

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

In the Matter of The Empire District Electric)
Company's Fuel Costs Related to the Extraordinary) Case No. EU-2021-0274
Weather Event of February 2021)

VERIFIED WINTER STORM URI AAO APPLICATION

COMES NOW The Empire District Electric Company (“Empire” or “Company”), and for its Application for an Accounting Authority Order (“AAO”) regarding costs incurred during the extreme weather event of February of 2021 (“Winter Storm Uri”), respectfully states as follows to the Missouri Public Service Commission (the “Commission”):

1. On February 24, 2021, the Commission issued its *Order Directing Staff to Investigate and Submit Report* in Case No. AO-2021-0264 noting that “(m)uch of the Midwest, including Missouri, experienced unseasonably cold temperatures in February 2021. Such temperatures resulted in rolling electrical blackouts and extreme natural gas price spikes in Missouri.”

2. This weather emergency presented an event that was unpredictable and unexpected. Utility service and underlying natural gas markets throughout the region experienced a profound crisis arising from the unusually cold and unusually persistent winter weather. As a result of this weather crisis, demand for electric power on Empire’s local distribution system and demand for natural gas in the region escalated dramatically and prices rose on the spot and daily index markets accordingly.

3. The converging factors of reduced supply and increased demand placed temporary but severe constraints on Empire’s ability to obtain adequate natural gas fuel supply to satisfy customer needs. To provide the quantities of natural gas to generate electricity needed by its customers, the Company was obliged to purchase supplemental quantities of gas supply through the spot and daily index markets. The Company incurred extraordinary costs and carrying charges for these emergency measures, including SPP market charges.

4. On February 26, 2021, Empire submitted its Notice of Intended Case Filing pursuant to Commission Rule 20 CSR 4240-4.017, initiating this docket for a future AAO filing by Empire regarding Winter Storm Uri.

5. Separately, and as required by its tariff, on April 1, 2021, Empire filed its semi-annual Fuel Adjustment Clause (“FAC”) Fuel Adjustment Rate (“FAR”) tariff change (Case No. ER-2021-0332). In an effort to assist customers and minimize the impact of the prudently incurred, but unprecedented, fuel and purchased power costs which resulted from Winter Storm Uri, with its April 1st FAR filing, the Company sought to defer \$168,720,211 of fuel and purchased power costs, while continuing to have a reasonable expectation of recovery subject to a prudence review.

6. Empire’s new FAR took effect June 1, 2021, with \$168,720,211 of the \$176,066,737 representing 95% of the FAC-eligible fuel and purchased power costs from February, 2021, being deferred. This AAO Application does not address those costs deferred as part of Case No. ER-2021-0332.

7. At this time, Empire seeks an AAO from the Commission authorizing the Company to track and defer, beginning February of 2021, in a regulatory asset, the remaining impact of Winter Storm Uri. Costs to be deferred to a regulatory asset should include: (1) the remaining 5% of fuel and purchased power costs from February, 2021; (2) carrying costs on the total February 2021 fuel and purchased power expenditures at the Company’s weighted average cost of capital; and (3) other costs specifically related to Winter Storm Uri, including outside legal fees. Empire will segregate all deferred costs by detailed cost category and provide enough detail for the Commission to perform a subsequent review for prudence and reasonableness.

8. In evaluating what actions should be taken regarding unexpected costs incurred as a result of extraordinary and unusual events, such as Winter Storm Uri, the Commission follows the guidance of the Federal Energy Regulatory Commission’s Uniform System of Accounts

(“USOA”), which Missouri electric utilities like Empire are required to follow under Commission Rule 20 CSR 4240-20.030. General Instruction 7 of the USOA states that “extraordinary items” relating to the “... effects of events ... which have occurred during the current period and which are of unusual nature and infrequent occurrence shall be considered extraordinary items.” These events must be “... of significant effect which are abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future.” Winter Storm Uri and resultant fuel and purchased power costs squarely fall within this definition. *See also* RSMo. 393.140(4) and/or (8), upon which the Commission has also historically relied in approving AAO applications.

9. The Commission has previously issued AAOs for costs “caused by unpredictable events, acts of government and other matters outside the control of the utility or the Commission.” *See, e.g.,* In the Matter of St. Louis County Water Company’s Tariff Designed to Increase Rates, Case No. WR-96-263 (December 31, 1996). The Commission has recognized that it is appropriate to allow a utility to defer to a regulatory asset those costs that are associated with providing reliable service during or because of extraordinary events. *See, e.g.,* In re The Empire District Electric Co., Case No. EU-2011-0387, Order Approving Stipulation & Agreement (Nov. 30, 2011) (Joplin tornado); In re Union Electric Co., Case No. EU-2008-0141, Order Approving Stipulation & Agreement (Apr. 30, 2008) (ice storm); In re Southern Union Co., Report & Order, Case No. GU-2011-0392 (Jan. 25, 2012) (Joplin tornado); In re Missouri-America Water Co., Case No. WO-2002-273 (Nov. 10, 2004) (security costs arising from post-911 security measures).

10. Regarding the future recovery of prudently incurred expenses from customers, Empire initiated a general rate case on May 28, 2021 (Case No. ER-2021-0312). As part of that filing, Empire proposed a recovery period of 13 years for the Winter Storm Uri deferred costs. With the inclusion of the impact of Winter Storm Uri in the rate case, there is an additional revenue

requirement increase of approximately \$29.9 million, or 4.54 percent over current rates. As, however, was noted in Empire's general rate case filing, Empire plans to seek securitization of the Winter Storm Uri costs if that becomes a possibility under new legislation during the pendency of the rate case.

WHEREFORE, Empire seeks an order of the Commission authorizing the Company to track and defer, to a regulatory asset, the costs associated with Winter Storm Uri and seeks such additional relief as is just and proper under the circumstances.

Respectfully submitted,

/s/ Diana C. Carter

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Certificate of Service

I hereby certify that the above document was filed in EFIS on this 2nd day of June, 2021, with notification of the same being sent to all counsel of record. This Notice was also sent by electronic transmission to all counsel of record.

/s/ Diana C. Carter

VERIFICATION

On behalf of the applicant, The Empire District Electric Company d/b/a Liberty, the undersigned, under penalty of perjury, hereby affirms that the above Application is true and correct to the best of her information, knowledge, and belief. This Verification is executed pursuant to Commission Rule 20 CSR 4240-2.060(1)(M).

/s/ Sheri Richard
Sheri Richard
Director of Rates and Regulatory Affairs
Liberty Central Region