STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held by telephone and internet audio conference on the 5th day of August, 2020.

In the Matter of The Empire District Electric Company's Request for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area	)))))	**File No. ER-2019-0374**

ORDER OF CLARIFICATION

Issue Date: August 5, 2020 Effective Date: August 15, 2020

On July 23, 2020, the Commission issued its Amended Report and Order. Staff filed an additional motion for clarification of issues related to rate design and revenue allocation on July 29, 2020. The time for responses to the motion was shortened. The Midwest Energy Consumers Group (MECG) and The Empire District Electric Company (Empire) filed responses to Staff's motion. Based upon Staff's motion and responses to that motion the Commission determines that its Amended Report and Order should be clarified.

At paragraph 82 of the Amended Report and Order the Commission states "Empire's current rate design is that contained in the compliance tariffs filed on August 15, 2016, as substituted on August 26, 2016, and approved to become effective as of September 14, 2016 in its last rate case, File No. ER-2016-0023." Staff's motion states that "Empire's rates as of September 14, 2016 did not include the per-kWh credit created in Case No. ER-2018-0366." The Commission agrees that Staff's motion accurately states the facts.

At paragraph 482 of the Amended Report and Order the Commission states “The appropriate level of billing determinants to be used in the calculation of retail rate revenue for the test year are included in the true-up workpapers of Michelle Bocklage and Byron Murray, and the level of retail revenue is provided in Staff’s True-Up Accounting Schedules.” The Commission agrees that Staff has accurately stated those facts. Staff’s motion then states “The level of retail revenue provided in Staff’s True-Up Accounting schedules indicated the revenue generated by each rate class pursuant to the rates generated in File No. ER-2016-0023, net of the credits provided under [File] No. ER-2018-0366.” The Commission does not agree with Staff’s interpretation. A more accurate statement would also indicate that the Staff’s True-Up Accounting Schedules include revenue adjustments (Rev 2.23-Rev 2.34) sponsored by Kimberly Bolin to remove revenue from income tax due to Tax Cuts and Jobs Act of 2017 (TCJA). These revenue adjustments total $7,760,077 and were applied to all rate classes. Bolin’s direct testimony on page 11 states that retail revenues were adjusted for the lower income tax rate experienced during the test year.

These adjustments are not related to the tariff sheet credits authorized by the Commission in File No. ER-2018-0366. These adjustments are to remove the over collection of revenues from April 1, 2018 through August 29, 2018, which is the portion of the test year in this case prior to when the File No. ER-2018-0366 tariff sheet credits went into effect on August 30, 2018. The portion of the test year (August 30, 2018 through March 31, 2019) where the tariff sheet credits were in effect do not require additional TCJA revenue adjustments.

Staff’s motion further states “The Amended Order did not otherwise address the treatment of the credits provided under [File] No. ER-2018-0366 for rate design purposes, nor did it address the continuation or elimination of the tariff sheets, which affects these credits." While the Commission rejected the tariff sheets filed by Empire in this rate proceeding on August 14, 2019, those tariff sheets removed the credits authorized in File No. ER-2018-0366 leaving the tariff sheets in place but blank. The Commission agrees with Empire's treatment. The compliance tariffs should reflect Empire's treatment.

At page 50 the Amended Report and Order states that "the Commission finds that it is not appropriate to make any changes to the revenue requirement allocations at this time." Staff's motion seeks to clarify whether the unchanged revenue requirement allocations are those allocations as they existed prior to or after the reductions caused by the credits provided under File No. ER-2018-0366. The Commission clarifies that the revenue requirement allocations to be applied in this case are as they existed prior to File No. ER-2018-0366 credits.

Staff's motion also seeks clarification as to whether the decreases within each class should be applied proportionately to the magnitude of the energy block charges as they exist in the tariff promulgated pursuant to File No. ER-2016-0023, or those rates net of the credits provided under File No. ER-2018-0366. The Commission clarifies that decreases within each class should be applied proportionately to the magnitude of the energy block charges as they existed in the tariff promulgated pursuant to File No. ER-2016-0023.

MECG's response to Staff's Additional Motion for Clarification states that it believes that the Commission adopted MECG's proposal to reduce all energy blocks in an equal manner. MECG misunderstands the Commission's Amended Report and Order, which clearly states: "Any increase or decrease should be applied to each energy block in proportion to the revenue generated by that block. Additionally the Commission determines that any decrease for the LP and GP rate classes shall reduce the energy blocks of each class."[1] The first sentence limits the second. Thus, any decrease for the LP and GP rate classes shall reduce the energy blocks of each class in proportion to the revenue generated by that block as stated in the preceding paragraph.

Staff's motion proposes several sequence of adjustments and asks the Commission to clarify which sequence of adjustments best articulate the Commission's intentions. The Commission clarifies that Option A, as put forth in Staff's motion, correctly articulates the Commission's intentions as explained below.

Option A:

(1) Reflect the approximate reduction of $18.1 million in the class revenue requirements associated with the ER-2018-0366 credits generated by the trued up billing determinants.

(2) Proportionately adjust Class Revenue Requirements to achieve the revenue requirement ordered in this case, net of the ER-2018-0366 credit values. (3) Remove the amount of each ER-2018-0366 credit from each energy charge rate ordered in ER-2016-0023, then proportionately adjust each remaining energy charge rate to recover the class revenue requirement. No Class Cost of Service report in this rate proceeding was sufficiently reliable for the purpose of allocating the revenue requirement among the rate classes. The last time a reliable Class Cost of Service report was available was in File No. ER-2016-0023, class cost allocations should be as ordered in accordance with that File with no regard for ER-2018-0366.

(4) Eliminate the ER-2018-0366 tariff references and credits.

[1] ER-2019-0374, Amended Report and Order, Issues July 23, 2020, page 51.

With regard to any perceived inconsistency, the Commission clarifies its Amended Report and Order as stated above.

THE COMMISSION ORDERS THAT:

1. Staff's Additional Motion for Clarification filed on July 29, 2020, is granted to the extent set out above.

2. This order shall become effective on August 15, 2020.

BY THE COMMISSION

Morris L Woodruff

Morris L. Woodruff
Secretary

Silvey, Chm., Kenney, Rupp, Coleman, and
Holsman CC., concur.

Clark, Senior Regulatory Law Judge

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 5th day of August, 2020.

Morris L. Woodruff
Secretary

MOPSC Digitally signed by MOPSC
Date: 2020.08.05 11:36:21 -05'00'

MISSOURI PUBLIC SERVICE COMMISSION

August 5, 2020

File/Case No. ER-2019-0374

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

Sincerely,

Morris L Woodruff

Morris L. Woodruff
Secretary

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