

**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 ) **File No. EO-2022-0040**  
the Issuance of Securitized Utility Tariff )  
Bonds for Qualified Extraordinary Costs )

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

**ORDER REGARDING LATE-FILED EXHIBIT**

Issue Date: June 29, 2022

Effective Date: June 29, 2022

In an email sent to the judge and each of the parties on June 17, 2022, the Staff of the Commission submitted a document as Exhibit 118. Staff proposed that this document be used as the public version of confidential Exhibit 117, which was admitted into the record at the evidentiary hearing. A copy of proposed Exhibit 118 is attached to this order.

**THE COMMISSION ORDERS THAT:**

1. Any party wishing to object to the admission of Exhibit 118 shall file a pleading describing that objection no later than July 5, 2022.
2. This order shall be effective when issued.



**BY THE COMMISSION**

A handwritten signature in black ink that reads "Morris L. Woodruff". The signature is written in a cursive, flowing style.

Morris L. Woodruff  
Secretary

Morris L. Woodruff, Chief Regulatory  
Law Judge, by delegation of authority  
pursuant to Section 386.240, RSMo 2016.

Dated at Jefferson City, Missouri,  
on this 29<sup>th</sup> day of June, 2022.

Expert Witness Testimony of Mark S. A. Davis  
On Behalf of the Staff of  
the Missouri Public Service Commission  
Case. No. EO-2022-0193 & Case. No. EO-2022-0040

**DISCLAIMER**

*The illustrative analyses reflected herein reflect a few of many different possible permutations of various assumptions and calculations. The analyses are not intended to be interpreted as representative of actual situations nor are they exhaustive. The implied results are purely illustrative and may be subject to change. Such illustrations are not predictions of future outcomes or results and should not be construed as such.*

**Illustrative Scenarios and Implied NPV Savings / (Costs) from Securitization**

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The illustrative analyses described herein reflect comparisons of the implied cost to ratepayers of cost recovery under traditional means (AAO) versus securitization. The scenarios assume different carrying cost rates during recovery under the AAO method and different discount rates for the purposes of the net present value (NPV) calculation of implied cost to ratepayers. The scenarios illustratively compare the implied cost assuming Winter Storm Uri costs are recovered on a standalone basis, i.e., without Asbury energy transition costs, as well as the implied cost assuming Winter Storm Uri and Asbury costs are recovered under a single AAO / securitization issuance.

The illustrative analyses also incorporate upfront and ongoing financing costs in the case of securitization, based on Liberty cost assumptions. Consolidated Winter Storm Uri and Asbury recovery scenarios reflect an illustrative avoidance of all fixed costs associated with an incremental deal. With respect to Asbury, under AAO, the nominal ADIT balance is assumed to be subtracted from the recoverable amount; under securitization, the ADIT balance is adjusted on a present value basis using the assumed rate of securitization and assumed recovery period, as prescribed by statute. All descriptions below, unless otherwise stated, assume a 13-year recovery period beginning December 2022 and a 4.00% illustrative cost of securitization. The securitization rate assumption was informed by US Treasury forward curve rates and pricing on precedent utility rate reduction bonds issued year-to-date as of May 10, 2022.

On a consolidated basis, based on an assumed term of securitization of 13 years, an illustrative interest cost of securitization of 4.00% and certain other assumptions, the illustrative implied benefit of securitization is approximately \$38 million (\$25 million on a NPV basis, using the 6.766% customer weighted average cost of capital ("WACC") proposed in Case No. ER-2019-0314 to determine carrying costs under AAO and as the discount rate), as compared to illustrative cost under AAO recovery.

Using an illustrative carrying cost rate of 6.766% and an illustrative blended discount rate of 5.16%, comprising the authorized cost of long-term debt of 4.65% for Winter Storm Uri and the 6.766% WACC for Asbury, weighted by the respective recovery amounts for Winter Storm Uri and Asbury, the implied NPV benefit of securitization relative to AAO is approximately \$28 million. Adjusting the carrying cost rate to reflect an illustrative blended rate of 5.16% and discounting the cost of securitization at the 6.766% WACC and the cost of AAO recovery by the illustrative 5.16%

blended rate described above implies an illustrative NPV benefit of securitization of approximately \$25 million. Discounting the cost of securitization by the authorized cost of long-term debt of 4.65%, instead of the 6.766% WACC, would imply an illustratively higher NPV cost of securitization of approximately \$4 million relative to the illustrative AAO case, driven by a negative balance associated with an Asbury securitization under these assumptions and a relatively neutral balance associated with a Winter Storm Uri securitization.

## **SCENARIO 1**

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### **Winter Storm Uri Standalone Recovery**

**Description of Illustrative Scenario:** Discount rate and carrying cost at 6.766% WACC proposed in Case No. ER-2019-0314 (AAO). Discount rate at 6.766% WACC (securitization).

**Illustrative Cost Recovery Amount:** \$193,868,094 (AAO); \$197,443,431, including \$3,575,337 of illustrative upfront financing costs (securitization)

**Implied NPV Savings / (Costs) from Securitization:** \$22,160,847

### **Consolidated Winter Storm Uri and Asbury Recovery**

**Description of Illustrative Scenario:** Discount rate and carrying cost at 6.766% WACC proposed in Case No. ER-2019-0314 (AAO). Discount rate at 6.766% WACC (securitization).

**Illustrative Cost Recovery Amount:** \$254,643,252 (AAO); \$263,899,665, including \$3,923,747 of illustrative upfront financing costs (securitization).

**Implied NPV Savings / (Costs) from Securitization:** \$25,795,836

## **SCENARIO 2**

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### **Winter Storm Uri Standalone Recovery**

**Description of Illustrative Scenario:** Carrying cost at 6.766% WACC; discount rate at authorized cost of 4.65% LT debt (AAO). Discount rate at ~5.2% blended rate (securitization).

**Illustrative Cost Recovery Amount:** \$193,868,094 (AAO); \$197,443,431, including \$3,575,337 of illustrative upfront financing costs (securitization)

**Implied NPV Savings / (Costs) from Securitization:** \$30,998,315

### **Consolidated Winter Storm Uri and Asbury Recovery**

**Description of Illustrative Scenario:** Carrying cost at 6.766% WACC; discount rate at ~5.2% blended rate (AAO). Discount rate at ~5.2% blended rate (securitization).

**Illustrative Cost Recovery Amount:** \$254,643,252 (AAO); \$263,899,665, including \$3,923,747 of illustrative upfront financing costs (securitization)

**Implied NPV Savings / (Costs) from Securitization:** \$28,749,489

### SCENARIO 3

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#### **Winter Storm Uri Standalone Recovery**

**Description of Illustrative Scenario:** Carrying cost and discount rate at 4.65% LT debt rate (AAO). Discount rate at 6.766% WACC (securitization)

**Illustrative Cost Recovery Amount:** \$193,868,094 (AAO); \$197,443,431, including \$3,575,337 of illustrative upfront financing costs (securitization)

**Implied NPV Savings / (Costs) from Securitization:** \$22,160,847

#### **Consolidated Winter Storm Uri and Asbury Recovery**

**Description of Illustrative Scenario:** Carrying cost and discount rate at ~5.2% blended (AAO). Discount rate at 6.766% WACC (securitization)

**Illustrative Cost Recovery Amount:** \$254,643,252 (AAO); \$263,899,665, including \$3,923,747 of illustrative upfront financing costs (securitization)

**Implied NPV Savings / (Costs) from Securitization:** \$25,795,836

### SCENARIO 4

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#### **Winter Storm Uri Standalone Recovery**

**Description of Illustrative Scenario:** Discount rate and carrying cost at 4.65% LT debt rate (AAO). Discount rate at 4.65% LT debt rate (securitization).

**Illustrative Cost Recovery Amount:** \$193,868,094 (AAO); \$197,443,431, including \$3,575,337 of illustrative upfront financing costs (securitization)

**Implied NPV Savings / (Costs) from Securitization:** \$67,968

#### **Consolidated Winter Storm Uri and Asbury Recovery**

**Description of Illustrative Scenario:** Carrying cost and discount rate at ~5.2% blended rate (AAO). Discount rate at 4.65% LT debt rate (securitization).

**Illustrative Cost Recovery Amount:** \$254,643,252 (AAO); \$263,899,665, including \$3,923,747 of illustrative upfront financing costs (securitization)

**Implied NPV Savings / (Costs) from Securitization:** (\$3,649,038)


**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 29<sup>th</sup> day of June, 2022.**



  
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**Morris L. Woodruff**  
**Secretary**

**MISSOURI PUBLIC SERVICE COMMISSION**

**June 29, 2022**

**File/Case No. EO-2022-0040 and EO-2022-0193**

**Missouri Public Service Commission**

Staff Counsel Department  
200 Madison Street, Suite 800  
P.O. Box 360  
Jefferson City, MO 65102  
staffcounsel@psc.mo.gov

**Office of the Public Counsel**

Marc Poston  
200 Madison Street, Suite 650  
P.O. Box 2230  
Jefferson City, MO 65102  
opcservice@opc.mo.gov

**Liberty (Empire)**

Diana C Carter  
428 E. Capitol Avenue, Suite 303  
Jefferson City, MO 65101  
Diana.Carter@LibertyUtilities.com

**Liberty (Empire)**

Dean L Cooper  
312 East Capitol  
P.O. Box 456  
Jefferson City, MO 65102  
dcooper@brydonlaw.com

**Liberty (Empire)**

Sarah Knowlton  
116 North Main Street  
Concord, NH 03301  
sarah.knowlton@libertyutilities.com

**Midwest Energy Consumers Group**

Tim Opitz  
308 E. High Street, Suite B101  
Jefferson City, MO 65101  
tim.opitz@opitzlawfirm.com

**Midwest Energy Consumers Group**

David Woodsmall  
1650 Des Peres Road, Suite 303  
Des Peres, MO 63131  
dwoodsmall@cswrgroup.com

**Missouri Public Service Commission**

Curtis Stokes  
200 Madison Street, Suite 800  
P.O. Box 360  
Jefferson City, MO 65102  
curtis.stokes@psc.mo.gov

**Renew Missouri**

Alissa Greenwald  
P.O. Box 413071  
Kansas City, MO 64141  
alissa@renewmo.org

**Renew Missouri**

Andrew J Linhares  
3115 S. Grand Ave  
Suite 600  
St. Louis, MO 63118  
Andrew@renewmo.org

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

**Sincerely,**



**Morris L. Woodruff  
Secretary**

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