

**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 )

**File 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 )

**File No. EO-2022-0193**

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**AMENDED REPORT AND ORDER**

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**Issue Date:** September 22, 2022

**Effective Date:** October 2, 2022

## **Conclusions of Law**

KK. Energy transition costs as defined at Section 393.1700.1(7)(a) include “the undepreciated investment in the retired or abandoned ... electric generating facility and any facilities ancillary thereto or used in conjunction therewith.”

## **Decision**

There was no usable coal supply at Asbury at the commencement of the AAO tracker, but the unusable basemat coal was still there. The basemat coal was acquired by Liberty over the years and was included in the company’s rate base along with the rest of its coal pile inventory. It would have recovered the value of that coal as an expense when the coal was burned. But, since the basemat coal was never burned, Liberty never recovered its cost. Consequently, the value of the basemat coal, \$1,532,832, falls within the statutory definition of energy transition costs and may be securitized.

## **H) What are the values of the Accumulated Deferred Income Tax (ADIT) and Excess ADIT?**

### **Findings of Fact ADIT**

106. The amounts calculated for the level of ADIT will vary depending upon the starting point of the calculated Asbury Energy Transition Cost Balance.<sup>138</sup>

107. Staff’s witness, Kimberly K. Bolin, who is an accountant and serves as Director of the Financial and Business Analysis Division for the Commission, calculated a net present value of Liberty’s ADIT offset of \$17,134,363.

108. Bolin credibly explained that Liberty’s calculation of the net present value of its ADIT offset effectively and inappropriately discounted the ADIT twice by discounting

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<sup>138</sup> Bolin Rebuttal, Ex. 102, Page 10, Lines 16-22.

the yearly amounts related to the remaining balance of ADIT, and then discounting the sum of the yearly amounts again.<sup>139</sup>

109. Public Counsel's witness, John S. Riley, testified that in his "uninformed"<sup>140</sup> opinion the requirements of the securitization statute are not applicable at this time.<sup>141</sup>

110. Until all inputs, including the interest rates that the securitized bonds will carry, are determined, it is not possible to calculate the exact amount of ADIT offset at this time.<sup>142</sup>

### **Excess ADIT**

111. Excess ADIT represents an amount to be returned to customers as established in Liberty's 2019 rate case, ER-2019-0374. That offset should reflect the value established in that case reduced by the customer collections received for that amount while rates established by that case were in effect, a period between September 16, 2020 and June 1, 2022.<sup>143</sup>

112. Staff and Liberty agree that the Excess ADIT offset should be \$12,313,459.<sup>144</sup>

113. Public Counsel proposed that the Excess ADIT offset should be \$16,934,393, which is the amount established in ER-2019-0374 without any adjustment for amounts collected in the rates established in that rate case. Public Counsel asserts

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<sup>139</sup> Bolin Rebuttal, Ex. 102, Page 11, Lines 10-14.

<sup>140</sup> Riley testified that "I see this recalculation as a confiscatory act, but that is my uninformed opinion as I have not sought the advice of counsel regarding what this new law requires or allows". Riley Rebuttal, Ex. 208, Page 13, Lines 6-8.

<sup>141</sup> Riley Rebuttal, Ex. 208, Page 13, Lines 6-10.

<sup>142</sup> Transcript, Vol. 3, Page 236, Lines 4-9.

<sup>143</sup> Bolin Surrebuttal, Ex. 103, Page 4, Lines 15-22.

<sup>144</sup> Bolin Rebuttal, Ex. 102, Page 12, Lines 6-8. See also, Transcript, Vol 3, Page 237, Lines 6-8.

that “[o]nce the plant associated with the deferred taxes is retired, the clock stops on the deferred taxes as well.” Public Counsel cites no authority for that statement.<sup>145</sup>

### **Conclusions of Law**

LL. Section 393.1700.2(3)(c)m requires a financing order to include:

[A] procedure for the treatment of accumulated deferred income taxes and excess deferred income taxes in connection with the retired or abandoned or to be retired or abandoned electric generating facility, or in connection with retired or abandoned facilities included in qualified extraordinary costs. The accumulated deferred income taxes, including excess deferred income taxes, shall be excluded from rate base in future general rate cases and the net tax benefits relating to amounts that will be recovered through the issuance of securitized utility tariff bonds shall be credited to retail customers by reducing the amount of such securitized utility tariff bonds that could otherwise be issued. The customer credit shall include the net present value of the tax benefits, calculated using a discount rate equal to the expected interest rate of the securitized utility tariff bonds, for the estimated accumulated and excess deferred income taxes at the time of securitization including timing differences created by the issuance of securitized utility tariff bonds amortized over the period of the bonds multiplied by the expected interest rate on such securitized utility tariff bonds.

This provision ensures that ADIT and Excess ADIT are excluded from Liberty’s ratebase in future general rate cases. Thus, ratepayers no longer benefit from the ADIT and Excess ADIT balance in future rate cases after receiving a credit for those balances in this securitization case.

### **Decision**

The ADIT offset to the Asbury Energy Transition Cost balance is properly calculated using the methodology used by Staff witness Kim Bolin. Public Counsel’s witness proposes to simply ignore the requirements of the statute, and the Commission finds his testimony to be not credible.

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<sup>145</sup> Riley Rebuttal, Ex. 208, Page 14, Lines 8-12.