

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 9th day of May, 2024.

In the Matter of the Request of The Empire)
District Electric Company d/b/a Liberty for)
Authority to File Tariffs Increasing Rates for)
Electric Service Provided to Customers in its)
Missouri Service Area)

File No. ER-2021-0312

**ORDER DIRECTING THE SIGNATORIES TO ADDRESS PPA
REPLACEMENT VALUES IN LIBERTY’S RATE CASE**

Issue Date: April 25, 2024

Effective Date: May 9, 2024

Background

On July 28, 2023, The Empire District Electric Company d/b/a Liberty filed notice of submission of its Market Price Protection Mechanism (MPPM) data pursuant to the *Fourth Partial Stipulation and Agreement (Agreement)*, which was approved as a partial resolution of the underlying rate case in this docket. The Commission’s Staff (Staff), the Office of the Public Counsel (Public Counsel), and Liberty were the only signatories to the Agreement. However, none of the other parties objected to the Agreement and the Commission treated it as a unanimous Agreement.¹ The MPPM is a risk sharing mechanism designed to share the risk associated with Liberty’s wind projects between shareholders and ratepayers.

¹ Commission Rule 20 CSR 4240-2.115(2) allows seven days to object to the stipulation and agreement. If no party files a timely objection to a stipulation and agreement, the Commission may treat it as a unanimous stipulation and agreement.

On November 13, 2023, Public Counsel filed a response to Liberty's MPPM filing. Public Counsel disagreed with the purchased power agreement (PPA) replacement values contained in Liberty's MPPM submission. PPA replacement values represent the value associated with avoiding replacement of the existing wind power purchase agreements. Public Counsel asserts that the PPA replacement values through 2025 should be zero until Liberty's Elk River wind PPA expires at the end of 2025. Public Counsel states that Liberty's calculations exclude the value of certain renewable energy credits (RECs). Public Counsel and Liberty differ on the PPA replacement values by approximately \$8.3 million. Staff supports Public Counsel's position.

The Commission held a procedural conference to better understand the PPA replacement value issue. Public Counsel indicated that it thought the Commission should clarify the appropriate PPA replacement value as soon as possible and Liberty proposed that this issue be addressed in a future rate case because Liberty must file those values over the next ten years.

Discussion

The MPPM was originally approved by the Commission as part of a stipulation and agreement in File No. EA-2019-0010. That *Report and Order* granted Liberty certificates of convenience and necessity (CCNs) for three wind facilities. The Commission's *Report and Order* in that case states that the certificates of convenience and necessity for the Kings Point, North Fork Ridge, and Neosho Ridge wind projects are conditioned on the the *Non-Unanimous Stipulation and Agreement*. The order further states that the MPPM is a condition and that Appendix B to the *Non-Unanimous Stipulation and Agreement* in

that case describes the MPPM. The MPPM is an essential element to Liberty's wind facility CCNs.

Appendix B to the Non-Unanimous Stipulation and Agreement includes Exhibit B, which shows the amount of benefit by year associated with the existing wind power purchase agreements. Exhibit D shows an example MPPM calculation spreadsheet calculated under three different market examples. Both exhibits display zero as the PPA replacement value through 2025.

It does not appear that the Agreement in this case altered any aspect of how the PPA replacement values are calculated.

Testimony in File No. ER-2021-0312 from Staff witness Luebbert and Liberty witness Doll are supportive of Public Counsel and Staff's positions. While there is little evidence supporting Liberty's position, nonetheless Liberty argues that the Commission did not order that PPA replacement values be zero until 2025 and that Liberty did not agree to such a condition.

On March 25, 2024, Liberty filed a *Notice of Intended Case Filing* opening File No. ER-2024-0261. Liberty's notice states that it intends to file a general rate case within months.

For the Commission to clarify issues resolved in a stipulation and agreement the Commission would have to interpret the Agreement. The calculation of PPA replacement values were not sufficiently explained in the stipulation and agreements to either File No. ER-2021-0312 or File No. EA-2019-0010 concerning how that calculation is to address the value of Liberty's RECs. Therefore, the Commission will direct the signatories to address the appropriate PPA replacement values as a separate issue apart from any

other issue in Liberty's next general rate case. The Commission will also direct its Data Center to file a copy of this order in File No. ER-2024-0261 to ensure that this issue is not left unresolved.

THE COMMISSION ORDERS THAT:

1. The signatories to the Agreement must address how the PPA replacement values contained in the MPPM address RECs as a separate issue in Liberty's next rate case. If this issue is resolved as part of a stipulation and agreement, the signatories shall provide the Commission with sufficient information to address *exactly* how PPA values are to be calculated.

2. The Commission's Data Center shall file a copy of this order in File No. ER-2024-0261.

3. This order shall be effective when issued.



BY THE COMMISSION

A handwritten signature in black ink that reads "Nancy Dippell".

Nancy Dippell
Secretary

Hahn, Ch., Coleman, Holsman,
and Kolkmeier, CC., concur.
Mitchell, C., abstains.

Clark, Senior Regulatory Law Judge

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 9th day of May 2024.



Nancy Dippell

Nancy Dippell
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

May 9, 2024

File/Case No. ER-2021-0312

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Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,

A handwritten signature in black ink that reads "Nancy Dippell". The signature is written in a cursive, flowing style.

**Nancy Dippell
Secretary**

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.