BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Qualified Extraordinary Costs	)))))	Case No. EO-2022-0040
In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Energy Transition Costs Related to the Asbury Plant	))))))	Case No. EO-2022-0193

PUBLIC COUNSEL'S RESPONSE TO LIBERTY'S FILINGS

COMES NOW the Office of Public Counsel ("Public Counsel") and in response to Liberty's Issuance Advice Letter, Compliance Tariff Revision, and associated workpapers filings states:

1. Liberty filed its Issuance Advice Letter and Compliance Tariff Revision on January 19, 2024.

2. The Commission issued its *Order Setting Time for Responses to Issuance Advice Letter and Compliance Tariff Revision* at 3:37 PM on January 22, 2024.

3. Liberty filed it workpapers associated with its Issuance Advice Letter and Compliance Tariff Revision at 4:30 PM on January 22, 2024.

4. Among those workpapers is an Excel Workbook titled, "Verified Copy of Issuance Advice Table Inputs.xlsx." In that workbook is a worksheet tab labeled, "WP-NPV Benefits Comparison." The fifth line of that worksheet is labeled, "Carrying cost (Bond Rate vs. Company WACC)" with 5.027% for the bond rate and 6.77% for the company WACC—a comparison of the cost of securitization to the cost of traditional ratemaking.

5. Liberty's traditional ratemaking scenarios assume Liberty would be allowed an after-tax rate of return of 6.77% over a 13-year period for both Asbury and Storm Uri costs. The Commission does not state explicitly in its *Amended Report and Order*, as corrected, ("*Amended R&O*") that a 6.77% return would be allowed if costs were recovered through traditional ratemaking. In fact, as it relates to the determination of a carrying cost rate to allow for Storm Uri, the Commission specifically states that a 4.65% rate is appropriate because "the costs to be securitized are not capital costs and there is no reason Liberty should be allowed to earn a profit on those costs."[1] The Commission said this in the context of the carrying costs for the period from when Liberty incurred Uri storm costs to when it issues the securitized bonds; however, the same principle should apply for quantifying regulatory asset carrying costs in traditional ratemaking.

6. Liberty assumed that with traditional ratemaking it would get a 6.77% return on an Asbury regulatory asset. However, when it determined Liberty's carrying costs for Asbury from when it ceased recovering for Asbury in its general rates until the secured bonds issue the Commission found the long-term debt rate of 4.65% to the be appropriate rate. Before finding the 4.65% rate to be appropriate for Asbury carrying costs, the Commission stated, "Missouri law generally holds that for a utility to be able to recover a return on a property, the property must be used and useful."[2] Here, the Commission's statement also does not support Liberty's assumption that it would get 6.77% return for Asbury, a return ("WACC") which includes both return of Liberty's investment in Asbury and a profit.

7. Additionally, as shown on line 16 of that same worksheet (tab labeled, "WP-NPV Benefits Comparison") Liberty applied a 5.16% discount rate for the traditional ratemaking recovery of both Storm Uri costs and Asbury costs; however, the Commission specifically ordered

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[1] *Amended R&O* p. 36.
[2] *Amended R&O* p. 71.

a discount rate of 4.65% for Storm Uri costs[3] and a discount rate of 6.77% for Asbury costs.[4] While the consolidated rate is 5.16%, for purposes of disaggregating the net present value ("NPV") estimate of benefits for Attachment 2 to the Issuance Advice Letter ("IAL"), the specific discount rates should be used.

Respectfully,

/s/ Nathan Williams

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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 23rd day of January 2024.

/s/ Nathan Williams

[3] *Amended R&O* p. 37.
[4] *Amended R&O* p. 74.