

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. EO-2023-0087
The Empire District Electric Company, d/b/a Liberty (Empire)

FROM: Jordan T. Hull, Associate Engineer

DATE: /s/ Jordan T. Hull 06/30/2023 /s/ Jeffrey A. Keevil 06/30/2023
Energy Resources Department / Date Staff Counsel Department / Date

SUBJECT: Staff Response to Commission Order Directing Staff to Reply to Public Counsel's Response

DATE: June 30, 2023

Background of Staff's Review

In *Staff's Tenth Prudence Review Report*¹ of Liberty (Empire)'s Fuel Adjustment Clause ("FAC") for the period March 1, 2021, through August 31, 2022, Staff conducted its prudence review consistent with how it has performed the previous nine prudence reviews for Liberty (Empire)'s FAC, as well as prudence reviews Staff has conducted for the FACs of the other regulated IOUs in Missouri that have a Commission approved FAC. Staff analyzed items affecting Liberty (Empire)'s total fuel costs, purchased power costs, net emission costs, transmission costs, off-system sales revenues, and interest for the twenty-sixth, twenty-seventh, and twenty-eighth six-month accumulation periods of Liberty (Empire)'s FAC.

Specific to the current review and this situation, Staff examined the outages of Liberty (Empire)'s generation fleet and the timing of these outages to determine if the outages were imprudently taken. An outage could result in Liberty (Empire) purchasing expensive spot market energy or running its more expensive units to meet demand and could result in customer harm through an increase in customer FAC charges.

During the normal course of a Staff Prudence Review, Staff reviews the outages to look for any imprudent actions or inaction by the utility that may have caused ratepayers to pay increased costs through the FAC. Periodic planned outages are required to maintain each generating unit peak operating condition to minimize forced or maintenance outages that could occur during peak load demand or periods of high replacement energy prices. Staff reviews these planned outages to ensure the Company is planning these in shoulder months, to avoid the peak load demand or periods of high

¹ Filed in File No. EO-2023-0087 on February 28, 2023.

*** Denotes Highly Confidential Information ***

** Denotes Confidential Information **

Attachment A

replacement energy prices. Liberty (Empire), or any electric utility, has little or no control over the timing of maintenance or forced outages of the generating stations it owns and operates when such outages are the result of unforeseen events. Staff reviews hundreds of various outages, both planned and forced, that occur during the review period; however the report only addresses outages that stand out as problematic, as addressing the hundreds of outages during a review period would be too lengthy and serve no real purpose.²

Neosho Ridge Wind facility outage

Staff reviewed the outage at the Neosho Ridge Wind facility caused when two Main Power Transformers (“MPT”) went down late March 2022 as an unplanned forced outage. These MPTs are under warranty and warranty claims were submitted for each failure. Staff saw no issue with this outage as Staff was aware the units were sent back to the manufacture (WEG) in Mexico for warranty repair and review in May 2022. A business interruption insurance claim was filed in April 2022. On July 12, 2022 Empire installed a rented temporary transformer. Staff was aware that the root cause analysis was still unknown from the response to Office of the Public Counsel (“OPC”) data request 8500, prior to when Staff’s prudence review was filed in February 2023.

On April 18, 2023, Liberty- Empire gave a presentation to Staff and OPC. Staff learned during this presentation that one MPT was returned to the site and was energized³ December 1, 2022. A rented transformer is being used for the second MPT transformer as the original second MPT (still in Mexico) continues to fail to pass the Factory Acceptance testing. On June 20, 2023, Staff had a meeting with Liberty (Empire) to discuss any costs and revenues that have impacted the FAC. Liberty (Empire) stated that insurance was covering the expected Southwest Power Pool (“SPP”) revenues from this project as well as the cost of the rental transformer through April of 2023, and the warranty costs are being covered by the manufacturer. It is Staff’s understanding that there are no costs that Liberty (Empire) is aware of specific to this outage that has been included for recovery through the FAC for this current Review Period, and any repair costs that Liberty (Empire) would have to cover would be a

² In its review of outages, Staff focuses more on planned outages as those outages are within the control of Liberty (Empire) and should be prudently scheduled.

³ Energized-connecting a transformer to the generator.

capital expense that would not be recovered through the FAC. From the presentation, Liberty-Empire expects the second fixed MPT to ship/arrive from WEG between July 20 and July 27 of 2023.

On June 20, 2023, Liberty (Empire) provided part 1 of the Neosho Ridge Root Cause Analysis.⁴ Parts 2 through 4 and various attachments of the Root Cause Analysis were provided on June 26, 2023, all of which are approximately 731 pages. Due to the voluminous information, Staff has not been able to review the entire Root Cause Analysis. However, Staff provides a short summary of the Root Cause

Analysis: ** [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]^{**5} However, in another report Staff reviewed it was stated

*** [REDACTED]
[REDACTED]⁶ [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]⁷."*** Therefore, it

is still not very clear to Staff what the exact root cause was.

Conclusion

Based on all the information Staff knew prior to when Staff's prudence review was filed in February 2023, and the additional information provided by Liberty (Empire) since, Staff's opinion based on what it has reviewed so far is that currently Staff has nothing on which to base an allegation of imprudence by Liberty (Empire) for the Neosho Ridge Wind facility outage. Going forward, as more

⁴ See Outage/Incident Report No. I202200111.
⁵ See the response to OPC data request 8520 and "Bianchi Supplement to WEG RCA 3.2.9.23_Confidential".
⁶ Highly Confidential Neosho Ridge Root Cause Analysis Part 1, page 128.
⁷ Highly Confidential Neosho Ridge Root Cause Analysis Part 1, page 7.

insurance proceeds will be received and included in the FAC, and if any costs are incurred because of this outage, both outside of the current review period, Staff will continue to monitor the costs and/or revenues for purposes of the FAC. Also, if there is any further information received or that comes out from the review of the Root Cause Analysis and its attachments, Staff reserves the right to make prudence adjustments in future FAC proceedings and reserves the right to review any and all costs associated with the outage as appropriate in future proceedings.

