

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

In the Matter of The Empire District Electric)	
Company for Authority to Implement Rate)	<u>File No. ER-2020-0093</u>
Adjustments Related to the Company's)	Tracking No. JE-2020-0050
Fuel and Purchase Power Adjustment (FAC))	
Required in 20 CSR 4240-20.090)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission and submits its Recommendation as follows:

1. On October 1, 2019, The Empire District Electric Company ("Empire" or "Company") submitted direct testimony and a tariff designed to revise its Current Period Fuel Adjustment Rates ("FARs") for the 22nd Accumulation Period ("AP22") of its Fuel and Purchase Power Adjustment Clause ("FAC") used to determine the Fuel Adjustment Charge on customers' bills. The submitted tariff bears an effective date of December 1, 2019. This proposed tariff sheet is P.S.C. Mo. No. 5 Section 4, 7th Revised Sheet No. 17ac, Canceling 6th Revised Sheet No. 17ac.

2. Concurrently on October 1, 2019, Empire submitted a true-up filing in File No. EO-2020-0094 to identify the net fuel costs it over- or under-charged customers during the 20th Recovery Period prescribed by its FAC. This amount is used when calculating the new Fuel Adjustment Rate ("FAR") in this case.

3. On October 2, 2019, the Commission ordered Staff to examine and analyze Empire's filings in this case, and to file its recommendation no later than November 1, 2019, as required by Commission Rule 20 CSR 4240-20.090(8).

4. Any party wishing to intervene was given a deadline of November 1, 2019 to file an application with the Commission.

5. As of the date of this filing, no parties have filed to intervene in this matter.

6. Staff's *Memorandum*, attached hereto as Appendix A and incorporated by reference, recommends the Commission issue an order approving proposed tariff sheet P.S.C. Mo. No. 5 Section 4, 7th Revised Sheet No. 17ac, Canceling 6th Revised Sheet No. 17ac, subject to future true-up and prudence reviews.

7. Commission Rule 20 CSR 4240-20.090(8) states: "An electric utility that has a FAC shall file proposed tariff sheet(s) to adjust its FARs following each accumulation period." The rule requires Staff to "determine if the proposed adjustment to the FARs is in accordance with the provisions of this rule, section 386.266, RSMo, and the FAC mechanism established, continued, or modified in the utility's most recent general rate proceeding."¹

8. If so, "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..." the commission may reject the proposed rate sheets, suspend the timeline, set a prehearing date, and order the parties to propose a procedural schedule.²

9. Empire's filing in this case requests Commission approval of one tariff sheet bearing an effective date of December 1, 2019, that revises the current FARs in its FAC. The filing includes testimony and work papers of Empire witness

¹ Commission Rule 20 CSR 4240-20.090(8)(F).

² Commission Rule 20 CSR 4240-20.090(8)(H)1-3.

Charlotte T. Emery supporting the Company's calculation of the Fuel and Purchased Power Adjustment ("FPA").

10. For AP22, the FPA amount is \$(3,161,614), which divided by the forecasted net system input for Recovery Period 22 of 2,253,608,426 kWh results in a Current Period FAR of \$(.00141) per kWh.

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

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Primary	\$.00345	\$(.00147)	\$0.00492 Decrease
Secondary	\$.00351	\$(.00150)	\$0.00501 Decrease

12. Based on a monthly usage of 1,000 kWh, the proposed change to the FAR will decrease the Fuel Adjustment Charge of an Empire residential customer's bill from \$3.51 to \$(1.50), a decrease in the customer's bill of \$5.01 per month.

13. Staff has verified that Empire has filed its 2018 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 periodic reports as required by 20 CSR 4240-20.090(5). With the exception of the true-up filing in File No. EO-2019-0094, Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

WHEREFORE, Staff recommends the Commission issue an order approving P.S.C. Mo. No. 5 Section 4, 7th Revised Sheet No. 17 ac, Canceling 6th Revised Sheet No. 17ac, to become effective on December 1, 2019, subject to future true-up and prudence reviews.

Respectfully Submitted,

/s/ Travis J. Pringle

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand delivered, transmitted by facsimile or electronically mailed to all counsel of record this 1st day of November, 2019.

/s/ Travis J. Pringle

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2020-0093, Tariff Tracking No. JE-2020-0050
The Empire District Electric Company

FROM: Cynthia M. Tandy, Utility Regulatory Auditor I
Brooke Mastrogianis, Utility Regulatory Auditor IV
Lisa Wildhaber, Utility Regulatory Auditor III

DATE: /s/ Brad J. Fortson 11/01/2019 /s/ Travis Pringle 11/01/2019
Energy Resources Department / Date Staff Counsel Division / 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: November 01, 2019

Summary and Staff Recommendation

On October 1, 2019, The Empire District Electric Company ("Empire" or "Company") filed one (1) proposed tariff sheet, 7th Revised Sheet No. 17ac Canceling 6th Revised Sheet No. 17ac, bearing a proposed effective date of December 1, 2019, to revise its Current Period Fuel Adjustment Rates¹ ("FARs") of its Fuel Adjustment Clause ("FAC") used to determine the Fuel Adjustment Charge² on customers' bills. Empire also filed direct testimony of its witness Charlotte T. Emery on October 1, 2019 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-2020-0050.

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 October 1, 2019, to become effective on December 1, 2019.

¹ 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 7th Revised Sheet No. 17ac.

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

Empire's AP22 FARs

The testimony and work papers include information that supports Empire's calculation of the dollar amount³ used to calculate the FARs for Accumulation Period 22 ("AP22"). That dollar amount is \$(3,161,614) resulting from:

1. The amount of \$(1,091,455), found on Line 7 of 7th Revised Sheet No. 17ac, which is equal to 95% of the difference between: a) Empire's Missouri jurisdiction⁴ actual fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenue⁵ and less renewable energy credits ("REC") revenue and b) Empire's Missouri jurisdiction net base energy cost⁶ during AP22 plus;
2. The true-up amount of \$(2,140,520)⁷ which is the over-recovery amount as a result of the FARs for Recovery Period 20 ("RP20"), found on Line 8 of 7th Revised Sheet No. 17ac, plus;
3. The interest for AP22, a portion of RP20⁸, and a portion of RP21⁹ which is equal to \$70,361, found on Line 10 of 7th Revised Sheet No. 17ac.

The Current Period FAR of \$(.00141) per kWh (Line 13 of 7th Revised Sheet No. 17ac) is equal to the FPA Amount of \$(3,161,614) divided by the forecasted Missouri net system input ("NSI") for RP22 of 2,253,608,426 kWh, found on Line 12 of 7th 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

³ 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 7th Revised Sheet No. 17ac.

⁴ 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 AP22, J is equal to 81.90% as reflected on line 4 of 7th 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 \$(1,150,409).

⁵ For AP22, this amount is \$63,483,114 as reflected on line 1 of 7th Revised Sheet No. 17ac.

⁶ For AP22, this amount is \$64,887,766 as reflected on line 2 of 7th Revised Sheet No. 17ac.

⁷ Empire's RP20 true-up filing is contained in File No. EO-2020-0094.

⁸ Recovery Period 20 is December 2018 through May 2019.

⁹ Recovery Period 21 is June 2019 through November 2019.

different voltage levels, the proposed FARs are \$(.00147) per kWh for customers receiving service at primary voltage level and above, and \$(.00150) per kWh for customers receiving service at secondary voltage level. Empire’s present FARs are \$.00345 per kWh for customers receiving service at primary voltage level and above and \$.00351 per kWh for customers receiving service at secondary voltage level.¹⁰

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Primary	\$.00345	\$(.00147)	\$0.00492 Decrease
Secondary	\$.00351	\$(.00150)	\$0.00501 Decrease

Based on a monthly usage of 1,000 kWh, the proposed change to the FAR will decrease the Fuel Adjustment Charge of an Empire residential customer’s bill from \$3.51 to \$(1.50), a decrease in the customer’s bill of \$5.01 per month.¹¹ 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 10 through page 7, line 2 of her filed testimony, Company witness Charlotte T. Emery describes the reasons for the decrease 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 declined below the level built into its base electric rates, which is why the FAC rate tariff filed by the Company seeks a decrease 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 March 2019 through August 2019. Liberty-Empire actually incurred average energy costs of \$0.02362 per kWh during the Accumulation Period, which is \$0.00052 per kWh or

¹⁰ Lines 14 and 15 of 6th Revised Sheet No. 17ac.

¹¹ In Charlotte T. Emery’s direct testimony, on page 7 lines 11 through 20, she states, “a higher than normal amount of rainfall during the spring and summer season contributed to native load being slightly under budget for the period. Additionally, during the summer months of June through August (typically the most impactful months for this accumulation period), natural gas prices were significantly lower than anticipated...”

about 2.16 percent less than the average cost built into base rates. Pursuant to Liberty-Empire's FAC tariff, Liberty-Empire is requesting to return to its Missouri customers the net of 95 percent of this decrease plus approximately \$2,140,520 of over-recovered energy cost and \$70,361 of interest income from the Recovery Period ending August 31, 2019, or an average of \$(.00141) per kWh sold during the upcoming Recovery Period.

Staff Review

Staff reviewed Empire's proposed 7th Revised Sheet No. 17ac Canceling 6th Revised Sheet No. 17ac, the direct testimony of Empire witness Charlotte T. Emery filed on October 1, 2019, and Empire's monthly filings and work papers for AP22. 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 7th Revised Sheet No. 17ac Canceling 6th Revised Sheet No. 17ac. Staff also reviewed Empire's monthly interest rates that are applied to the monthly over- and under-recovery amounts for AP22, a portion of RP21, and a portion of RP20 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 AP22.

Attachment A includes three charts which provide a summary of Empire's twenty-two (22) FAC rate adjustment filings. Chart 1 illustrates a) Empire's FARs for primary and secondary voltage service levels for each of the twenty-two (22) accumulation periods, and b) that there have been twelve (12) positive FARs and ten (10) negative FARs. Chart 2 illustrates Empire's FAC cumulative under-collected amount¹² at the end of each of the twenty-two (22) accumulation periods with the cumulative under-collected amount through AP22 of approximately \$33 million. Chart 3 illustrates Empire's FAC cumulative under-collected percentage of cumulative total

¹² A positive under-collected amount means the Total Energy Cost (defined on line 1 of 7th Revised Sheet No. 17ac as $TEC = (FC + PP + E - OSSR - REC)$) is greater than the Net Base Energy Cost (defined on line 2 of 7th 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.

energy costs at the end of each of the twenty-two (22) accumulation periods with the cumulative under-collected percentage through AP22 of approximately 2%.

Staff Recommendation

Empire filed the 7th Revised Sheet No. 17ac Canceling 6th 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)¹³ 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 7th Revised Sheet No. 17ac Canceling 6th Revised Sheet No. 17ac filed on October 1, 2019 become effective on December 1, 2019. 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 December 1, 2019, as requested by Empire, subject to both true-up and prudence reviews:

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

7th Revised Sheet No. 17ac Canceling 6th Revised Sheet No. 17ac

¹³ Effective January 30, 2019.

Staff has verified that Empire has filed its 2018¹⁴ 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).

Except for Empire's RP20 true-up filing in File No. EO-2020-0094, also filed on October 1, 2019, Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing. 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 AP22.

¹⁴ The Company did file its 2018 Annual Report on May 15, 2019, meeting the extension deadline.

Chart 1: Empire Fuel Adjustment Rates

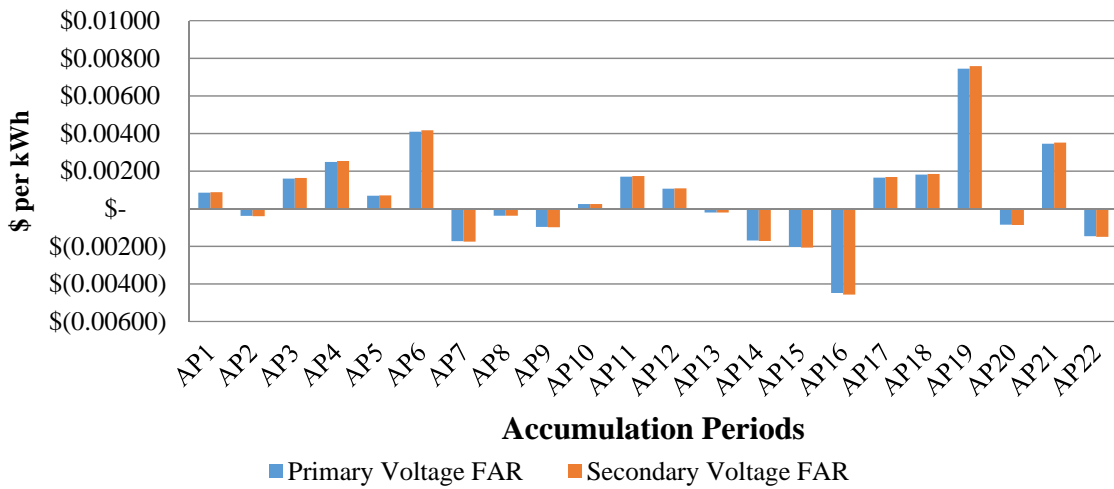


Chart 2: Empire FAC Cumulative Under-Collection Amounts

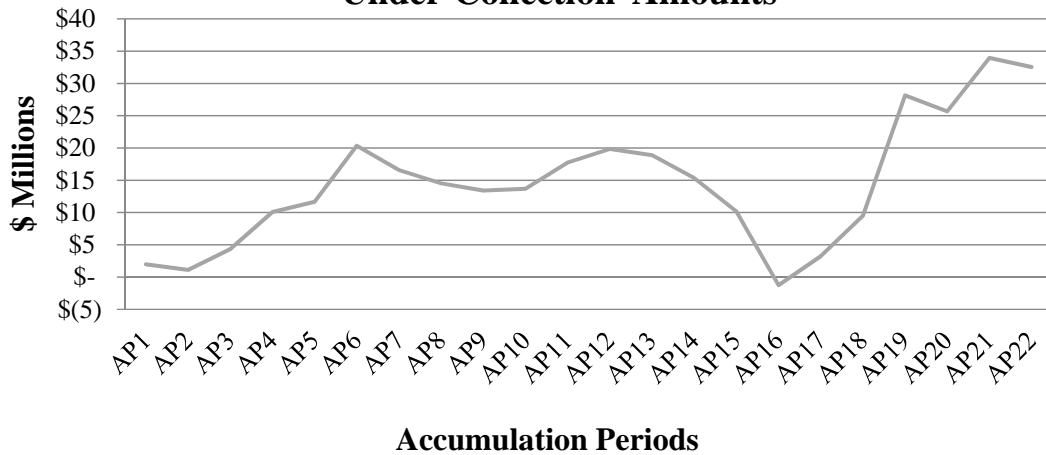
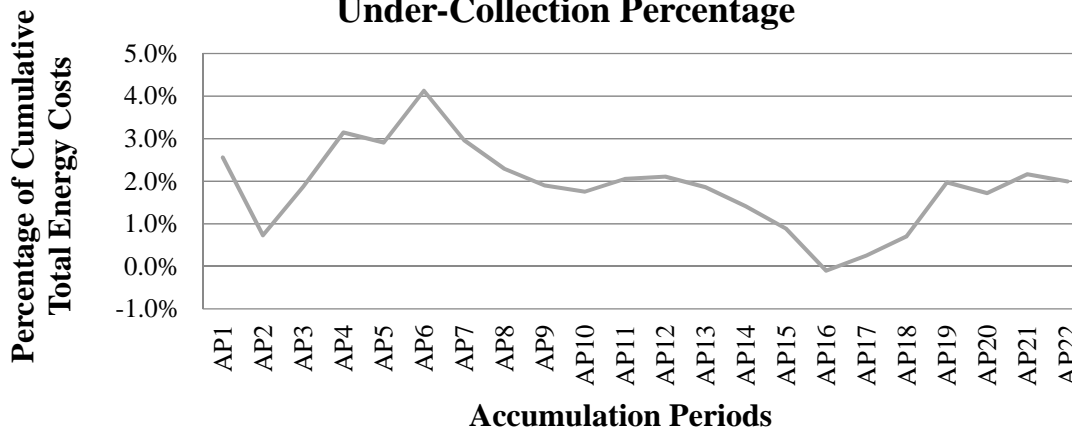


Chart 3: Empire FAC Cumulative Under-Collection Percentage



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-2020-0093
Adjustments Related to the Company's Fuel)
and Purchase Power Adjustment (FAC))
Required in 20 CSR 4240-20.090)

AFFIDAVIT OF CYNTHIA M. TANDY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW CYNTHIA M. TANDY and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

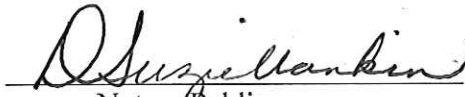
Further the Affiant sayeth not.


CYNTHIA M. TANDY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 1st day of November 2019.




Notary Public

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-2020-0093
Adjustments Related to the Company's Fuel)
and Purchase Power Adjustment (FAC))
Required in 20 CSR 4240-20.090)

AFFIDAVIT OF BROOKE MASTROGIANNIS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

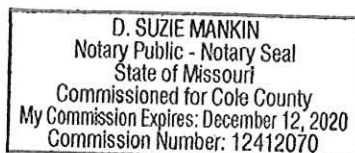
COMES NOW BROOKE MASTROGIANNIS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Brooke Mastrogiannis
BROOKE MASTROGIANNIS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 1st day of November 2019.



D. Suzie Mankin
Notary Public

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-2020-0093
Adjustments Related to the Company's Fuel)
and Purchase Power Adjustment (FAC))
Required in 20 CSR 4240-20.090)

AFFIDAVIT OF LISA WILHABER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW LISA WILHABER and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

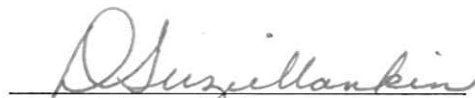
Further the Affiant sayeth not.


LISA WILHABER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 1st day of November 2019.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2020
Commission Number: 12412070


Notary Public