returning, to residential customers, a portion of the anticipated increase in residential revenues associated with more time being spent at home."
 - a. Please explain how changes in usage consumption due COVID-19 restrictions would fall under variations in weather and/or conservation.
 - b. If the SRLE was implemented during a period similar to COVID-19, what would be the impact on commercial customers?
13. Staff - What mechanisms and provisions have been incorporated in the implementation of SRLE to deal with changes in usage that are not caused by weather or conservation?
14. Staff - Lena Mantle's testimony has referenced that Empire's rate of equity from the 1st quarter of 2018 through the 3rd quarter of 2019 has been above the Company's approved ROE, therefore questioning the need for any mechanism under Statute 386.266(3).
 - a. Is it Staff's position that Empire has a need for this type of mechanism?
 - b. If so, what is the basis for/evidence if that need relied upon by Staff?
15. Staff - In the Staff's position paper, there was a reference to Empire considering the implementation of the Missouri Energy Efficiency Investment Act (MEEIA). What is Staff's understanding of the projected timing of this implementation?
16. Staff - Under MEEIA, a utility is already made whole for conservation resulting from implemented programs, the throughput disincentive. Why would it be preferable to do it through a SRLE verses the traditional MEEIA process?

5. FAC

- a. *What is the appropriate incentive mechanism in Empire's FAC for sharing between Empire and its retail customers the difference between its actual and base net fuel costs?*
- b. *What FAC-related reporting requirements should the Commission impose?*
- c. *What is the appropriate base factor?*
- d. *What costs and revenues should flow through Empire's FAC, including, but not necessarily limited to, the following?*
 - i. *What is the appropriate percentage of transmission costs for the FAC?*
 - ii. *What, if any, portion of the MJMEUC contract should be included or excluded from the FAC? Should the Company provide any additional reporting requirements within its FAC monthly reporting in regards to MJMEUC?*
 - iii. *Should any wind project costs or revenues flow through the FAC before the wind projects revenue requirements are included in base rates?*

- iv. *Should any short-term capacity costs flow through the FAC from the effective date of this rate case?*
 - e. *When should Empire be required to provide its quarterly FAC surveillance reports?*
1. Empire- Will the base fuel rate for the FAC be reset in the next rate case?
 2. Empire- What is the source for the capacity to fulfill the obligations for the MJMEUC contract?
 3. All parties - What is the appropriate base factor for the FAC and what evidence supports it?
 4. Empire - OPC's witness Lena Mantle states in her surrebuttal testimony that the Commission should reject Staff's rate decoupling mechanism in part because, "having a large percentage of estimated bills causes errors in Staff's weatherization models and impacts the overall expectation that the billing determinants resulting from this case accurately reflect a reasonable level of normalized and annualized usage for Empire's customers." With approximately 15% of Empire customers receiving an estimated bill in 2018 how is it reasonable for the Commission to approve a decoupling mechanism in this case?
 - a. Ms. Mantle also states in her surrebuttal testimony that, "It is very likely that Empire would have reduced the hedging losses if, at that time, it was required to absorb 15 percent of the losses (\$14.3 million) instead of the 5 percent (\$4.8 million) it absorbed." Why shouldn't the Commission change the FAC sharing percentage in this case when Empire failed to control hedging costs that were largely passed on to their customers for a decade?
 - b. Ms. Mantle also states in her surrebuttal testimony that, " Since the FAC was established, Empire has recovered over 99.9% of its FAC costs placing almost all of the risk associated with its FAC costs on the customers and very little on Empire (0.1%). OPC's modest proposal would shift 0.2% more risk to Empire still leaving 99.7% of the risk on the customers." Under the current sharing percentage, Empire has absorbed an average of \$150,000 a year in FAC costs for the past 11 years, so what is the real harm of requiring Empire to be exposed to an additional 0.2% of FAC risk?

6. Credit Card Fees

- a. *Should Empire's credit card fees be included in Empire's revenue requirement?*
 - b. *If so, what level of fees should be included?*
1. Empire - Why is the credit card transaction fee higher for commercial customers? \$13, instead of \$2.25 for residential customers?

7. Rate case Expense

- a. *How much of Empire's rate case expenses should be included in Empire's revenue requirement?*

- b. *Should Empire's prudent rate case expenses be normalized or amortized, and over what period of time?*
- c. *Should Empire's prudent rate case expenses be shared between Empire's shareholder and Empire's retail customers? If so, how?*

- 1. Staff - The adjustment to A/C 928, Regulatory Commission Expense, includes more than just a normalization adjustment to rate case expense. Please breakout the expense components included in Staff's true-up A/C 928 total of \$1,126,078.
- 2. Empire - When does Empire anticipate filing its next rate case?

8. Management expense

- a. *Should any of Empire's management expenses not be included in Empire's revenue requirement?*
- 1. OPC - Provide the Empire responses to DR 1204 and 1214 relied on by OPC to make its expense disallowances.
 - 2. OPC - Would OPC agree that the costs associated with employee meals on work premises provided during meetings or training sessions should be included in rates? If not, please explain.
 - 3. OPC - Were the disallowance adjustments of OPC related to trips to Bermuda, London, England and Peru part of the officer disallowances or management disallowances? Were these charges in the twelve months ending 1-31-20 (true-up period)? Please quantify the disallowance for each of these trips.
 - 4. OPC - Please provide details for the officer meal disallowances related to alcohol or excessive meal charges for the twelve months ending 1-31-20.
 - 5. OPC - Is the \$18,550 true-up officer disallowance for the twelve months ending 1-31-20? If not, please provide that adjustment amount.
 - 6. OPC - Did OPC perform an analysis of any manager expense reports?
 - 7. Staff - Why did staff take no position with this issue?

9. Allowance for Funds Used During Construction

- a. *What metric should be used for Empire's carrying cost rate for funds it uses during construction that are capitalized?*

10. Cash Working Capital

- a. *What is the appropriate expense lag days for measuring Empire's income tax lag for purposes of cash working capital?*
- b. *What is the appropriate expense lag days for cash vouchers?*

- c. *Should bad debt expense be a component of cash working capital? If so, what is the appropriate lag days?*
- d. *What is the appropriate expense lag days for employee vacation?*

1. Empire - Has Empire's parent or its tax paying affiliate made a quarterly payment to the IRS during the test year or true-up period in this case? If yes, how much was paid?
2. Empire - Referring to Lyon's TSL-11, page 1 of 1, provide the source document for the federal and state income taxes revenue requirement amount, \$10,996,093. How much is federal and how much is state income tax?

11. Accumulated Deferred Income Tax

- a. *Should Empire's booked accumulated federal income tax include a reduction for net operating loss?*
- b. *Should FAS 123 deferred tax asset for stock-based compensation be included in ADIT balances for rate base?*

12. Tax Cut and Jobs Act of 2017 federal income tax rate reduction from 35% to 21% impact for the period January 1 to August 30, 2018

- a. *How should the Commission treat the 2017 TCJA regulatory liability the Commission established in Case No. ER-2018-0366 when setting rates for Empire in this case?*

13. Asbury

- a. *Is it lawful to require Empire's customers to pay for Asbury costs through new rates?*
- b. *Is it reasonable to require Empire's customers to pay for Asbury costs through new rates?*
- c. *If it is unlawful and/or unreasonable to include the costs of the retired Asbury plant in rates, what amount should be removed from Empire's cost of service?*

1. Empire - What is the status of the plan for the decommissioning, reuse, and repurposing of Asbury?
2. Empire - What is the status of the study being performed by Black & Veatch to "search for a potential buyer of the asset as well as explore both the costs of retirement and removal of the asset?" as referenced in Tim Wilson's testimony.
3. Staff - On Page 6 lines 15-22 of Aaron Doll's rebuttal testimony, he outlines that Empire is considering a combination of several options for what to do with Asbury. This includes (i) decommissioning pieces that will be scrapped for salvage; (ii) decommissioning equipment that will be sold; (iii) repurposing; and (iv) reused. Please explain how the AAO reporting requirements contemplate all of these options occurring and the relative timing of each of them to each other and the Asbury shut down date.

4. Empire - Was Asbury operating on March 31, 2019? Was Asbury operating at the end of the update period, September 30, 2019?

14. Fuel Inventories

- a. *What is the appropriate number of burn days to use for Asbury fuel inventory?*

15. Energy Efficiency

- a. *Should Empire's cost of service include an amount for promoting energy efficiency and demand-side management?*
- b. *If an amount remains in Empire's cost of service for energy efficiency, should EM&V be performed as was agreed to in Empire's last general rate case?*

16. Operation and Maintenance Normalization

- a. *What is the appropriate level of operation and maintenance expense to be included in the cost of service?*
- b. *Should inflation factors be used to calculate operation and maintenance expense?*
- c. *What is the appropriate normalized average of years to be used for the Riverton, State Line Combined Cycle Unit, the Common Unit and State Line 1 Unit?*

17. Pension and OPEB (FAS 87 and FAS 106)

- a. *Should "regulatory accounting" or "acquisition accounting" be used in setting rates for pensions and OPEBs?*
- b. *Should FERC account 426 be included in test year pensions and OPEBs expense? What is the appropriate amount of Prepaid Pension that should be included in Empire's cost of service?*
- c. *Should the "payment basis" or the "expense basis" be used to calculate SERP? In addition, what allocation percentage is appropriate?*
- d. *What should the appropriate rate base and tracker amortization balances be for accounts 182353 and 254101?*
- e. *What is the appropriate balance of prepaid pension?*

1. Empire - Cite to the ASC accounting rule for acquisition accounting treatment of pension asset/liability of an acquired company (Liberty acquisition of Empire).
2. Staff - Staff indicates that it is waiting on additional information before it can state its position. What discovery responses are still outstanding related to this issue and when are the responses due?
3. Empire - Provide the ASC accounting rule cite that designates prior A/C 926 pensions and OPEBs be posted to an A/C 426 subaccount. Cite to the USOA A/C 426 subaccount where pension and OPEB expenses are to be posted.

When did this accounting change become effective? Is it Empire's opinion that the Commission must follow this accounting rule? If yes, please explain why.

4. Staff - Is it Staff's opinion that the Commission must follow this accounting rule? If no, please explain why.

18. Affiliate Transactions

- a. *Are Empire's transactions with its affiliates imprudent?*
- b. *Do Empire's transactions with its affiliates comply with Commission Rule 20 CSR 4240-20.015 (Affiliate Transactions)?*
- c. *What amount should be included in Empire's revenue requirement for its transactions with its affiliates?*

1. Empire - What variance requests to the Commission's Affiliate Transactions Rule has Empire requested? When were these requests made and in what context?
2. Empire - Would Empire submit the APUC CAM in effect during the test year and true-up period and annual report of its 2019 affiliate transactions as an exhibit in this case?
3. Empire - In Mark Timpe's testimony, he indicated that LUCo aggregates financing through short-term credit facility until it gets to a scale where they can take it to the debt capital markets to replace it with short-term debt. When is LUCo's short-term credit facility due to be repaid? Has this debt been taken to the capital markets to be replace with long-term debt? If so, what are the terms of the new debt?
4. Empire - What were the terms of the last debt Empire pre-acquisition in August 2015?
5. Empire - In Robert Hevert's testimony on Page 62, he states that it "is the utility's operating risk that defines the capital structure and cost of capital, not investors' sources of funds." Given this statement, it could be inferred that pricing of Empire's \$90 million financing from LUCo was not solely based on historical long-term debt but also the estimated operating risk of Empire within the group. However, on Page 8 of Mark Timpe's rebuttal testimony he stated that the terms of Empire financing was "based on the weighted average life of LUCo's March 2017 financing and was equivalent to the term of Liberty-Empire's last pre-acquisition financing in August 2015, thereby making the term consistent with past practice at "old Empire."" Please explain if additional factors beyond those mentioned by Mark Timpe when into determining the pricing for Empire's financing.
6. OPC - Is it OPC's opinion that affiliate transactions in compliance with the Commission's Affiliate Transactions Rule pricing requirements may be included

in rates even without a Commission approved Cost Allocation Manual (CAM)?

7. OPC - Referring to Schallenberg direct testimony page 19, lines 5-15, isn't the real problem with costs charged to Empire from Algonquin affiliates an allocation problem rather than a pricing problem?
8. OPC - Which Algonquin/Empire affiliates would you consider to be regulated, service companies and non-regulated? Where would the quantification of these transactions be documented through the test year and true-up period in this rate case?
9. OPC - In David Murray's direct testimony (Page 15 Line 1), he indicated Empire's embedded cost of debt at the updated period (September 30, 2019) was 4.98% for its long-term debt and it included the \$90 million loan from LUCo. What other long-term debt was used in this calculation and at what terms?
10. Staff - Has Staff reviewed Empire's affiliate transactions report submitted on March 16, 2020 or did it rely on the 2019 submission when reviewing affiliate transactions in this rate case?
11. Staff - Referring to Staff's Cost of Service Report page 29, lines 20-25 and page 32, lines 13-17, please quantify the adjustments to reduce affiliate transactions related to the inappropriate allocation of costs to Empire's non-regulated affiliates and executive incentives.
12. Staff - Referring to Oligschlaeger rebuttal testimony page 6, lines 16-17, how does Staff know that all the Algonquin upstream affiliate charges are calculated at cost? Please provide the source of this information as an exhibit in this case.
13. Staff - Referring to Staff's Cost of Service Report, page 28, lines 14-17, what were Staff's specific affiliate transactions concerns in Liberty Utilities' Midstates Natural Gas rate case no., GR-2018-0013?
14. Staff - Has Staff performed an analysis to compare the terms of Empire's last direct debt transaction to the terms for the \$90 million promissory note from LUCo? If so, what is the NPV of the two-debt term including all applicable fees?
15. Staff - What is Staff's position on the "make whole" provision of the promissory note from LUCo whereby if Empire repays the loan early they would still be responsible for repaying all outstanding interest? Would this be considered a fair market provision?
16. Staff - In Kimberly Bolin's surrebuttal testimony, she indicated that Staff proposed a 2.15% rate, for the cost of debt calculation for the Empire's long-term promissory note from LUCo, based on an average of the average cost of

the LUCo short-term debt for the period of 12 months ending January 31, 2020. In this analysis, how did Staff analyzed the fair market price of applying a short-term debt coupon rate to long-term debt? Were other alternative options considered by Staff?

17. Staff - On Page 11 Lines 14 and 15 of Peter Chari's surrebuttal testimony, he states that with Empire's current credit rating it can obtain debt at a "coupon rate of 3.40%." Is this for long-term or short-term debt and if for long-term how do the terms compare to Empire's \$90 million promissory note from LUCo?

19. Riverton 12 O&M Tracker

- a. *Should the Riverton 12 O&M Tracker continue?*
- b. *What is the updated balance of the Riverton 12 O&M tracker regulatory asset and the related amortization that should be included in Empire's cost of service?*
- c. *What level of O&M expense should be included in the cost of service for Riverton 12?*

20. Software Maintenance Expense

What is the appropriate normalized level for software maintenance expense?

1. Staff - Why is it appropriate not to adjust all cost of service items to the 1-31-20 true-up date?
2. Empire - Has Empire adjusted all cost of service costs to 1-31-20, the true-up date? If not, please identify what costs have not been adjusted.
3. Empire - Is it appropriate to adjust all cost of service items to the true-up date? Please explain your response.
4. OPC - What is OPC's position on what cost of service items should or should not be included in true-up adjustments?

21. Advertising Expense

- a. *What is the appropriate amount of advertising expense to include?*

22. Customer Service

- a. *Is Empire providing satisfactory customer service?*
 - i. *If not, what should the Commission order to ensure better customer service?*
 - b. *Is Empire providing reliable service?*
 - i. *If not, what should the Commission do?*
1. Empire – Witness Brent Baker states in his surrebuttal testimony that the customer service staff had a turnover rate of 50% in 2017 and 2018. Was all this turnover due to internal promotions or were their other factors contributing to this high rate of turnover?

2. What policies and procedures have been put in place to ensure there is not another significant shortage of customer service representatives in the future?

23. Estimated Bills

- a. *Should Empire be ordered to incorporate data into its monthly reports to Commission Staff regarding the number of estimated meter readings, the number of estimated meter readings exceeding three consecutive estimates, the number of bills with a billing period outside of 26 to 35 days, and the Company and contract meter reader staffing levels?*
- b. *Should Empire be ordered to evaluate the authorized meter reader staffing level and take action to maintain adequate meter reader staffing levels in order to minimize the number of estimated bills?*
- c. *Should Empire be ordered to initiate action to more clearly communicate on customer's bills when they are based on estimated usage?*
- d. *Should Empire be ordered to ensure that all customers who receive estimated bills for three consecutive months receive the required communication regarding estimated bills and their option to report usage?*
- e. *Should Empire be ordered to ensure that all customers who receive an adjusted bill due to underestimated usage are offered the required amount of time to pay the amount due on past actual usage?*
- f. *Should Empire be ordered to evaluate meter reading practices and take action to ensure that billing periods stay within the required 26 to 35 days, unless permitted by exceptions listed in the Commission's Rule 20 CSR 4240- 13.015.1(C)?*
- g. *Should Empire be ordered to file notice within this case by September 1, 2020, containing an explanation of the actions it has taken to implement the above recommendations?*

1. Empire - What number and percentage of customers only receive estimated bills in a 12-month period?
2. Empire - What number and percentage of customers receive estimated bills for 3 consecutive months or more?
3. Empire - In the testimony presented by Empire and Staff there has been a general discussion of AMI deployment in Empire's system. What is the specific timing of the start of AMI installation and the plan and timing of the entire process?
4. Empire - AMI technology significantly improves the efficiency of the meter reading process and reduces, if not eliminates, estimated bills. However, one of the potential implementation challenges is increased estimated bills due to several potential issues, including the overlap of meter reading periods with the meter installation and startup. Given Empire's high number of estimated bills over the last two years, how does Empire plan to address this challenge?

5. Staff- In R. Kliethermes' rebuttal she states that a large percentage of estimated usage causes errors in both staff and the company's weather normalization model. What do you consider a "large percentage" of estimated bills? What was Empire's average and peak estimated billing percentage during the test year period?
6. Staff- How can Empire's level of estimated bills impact the confidence in customer usage levels?
7. Staff - How does Empire's number and percentage of estimated bills compare to other Missouri investor owned utilities and what does staff to be considered the highest acceptable?
8. Staff - What were Empire's number of monthly estimated bills in the two year period prior to its acquisition?
9. Empire - What if any affect will the deployment of AMI meters have on the number of estimated bills?
10. Empire - Witness Brent Baker states in his surrebuttal testimony that Empire notified its union staff in 2017 that it was going to be switching to AMI meters and then goes on to state that it struggled to maintain adequate meter reading staffing in 2018. What connection if any did the announcement of switching to AMI meters have with the decline in meter reading staff?
11. Empire – Witness Brent Baker also states in his surrebuttal testimony that in 2019 Empire hired a contractor to help with meter reading staffing issues. What contractual obligations has the meter-reading contractor made to assure that estimated readings decline?
12. Empire – Witness Brent Baker also states in his surrebuttal testimony that estimated meter readings have gone down in the first two months of 2020, but are not yet as low as 2017 levels. Has Empire set a goal for when it should be back at a 2017 level of estimated bills? What policies and procedures have been put in place to ensure that goal is met?

24. Material and Supplies

- a. *What is the appropriate balance for material and supplies to be included in the cost of service?*
- b. *What is the appropriate balance to remove from inventory as it relates to Non- Electric items?*

25. Asset Retirement Obligations

- a. *Should Asset Retirement Obligations be included in rate base as a regulatory asset and amortized?*

26. LED Replacement Tracker

- a. *Should a tracker be established for the costs associated with replacement of mercury vapor light fixtures with LED light fixtures for private lighting customers?*
- b. *Should a tracker be established for the costs associated with replacement of mercury vapor light fixtures with LED light fixtures for Municipal customers?*

27. May 2011 Tornado Unamortized AAO Balance

- a. *Should the unamortized AAO Balance for the May 2011 Joplin Tornado be included in rate base?*

28. Depreciation and Amortization Expense

- a. *What is the appropriate level of depreciation and amortization expense of plant to include in the cost of service?*
- b. *Should depreciation expense for transportation equipment that was charged through a clearing account be removed from depreciation expense?*
 - i. *What are the authorized depreciation rates for accounts 371 & 373 to be used in the cost of service?*

29. Iatan/Plum Point Carrying Costs

- a. *What is the appropriate level of unamortized Iatan/Plum Point Carrying Costs to include in rate base?*
- b. *What is the appropriate level of Iatan/Plum Point Carrying amortization to include in amortization expense?*

30. Incentive Compensation

- a. *What is the appropriate level of incentive compensation to be included in the cost of service?*

31. Customer Demand Program (DSM)

- a. *What is the appropriate rate base amount for the customer demand program?*
- b. *What is the appropriate amortization amount for the customer demand program?*

32. Bad Debt Expense

- a. *What is the appropriate level of bad debt expense to be included in the cost of service?*

33. Retail Revenue

- a. *What is the appropriate amount to remove from retail revenue for unbilled revenue, franchise tax revenue, and FAC revenue?*

- b. *What is the level of billing determinants per rate schedule that should be used to calculate retail rate revenue in this case?*
- c. *Should the billing adjustment and the retail revenues be trued up to January 31, 2020 in the cost of service?*

34. Other Revenue

- a. *What is the appropriate normalized level of revenue for rent revenue, other electric revenue, and fly ash revenues?*

35. Tax Cut and Job Acts Revenue

- a. *What is the appropriate amount of tax cut and job act revenue to remove from test year revenues?*
 - b. *Should revenues associated with the tax cut and job act stub period be removed from revenue?*
1. *Empire - How difficult would it be to have a line item credit to Empire customers to eliminate the entire \$11.7 million stub period revenues over a six-month period?*
 2. *Empire - What is the shortest time period to refund the stub period revenues to customers that would not create cash flow problems, considering that Empire has had interest free use of these revenues since 2018?*
 3. *Staff - Does Staff see any reason to not return the stub period revenues collected from Empire customers over a time period to correspond with the estimated period of time until Empire's next rate case tariffs go into effect?*

36. Property Insurance

- a. *What is the appropriate test year amounts before comparing to the current premium amounts?*

37. Injuries and Damages

- a. *What is appropriate amount of injuries and damages expense to include in the cost of service?*

38. Payroll and Overtime

- a. *What is the appropriate test year amount of payroll expense?*
- b. *What is the appropriate test year amount for overtime expense?*

39. Retention Bonuses

- a. *Should proposed retention bonuses for lineman be included in the cost of service?*

40. Employee Benefits

- a. *What is the appropriate level of employee benefits to include in the cost of service?*

41. Property Taxes

- a. *What is the appropriate amount of property taxes to include in the cost of service?*
- b. *What is the proper method to be used for calculating the property tax amount to be included in the cost of service?*

42. Dues and Donations

- a. *What is the appropriate amount of dues and donations that should be included in the cost of service?*
- b. *Should Edison Electric Institute dues be included in the cost of service?*

43. Outside Services

- a. *What is the appropriate amount of outside services to include in the cost of service?*

44. Common Property Removed from Plant and Accumulated Depreciation

- a. *What is the appropriate method and amount for removal of common property from plant in service and accumulated depreciation?*

45. Retirement

- a. *Should Empire be required to externally fund, through a Rabbi Trust, its SERP benefits obligation?*
- b. *Should Empire be required to provide, to a designated EDRA contact, the following documents of The Empire District Electric Company in the years 2020-2026:*
 - i. *IRS filings (specifically Form 5500 for each plan),*
 - ii. *Actuarial valuation reports,*
 - iii. *Financial disclosures,*
 - iv. *Annual funding notice to pension plan participants,*
 - v. *Annual health care premium and coverage letter to retirees,*
 - vi. *FERC Form 1 and summary and full annual reports.*
- c. *In addition, should the company be required to designate a contact person for EDRA to contact regarding these matters?*

46. Case No. EM-2016-0213 Commission-ordered conditions

- a. *Has Empire complied with Condition A.4 the Commission imposed in Case No. EM-2016-0213?*
 - i. *If not, what relief should the Commission grant?*
- b. *Has Empire complied with Condition A.5 the Commission imposed in Case No. EM-2016-0213?*
 - i. *If not, what relief should the Commission grant?*
- c. *Has Empire complied with Condition A.6 the Commission imposed in Case No. EM-2016-0213?*
 - i. *If not, what relief should the Commission grant?*

- d. *Has Empire complied with Condition G.3 the Commission imposed in Case No. EM-2016-0213?*
- i. *If not, what relief should the Commission grant*

Questions Regarding the Global Stipulation and Agreement

1. Paragraph 13. States, “As the Company deploys AML, it will commit to retaining the data necessary to...”
Empire- How will this information be made available? When will this data be made available? To whom will the data be made available?
2. Empire- In Paragraph 13.a. 8. why is individual customer interval data to be maintained for only 14 months? Is this a rolling 14 months? Why not maintain all individual customer interval data until next rate case and then maintain for a minimum of 14 months plus data until next rate case?
3. Signatories – In Paragraph 23, what are the planned 2020 capital expenditures (specific projects and estimated costs) to be considered when considering customer impact?
4. Signatories- In Paragraph 29, what is the currently approved weighted average cost of capital referenced at (2)? Where does this cost of capital appear in the stipulation or in the record? Approved by whom?
5. All Parties - *If the Commission does not approve the Global Stipulation and Agreement, do OPC and the Signatories still support approval of the terms of the agreement that OPC indicated in its Objection to Parts of the Global Stipulation and Agreement that it does not oppose? If not, please identify the terms of agreement that all parties do not oppose?*
6. Staff - What rate base items that were not already included in Staff’s true-up accounting schedules are included in paragraph 4.b. of the Global Stipulation and Agreement? If none, would the phase in mechanism result in double counting of items included in rate base?
7. Staff - Why is the phase in mechanism in paragraph 4 of the Global Stipulation and Agreement appropriate if your cost of service supports a rate reduction?
8. All parties - Paragraph 9 of the Stipulation and Agreement lays out a detailed list of metrics Empire will need to report to Staff and OPC regarding estimated meter reading and billing. If Empire fails to meet these metrics, what corrective actions should be taken?

Questions Regarding Hedging (The answers to these questions may need to be considered highly confidential.)

1. Staff- What is Staff’s opinion of Empire’s changes to its hedging risk management plan? Please provide Staff’s opinion on limiting hedges to physical hedges alone?
2. Staff Does Staff review Empire’s physical natural gas hedges during an FAC prudence review? Please explain what Staff’s natural gas hedging review during the FAC prudence review includes.
3. OPC- What is OPC’s opinion of Empire’s changes to its hedging risk management

plan? Please provide OPC's opinion on limiting hedges to physical hedges alone?

4. Empire-Please explain the difference between financial hedges and call options. Does Empire's hedging plan allow for call options and/or financial hedges? Please explain.
5. Empire-What suggestions offered by the consultant did Empire choose not to incorporate into its recently approved hedging risk management plan? Please explain why these suggestions weren't included.
6. Empire-Did Empire share its draft hedging risk management plan with the Staff and OPC prior to its adoption?
7. Empire-Provide a copy of Empire's recently adopted hedging plan. What are the hedging review procedures? Who has authority to approve hedges? Who reviews the hedges and how often? What employees of Empire approved the hedging plan?

THE COMMISSION ORDERS THAT:

1. The parties shall answer the Commission's questions as set forth above no later than May 6, 2020.
2. This order is effective when issued.



BY THE COMMISSION

A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

John T. Clark, Senior Regulatory Law Judge,
by delegation of authority pursuant to
Section 386.240, RSMo 2016.

Dated at Jefferson City, Missouri,
on this 28th day of April, 2020.