

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

In the Matter of The Empire District Electric Company for Authority to Implement Rate Adjustments Related to the Company's Fuel And Purchase Power Adjustment (FAC) Required in 20 CSR 4240-20.090	) ) ) ) )	<b><u>File No. ER-2020-0311</u></b> Tariff No. JE-2020-0171
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**STAFF RECOMMENDATION TO APPROVE**

**COMES NOW** the Staff of the Missouri Public Service Commission, by and through counsel, and for its recommendation states:

1. On April 1, 2020, The Empire District Electric Company ("Empire") filed one (1) proposed tariff sheet, 8th Revised Sheet No. 17ac Canceling 7th Revised Sheet No. 17ac, bearing a proposed effective date of June 1, 2020, to revise its Current Period Fuel Adjustment Rates ("FARs") of its Fuel Adjustment Clause ("FAC") used to determine the Fuel Adjustment Charge on customers' bills. Empire also filed direct testimony of its witness Charlotte T. Emery on April 1, 2020 and submitted to Commission Staff ("Staff") work papers in support of the proposed tariff sheet. The Commission assigned the tariff sheet to Tariff Tracking No. JE-2020-0171.

2. Concurrently on April 1, 2020 Empire submitted a FAC true-up filing in File No. EO-2020-0312 to identify the true-up under-recovery amount of \$1,074,609 for the 21<sup>st</sup> Recovery Period ("RP21") of its FAC. This amount is included in the calculation of the Fuel and Purchased Power ("FPA") amount included in Empire's Accumulation Period 23 ("AP23").

3. Empire filed a substitute tariff on April 6, 2020, to correct a transposition error on Line 1, Total Energy Cost. No other tariff amounts were affected and Empire did not file substitute testimony.

4. Commission Rule 20 CSR 4240-20.090(8)(F) provides that “[w]ithin thirty (30) days after the electric utility files its testimony and tariff sheet(s) to adjust its FARs, the staff shall submit a recommendation regarding its examination and analysis to the commission[.]” Staff must determine if Empire’s proposed adjustments to its FAC rates are in accordance with Section 386.266 RSMo, 20 CSR 4240-20.090 (“Fuel and Purchased Power Rate Adjustment Mechanisms”), and the “FAC mechanism established, continued, or modified in the utility’s most recent general rate proceeding.”<sup>1 2</sup>

5. If the proposed rate adjustments are in accordance with the rule, statute, and FAC mechanism referenced above, 20 CSR 4240-20.090(8)(H)(1) and (2) provide:

- (H) Within sixty (60) days after the electric utility files its testimony and tariff sheet(s) to adjust its FARs, the commission shall either –
1. Issue an interim rate adjustment order approving the tariff sheet(s) and the adjustments to the FARs [or]
  2. Allow the tariff sheet(s) and the adjustments to the FARs to take effect without commission order[.]

6. In the attached Staff Memorandum, marked Appendix A, Staff recommends that the Commission issue an order approving Empire’s substitute tariff sheet filed on April 6, 2020, to become effective on June 1, 2020, subject to true-up and prudence reviews.

7. The Current Period FAR of \$.00113 per kWh (Line 13 of 8th Revised Sheet No. 17ac) is equal to the FPA Amount of \$2,622,300 divided by the forecasted Missouri net system input (“NSI”) for RP23 of 2,311,729,686 kWh, found on Line 12 of 8th Revised Sheet No. 17ac.

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<sup>1</sup> 20 CSR 4240-20.090(8)(F).

<sup>2</sup> Empire has a pending electric general rate case, File No. ER-2019-0374. Tariffs in that case are expected to be final no later than July 11, 2020.

8. Because of a difference in line losses, there are different FARs for service taken at primary and secondary voltage levels. The resulting FARs are in the following table:

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Primary	\$(.00147)	\$.00119	\$0.00266 Increase
Secondary	\$(.00150)	\$.00121	\$0.00271 Increase

9. Based on a monthly usage of 1,000 kWh, the proposed change to the FAR will increase the FAC of an Empire residential customer's bill from \$(1.50) to \$1.21, an increase in the customer's bill of \$2.71 per month.

10. On page 7, lines 6-16, of her direct testimony, Empire witness Charlotte T. Emery listed some of the reasons the average energy cost varied from expectations:

September 2019 was one of the warmest Septembers in the past 30 years, but this was offset by a mild 2019/2020 winter. Natural gas prices were lower than anticipated during this period. However, Iatan Unit 1's budgeted spring outage was moved to the fall. This turned into an extended outage, and the unit did not operate much during the entire accumulation period. Finally, during this period the Ozark Beach hydro units were limited due to high tail water levels followed by a controls system upgrade project.

11. Staff's review shows Empire's filing is in compliance with Section 386.266 RSMo, 20 CSR 4240-20.090, and Empire's FAC embodied in its tariff.

12. Staff verified that Empire is not delinquent on any assessment and filed its 2018 annual report<sup>3</sup>. It is current on submission of its monthly reports, required

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<sup>3</sup> On January 30, 2020, Empire filed a request for an extension of time to file their 2019 Annual Report. The request was approved and the 2019 Annual Report is due by May 15, 2020.

by 20 CSR 4240-20.090(5), and its surveillance monitoring reports, required by 20 CSR 4240-20.090(6).

**WHEREFORE**, Staff recommends that the Commission issue an interim rate adjustment order approving Empire's first substitute proposed tariff sheet 8th Revised Sheet No. 17ac Canceling 7th Revised Sheet No. 17ac, as filed on April 6, 2020, to become effective June 1, 2020, subject to true-up and prudence reviews.

Respectfully submitted,

**/s/ Jamie S. Myers**

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**CERTIFICATE OF SERVICE**

I certify that a copy of the foregoing was served via e-mail on counsel for the parties of record to this case on this 1<sup>st</sup> day of May, 2020.

**/s/ Jamie S. Myers**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
File No. ER-2020-0311, Tariff Tracking No. JE-2020-0171  
The Empire District Electric Company

FROM: Lisa Wildhaber, Utility Regulatory Auditor III  
Brooke Mastrogiannis, Utility Regulatory Auditor IV  
Cynthia M. Tandy, Utility Regulatory Auditor II

DATE: /s/ Brad J. Fortson 05/01/2020                      /s/ Jamie S. Myers 05/01/2020  
Energy Resources Department / Date                      Staff Counsel Department / Date

SUBJECT: Staff Recommendation for Approval of Tariff Sheet Filed to Change Rates  
Related to The Empire District Electric Company's Fuel Adjustment Clause  
Pursuant to the Commission's *Report and Order* in File No. ER-2016-0023.

DATE: May 01, 2020

### Summary and Staff Recommendation

On April 1, 2020, The Empire District Electric Company ("Empire" or "Company") filed one (1) proposed tariff sheet, 8th Revised Sheet No. 17ac Canceling 7th Revised Sheet No. 17ac, bearing a proposed effective date of June 1, 2020, to revise its Current Period Fuel Adjustment Rates<sup>1</sup> ("FARs") of its Fuel Adjustment Clause ("FAC") used to determine the Fuel Adjustment Charge<sup>2</sup> on customers' bills. Empire also filed direct testimony of its witness Charlotte T. Emery on April 1, 2020 and submitted to Commission Staff ("Staff") work papers in support of the proposed tariff sheet. The Commission assigned the tariff sheet to Tariff Tracking No. JE-2020-0171. Empire filed a substitute tariff on April 6, 2020, to correct a transposition error on Line 1, Total Energy Cost. No other tariff amounts were affected and Empire did not file substitute testimony.

Based on its examination and analysis of the information Empire filed and submitted in this case, Staff recommends the Commission issue an order approving the proposed tariff sheet filed on April 1, 2020, as substituted on April 6, 2020, to become effective on June 1, 2020.

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<sup>1</sup> The Current Period FARs for service at primary voltage and above and for service at secondary voltage are located on lines 14 and 15, respectively, of proposed 8th Revised Sheet No. 17ac.

<sup>2</sup> The actual line item on the customer's bill is: Fuel Adjust Charge.

### **Empire's AP23 FARs**

The testimony and work papers include information that supports Empire's calculation of the dollar amount<sup>3</sup> used to calculate the FARs for Accumulation Period 23 ("AP23"). That dollar amount is \$2,622,300 and is resulting from:

1. The amount of \$1,549,230, found on Line 7 of 8th Revised Sheet No. 17ac, which is equal to 95% of the difference between: a) Empire's Missouri jurisdiction<sup>4</sup> actual fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenue<sup>5</sup> and less renewable energy credits ("REC") revenue and b) Empire's Missouri jurisdiction net base energy cost<sup>6</sup> during AP23; plus
2. The true-up amount of \$1,074,609<sup>7</sup> which is the under-recovery amount of the FARs for Recovery Period 21 ("RP21"), found on Line 8 of 8th Revised Sheet No. 17ac; plus
3. The interest for AP23, a portion of RP21<sup>8</sup>, and a portion of RP22<sup>9</sup> which is equal to \$(1,538.03), found on Line 10 of 8th Revised Sheet No. 17ac.

The Current Period FAR of \$.00113 per kWh (Line 13 of 8th Revised Sheet No. 17ac) is equal to the FPA Amount of \$2,622,300 divided by the forecasted Missouri net system input ("NSI") for RP23 of 2,311,729,686 kWh, found on Line 12 of 8th Revised Sheet No. 17ac.

Because of a difference in line losses, there are different FARs for service taken at primary and above voltage levels and at secondary voltage level. When accounting for line losses for the different voltage levels, the proposed FARs are \$.00119 per kWh for customers receiving service at primary voltage level and above, and \$.00121 per kWh for customers receiving service at secondary voltage level. Empire's present FARs are \$(.00147) per kWh

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<sup>3</sup> The dollar amount used to calculate the Current Period FAR is called the Fuel and Purchased Power Adjustment ("FPA") which is located on line 11 of proposed 8th Revised Sheet No. 17ac.

<sup>4</sup> Missouri Energy Ratio (J) = (Missouri retail kWh sales)/(Total system kWh sales), where Total system kWh sales includes sales to municipalities that are associated with Empire and excludes off-system sales. See Original Sheet No 17aa. For AP23, J is equal to 82.56% as reflected on line 4 of 8th Revised Sheet No. 17ac. Empire calculates the Missouri Energy Ratio on a monthly basis and combines the months for the entry on line 5 of its sheet 17ac. For this reason, the calculation of the total energy cost minus the net base energy cost (line 3) multiplied by the Missouri Energy Factor (line 4) does not equal the amount entered on line 5. Line 3 multiplied by line 4 equals \$1,608,337.

<sup>5</sup> For AP23, this amount is \$67,473,481 as reflected on line 1 of 8th Revised Sheet No. 17ac.

<sup>6</sup> For AP23, this amount is \$65,525,398 as reflected on line 2 of 8th Revised Sheet No. 17ac.

<sup>7</sup> Empire's RP21 true-up filing is contained in File No. EO-2020-0312.

<sup>8</sup> Recovery Period 21 is June 2019 through November 2019.

<sup>9</sup> Recovery Period 22 is December 2019 through May 2020.

for customers receiving service at primary voltage level and above and \$(.00150) per kWh for customers receiving service at secondary voltage level.<sup>10</sup>

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Primary	\$(.00147)	\$.00119	\$0.00266 Increase
Secondary	\$(.00150)	\$.00121	\$0.00271 Increase

Based on a monthly usage of 1,000 kWh, the proposed change to the FAR will increase the Fuel Adjustment Charge of an Empire residential customer's bill from \$(1.50) to \$1.21, an increase in the customer's bill of \$2.71 per month.<sup>11</sup> The accumulation periods, recovery periods, and other specifications of Empire's existing FAC are set out in its currently effective tariff sheets designated Sheet Nos. 17u through 17ac.

On page 6, line 6 through line 21 of her filed testimony, Company witness Charlotte T. Emery describes the reasons for the increase in the FAR's base rates:

Q. How did Liberty-Empire's average energy costs for the Accumulation Period compare to the costs included in base rates?

A. Liberty-Empire's average energy costs per kWh increased above the level built into its base electric rates, which is why the FAC rate tariff filed by the Company seeks an increase in the rates charged to the Missouri customers. More specifically, Liberty-Empire's Missouri base rates included an average cost of energy per kWh of net system production of \$0.02415 during the Accumulation Period of September 2019 through February 2020. Liberty-Empire actually incurred average energy costs of \$0.02487 per kWh during the Accumulation Period, which is \$0.00072 per kWh or about 2.97 percent more than the average cost built into base rates. Pursuant to Liberty-Empire's FAC tariff, Liberty-Empire is requesting to collect from its Missouri customers the net of 95 percent of this increase plus approximately \$1,074,609 of under-recovered energy cost and \$1,538 of interest expense from the Recovery Period ending February 29, 2020, or an average of \$.00113 per kWh sold during the upcoming Recovery Period.

<sup>10</sup> Lines 14 and 15 of 8th Revised Sheet No. 17ac.

<sup>11</sup> In Charlotte T. Emery's direct testimony, on page 7 lines 6 through 14, she states, "September 2019 was one of the warmest Septembers in the past 30 years, but this was offset by a mild 2019/2020 winter." Also, "Iatan Unit 1's budgeted spring outage was moved to the fall. This turned into an extended outage, and the unit did not operate much during the entire accumulation period. Finally, during this period, the Ozark Beach hydro units were limited due to high tail water levels followed by a controls system upgrade project."

### **Retirement of Asbury Generation Facility**

The retirement date of Asbury is an issue in the current general rate case, File No. ER-2019-0374. The outcome of that issue in the rate case will determine the date that costs and revenues from Asbury should no longer be included in the FAC. If necessary Staff will recommend adjustments in the next Empire FAR filing to reflect the Commission's decision on that issue.<sup>12</sup>

### **Staff Review**

Staff reviewed Empire's proposed 8th Revised Sheet No. 17ac Canceling 7th Revised Sheet No. 17ac, the direct testimony of Empire witness Charlotte T. Emery filed on April 1, 2020, and Empire's monthly filings and work papers for AP23. Staff verified that the actual fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenues and less REC revenues, match the fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenues and less REC revenues in Empire's proposed 8th Revised Sheet No. 17ac Canceling 7th Revised Sheet No. 17ac. Staff also reviewed Empire's monthly interest rates that are applied to the monthly over- and under-recovery amounts for AP23, a portion of RP22, and a portion of RP21 and the calculation of the monthly interest amounts. The information filed with the tariff sheet and work papers include sufficient data to calculate the FARs for AP23.

Attachment A includes three charts which provide a summary of Empire's twenty-three (23) FAC rate adjustment filings. Chart 1 illustrates a) Empire's FARs for primary and secondary voltage service levels for each of the twenty-three (23) accumulation periods, and b) that there have been thirteen (13) positive FARs and ten (10) negative FARs. Chart 2 illustrates Empire's FAC cumulative under-collected amount<sup>13</sup> at the end of each of the twenty-three (23) accumulation periods with the cumulative under-collected amount through AP23 of approximately \$35 million. Chart 3 illustrates Empire's FAC cumulative

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<sup>12</sup> Any interest that may be applied in the next FAR filing will be calculated using the same interest rates that are applicable to the related FAC workpapers and FAC Monthly Reports for those particular months.

<sup>13</sup> A positive under-collected amount means the Total Energy Cost (defined on line 1 of 8th Revised Sheet No. 17ac as  $TEC = (FC + PP + E - OSSR - REC)$ ) is greater than the Net Base Energy Cost (defined on line 2 of 8th Revised Sheet No. 17ac as  $B = BF \times S_{AP}$ ). Conversely, a negative under-collected amount means the Total Energy Cost is less than the Net Base Energy Cost.



under-collected percentage of cumulative total energy costs at the end of each of the twenty-three (23) accumulation periods with the cumulative under-collected percentage through AP23 of approximately 2%.

### **Staff Recommendation**

Empire filed the 8th Revised Sheet No. 17ac Canceling 7th Sheet No. 17ac, and based on Staff's review, Staff has determined that Empire is in compliance with Commission Rule 20 CSR 4240-20.090, Section 386.266 RSMo, and Empire's FAC embodied in its tariff.

Commission Rule 20 CSR 4240-20.090(8)(H)<sup>14</sup> provides in part:

(H) Within sixty (60) days after the electric utility files its testimony and tariff sheet(s) to adjust its FARs, the commission shall either—

1. Issue an interim rate adjustment order approving the tariff sheet(s) and the adjustments to the FARs;

2. Allow the tariff sheet(s) and the adjustments to the FARs to take effect without commission order; or

3. If it determines the adjustment to the FARs is not in accordance with the provisions of this rule, section 386.266, RSMo, and the FAC mechanism established in the electric utility's most recent general rate proceeding, reject the proposed rate sheets, suspend the timeline of the FAR adjustment filing, set a prehearing date, and order the parties to propose a procedural schedule. The commission may order the electric utility to file tariff sheet(s) to implement interim adjusted FARs to reflect any part of the proposed adjustment that is not in question.

Empire has requested that the 8th Revised Sheet No. 17ac Canceling 7th Revised Sheet No. 17ac filed on April 1, 2020 become effective on June 1, 2020. Thus, the tariff sheet was filed with sixty (60) days' notice. Based on its examination and analysis of the information Empire filed and submitted in this case, Staff recommends the Commission issue an order approving the following proposed tariff sheet, to become effective on June 1, 2020, as requested by Empire, subject to both true-up and prudence reviews:

#### **P.S.C. Mo. No. 5 Section 4**

8th Revised Sheet No. 17ac Canceling 7th Revised Sheet No. 17ac

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<sup>14</sup> Effective January 30, 2019.

Staff has verified that Empire has filed its 2018<sup>15</sup> annual report and is not delinquent on any assessment. Empire is current on its submission of its Surveillance Monitoring reports as required in 20 CSR 4240-20.090(6) and its monthly reports as required by 20 CSR 4240-20.090(5).

Staff's recommendation for approval of the Current Period FARs in this case is solely based on the accuracy of Empire's calculations, and is not indicative of the prudence of the fuel costs during AP23.

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<sup>15</sup> On January 30, 2020, the Company filed a request for an extension of time to file their 2019 Annual Report. The request was approved and the 2019 Annual Report is due by May 15, 2020.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of The Empire District Electric )  
Company for Authority to Implement Rate ) **File No. ER-2020-0311**  
Adjustments Related to the Company's Fuel ) **Tariff No. JE-2020-0171**  
and Purchase Power Adjustment (FAC) )  
Required in 20 CSR 4240-20.090 )

**AFFIDAVIT OF BROOKE MASTROGIANNIS,  
CYNTHIA M. TANDY, AND LISA WILDHABER**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COME NOW** Brooke Mastrogiannis, Cynthia M. Tandy, and Lisa Wildhaber and on their oath declare that they are of sound mind and lawful age; that they contributed to the foregoing Memorandum; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

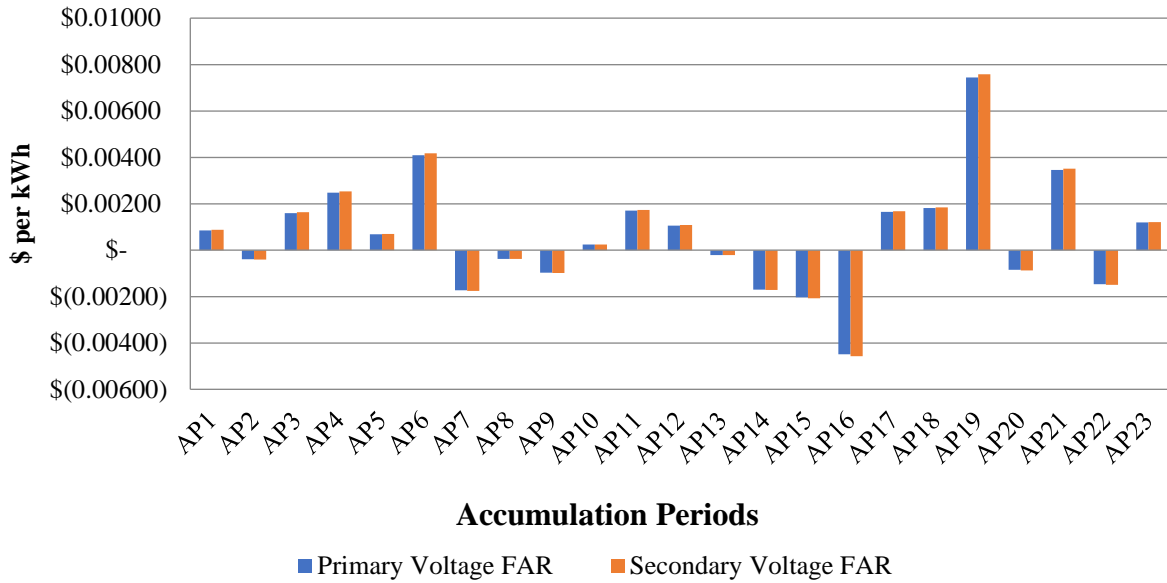
Further your Affiants sayeth not.

/s/ Brooke Mastrogiannis  
Brooke Mastrogiannis

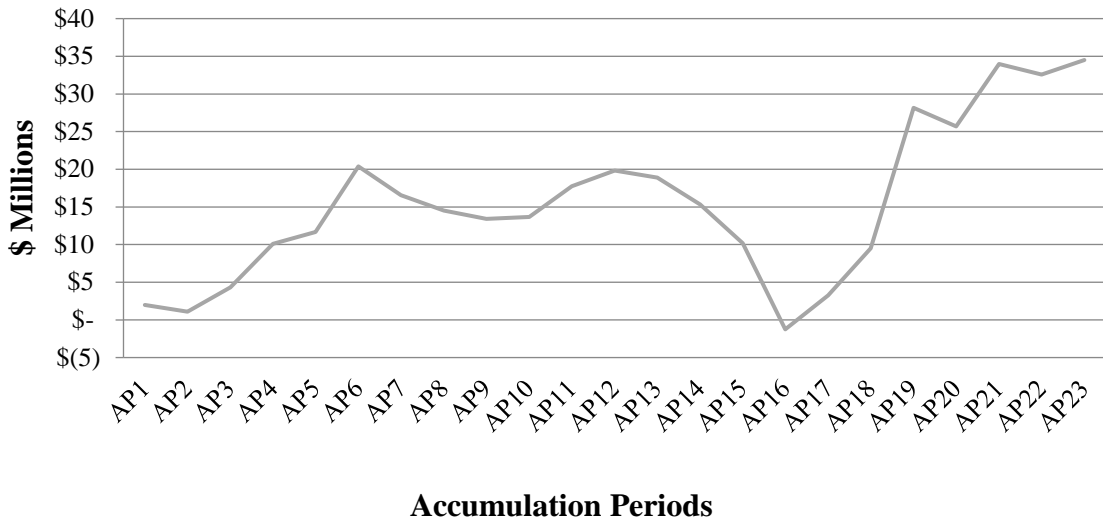
/s/ Cynthia M. Tandy  
Cynthia M. Tandy

/s/ Lisa Wildhaber  
Lisa Wildhaber

**Chart 1: Empire Fuel Adjustment Rates**



**Chart 2: Empire FAC Cumulative Under-Collection Amounts**



**Chart 3: Empire FAC Cumulative Under-Collection Percentage**

