

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application of The Empire)
District Electric Company, d/b/a Liberty, for a)
One-Year Waiver of that Portion of Liberty’s) Docket No. 24-EPDE-795-TAR
ATRR Tariff that Requires Class Allocators)
Be Reset Every Five Years.)

**NOTICE OF FILING OF STAFF’S
REPORT AND RECOMMENDATION**

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas (“Staff” and “Commission,” respectively), and files the instant Report and Recommendation (“R&R”) regarding Staff’s review of the Application of the Empire District Electric Company, d/b/a “Liberty,” requesting a one-year waiver of a section of its Transmission Delivery Charge (“TDC”) rate tariff related to the update of class demand allocation.

Liberty’s TDC tariff currently requires the class demand allocators, class normalized billing demands, and class normalized energy to remain unchanged until Liberty’s next general rate case, or, at a minimum, once every five years. The current class allocators surpassed a five-year life on August 1, 2024. However, to avoid the cost of having to conduct a new class allocation study outside of a general rate case filing, Liberty proposed to postpone its update until its next general rate case, which is currently scheduled to be filed in 2025.

For reasons contained in the instant R&R, Staff recommends Commission approval of Liberty’s request for a one-year waiver of the section of its TDC Tariff requiring the class demand allocators, class normalized billing demands, and class normalized energy be reset every five years, and approval of the use of the current class allocators in its 2024 TDC filing.

WHEREFORE, Staff submits its Report and Recommendation for Commission review and consideration and for such other relief as the Commission deems just and reasonable.

Respectfully submitted,

/s/ Carly R. Masenthin _____

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Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

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**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chairperson Andrew J. French
Commissioner Dwight D. Keen
Commissioner Annie Kuether

FROM: Katie Figgs, Managing Auditor
Andria Jackson, Deputy Chief of Accounting and Financial Analysis
Chad Unrein, Chief of Accounting and Financial Analysis
Justin Grady, Deputy Director of Utilities
Jeff McClanahan, Director of Utilities

DATE: January 17, 2025

SUBJECT: Docket Number 24-EPDE-795-TAR: In the Matter of the Application of The Empire District Electric Company, d/b/a Liberty, for a One-Year Waiver of that Portion of Liberty's ATRR Tariff that Requires Class Allocators Be Reset Every Five Years.

EXECUTIVE SUMMARY:

On June 3, 2024, The Empire District Electric Company, d/b/a Liberty ("Liberty" or "Company"), filed an application requesting a one-year waiver of the section of Liberty's Transmission Delivery Charge ("TDC") rate tariff, also referred to as its Annual Transmission Revenue Requirement ("ATRR") tariff, that requires the class demand allocators, class normalized billing demands, and class normalized energy (collectively, "class allocators") be reset, at a minimum, once every five years. Per the ATRR tariff, the class allocators remain unchanged until Liberty's next general rate case or, at a minimum, once every five years, to limit cost shifting among retail classes. The class allocators included in Liberty's TDC tariff are based on a class allocation study using a 12-month test year ending June 30, 2018, which was approved by the Commission to set base rates in Liberty's last general rate case, Docket No. 19-EPDE-223-RTS ("19-223 Docket"). The current five-year period expired on August 1, 2024. To avoid the cost of having to conduct a new class allocation study outside of a general rate case filing, Liberty is proposing to postpone until its next general rate case filing which is currently scheduled to be filed in 2025. This means that new class allocators will be available for Liberty's next TDC filing, and thus this request is limited to a one-year waiver of the five-year threshold.

BACKGROUND:

Liberty is a corporation duly organized and existing under the laws of the State of Kansas and is engaged in doing business in said State and has heretofore duly qualified to do and is doing business in the states of Missouri, Arkansas and Oklahoma. Liberty owns and operates an electric utility system located in the contiguous portions of the states of Kansas, Missouri, Oklahoma and Arkansas, with its executive offices located at 602 S. Joplin Street, Joplin, Missouri 64801. The Company is the holder of a certificate from the state of Kansas confirming its right to conduct the business of an electric utility per K.S.A. 66-101, *et seq.*, and by reason thereof has the duty and responsibility to provide and maintain efficient and sufficient service to its customers. Liberty serves approximately 186,000 electric customers in the above-mentioned states and approximately 10,000 of those electric customers are located in Kansas.

K.S.A. 66-1237 allows electric utilities to recover transmission-related costs resulting from any order of a regulatory authority having jurisdiction over transmission matters, including orders setting rates on a subject-to-refund basis, through a TDC rate tariff.¹ Liberty's TDC rate tariff, also known as the ATRR tariff, was first approved by the Kansas Corporation Commission ("Commission") in Liberty's last general rate case, 19-223 Docket, on August 1, 2019.²

Per Liberty's tariff, the ATRR is collected by applying a TDC rate, developed for each rate schedule permitting such cost recovery, to each applicable customer's bill. The allocation of the ATRR to the respective rate schedules is based on a 12-month coincident-peak ("12-CP") allocation methodology, similar to the methodology used by the Southwest Power Pool ("SPP") to assess transmission charges.³ The class allocators included in Liberty's TDC tariff are currently based on a class allocation study using a 12-month test year ending on June 30, 2018, which was approved by the Commission to set base rates in Liberty's last general rate case in the 19-223 Docket.⁴ Per the ATRR tariff, those class allocators remain unchanged until Liberty's next general rate case or, at a minimum, once every five years, to limit cost shifting among retail classes. The current five-year period expired on August 1, 2024.⁵

Liberty filed its annual TDC Application on June 21, 2024, with an effective date for the new ATRR tariff being August 1, 2024.⁶

ANALYSIS:

Before filing its 2024 TDC, Liberty contacted Staff regarding the use of the current class allocators in the June 2024 filing to avoid the cost of having to conduct a new class allocation study outside of a general rate case filing. The cost of the class allocation study conducted in the 19-223 Docket was over \$80,000.⁷ This cost is significant given the fact that Liberty has less than 10,000 Kansas retail customers. In addition, Liberty currently plans to file its next general rate case in Kansas in

¹ K.S.A. 66-1237.

² Order Approving Unanimous Settlement Agreement with Modifications dated July 30, 2019, 19-233 Docket, page 4.

³ Revised TDC Compliance Tariff in Support of Commission's Order filed August 1, 2019, 19-233 Docket.

⁴ *Id.*

⁵ *Id.* Schedule TDC, Sheet 5 of 6.

⁶ Docket No. 24-EPDE-894-TAR.

⁷ The Empire District Electric Company Rate Case Expense filed June 18, 2019, 19-223 Docket.

2025, which will include a new class allocation study. The new class allocators will be available for Liberty's next TDC filing, therefore, this request is limited to a one-year waiver of the five-year threshold. Furthermore, filing the new class allocation study in a general rate case would allow Commission Staff, Citizens' Utility Ratepayer Board ("CURB"), and other intervenors more time to examine, review, and issue discovery relating to Liberty's new class allocation study.

Filing the new class allocation study in the TDC filing would limit the amount of time for the review process compared to a general rate case.⁸ However, filing a new class allocation study in a general rate case would also allow time for Staff and intervenors to conduct their own class allocation studies and submit those for Commission review and consideration. Additionally, it will allow the Commission more time, and in the context of a full general rate case setting, to make its determination on new class allocators to set both base rates and ATRR rates in future Liberty TDC filings.

RECOMMENDATION:

Staff recommends the Commission approval of Liberty's request for a one-year waiver of the section of its ATRR Tariff requiring the class demand allocators, class normalized billing demands, and class normalized energy be reset every five years, and approval of the use of the current class allocators in its 2024 TDC filing.

⁸ In a TDC filing, the Commission has 30 business days in which to issue an order acknowledging receipt of the filing. K.S.A. 66-1237(c). In a rate case, the Commission will have up to 240 days in which to issue an order. K.S.A. 66-117(c).

CERTIFICATE OF SERVICE

24-EPDE-795-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing was served via electronic service this 17th day of January, 2025, to the following:

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CERTIFICATE OF SERVICE

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