

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2022-0095, Tariff Tracking No. JE-2022-0067
The Empire District Electric Company

FROM: Brooke Mastrogiannis, Utility Regulatory Supervisor

DATE: /s/ Brooke Mastrogiannis 11/01/2021 /s/ Casi Aslin 11/01/2021
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’s Fuel
Adjustment Clause .

DATE: November 1, 2021

Summary and Staff Recommendation

On September 30, 2021, The Empire District Electric Company (“Liberty-Empire” or “Company”) filed one (1) proposed tariff sheet, 3rd Revised Sheet No. 17q Canceling 2nd Revised Sheet No. 17q, bearing a proposed effective date of December 1, 2021, to revise its Current Period Fuel Adjustment Rates¹ (“FARs”) of its Fuel Adjustment Clause (“FAC”) used to determine the Fuel Adjustment Charge² on customers’ bills. Liberty-Empire also filed direct testimony of its witness Charlotte T. Emery on September 30, 2021 and submitted to Commission Staff (“Staff”) work papers in support of the proposed tariff sheet. On October 20, 2021, Liberty-Empire filed a substitute tariff sheet³ and corrected direct testimony in support of the substitute tariff sheet. In Liberty-Empire’s substitute filing letter it explained tht the Company’s initial filing did not reflect the new primary and secondary expansion factors approved in Liberty-Empire’s 2019 rate case. The Commission assigned the tariff sheet to Tariff Tracking No. JE-2022-0067.

For this Accumulation Period Liberty-Empire’s actual total energy costs eligible for the FAC were significantly higher than the base energy cost included in Liberty-Empire’s Missouri rates. Under normal circumstances, the Company would file a FAC rate tariff that is designed to recover 95 percent of the energy cost differences, or approximately \$39,556,868.

¹ 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 3rd Revised Sheet No. 17q.

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

³ Except as otherwise stated, all references herein to the tariff sheet in Tariff Tracking No. JE-2022-0067 shall be to the substitute proposed tariff sheet that Liberty-Empire filed October 20, 2021.

However, the Company is seeking approval to defer \$23,644,805 of what it states are extraordinary costs.⁴ This is pursuant to Commission Rule 20 CSR 4240-20.090(8)(A)2.AXI, which states, “For the period of historical costs which are being used to propose the fuel adjustment rates... Extraordinary costs not to be passed through, if any, due to such costs being an insured loss, or subject to reduction due to litigation or for any other reason.”

Liberty-Empire is proposing that the portion of its fuel costs associated with February Storm Uri be treated in a different manner than would normally be afforded through the FAC mechanism. Staff agrees that the Storm Uri costs are “extraordinary” in nature, based both upon the applicable language in the FAC rule quoted above and the broad definition of “extraordinary costs” commonly used by the Commission in other accounting authority order deferral applications (i.e., costs are that unusual, unique and non-recurring). Liberty-Empire is also proposing that these Storm Uri costs be deferred because otherwise the average Missouri retail residential electric bill would increase by approximately \$18.07 for customers using 1,000 kWh per month over the six-month period December 2021 through May 2022 versus the \$7.12 monthly amount mentioned below. For all of these reasons, Staff does not oppose Liberty-Empire’s proposal to defer Storm Uri costs to seek later recovery in rates.

Liberty-Empire’s AP26 FARs

The testimony and work papers include information that supports Liberty-Empire’s calculation of the dollar amount⁵ used to calculate the FARs for Accumulation Period 26 (“AP26”). That dollar amount is \$15,395,144 and results from:

1. The amount of \$39,556,868, found on Line 7 of 3rd Revised Sheet No. 17q, which is equal to 95% of the difference between: a) Liberty-Empire’s Missouri jurisdiction⁶ actual fuel costs plus purchased power costs plus net emissions

⁴ As stated in Charlotte Emery’s Direct Testimony on page 12, Empire intends to file a securitization petition pursuant to RSMo. 393.1700.2(2), as indicated in its Notice of Intent submitted in File No. EO-2022-0040.

⁵ 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 3rd Revised Sheet No. 17q.

⁶ 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 Liberty-Empire and excludes off-system sales. See Original Sheet No 17aa. For AP26, J is equal to 88.43% as reflected on line 4 of 3rd Revised Sheet No. 17q. The 88.43% 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, Liberty-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 \$41,640,210.

allowance costs less off-system sales revenue⁷ and less renewable energy credits (“REC”) revenue and b) Liberty-Empire’s Missouri jurisdiction net base energy cost⁸ during AP26; plus

2. The deferred amount of (\$23,644,805) of extraordinary costs, which is the amount Liberty-Empire is seeking to defer to a future proceeding, found on Line 8 of 3rd Revised Sheet No. 17q; plus
2. The true-up amount of (\$523,943)⁹ which is the over-recovery amount of the FARs for Recovery Period 24 (“RP24”), found on Line 9 of 3rd Revised Sheet No. 17q; plus
3. The interest for AP26, a portion of RP24¹⁰, and a portion of RP25¹¹, all equal to \$7,024, found on Line 11 of 3rd Revised Sheet No. 17q.

The Current Period FAR of \$.00671 per kWh (Line 14 of 3rd Revised Sheet No. 17q) is equal to the FPA Amount of \$15,395,144 divided by the forecasted Missouri net system input (“NSI”) for RP26 of 2,603,350,000 kWh, found on Line 13 of 3rd 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 \$.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. Liberty-Empire’s present FARs are \$.00000 per kWh for customers receiving service at primary voltage level and above and \$.00000 per kWh for customers receiving service at secondary voltage level.¹²

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Primary	\$.00000	\$.00699	\$0.00699 Increase
Secondary	\$.00000	\$.00712	\$0.00712 Increase

⁷ For AP26, this amount is \$106,487,909 as reflected on line 1 of 3rd Revised Sheet No. 17q.

⁸ For AP26, this amount is \$59,399,579 as reflected on line 2 of 3rd Revised Sheet No. 17q.

⁹ Liberty-Empire’s RP24 true-up filing is contained in File No. EO-2022-0096.

¹⁰ Recovery Period 24 is December 2020 through May 2021.

¹¹ Recovery Period 25 is June 2021 through November 2021.

¹² Lines 14 and 15 of 2nd Revised Sheet No. 17q.

Based on a monthly usage of 1,000 kWh, the proposed change to the FAR will increase the Fuel Adjustment Charge of a Liberty-Empire residential customer's bill from \$0.00 to \$7.12, an increase in the customer's bill of \$7.12 per month.¹³ The accumulation periods, recovery periods, and other specifications of Liberty-Empire's existing FAC are set out in its currently effective tariff sheets.

On page 5, line 16 through line 24 of her filed testimony, Company witness Charlotte T. Emery describes the reasons for the increase in the FAR's base 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 \$0.04191 per kWh during the Accumulation Period, which is \$0.01853 per kWh, or about 79.27 percent more, than the average cost built into current base rates.

Staff Review

Staff reviewed Liberty-Empire's proposed 3rd Revised Sheet No. 17q Canceling 2nd Revised Sheet No. 17q, the direct testimony of Liberty-Empire witness Charlotte T. Emery filed on September 30, 2021, as substituted on October 20, 2021, and Liberty-Empire's monthly filings and work papers for AP26. 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, match¹⁴ the fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenues and less REC revenues in Liberty-Empire's

¹³ In Charlotte T. Emery's direct testimony, on page 6 lines 2 through 8, she states, "Under normal circumstances and pursuant to Empire's FAC tariff, the Company would request to collect from its Missouri customers 95 percent of the energy cost differences or approximately \$39,556,868. However, at this time, the Company is seeking to defer \$23,644,805 of "extraordinary costs" pursuant to Rule 20 CSR 4240-20.090(8)(A)2AXI in order to lessen the immediate rate impact on customers. After reflecting this deferral, this results in an average of \$0.00671 per kWh sold during the upcoming Recovery Period."

¹⁴ 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 3rd Revised Sheet No. 17q. However because Liberty-Empire is proposing to defer \$23,644,805 of extraordinary costs, Staff is making notice here that the costs in line 1 of the proposed tariff sheet do not match the proposed FPA amount the Company is requesting in line 12 of this same tariff sheet.

proposed 3rd Revised Sheet No. 17q Canceling 2nd Revised Sheet No. 17q. Staff also reviewed Liberty-Empire's monthly interest rates that are applied to the monthly over- and under-recovery amounts for AP26, a portion of RP25, and a portion of RP24 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 AP26.

Attachment A includes three charts that provide a summary of Liberty-Empire's twenty-six (26) FAC rate adjustment filings. Chart 1 illustrates a) Liberty-Empire's FARs for primary and secondary voltage service levels for each of the twenty-six (26) accumulation periods, and b) that there have been fourteen (14) positive FARs, eleven (11) negative FARs, and one (1) zero FAR. Chart 2 illustrates Liberty-Empire's FAC cumulative under-collected amount at the end of each of the twenty-six (26) accumulation periods with the cumulative under-collected amount through AP26 of approximately \$81 million. Chart 3 illustrates Liberty-Empire's FAC cumulative under-collected percentage of cumulative total energy costs at the end of each of the twenty-six (26) accumulation periods with the cumulative under-collected percentage through AP26 of approximately 4.2%.

Staff Recommendation

Liberty-Empire filed the 3rd Revised Sheet No. 17q Canceling 2nd 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 Liberty-Empire's FAC embodied in its tariff.

Commission Rule 20 CSR 4240-20.090(8)(H)¹⁵ 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

¹⁵ Effective January 30, 2019.

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.

Liberty-Empire has requested that the 3rd Revised Sheet No. 17q Canceling 2nd Revised Sheet No. 17q filed on September 30, 2021, as substituted on October 20, 2021, become effective on December 1, 2021. Thus, the tariff sheet was filed with sixty (60) days' notice. Based on its examination and analysis of the information Liberty-Empire filed and submitted in this case, Staff recommends the Commission issue an order approving the following proposed tariff sheet, to become effective on December 1, 2021, as requested by Liberty-Empire, subject to both true-up and prudence reviews:

P.S.C. Mo. No. 5 Section 4

3rd Revised Sheet No. 17q Cancelling 2nd Revised Sheet No. 17q

Staff has verified that Liberty-Empire has filed its 2020 annual report and is not delinquent on any assessment. Liberty-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 Liberty-Empire's calculations, and is not indicative of the prudence of the fuel costs during AP26.

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) **File No. ER-2022-0095**
Authority to Implement Rate Adjustments) Tracking No. JE-2022-0067
Related to the Company's Fuel and)
Purchase Power Adjustment (FAC) Required)
in 20 CSR 4240-20.090)

In the Matter of The True-Up of the Empire)
District Electric Company d/b/a Liberty) **File No. EO-2022-0096**
(Empire) Fuel Adjustment Clause (FAC)) Tracking No. JE-2022-0067
True-Up)

AFFIDAVIT OF BROOKE MASTROGIANNIS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, Brooke Mastrogiannis, 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.

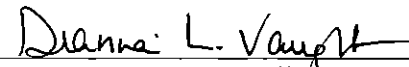
Further the Affiant sayeth not.



Brooke Mastrogiannis

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 29th day of October, 2021.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377



Notary Public

Chart 1: Empire Fuel Adjustment Rates

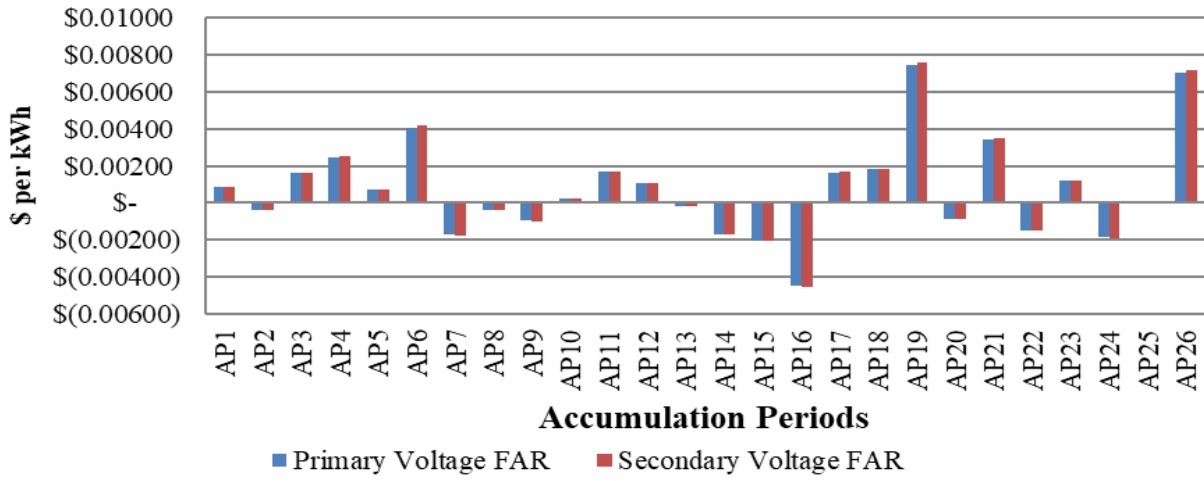


Chart 2: Empire FAC Cumulative Under-Collection Amounts

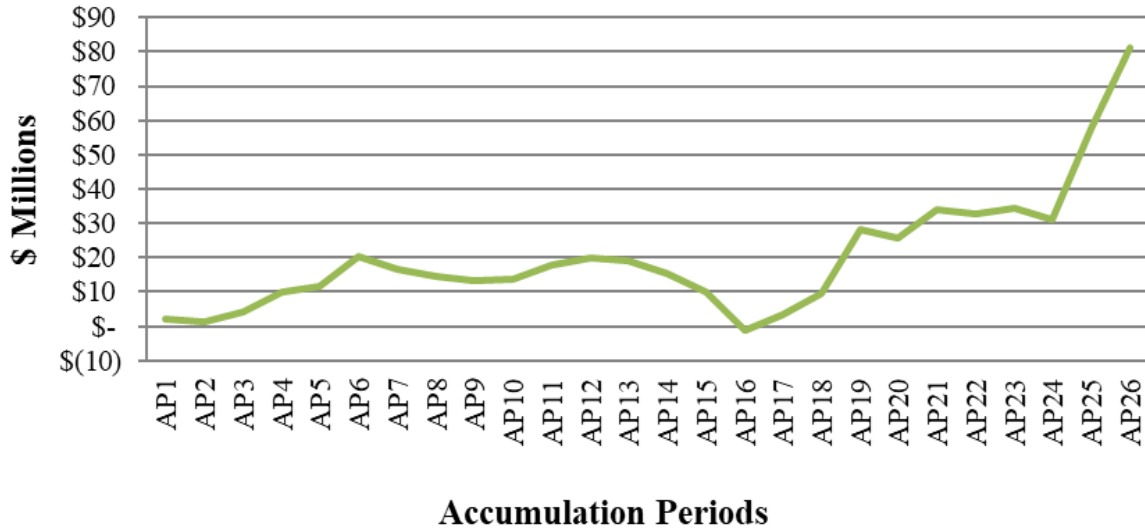


Chart 3: Empire FAC Cumulative Under-Collection Percentage

