

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

In the Matter of The Empire District Electric	)	
Company d/b/a Liberty (Empire) for Authority	)	
To Implement Rate Adjustments Related to	)	<b><u>File No. ER-2022-0274</u></b>
The Company's Fuel and Purchase Power	)	Tariff No. JE-2022-0245
Adjustment (FAC) Required in	)	
20 CSR 4240-20.090	)	

**STAFF RECOMMENDATION TO APPROVE TARIFF SHEET**

**COMES NOW** the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Recommendation to Approve Tariff Sheet* states as follows:

1. On April 1, 2022 The Empire District Electric Company d/b/a Liberty (Empire) (hereafter "Empire") filed one (1) proposed tariff sheet, 4th Revised Sheet No. 17q Canceling 3rd Revised Sheet No. 17q, bearing a proposed effective date of June 1, 2022, to revise its Current Period Fuel Adjustment Rates ("FARs") of its Fuel Adjustment Clause ("FAC") used to determine the Fuel Adjustment Charge on customers' bills. Empire also filed direct testimony of its witness Charlotte T. Emery on April 1, 2022 and submitted to Commission Staff ("Staff") work papers in support of the proposed tariff sheet. On April 19, 2022, Empire filed a substitute tariff sheet to correct the amount reported on line 13, to reflect the Forecasted Missouri NSI for just Missouri jurisdictional rather than on a total company basis. This correction, however, does not have an impact on the overall rate. The Commission assigned the tariff sheet to Tariff Tracking No. JE-2022-0245.

2. Concurrently on April 1, 2022, Empire made a FAC true-up filing in File No. EO-2022-0275 to identify the true-up amount of \$413,876 it under-recovered from

its customers during the 25<sup>th</sup> Recovery Period of its Accumulation Period. The true-up amount of \$413,876 for RP25 is included in the preliminary calculation of the Fuel and Purchased Power (“FPA”) amount included in the Company’s Accumulation Period 27 (“AP27”) adjustment filing, also filed on April 1, 2022, in File No. ER-2022-0274, which Empire filed in compliance with its FAC.

3. Commission Rule 20 CSR 4240-20.090(4) provides that Staff “shall submit a recommendation regarding its examination and analysis to the commission not later than thirty (30) days after the electric utility files its tariff schedules to adjust its FAC rates.” Staff must determine if Empire’s proposed adjustment to its FAC rate is in accordance with 20 CSR 4240-20.090, §386.266 RSMo, and the “FAC mechanism established in the most recent general rate proceeding.”

4. If the proposed adjustment is in accordance with the rule, statute and FAC mechanism referenced above, Commission Rule 20 CSR 4240-20.090(4) also provides in part:

[T]he commission shall either issue an interim rate adjustment order approving the tariff schedules and the FAC rate adjustments within sixty (60) days of the electric utility’s filing or, if no such order is issued, the tariff schedules and the FAC rate adjustments shall take effect sixty (60) days after the tariff schedules were filed.

5. In the accompanying Staff Recommendation Memorandum, Staff recommends that the Commission issue an order approving Empire’s substitute proposed Tariff Sheet, P.S.C. Mo. No. 6, Section 4, 4th Revised Sheet No. 17q Canceling 3rd Revised Sheet No. 17q, as substituted on April 19, 2022, to become effective June 1, 2022, as requested by Empire, subject to true-up and prudence reviews. Because of a difference in line losses, there are different FARs for service taken at

secondary voltage level and at primary and above voltages levels; the resulting rates are in the column marked “Proposed” in the following table:

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Primary	\$0.00699	\$0.01273	\$0.00574 Increase
Secondary	\$0.00712	\$0.01297	\$0.00585 Increase

6. Based on a monthly usage of 1,000 kWh, the proposed change to the FAR will increase the Fuel Adjustment Charge of an Empire residential customer’s bill from \$7.12 to \$12.97, an increase in the customer’s bill of \$5.85 per month.

7. Except for Empire’s proposed true-up amount in its FAC true-up filing in File No. EO-2022-0275, Staff is not aware of any other matter pending before the Commission that affects or is affected by this filing.

8. Staff’s review shows Empire’s filing is in compliance with 20 CSR 4240-20.090; §386.266 RSMo; and Empire’s FAC embodied in its tariff.

9. Staff has verified that Empire has filed its 2020 annual report and is not delinquent on any assessment. Empire is current on its submission of its Surveillance Monitoring reports as required in 20 CSR 4240-20.090(6) and its monthly reports as required by 20 CSR 4240-20.090(5).

**WHEREFORE**, Staff recommends the Commission issue an order approving the following proposed tariff sheet, to become effective on June 1, 2022, as requested by Empire, subject to both true-up and prudence reviews.

P.S.C. Mo. No. 6 Section 4

4th Revised Sheet No. 17q Cancelling 3rd Revised Sheet No. 17q

Respectfully submitted,

**/s/ Eric Vandergriff**

Eric Vandergriff

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Attorney for the Staff of the

Missouri Public Service Commission

### **CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record on this 29<sup>th</sup> day of April, 2022.

**/s/ Eric Vandergriff**

## MEMORANDUM

**TO:** Missouri Public Service Commission Official Case File  
File No. ER-2022-0274, Tariff Tracking No. JE-2022-0245  
The Empire District Electric Company

**FROM:** Amanda C. Conner, Utility Regulatory Auditor

/s/ Amanda C. Conner 04/29/2022      /s/ Eric Vandergriff 04/29/2022  
Energy Resources Department / Date      Staff Counsel Department / Date

**SUBJECT:** Staff Recommendation for Approval of Tariff Sheet Filed to Change Rates Related to The Empire District Electric Company d/b/a Liberty (Empire) Fuel Adjustment Clause .

**DATE:** April 29, 2022

### Summary and Staff Recommendation

On April 1, 2022, The Empire District Electric Company (“Empire”) filed one (1) proposed tariff sheet, P.S.C. Mo. No. 6 Sec. 4, 4th Revised Sheet No. 17q Canceling 3rd Revised Sheet No. 17q, bearing a proposed effective date of June 1, 2022, to revise its Current Period Fuel Adjustment Rates<sup>1</sup> (“FARs”) of its Fuel Adjustment Clause (“FAC”) used to determine the Fuel Adjustment Charge<sup>2</sup> on customers’ bills. Empire also filed direct testimony of its witness Charlotte T. Emery on April 1, 2022 and submitted to Commission Staff (“Staff”) work papers in support of the proposed tariff sheet. On April 19, 2022, Empire filed a substitute tariff sheet<sup>3</sup> to correct the amount reported on line 13, to reflect the Forecasted Missouri NSI for just Missouri jurisdictional rather than on a total company basis. This correction, however, does not have an impact on the overall rate. The Commission assigned the tariff sheet to Tariff Tracking No. JE-2022-0245.

Empire continues to defer the extraordinary Winter Storm Uri costs, and in this accumulation period, the Company proposes to defer a resettlement credit pertaining to Winter Storm Uri in the amount of (\$8,632,928). This resettlement credit has been included within the

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<sup>1</sup> The Current Period FARs for service at primary voltage and above and for service at secondary voltage are located on lines 15 and 16, respectively, of proposed 4th Revised Sheet No. 17q.

<sup>2</sup> The actual line item on the customer’s bill is: Fuel Charge.

<sup>3</sup> Except as otherwise stated, all references herein to the tariff sheet in Tariff Tracking No. JE-2022-0245 shall be to the substitute proposed tariff sheet that Empire filed April 19, 2022.

petition for financing order for authorization of the issuance of securitized utility tariff bonds (“Securitization case”)<sup>4</sup>, and therefore this credit is excluded within this FAR filing.

### **Empire’s AP27 FARs**

The testimony and work papers include information that supports Empire’s calculation of the dollar amount<sup>5</sup> used to calculate the FARs for Accumulation Period 27 (“AP27”). That dollar amount is \$28,095,937 and results from:

1. The amount of \$19,003,730, found on Line 7 of 4th Revised Sheet No. 17q, which is equal to 95% of the difference between: a) Empire’s Missouri jurisdiction<sup>6</sup> actual fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenue<sup>7</sup> and less renewable energy credits (“REC”) revenue and b) Empire’s Missouri jurisdiction net base energy cost<sup>8</sup> during AP27; plus
2. The deferred amount of \$8,632,928 of extraordinary net credits, which is the amount Empire is seeking to defer to the Securitization case found on Line 8 of 4th Revised Sheet No. 17q; plus
3. The true-up amount of \$413,876<sup>9</sup> which is the under-recovery amount of the FARs for Recovery Period 25 (“RP25”), found on Line 9 of 4th Revised Sheet No. 17q; plus

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<sup>4</sup> Case No. EO-2022-0040

<sup>5</sup> The dollar amount used to calculate the Current Period FAR is called the Fuel and Purchased Power Adjustment (“FPA”) which is located on line 12 of proposed 4th Revised Sheet No. 17q.

<sup>6</sup> Missouri Energy Ratio (J) = (Missouri retail kWh sales)/(Total system kWh sales), where Total system kWh sales includes sales to municipalities that are associated with Empire and excludes off-system sales. See Original Sheet No 17aa. For AP27, J is equal to 87.85% as reflected on line 4 of 4th Revised Sheet No. 17q. The 87.85% J factor is derived from dividing total Missouri Retail kWh Sales for this accumulation period by the Total System kWh Sales for this accumulation period. As explained in footnote 2 of the current tariff, Empire calculates (TEC-B)\*J on a monthly basis, and Line 5 is the sum of each month’s calculation. For this reason, the calculation of the total energy cost minus the net base energy cost (line 3) multiplied by the Missouri Energy Factor (line 4) does not equal the amount entered on line 5. Line 3 multiplied by line 4 equals \$20,004,039.

<sup>7</sup> For AP27, this amount is \$81,351,161 as reflected on line 1 of 4th Revised Sheet No. 17q.

<sup>8</sup> For AP27, this amount is \$58,580,484 as reflected on line 2 of 4th Revised Sheet No. 17q.

<sup>9</sup> Empire’s RP25 true-up filing is contained in File No. EO-2022-0275.

4. The interest for AP27, a portion of RP25<sup>10</sup>, and a portion of RP26<sup>11</sup>, all equal to \$45,403, found on Line 11 of 4th Revised Sheet No. 17q.

The Current Period FAR of \$.01220 per kWh (Line 14 of 4th Revised Sheet No. 17q) is equal to the FPA Amount of \$28,095,937 divided by the forecasted Missouri net system input (“NSI”) for RP26 of 2,302,367,679 kWh, found on Line 13 of 4th Revised Sheet No. 17q.

Because of a difference in line losses, there are different FARs for service taken at primary and above voltage levels and at secondary voltage level. When accounting for line losses for the different voltage levels, the proposed FARs are \$.01273 per kWh for customers receiving service at primary voltage level and above, and \$.01297 per kWh for customers receiving service at secondary voltage level. Empire’s present FARs are \$.00699 per kWh for customers receiving service at primary voltage level and above and \$.00712 per kWh for customers receiving service at secondary voltage level.<sup>12</sup>

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Primary	\$.00699	\$.01273	\$0.00574 Increase
Secondary	\$.00712	\$.01297	\$0.00585 Increase

Based on a monthly usage of 1,000 kWh, the proposed change to the FAR will increase the Fuel Adjustment Charge of a Empire residential customer’s bill from \$7.12 to \$12.97, an increase in the customer’s bill of \$5.85 per month.<sup>13</sup> The accumulation periods, recovery periods, and other specifications of Empire’s existing FAC are set out in its currently effective tariff sheets.

<sup>10</sup> Recovery Period 25 is June 2021 through November 2021.

<sup>11</sup> Recovery Period 26 is December 2021 through May 2022.

<sup>12</sup> Lines 14 and 15 of 3rd Revised Sheet No. 17q.

<sup>13</sup> In Charlotte T. Emery’s direct testimony, on page 6 lines 11 through 16, she states, “There is a total under recovery of \$27,636,658 which represents \$0.01220 per kWh sold during the upcoming Recovery Period. For Missouri residential customers using 1,000 kWh per month, the electric bill will increase by approximately \$5.85 per month over the six-month period June 2022 through November 22, when the requested FAC secondary expansion factor of \$0.01297 is applied to their bill and the previous FAC credit factor of \$0.00712 is eliminated from their bill.”

On page 5, line 23 through page 6, line 7 of her filed testimony, Company witness Charlotte T. Emery describes the reasons for the increase in the FAR's rates:

Q. How did Empire's average energy costs for the Accumulation Period compare to the costs included in base rates?

A. Empire's average energy costs per kWh increased above the level built into its base electric rates, which is why the FAC rate tariff filed by the Company seeks an increase in the rates charged to the Missouri customers. More specifically, Empire's Missouri base rates included an average cost of energy per kWh of net system production of \$0.02338. Empire actually incurred average energy costs of \$0.03247 per kWh during the Accumulation Period, which is \$0.00909 per kWh, or about 38.87 percent more, than the average cost built into current base rates.

#### **Staff Review**

Staff reviewed Empire's proposed 4th Revised Sheet No. 17q Canceling 3rd Revised Sheet No. 17q, the direct testimony of Empire witness Charlotte T. Emery filed on April 1, 2022, as substituted on April 19, 2022, and Empire's monthly filings and work papers for AP27. Staff verified that the actual fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenues and less REC revenues, match<sup>14</sup> the fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenues and less REC revenues in Empire's proposed 4th Revised Sheet No. 17q Canceling 3rd Revised Sheet No. 17q. Staff also reviewed Empire's monthly interest rates that are applied to the monthly over- and under-recovery amounts for AP27, a portion of RP26, and a portion of RP25 and the calculation of the monthly interest amounts. The information filed with the tariff sheet and work papers includes sufficient data to calculate the FARs for AP27.

Attachment A includes three charts that provide a summary of Empire's twenty-seven (27) FAC rate adjustment filings. Chart 1 illustrates a) Empire's FARs for primary and secondary voltage service levels for each of the twenty-seven (27) accumulation periods, and b) that there have been fifteen (15) positive FARs, eleven (11) negative FARs, and one (1) zero FAR.

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<sup>14</sup> Staff has verified that the actual fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenues and less REC revenues do match the total energy costs in line 1 of proposed 4th Revised Sheet No. 17q.



Chart 2 illustrates Empire's FAC cumulative under-collected amount at the end of each of the twenty-seven (27) accumulation periods with the cumulative under-collected amount through AP27 of approximately \$104 million. Chart 3 illustrates Empire's FAC cumulative under-collected percentage of cumulative total energy costs at the end of each of the twenty-seven (27) accumulation periods with the cumulative under-collected percentage through AP27 of approximately 5.2%.

### **Staff Recommendation**

Empire filed the 4th Revised Sheet No. 17q Canceling 3rd Revised Sheet No. 17q, and based on Staff's review, Staff has determined that the adjustment is in compliance with Commission Rule 20 CSR 4240-20.090, Section 386.266 RSMo, and Empire's FAC embodied in its tariff.

Commission Rule 20 CSR 4240-20.090(8)(H)<sup>15</sup> provides in part:

(H) Within sixty (60) days after the electric utility files its testimony and tariff sheet(s) to adjust its FARs, the commission shall either—

1. Issue an interim rate adjustment order approving the tariff sheet(s) and the adjustments to the FARs;
2. Allow the tariff sheet(s) and the adjustments to the FARs to take effect without commission order; or
3. If it determines the adjustment to the FARs is not in accordance with the provisions of this rule, section 386.266, RSMo, and the FAC mechanism established in the electric utility's most recent general rate proceeding, reject the proposed rate sheets, suspend the timeline of the FAR adjustment filing, set a prehearing date, and order the parties to propose a procedural schedule. The commission may order the electric utility to file tariff sheet(s) to implement interim adjusted FARs to reflect any part of the proposed adjustment that is not in question.

Empire has requested that the P.S.C. Mo. No. 6 Section 4, 4th Revised Sheet No. 17q Canceling 3rd Revised Sheet No. 17q filed on April 1, 2022, as substituted on April 19, 2022, become effective on June 1, 2022. Thus, the tariff sheet was filed with sixty (60) days' notice. Based on its examination and analysis of the information Empire filed and submitted in this case,

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<sup>15</sup> Effective January 30, 2019.

Staff recommends the Commission issue an order approving the following proposed tariff sheet, to become effective on June 1, 2022, as requested by Empire, subject to both true-up and prudence reviews:

P.S.C. Mo. No. 6 Section 4

4th Revised Sheet No. 17q Cancelling 3rd Revised Sheet No. 17q

Staff has verified that Empire has filed its 2020 annual report<sup>16</sup> and is not delinquent on any assessment. Empire is current on its submission of its Surveillance Monitoring reports as required in 20 CSR 4240-20.090(6) and its monthly reports as required by 20 CSR 4240-20.090(5).

Staff's recommendation for approval of the Current Period FARs in this case is solely based on the accuracy of Empire's calculations, and is not indicative of the prudence of the fuel costs during AP27.

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<sup>16</sup>Empire filed an extension on March 15, 2022 requesting a 30 day Extension to file their 2021 Annual Report, which was due on April 15, 2022 and was granted the extension from the Commission. The extension allows for the Annual Report to be filed on May 15, 2022, after this filing.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

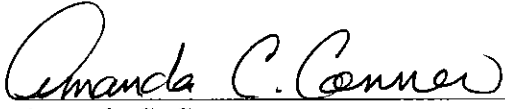
In the Matter of The Empire District Electric )  
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Implement Rate Adjustments Related to The ) **Tariff No. JE-2022-0245**  
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20 CSR 4240-20.090 )

**AFFIDAVIT OF AMANDA C. CONNER**

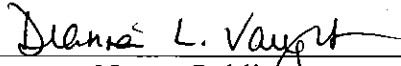
STATE OF MISSOURI )  
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COUNTY OF COLE )

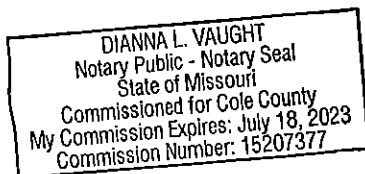
**COMES NOW**, Amanda C. Conner, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Staff Recommendation in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

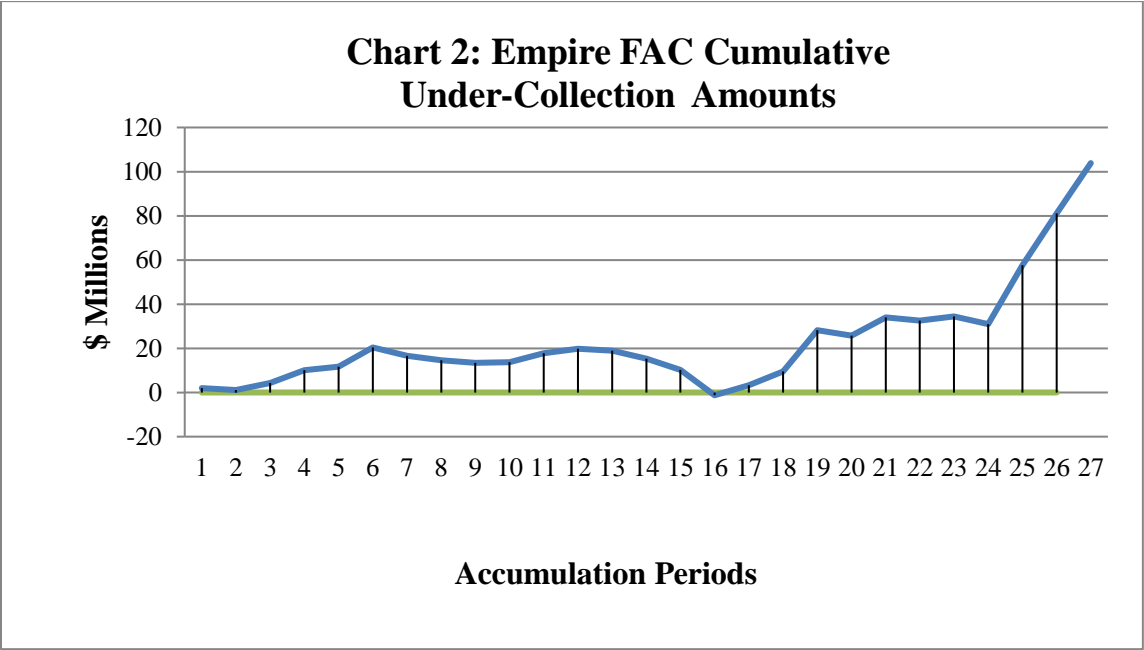
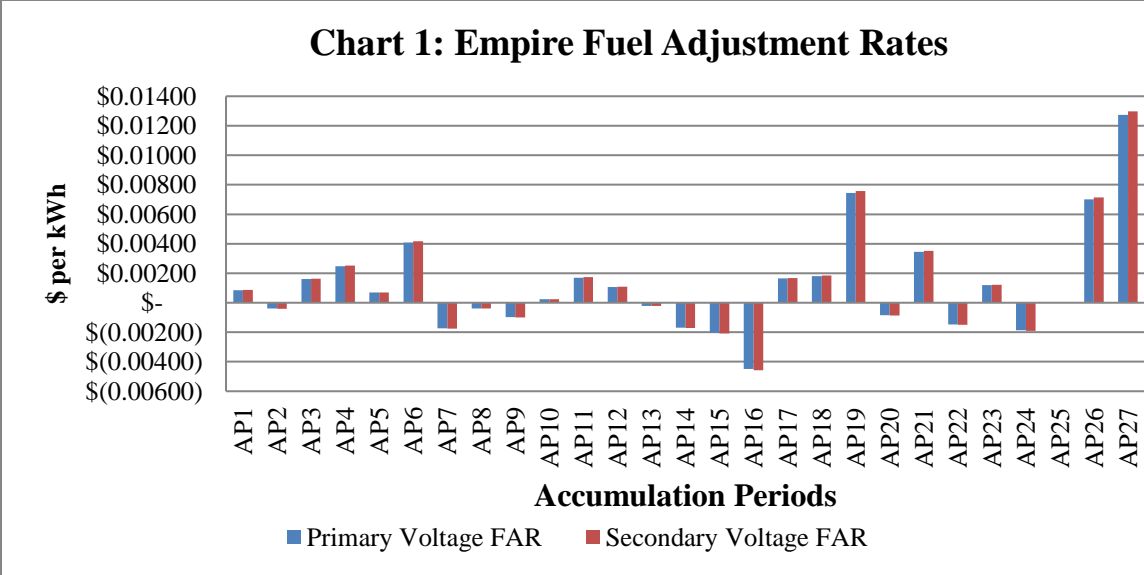
Further the Affiant sayeth not.

  
Amanda C. Conner

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 29<sup>th</sup> day of April, 2022.

  
Notary Public





**Chart 3: Empire FAC Cumulative Under-Collection Percentage**

