

Exhibit No. 104

Exhibit No.:
Issue: Rate Design
Witness: Cedric E. Cunigan, PE
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: ER-2021-0312
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MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF

INDUSTRY ANALYSIS DIVISION

ENGINEERING ANALYSIS DEPARTMENT

DIRECT TESTIMONY

OF

CEDRIC E. CUNIGAN, PE

**THE EMPIRE DISTRICT ELECTRIC COMPANY,
d/b/a Liberty**

CASE NO. ER-2021-0312

*Jefferson City, Missouri
November 17, 2021*

1 Empire's gross revenue requirement is \$589,531,779, annually. However, this amount is offset
2 by \$16 million related to tax impacts and prepayment of taxes by ratepayers, and further offset
3 by \$8.897 million in other revenues.¹ Netting these values results in an annual amount of
4 revenues to be collected from ratepayers of \$564,085,253.² Staff's calculated normalized and
5 annualized revenues provided in the COS Report were \$537,285,406, indicating that an increase
6 to the rate schedules of \$26,204,866, or 4.8719%%, is cost justified.

7 **RATE DESIGN REPORT**

8 Q. What are Staff's recommendations regarding rate design in this case?

9 A. Based on Staff's review of Empire's records and its expert judgement, Staff
10 recommends that the approximate \$26,204,866 or 4.8719%, be allocated to the classes as an
11 equal percentage increase, based on Staff's direct revenue requirement as constituted and
12 analyzed as described in this Report.

13 Staff makes the following rate design recommendations:

- 14 1. Staff recommends consolidation of the Commercial Building "CB" and Small
15 Heating "SH" rate schedules into a new "Small General" rate schedule.
- 16 2. Staff recommends consolidation of the General Power Service "GP," Total Electric
17 Building Service "TEB," rate schedules into a Medium General Service rate
18 schedule, or into two new rate schedules, Large General Secondary Service and
19 Small General Primary Service. The Feed Mill and Grain Elevator Service "PFM"
20 rate schedule should be eliminated, with customers transitioned to the Medium

¹ Other revenues includes sales of energy and capacity through the integrated marketplace, rental proceeds, and what are typically referred to as "miscellaneous revenues," which are the product of tariff charges such as disconnection charges, bad check charges, and other charges that are not contained on class rate schedules.

² Including lighting revenue, but not including miscellaneous revenues.

1 General Service rate schedule, or the appropriate voltage-specific rate schedule, as
2 applicable.

3 3. Staff recommends that the Large Power rate schedule be restructured from a
4 two-block hours' use structure to a multi-part ToU structure, with retention of the
5 facilities charge and with modification of the demand charge to a coincident peak
6 demand charge.

7 4. Staff reviews several Residential rate structure options, and recommends that
8 the increase applicable to residential customers be applied only to daytime
9 consumption. Pursuant to Staff's recommendation, residential customers would
10 see their monthly customer charge remain at \$13.00. A residential customer using
11 1,000 kWh of electricity in a month would see an increase of approximately
12 \$7.76 per month if all usage were during the daytime. A residential customer using
13 1,000 kWh of electricity in a month all during nighttime hours would see no
14 increase. A typical residential user consuming 1,000 kWh of electricity per month
15 would see an average increase of approximately \$3-\$5 per month.

16 5. Staff recommends certain studies be implemented or continued to better align
17 revenue responsibility with cost causation.

18 Additional recommendations include:

19 Q. What are Staff's recommendations regarding Empire's Fuel Adjustment Clause
20 (FAC) tariff?

21 A. Staff proposes the Base Factor (BF) rate be set at \$0.00953 per kWh.
22 This is a decrease from the current Base Factor of \$0.02338 per kWh established in Case No.
23 ER-2019-0374.

24 In addition, Staff recommends the following changes to Ameren Missouri's FAC tariffs:

- 25 • Replace the current Base Factor of \$0.02338 with the revised Base Factor of \$0.00953
26 per kWh.

- 1 • Replace the current transmission percentage to be included in the FAC with 50% for
2 MISO transmission costs and 19.39% for SPP transmission costs.

- 3 • Continue the current voltage adjustment factors (“VAF’s”) of:

4 $VAF_{PRIMARY} = 1.0429$ and $VAF_{SECONDARY} = 1.0625$

- 5 • Add language to Original Sheet No. 17k to include Auction Revenue Rights and
6 Transmission Congestion Rights, to be consistent with what the Commission approved
7 to be included in the FAC from Case No. ER-2019-0374.

- 8 • Add language to Original Sheet No. 17n in the Off-System Sales Revenue (“OSSR”)
9 definition to include revenues from the Missouri Joint Municipal Electric Utility
10 Commission (“MJMEUC”) contract and include revenues from the North Folk Ridge,
11 Neosho Ridge, and Kings Point Wind Farms.

- 12 • Add language to Original Sheet No. 17n in the Renewable Energy Credit (“REC”)
13 definition that the Renewable Energy Credits must be sold or utilized for compliance
14 with the Missouri Renewable Energy Standard (“RES”) before they expire.

15 Q. What is Staff’s recommendation regarding Empire’s Renewable Energy
16 Purchase Plan/Green Energy Tariff?

17 A. The proposed tariff references execution of a Renewable Energy Purchase
18 (“REP”) service agreement, which has not yet been developed by Empire. Staff recommends
19 that any REP schedule approved in this case incorporate the provisions intended for the service
20 agreement. Additionally, Staff recommends a percentage cap on the number of RECs available
21 to the program to ensure REC availability for the statutory RES standard is prioritized.

22 Q. Does this conclude your Direct Testimony?

23 A. Yes it does.

