

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

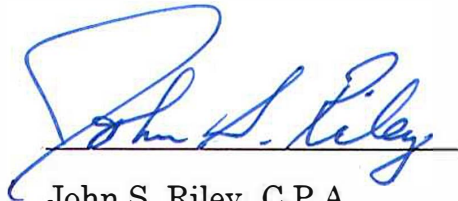
In the Matter of The Empire District  
Electric Company for Authority to  
Implement Rate Adjustments Related  
to the Company's Fuel and Purchase  
Power Adjustment (FAC) Required in  
20 CSR 4240-20.090

Case No. ER-2020-0311

**VERIFICATION OF JOHN S. RILEY**

John S. Riley, under penalty of perjury, states:

1. Attached hereto and made a part hereof for all purposes is my memorandum in the above-captioned case.
  
3. My answer to each question in the attached memorandum is true and correct to the best of my knowledge, information, and belief.



John S. Riley, C.P.A.

Public Utility Accountant III

Office of the Public Counsel



## MEMORANDUM

TO: Missouri Public Service Commission Case No. ER-2020-0311,  
The Empire District Electric Company

FROM: John S. Riley, CPA, Public Utility Accountant III  
Lena M. Mantle, PE, Senior Analyst

SUBJECT: OPC request that submitted Tariff Sheet Filed to Change Rates Related to The Empire District Electric Company's Fuel Adjustment Clause Pursuant to the Commission's Report and Order in File No. ER-2016-0023 be rejected.

DATE: May 11, 2020

### Summary and OPC Recommendation

OPC does not concur with Staff's recommendation that Empire's proposed tariff sheet filed April 1, 2020, is accurate. Staff did not reduce Empire's request by costs associated with Asbury after the plant had been permanently shut down. The Commission should reject the tariff sheet filed by Empire and order it to file a tariff sheet with the amounts identified by OPC.

### Tariff Language and Disallowed Costs

The language in PSC No. 5 Section 4 page 17v of Empire District Electric Company's current tariff is quite specific in what should be included in the Fuel Costs (FC) adjustment. To quote:

#### APPLICATION

#### FUEL & PURCHASE POWER ADJUSTMENT

$$FPA = \{[(FC + PP + E - OSSR - REC - B) * J] * 0.95\} + T + I + P$$

Where:

FC = Fuel Costs Incurred to Support Sales: The following costs reflected in Federal Energy Regulatory Commission ("FERC") Accounts 501 and 506: coal commodity and railroad transportation, switching and demurrage charges, applicable taxes, natural gas costs, alternative fuels (i.e. tires, and bio-fuel), fuel additives, Btu adjustments assessed by coal suppliers, quality adjustments assessed by coal suppliers, fuel hedging costs, fuel adjustments included in commodity and transportation costs, broker commissions and fees associated with price hedges, oil costs, combustion product disposal

revenues and expenses, consumable costs related to Air Quality Control Systems (“AQCS”) operation, such as ammonia, lime, limestone, and powdered activated carbon, and settlement proceeds, insurance recoveries, subrogation recoveries for increased fuel expenses in Account 501.

Fuel costs to be included in the formula must be costs incurred to support sales. Please review the Company’s answer to data request 8001.B, attached as Exhibit 1. The attached memo (page 6) clearly indicates that the journal entry to remove the cost of the contaminated, non-burnable coal from the inventory at the Asbury plant was not a cost incurred to support sales. In fact, the tariff language quoted above does not include “fuel inventory adjustments” as a cost in the FAC. Any FAC cost attributed to Asbury after December 12, 2019 should be removed from the calculations. Below is a recalculated FAC rate with Asbury related fuel costs eliminated.

	Filed	Corrected
Total Energy Cost (TEC)	\$67,476,481	\$65,357,179
Net Base Energy Cost (B)	\$65,525,398	\$65,525,398
Base Factor (BF)	0.02415	0.02415
Accum period NSI	2,713,267,000	2,713,267,000
(TEC - B)	\$1,951,083	-\$168,219
Missouri Energy Ratio (J)	82.56%	82.56%
(TEC - B)*J	\$1,630,768	-\$142,147
Fuel Cost Recovery	95%	95%
(TEC - B)*J*0.95	\$1,549,230	-\$135,040
True-Up Amount (T)	\$1,074,609	\$1,074,609
Prudence Adj Amt	0	0
Interest (I)	-\$1,538	-\$8,058
Fuel & Purchased Power Amt	\$2,622,301	\$931,512
Forecasted Mo NSI	2,311,729,686	2,311,729,686
Current Period FAR (\$/kWh)	0.00113	0.00040
FAR primary @ 1.0464	0.00119	0.00042
FAR secondary @1.0657	0.00121	0.00043

In its recommendation in this case, Staff has acknowledged that Asbury is an issue in the current general rate case ER-2019-0374 and is recommending the Commission defer until the next FAR adjustment any decisions regarding costs associated with the retirement of Asbury.

### Retirement of Asbury Generation Facility

The retirement date of Asbury is an issue in the current general rate case, File No. ER-2019-0374. The outcome of that issue in the rate case will determine the date that costs and revenues from Asbury should no longer be included in the FAC. If necessary Staff will recommend adjustments in the next Empire FAR filing to reflect the Commission's decision on that issue.<sup>1</sup>

The costs that OPC proposes to eliminate from the FAC should be decided in this FAC period because the actions taken by the Company affect fuel costs in this specific FAC period and the adjustment should be now. Even Staff and Company agree that Asbury cost after January 1, 2020 should not be in the FAC. The following quote was taken from page three of the filed non-unanimous Stipulation and Agreement in Case No ER-2019-0374:

The Signatories agree to a continuation of the fuel adjustment clause in this case. There will be no change to the FAC Base in this proceeding. FAC tariff language changes are limited to those necessary to implement the provisions below.

- a. Any fuel related costs or market related charges or revenues incurred at Asbury or related to Asbury after January 1, 2020 shall not be eligible for inclusion in the FAC

### **OPC Recommendation**

OPC requests that the Commission reject Empire's FAC adjustment and order Empire to file a new tariff sheet with the entries as provided above.

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<sup>1</sup> Staff's Recommendations, page 4, first paragraph "Retirement of Asbury Facility."