



Liberty Utilities (The Empire District Electric Company)

Case No. ER-2021-0312

Office Public Counsel Data Request - 8065

Data Request Received: 2021-09-17

Response Date: 2021-10-07

Request No. 8065

Witness/Respondent: Tisha Sanderson

Submitted by: Lena Mantle, lena.mantle@opc.mo.gov

**REQUEST:**

Each of the following data requests reference page five of Empire's Customer Savings Plan Wind Project Accounting presentation dated September 8, 2021. For convenience, a copy of the content of that page follows:

Summary of Transactions (Example transactions based on 2022)				
\$ Millions	Wind Projects	EDE	Impact to Customers	FERC Accounting
Electricity sales to SPP	\$40.00	-	\$40.00	456 Other Electric Revenues
Hedge settlement	\$11.90	(\$11.90)	-	547302 Purchased
<b>Total Revenue</b>	<b>\$51.90</b>	<b>(\$11.90)</b>	<b>\$40.00</b>	NA
SMWA	(\$8.50)	-	(\$8.50)	553 Maintenance
Affiliate services (OMA, EMSA, AMA, RECs)	(\$2.20)	\$0.50	(\$1.70)	553 (Wind Projects), 456
Empire opex for providing affiliate services	-	(\$0.90)	(\$0.90)	553 Maintenance
Other opex	(\$10.40)	-	(\$10.40)	Various (546, 547, 553, 924, 925,
<b>EBITDA</b>	<b>\$30.80</b>	<b>(\$12.30)</b>	<b>\$18.50</b>	NA
Paygo contributions by Tax Equity	\$9.80	-	\$9.80	201 Equity (Wind Projects), 456260 (EDE)
Cash Distributions*	(\$40.60)	\$40.60	-	238 Dividends (Wind Projects), 456270 (EDE)
Production Tax Credits (EDE's 1% share)	-	\$0.60	\$0.60	409115
<b>Total Reduction to EDE Revenue Requirement</b>	<b>-</b>	<b>\$18.90</b>	<b>\$18.90</b>	NA

Reference page 5, Empire Customer Savings Plan Wind Project Accounting presentation from September 8, 2021: Where is Liberty recording for regulatory accounting purposes the cost of RECs purchased from the wind projects? Is Liberty proposing to include the cost of RECs in its FAC? If so, please a. Identify Liberty's proposed tariff FAC sheet language that allows the cost of RECs to be included in its proposed FAC; and b. Provide the monthly costs of RECs that Liberty included in its calculation of Liberty's proposed FAC base.

**RESPONSE:**

Liberty will record for regulatory accounting purposes, costs of REC purchases from the EWPCs to GL account 158100 (Inventory) prior to subsequent sale. Gains from REC sales will be recorded to GL Account 456215.

Liberty proposes to exclude the cost of RECs resulting from its purchase of the EWPCs in its FAC. It does propose to include the gain or loss (revenue less costs) from Liberty's subsequent sales of these RECs on the open market in its FAC.

- a. REC is a component of the Fuel & Purchase Power Adjustment formula, from the FAC Tariff Sheet. Please see the FPA formula and REC definition below:

$$FPA = \{[(FC + PP + E - OSSR - REC - B) * J] * .95\} + T + I + P$$

REC = Renewable Energy Credit Revenue reflected in FERC Account 456 from the sale of Renewable Energy Credits that are not needed to meet the Renewable Energy Standard.

In addition to the formula above and pursuant to 20 CSR 4240-20.090 Fuel and Purchased Power Rate Adjustment Mechanisms, "Fuel-related revenues means those revenues related to the generation, sale, or purchase of energy or capacity. Fuel-related revenues may include, but are not limited to, off-system sales, emission allowance sales, and renewable energy credits or certificates whenever such renewable energy credits or certificates are not included in a Renewable Energy Standard Rate Adjustment Mechanism (RESRAM) in compliance with 4 CSR 240-20.100." (emphasis added)

- b. The annualized cost of RECs is included in the "F-3 Op Inc Detail" tab of the Wind Revenue Requirement Model provided as Workpaper in Company Witness Tisha Sanderson's testimony. Furthermore, please reference the document labeled "8065 Wind Monthly REC Breakdown" for the REC costs by month.



Liberty Utilities (The Empire District Electric Company)

Case No. ER-2021-0312

Office Public Counsel Data Request - 8065.1

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Data Request Received: 2021-11-23

Response Date: 2021-12-15

Request No. 8065.1

Witness/Respondent: Tisha Sanderson

Submitted by: Lena Mantle, lena.mantle@opc.mo.gov

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**REQUEST:**

In its response to OPC DR 8065 Liberty states, “Liberty proposes to exclude the cost of RECs resulting from its purchase of the EWPCs in its FAC.” OPC also requested in this DR that Liberty provide the monthly costs of RECs that Liberty included in its calculation of Liberty’s proposed FAC base. Liberty provided a spreadsheet with the expected monthly costs of RECs. This indicates that the cost of the RECs are included in its proposed FAC. Please clarify, i.e., why would Liberty include a cost that is not flowing through its proposed FAC in the calculation of its FAC base?

**RESPONSE:**

The Wind Projects earn revenues by selling RECs to Empire for a fixed price of \$0.20 per REC, and Empire buys the RECs from the Wind Projects for the same \$0.20 per REC. This has a net impact of zero and no impact on customer rates. Empire then either sells the RECs it acquires to customers/counterparties or uses them itself to meet its requirements.

With the effective date of rates stemming from this rate case, Empire is proposing the revenues that it earns from selling RECs flow through the FAC.