

**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	)	<b><u>Case No. ER-2019-0374</u></b>
Rates for Electric Service Provided	)	
Customers in its Missouri To Service Area	)	

**STAFF'S RESPONSE TO COMMISSION ORDER**

**COMES NOW** the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Response to Commission Order* in this matter hereby states:

1. The Commission issued a *Report and Order* in this matter on July 1, 2020, and filed an *Amended Report and Order* in response to several clarifying motions filed by the parties. Empire District Electric Company filed a new tariff book on August 17, 2020, in response to that *Amended Order*, to effectuate a fictitious name change, and to incorporate changes approved in Case No. AO-2020-0237. The Commission issued an *Order* on September 3<sup>rd</sup>, asking Empire to respond to certain questions regarding the Commission's directive to use the class cost allocations ordered in ER-2016-0023, with no regard for the ER-2018-0366 docket. Empire responded on September 4<sup>th</sup>. Staff now responds to the Commission regarding Empire's filing.

2. Staff generally concurs in the response provided by Empire, except for the contents of paragraph 4, which appear to confuse the allocation of ordered revenue requirement responsibility at the conclusion of a case, with a class cost of service study, which allocates revenue requirement to the classes during a case to potentially inform the ordered revenue requirement allocation. Staff understands the *Report and Order* entered in this case, as clarified, to indicate that no changes should be made to the current revenue responsibility of the classes, or in other words, that an equal percentage change

should be applied to each class's revenue responsibility.<sup>1</sup> Staff has attached a memo here as Attachment A clarifying use of certain terms and procedures.

**WHEREFORE**, Staff prays that the Commission will accept Staff's *Response*; and grant such other and further relief as the Commission considers just in the circumstances.

**/s/ Whitney Payne**  
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### **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 8<sup>th</sup> day of September, 2020, to all counsel of record.

**/s/Whitney Payne**

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<sup>1</sup> In its Report and Order at page 42, the Commission ordered that,

Based on this analysis, and supported by the facts set out above, the Commission determines that Empire has not met its burden to establish that its proposed changes to rate design are reasonable. Staff's CCOS is not reliable, so there is insufficient evidence to justify changing the current allocations for class revenue responsibilities. The Commission finds that it is appropriate to apply any revenue increase or decrease to the energy charge and not the customer charge. Any increase or decrease should be applied to each energy block in proportion to the revenue generated by that block. Additionally the Commission determines that any decrease for the LP and GP rate classes shall reduce the energy blocks of each class.

## STAFF MEMORANDUM

Staff’s calculation of the class revenue requirements used to design rates at the conclusion of Case No. ER-2016-0023 is provided below, in Column A.<sup>1</sup> Staff calculated the rates currently in effect based on these class revenue requirements, and the billing determinants that existed at the time of the ER-2016-0023 case. Since the time of the ER-2016-0023 rate case, new customers have begun taking service, old customers have left the system, and some customers have changed classes or changed how much energy they use or when in the year they use it. Applying the 0023 rates, but not the 0366 rates, to the current billing determinants results in the revenues by class provided in Column B. Applying the 0036 rates by class to the current billing determinants used in this 0374 case results in the revenues by class provided in Column C.

<sup>1</sup> The revenue requirement change in Case No. ER-2016-0023 was accomplished by first making a series of revenue requirement shifts, then applying an equal percentage change to each class’s revenue requirement to achieve the increased overall revenue requirement. For reference, Staff’s workpaper accomplishing this calculation is provided below:

	<i>check</i>		Step 1	Step 1		Step 2	Step 3			
	Total Current	EE	Retail	Revenue	Adjusted	EE		Total Revenue		Percent
	Revenue	Revenue	Revenue	Shift	Retail	Increase	Retail Increase	Requirement	\$ of Increase	Increase
RG	\$210,439,560	\$665,757	\$209,773,803	\$ 3,000,000	\$212,773,803	\$ 215,820	\$ 9,450,800	\$223,106,180	\$ 12,666,620	6.02%
CB	\$43,319,137	\$125,640	\$43,193,497	\$ (525,000)	\$ 42,668,497	\$ 41,209	\$ 1,895,212	\$44,730,558	\$ 1,411,421	3.26%
SH	\$10,374,744	\$35,318	\$10,339,426	\$ -	\$ 10,339,426	\$ 12,003	\$ 459,248	\$10,845,994	\$ 471,251	4.54%
GP	\$87,878,952	\$318,088	\$87,560,864	\$ (2,000,000)	\$ 85,560,864	\$ 115,967	\$ 3,800,367	\$89,795,286	\$ 1,916,334	2.18%
SC-P	\$4,320,391	\$0	\$4,320,391	\$ (135,000)	\$ 4,185,391	\$ -	\$ 185,903	\$4,371,294	\$ 50,903	1.18%
TEB	\$37,393,900	\$142,237	\$37,251,663	\$ -	\$ 37,251,663	\$ 47,501	\$ 1,654,612	\$39,096,012	\$ 1,702,112	4.55%
PFM	\$114,472	\$258	\$114,214	\$ -	\$ 114,214	\$ 87		\$114,559	\$ 87	0.08%
LP	\$55,494,871	\$59,514	\$55,435,357	\$ (340,000)	\$ 55,095,357	\$ 64,096	\$ 2,447,177	\$57,666,143	\$ 2,171,273	3.91%
MS	\$ 14,206		\$14,206		\$ 14,206	\$ -		\$14,206	\$ -	0.00%
SPL	\$ 3,285,455		\$3,285,455		\$ 3,285,455	\$ -		\$3,285,455	\$ -	0.00%
PL	\$ 4,285,486		\$4,285,486		\$ 4,285,486	\$ -		\$4,285,486	\$ -	0.00%
LS	\$ 114,070		\$114,070		\$ 114,070	\$ -		\$114,070	\$ -	0.00%
Total	\$457,035,244	\$1,346,812	\$ 455,688,432	\$ -	\$ 455,688,432	\$496,682	\$ 19,893,318	\$477,425,244	\$ 20,390,000	4.46%

The amounts in the “Total Revenue Requirement” column are those provided in Column A, above. However, due to the passage of time, the billing determinants that were associated with the prior case no longer are reflective of Empire’s sales, and therefore the revenues currently produced by each class under the ER-2016-0023 rates differ from the revenue responsibility that was the basis for the rates calculated in Case No. ER-2016-0023.

Netting the 0366 credits from the 0023 revenues results in the revenues by class provided in Column D. The overall change, by class, from Column A to Column D is provided in Column E:

	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>
	<b>0023 Base Rates x 0023 Determinants</b>	<b>0023 Base Rates x Current Determinants</b>	<b>0366 Rates x Current Determinants</b>	<b>0023 Net of 0366</b>	<b>D - A</b>
RG-Residential	\$223,106,180	\$ 224,720,894	\$ (8,659,704)	\$ 216,061,190	\$ (7,044,990)
CB-Commercial	\$44,730,558	\$ 45,664,334	\$ (1,613,631)	\$ 44,050,703	\$ (679,855)
SH-Small Heating	\$10,845,994	\$ 10,187,970	\$ (396,002)	\$ 9,791,968	\$ (1,054,026)
GP-General Power	\$89,795,286	\$ 90,685,383	\$ (3,206,772)	\$ 87,478,612	\$ (2,316,674)
SC-P PRAXAIR Transmission	\$4,371,294	\$ 4,573,934	\$ (170,666)	\$ 4,403,268	\$ 31,975
TEB-Total Electric Bldg	\$39,096,012	\$ 37,567,637	\$ (1,443,736)	\$ 36,123,902	\$ (2,972,110)
PFM-Feed Mill/Grain Elev	\$114,559	\$ 82,123	\$ (2,547)	\$ 79,577	\$ (34,982)
LP-Large Power	\$57,666,143	\$ 64,480,412	\$ (2,374,801)	\$ 62,105,610	\$ 4,439,467
Lighting & Misc	\$7,699,218	\$ 6,787,236	\$ (255,221)	\$ 6,532,015	\$ (1,167,203)
	\$477,425,244	\$484,749,924	(\$18,123,079)	\$466,626,845	(\$10,798,399)

As illustrated in Column E, the revenues currently received from some classes are lower today than the class level revenue requirements established at the conclusion of ER-2016-0036, and some are higher. While the revenue reduction accomplished by 0366 removed approximately \$18 million, the changes in billing determinants from the 0023 case to the current case offset that reduction, and so overall revenue is down only \$10.7 million, reflecting an overall increase in the quantity of energy sold and the number of customers to whom it is sold.

For establishing the revenue requirement for each class in this case, there are two reasonable interpretations of the language in the Commission's order at page 42. The first is to apply an increase of about 0.21% to each value in Column E, increasing

Empire’s expected revenues by about \$990,000; the second is to apply an approximate 3.55% decrease to the values in Column B, increasing Empire’s expected revenues by about \$990,000. Approximate results of these applications of equal percentage increases are shown below. These calculations do not include the impact of the change in the ECRM revenue requirement, which is allocated directly to each rate schedules’ non-opt out kWh.

	<i>F</i>	<i>G</i>	<i>H</i>	
	<b>0.21% Increase to Column D</b>	<b>3.55% Decrease to Column B</b>	<b>F-G</b>	
RG-Residential	\$ 215,685,148	\$ 215,942,886	\$ (257,738)	
CB-Commercial	\$ 43,974,035	\$ 43,880,602	\$ 93,433	
SH-Small Heating	\$ 9,774,926	\$ 9,790,009	\$ (15,083)	
GP-General Power	\$ 87,326,360	\$ 87,143,047	\$ 183,313	
SC-P PRAXAIR Transmission	\$ 4,395,605	\$ 4,395,268	\$ 337	
TEB-Total Electric Bldg	\$ 36,061,030	\$ 36,100,177	\$ (39,147)	
PFM-Feed Mill/Grain Elev	\$ 79,438	\$ 78,915	\$ 523	
LP-Large Power	\$ 61,997,519	\$ 61,961,689	\$ 35,830	
Lighting & Misc	\$ 6,520,647	\$ 6,522,114	\$ (1,468)	
	\$465,814,708	\$465,814,708	\$0	*simplified regarding ECRM treatment, which will result in minor differences

Empire’s compliance tariffs reflect the ordered revenue requirement allocation approximated in column F.

As a final point of clarification, the product of each class’s billing determinants and rates are summed to determine total company revenue. Total company revenue is not allocated to the classes to determine class revenue.