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

In the Matter of the Application for The Empire District Electric Company for Transmission Delivery Charge (TDC), 2024 Annual True-Up.	)))	Docket No. 24-EPDE-894-TAR

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 its Report and Recommendation regarding The Empire District Electric Company's ("Empire") annual filing to true-up its Transmission Delivery Charge ("TDC") rate schedules pursuant to K.S.A. 66-1237.

Empire is a transmission-owning member (TO) of Southwest Power Pool (SPP) and the Midcontinent Independent System Operator (MISO), non-profit Regional Transmission Organizations (RTOs) that serve the function of a Transmission Provider (TP) to its member entities. In its role as a TP, SPP and MISO act as an agent for and on behalf of its TOs. One of the functions as a TP is administering the billing for the wholesale transmission service provided over member-owned transmission facilities under the Open Access Transmission Tariff (OATT). Accordingly, SPP and MISO will collect for the transmission service from the wholesale transmission customers requesting such service over Empire's transmission facilities and will then remit these charges back to Empire.

On June 21, 2024, Empire submitted a request for $4,773,943 in TDC revenues under the Application, which represents a $954,221 increase since its last approved TDC filing. On August 1, 2024, Empire began billing the updated TDC rates to its retail customers on a subject-to-refund basis pursuant to K.S.A. 66-1237(c), pending the conclusion of Staff's investigation and the Commission's final determination. Staff has performed an audit of Empire's TDC tariff update filing, including an in-depth review of: (1) the requested 2024 TDC expense amount to be collected; and (2) the proposed updated TDC rates calculated for each applicable retail customer class. Based on its review, Staff recommends the Commission approve the tariff as filed. If approved, Empire's TDC would increase the average residential monthly customer bill by $5.19.

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/ Phoenix Z. Anshutz

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REPORT AND RECOMMENDATION
UTILITIES DIVISION

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

FROM: Andria Jackson, Deputy Chief of Accounting and Financial Analysis
Chad Unrein, Chief of Accounting and Financial Analysis
Justin Grady, Deputy Director
Jeff McClanahan, Director

DATE: February 13, 2025

SUBJECT: Docket No. 24-EPDE-894-TAR: In the Matter of the Application for The Empire District Electric Company for Transmission Delivery Charge (TDC), 2024 Annual True-Up.

EXECUTIVE SUMMARY:

The Empire District Electric Company (Empire) filed a request (Application) for $4,773,943 in Transmission Delivery Charge (TDC) revenues, which represents a $954,221 increase since Empire's last approved TDC filing. If approved, Empire's TDC would increase the average residential monthly customer bill by $5.19. On August 1, 2024, Empire began billing the updated TDC rates to its retail customers on a subject-to-refund basis pursuant to K.S.A. 66-1237(c), pending the conclusion of Staff's investigation and the Commission's final determination. Staff performed an audit of Empire's TDC tariff update filing, including an in-depth review of: (1) the requested 2024 TDC expense amount to be collected; and (2) the proposed updated TDC rates calculated for each applicable retail customer class. Based on its review, Staff recommends the Commission approve the tariff as filed.

BACKGROUND:

On June 21, 2024, Empire submitted the Application seeking Commission approval to implement changes in its TDC rate schedules. Empire's filing represents an update to the prior TDC approved in Docket No. 23-EPDE-995-TAR (the 23-995 Docket). Supplemental to its filed request, Empire included clean and red-line versions of its proposed TDC tariffs, as well as workpapers supporting the calculations. In accordance with K.S.A. 66-1237(c), Empire sought implementation of the new TDC tariffs within 30 business days, requesting August 1, 2024, as the desired effective date.[1]

Empire is a transmission-owning member (Transmission Owner, or TO) of the Southwest Power Pool (SPP) and the Midcontinent Independent System Operator (MISO), both non-profit Regional Transmission Organizations (RTOs) that serve the function of a Transmission Provider (TP) to its member-entities.[2] In its role as a TP, SPP and MISO act as an agent for and on behalf of its TOs. One of the functions of SPP and MISO, as TPs, is administering the billing for the wholesale transmission service provided over member-owned transmission facilities under the Open Access Transmission Tariff (OATT). Accordingly, SPP and MISO collect for the transmission service from the wholesale transmission customers utilizing such service over Empire's transmission facilities and will then remit these charges back to Empire.[3]

Like most load serving entities in the SPP integrated market, Empire also serves as a Network Customer (Transmission Customer, or TC) under its Network Integration Transmission Service (NITS) Agreement with SPP. In its role as a TC, SPP provides firm transmission service over the transmission system to Empire for the delivery of capacity and energy from its designated network resources (i.e., generation) to service its network load. Since Empire's retail customers also utilize its transmission system to receive desired energy, Empire's cumulative retail demand, as well as its wholesale demand, is incorporated within the Company's total network load designated under the NITS Agreement with SPP. As such, Empire, in essence, "purchases" transmission service on behalf of its native load customers, thus acting as a wholesale transmission network customer under the SPP OATT. Subsequently, as a TO acting on behalf of its native load, including both wholesale and retail customers, Empire incurs additional zonal and region-wide charges from the SPP. While the Company is compensated for the wholesale native load portion of these SPP charges through payments made by wholesale customers under individual wholesale purchase power agreements (PPAs), it is not made whole until it recovers the remaining portion of the SPP charges from its retail native load customers. Therefore, the TDC tariff was established to recover the charges SPP assesses to Empire for transmission service to serve its native retail load customers.

Empire, acting as both a TO and TC, incurs a variety of costs related to its investment in the transmission system. This investment includes costs for both facilities that are owned and

[1] Statute K.S.A. 66-1237(c) states that "[a]ll transmission-related costs incurred by an electric utility and resulting from any order of a regulatory authority having legal jurisdiction over transmission matters, including orders setting rates on a subject-to-refund basis, shall be conclusively presumed prudent for purposes of the transmission delivery charge and an electric utility may change its transmission delivery charge whenever there is a change in transmission-related costs resulting from such an order. The commission may also order such a change if the utility fails to do so. An electric utility shall submit a report to the commission at least 30 business days before changing the utility's transmission delivery charge. If the commission subsequently determines that all or part of such charge did not result from an order described by the subsection, the commission may require changes in the transmission delivery charge and impose appropriate remedies, including refunds."

[2] Due to Plum Point generation facility's physical footprint laying in MISO South territory, the unit must be pseudo tied out of MISO which requires Empire to obtain point-to-point service for the delivery of energy into SPP.

[3] SPP directly bills only the wholesale entities who have explicitly signed the transmission-using membership and service agreements designating SPP (as a TP) to provide transmission service over Empire's (as the TO) facilities. In contrast, "native load" wholesale customers are billed by the Company itself, as Empire purchases transmission service on their behalf.

maintained by the Company (as a TO), as well as costs to utilize facilities that are constructed and maintained by others but that are socialized to Empire (as a TC) as directed by the transmission cost allocation directives of the OATT administered by SPP. The TDC essentially serves as a pass-through mechanism that allows Empire a timelier recovery of the investment costs it incurs, as a TO and TC, to provide retail transmission service. The TDC rates under the current tariff are based primarily on Empire's Annual Transmission Revenue Requirement (ATRR), which is derived from Empire's annual Transmission Formula Rate (TFR) approved by the Federal Energy Regulatory Commission (FERC). In addition to the retail portion of the ATRR, the current TDC tariff also recovers the retail-allocated portion of other SPP and MISO charges associated with its provision of retail transmission service.

In its Application, Empire's proposed TDC rates were calculated to recover $4,773,943 from retail customers, which represents a $954,221 increase from the Company's prior TDC filing in the 23-995 Docket. On July 16, 2024, the Commission issued an Order pursuant to K.S.A. 66-1237 that permitted Empire to implement the requested changes in its TDC rates on a subject-to-refund basis, pending the conclusion of Staff's investigation.[4]

The TDC is, by definition, a state-jurisdictional cost recovery mechanism based on FERC-jurisdictional transmission-related costs. In other words, the prudence of transmission investment and related operations and maintenance costs are determined under the jurisdiction of FERC, whereas Staff's role is ensuring these investments and related costs are appropriately reflected in Kansas customer bills. This point is reiterated in the TDC statute language, which specifically allows for electric utilities, such as Empire, to adjust and recover any transmission-related charges approved by any "regulatory authority having legal jurisdiction over transmission matters."[5] Therefore, the basis of Staff's review and recommendation in this docket are to determine: (1) whether the costs included in Empire's TDC were authorized by FERC through its TFR; and (2) whether Empire has properly calculated the resulting TDC rates.[6]

ANALYSIS:

To facilitate its review of Empire's TDC Application, outside of verifying publicly available information, Staff solicited various data requests from Empire including recent copies of SPP and MISO billing statements, billing determinants, and usage data used to determine the amount of the transmission costs Empire is responsible for, residential bill impact analysis, etc. Staff also had follow-up correspondence with Empire about the charges and TDC calculations.

TDC Amount to be Recovered

Empire incurs a variety of costs related to its investment in transmission assets, including: (1) costs to construct its transmission facilities; (2) costs to operate and maintain its transmission facilities; (3) costs to utilize other utilities' facilities to move power to its retail customers, as well as receives

[4] *Order Acknowledging Effective Date of Transmission Delivery Charge Subject-to-Refund Pursuant to K.S.A. 66-1237*, Docket No. 24-EPDE-894-TAR (Jul. 16, 2024).

[5] K.S.A. 66-1237(c).

[6] It should be noted that, while Staff does not have jurisdiction to review the transmission investments for prudency, Empire's transmission costs are extensively regulated by FERC and transmission customers and Staff have extensive opportunities to ask questions and review data during the annual review process for the TFR. *See*: "Analysis" section below for additional detail on the TFR review process.

revenues from other utilities for the use of its Empire-owned transmission facilities; (4) costs to construct transmission facilities as directed by SPP and MISO; and (5) costs of administrative fees assessed by SPP, MISO and other regulatory agencies. Many of these costs and charges are determined under the SPP OATT and under the NITS Agreement the Company has with SPP.[7] Empire also incurs transmission charges on its Plum Point generation facility, which requires point-to-point (PTP) service for delivery of energy into SPP, based on MISO Business Practices.[8] The TDC rider essentially serves as a pass-through mechanism for Empire to recover these types of transmission-related costs incurred for the provision of retail transmission service.

Basis of Charge

As outlined in its TDC tariff, Empire is specifically authorized to recover transmission-related charges incurred under the following schedules of the OATT for services offered by SPP and MISO to serve its retail customers:

SPP:

- Schedule 1A – Tariff Administration Service
- Schedule 1 – Scheduling, System Control and Dispatch Service
- Schedule 9 – Network Integration Transmission Service
- Schedule 10 – Wholesale Distribution Service
- Schedule 11 – Base Plan Charge
- Schedule 12 – FERC Assessment Charge
- Monthly Assessment Charge

MISO:

- Schedule 1 – Scheduling, System Control and Dispatch Service
- Schedule 2 – Reactive Supply and Voltage Control
- Schedule 7 – Long-Term Firm and Short-Term Firm Point-to-Point
- Schedule 10 – FERC Annual Charges Recovery
- Schedule 11 – Wholesale Distribution Service
- Schedule 26 – Network Upgrade Charge From Transmission Expansion Plan
- Schedule 33 – Blackstart Service
- Schedule 45 – Cost Recovery of NERC Recommendation or Essential Action

Additionally, other non-SPP or non-MISO transmission-related charges recorded in FERC Account 565 (Transmission of Electricity by Others), fees charged to the Company by the North American Electric Reliability Council (NERC), and other transmission revenue requirements that are not otherwise reflected in and recoverable through base rates or other Commission-authorized rider mechanisms are also included.

[7] Per the OATT, Empire's owned transmission assets, though under the functional control of SPP, are recovered through Schedule 9 as calculated by the Company's TFR. Transmission expansion that is constructed according to SPP's prescribed requirements are collected through a socialization of ATRRs via Schedule 11. Furthermore, under the NITS Agreement with SPP, Empire also incurs additional zonal and region-wide charges associated with purchasing transmission service on behalf of its native load.

[8] Transmission expansion that is constructed according to MISO's prescribed requirements are collected through a socialization of ATRRs via Schedule 26.

The costs listed in the TDC tariff for inclusion in the TDC rider are calculated on the basis of: (1) Empire's FERC-approved TFR to support the costs incurred from its owned facilities; and (2) transmission statements received from SPP and MISO to support the recovery of transmission-related expenses not relating to transmission facilities owned by the Company.

Empire's FERC-approved TFR, which is used to calculate an ATRR necessary to cover the costs of its transmission system, is the most significant component utilized in the development of transmission charges included in its TDC. Prior to each "rate year" (beginning on July 1 and ending on June 30), Empire calculates its ATRR and the rates for zonal NITS, zonal Point-to-Point (PtP), and Schedule 1 services for the new rate year using the Transmission Formula Rate Implementation Protocols (Protocols) set forth in Attachment H of its OATT on file with FERC (referred to as the "Annual Update").[9] Since the TFR is based strictly on prior-year historical financial data, the Annual Update of the ATRR is relatively straight forward.[10]

While the approval of the TFR is under the jurisdictional authority of FERC, transmission customers and Staff have the opportunity to review the TFR calculation and supporting data during the annual review process as outlined in the OATT. Specifically, pursuant to Sections I and II of the Protocols, each year Empire must: (1) provide its Annual Update to SPP on or before June 1, which is posted on the SPP website and the Open Access Same-Time Information System (OASIS) website; and (2) host an open annual meeting among interested parties no sooner than 30 days and no later than June 30 after the date on which the posting of the Annual Update occurs (referred to as the "Publication Date"). Interested parties then have until November 15 following the Publication Date to review the inputs, supporting explanations, allocations, and calculations and to notify Empire in writing of any informal challenges that may arise from its review.[11] After submitting an informal challenge, an interested party then has until March 1 to submit a formal challenge with FERC. As provided in the Protocols, Staff attends the customer meeting for the posting of the Annual Update, as well as conducts an annual internal review of the TFR inputs and calculations. Regarding its review for the 2024 rate year, Staff found no discrepancies in Empire's TFR calculation.

Empire's ATRR, as well as the ATRR information for the other SPP TOs, are used to populate SPP's Revenue Requirements and Rate file (RRR File). The RRR File contains all of the revenue requirements and associated rates for all SPP member-entities operating under the functional control of SPP. The RRR File is published to the SPP website and is used to establish transmission rates for those seeking service within, into, or out of SPP. There are two types of service rates, including Network (or NITS) and Point-to-Point. SPP uses the rates established for each type of service for each member-entity to charge for transmission service over the member TOs

[9] The Protocols posted for the 2024 Annual Update are those that were filed in FERC Docket Nos. EL14-73 and ER 14-2882 and approved on March 22, 2016.

[10] For instance, the 2024 Annual Update of the TFR is based on 2023 financial data, primarily obtained from the 2023 FERC Form 1 filed on April 18, 2024.

[11] Subsequently, pursuant to Section VI of the Protocols, by January 15 of each year, Empire is required to submit an informational filing of its Annual Update for the rate year. The informational filing must describe any corrections or adjustments made during that period and describe all aspects of the TFR and its inputs that are the subject of an ongoing dispute under the informal and formal challenge procedures.

transmission facilities, including Empire's facilities. The revenue generated from these charges is collected by SPP and provided back to the TO that owns the transmission facilities.

For the components of the TDC based on the ATRR of the SPP RRR File, an adjustment is made to ensure charges only reflect Empire's retail customer load within its total Network Load designated under the NITS Agreement. This step removes the costs incurred by wholesale customers in order to reflect the total costs at a retail level. This is accomplished by multiplying the total amount of costs related to Schedule 9 and Schedule 11 by the corresponding Load Ratio Share (LRS) of Empire's retail customer load.[12] All other schedules and fees that comprise the various components of the TDC rider are directly assigned to retail customers.

<u>TDC Calculation</u>

The detail of Empire's TDC calculation is reflected in the supporting workpapers attached to its Application. The total TDC expense is calculated in a two-step process: (1) the 2024 TDC expense; and (2) the 2023 TDC true-up.

The first calculation captures the portion of TDC-related costs authorized by the Commission to be included in the development of the TDC rates for the current year. According to Empire's TDC tariff, the current-year charges are calculated based on the following equation:

$$TDC_{Filing} = ATRR_{Filing} + SPP + MISO + Other + TU_{n-1}$$

Where:

- ATRR Filing – Amount allocated to Kansas retail customers for the zonal and regional SPP Schedule 9 and Schedule 11 network service ATRR applicable to the Empire zone, based on the SPP RRR File currently effective at the time of filing of the TDC rate.
- SPP – Amount allocated to Kansas retail sales for actual amounts incurred during the prior calendar year for SPP charges identified above in the "Basis of Charge" section.
- MISO – Amount allocated to Kansas retail sales for the actual amounts incurred during the prior calendar year for the MISO charges identified above in the "Basis of Charge" section.
- Other – Amount allocated to Kansas retail sales for non-SPP and non-MISO transmission charges that are identifiable as costs incurred for the purpose of serving Empire's native system load.
- TUn-1 – True-up amount to reflect the difference between the actual TDC-related costs authorized to be recovered during the prior TDC year and actual TDC revenues for Kansas retail sales during the prior TDC year.

The second calculation captures the true-up component of the TDC calculation. The true-up allows for the differences between actual TDC-related costs and actual TDC-related revenues during a calendar year – whether positive or negative – to be applied in the calculation of the updated TDC

[12] The LRS is the ratio of the retail load to Empire's overall network load.

rates. For visualization purposes the true-up equation reflected in Empire's TDC tariff is as follows:

$$TUn = TDCActual - TDCRev$$

Where:

- TDCActual is the TDC-related costs, as allocated to Kansas retail sales, authorized to be recovered during the TDC year including the true-up calculated for the prior TDC year.
- TDCRev is the actual TDC revenues for Kansas retail sales received during the TDC year. These TDC revenues will be based on the TDC rates in effect throughout the TDC year. Such TDC rates may be changed one or more times during the TDC year, with approval by the Commission. The TDC rates in effect at any point during the TDC year will be applied to retail kWh sales or kW billing demands, as applicable, during the effective period of each such approved TDC rate.

To reiterate the terms of the TDC cost component between the two-part calculation, the costs reflected in the true-up (identified as "TDC_{Actual}") and the costs reflected in the prior-year TDC ("TDC_{Filing}") should remain the same. This simplifies the nature of the TDC to being a recovery mechanism based simply on the difference between intended and actual revenue recovery.[13] The over- or under-collection resulting from the difference is then added to the current year TDC calculation when the TDC rates are updated.

Staff Review Process and Findings

Staff conducted a multi-step process in its review of Empire's requested TDC amount, including a review of the cost inputs and calculations of the two components of the total TDC expense. Likewise, Staff's discussion and findings are presented for the two components individually below.

2024 TDC Expense

The basis of Staff's review process for evaluating the 2024 TDC expense component reflected in Empire's total requested TDC, as well as the respective steps taken to accomplish each part of the review, are as follows:

- Validate the accuracy of the known and measurable charges calculated for inclusion in the TDC for the year 2024 by reviewing SPP and MISO invoices.
- Validate the actual SPP and MISO charges requested for recovery are assessed by SPP and MISO during the prior year under the allowable schedules per the tariff. For instance, Staff requested and received invoices supporting the 2023 actual SPP charges assessed under Schedule 10, Schedule 12, other Schedule 1 fees associated with service provided on foreign wires, and SPP direct assigned or sponsored upgrade fees (or "Z2

[13] In other words, the true-up calculation applies a simple comparison between what Empire was authorized to recover versus what was actually billed and collected from Kansas retail customers based on the approved TDC tariff for the previous TDC year.

credits"). Staff also reviewed supporting general ledger detail, which included a breakdown of the invoiced charges by charge types, to verify that the TDC only includes the amounts under the SPP OATT schedules allowable for recovery. The sum of these amounts were then tied to the charges included in the filing.

- Verify the total transmission delivery charges are properly allocated on the retail level. Through the discovery process, Staff was able to review invoices, spreadsheets with the load measurements, etc., to verify the LRS calculation. With this information, Staff was able to examine a few supplementary processes performed by Empire to arrive at the individual retail transmission delivery charges.
- Staff also examined a few supplementary processes of its own to arrive at the individual retail transmission delivery charges, including: (1) a review of the data published in Empire's TFR file on the Open Access Same-Time Information System (OASIS) website to verify costs incurred from its owned facilities; and (2) a review of transmission statements supporting transmission-related expenses not relating to transmission facilities owned by the Company. Furthermore, Staff conducted its own supplemental review of Empire's costs by examining the zonal and regional Schedule 9 and Schedule 11 data published in the Revenue Requirements and Rates (RRR) file on the SPP website and LRS data provided by Empire.

Staff found no errors in the data and calculations supporting the total 2024 TDC amount during the course of its audit.

<u>*2023 True-Up*</u>

As previously stated, the cost component included in the TDC true-up calculation of the current-year filing should match the current-year TDC calculation approved in the prior year filing. As such, the basis of Staff's review process for the 2023 true-up component reflected in Empire's total requested TDC, as well as the respective steps taken to accomplish each part of the review, are as follows:

- Verify the amounts for the remaining cost components based upon the prior-year amounts approved for recovery in its 2023 TDC filing. Staff accessed the TDC workpapers Empire filed in its last TDC filing, as well as the respective Commission Order approving the requested TDC, published on the Commission website. In doing so, Staff was able to tie-out the Commission-approved costs included in the 2023 TDC filing with the respective costs amounts included in the current year filing. Additionally, through the discovery process, Staff also spot-checked these costs by reviewing invoices and general ledger detail, broken down by charge-type. While these costs were reviewed using the same review process as described above for the 2024 TDC expense, this was done as a final step of ensuring errors were not inadvertently overlooked in the previous audit, information remained the same, and that there was no prior-year correction to be made.
- Verify the total revenue reflected in the offsetting revenue component of the true-up. Through the discovery process, Staff was able to review details of the 2023 revenue

data pulled directly from the Company's customer billing system. In order to verify the revenues collected, Staff was able tie out the revenue amounts, broken down by rate code, to the general ledger detail recorded in 2023 under the TDC resource codes.

Staff found no errors in the data and calculations supporting the 2023 true-up amount during the course of its audit.

Conclusion

Staff has reviewed the requested data provided by Empire through the discovery process, including the SPP and MISO invoices and the load and usage data submitted by Empire in support of its TDC calculation. Staff was also able to verify information provided by Empire with the data published on the OASIS and SPP websites. In addition to verifying the total input costs, Staff conducted a mathematical check on the TDC calculation to ensure the requested TDC amount was calculated correctly without errors (i.e., formula errors, input errors, etc.).

Overall, Staff finds that Empire's TDC filing accurately reflects the nature of the costs it incurs for providing transmission service to its retail customers and that its TDC charges were calculated correctly in its filing. Therefore, Staff recommends the Commission approve Empire's requested 2024 TDC recovery amount of $4,773,943, consisting of: (1) the requested 2024 TDC expense totaling $4,631,978; and (2) the requested 2023 true-up amount totaling $141,965.

Calculation of the TDC Rate for Each Retail Rate Schedule:

The TDC-related revenue requirement is collected by applying a TDC rate, developed for each retail rate schedule permitting such cost recovery, to each applicable customer's bill. This is accomplished in a two-step process.

The first step is to allocate the TDC-related costs to be included in the development of the TDC rates (the amount derived from the "TDC_{Filing}" equation discussed in the analysis above) by the demand allocator for each applicable retail customer class (DA_{Class}). Per Empire's TDC tariff, the demand allocator to be used for allocating the charges to the respective customer classes is to be based on the 12-coincident peak (12-CP) allocation methodology.[14] The use of a 12-CP allocation is similar to the methodology used by SPP to assess transmission charges.[15] The 12-CP allocator used to allocate the TDC-related charges to the retail rate schedules is the 12-CP allocator from Empire's most recently completed retail rate case, Docket No. 19-EPDE-223-RTS, and is based on the test year ending June 30, 2018.

The second step is the calculation of a per-unit TDC charge for each retail rate schedule to collect the allocated portion of the TDC-related charges. The calculation of the per-unit TDC charge depends on whether the schedule's per-unit charge is demand based (per kW) or energy based (per

[14] Twelve coincidental peaks (12-CP) refer to the class usage during the system peak load during each month of the year. The hour of the month for the system peak load may not be the hour that a class has its peak load. The matching of the system peak load and the class usage during that hour is the reason the allocator is referred to as coincidental peak.

[15] SPP calculates the NITS charges based on each NITS customer's proportionate share of the total system transmission load using a 12-CP methodology. This calculation determines each NITS customer's "load ratio share" of the SPP transmission system load. As such, SPP uses Empire's LRS to determine Empire's bill for NITS.

kWh). For a demand-based charge, the dollar per kW charge is determined by dividing the portion of the TDC-related charges allocated to a particular rate schedule by the annual applicable kW sales for that rate schedule.

$$TDC_{\text{kW Rate (Class)}} = \frac{TDC_{\text{Filing}} \text{ x } DA_{\text{Class}}}{kW_{\text{Class}}}$$

For an energy-based charge, the cents per kWh charge is determined by dividing the portion of the TDC-related charges allocated to a particular rate schedule by the annual applicable kWh sales for that rate schedule.

$$TDC_{\text{kWh Rate (Class)}} = \frac{TDC_{\text{Filing}} \text{ x } DA_{\text{Class}}}{kWh_{\text{Class}}}$$

Under the provisions of the TDC tariff, the class normalized billing demands (kW_{Class}), and the class normalized energy (kWh_{Class}) are to be based on the normalized billing determinants utilized by the Company in its most recent retail rate case. Further, like the component of the charge based on the 12-CP allocator (DA_{Class}), the billing determinants used to develop the rates for each class shall remain unchanged until the next general rate class in which class normalized billing demands and energy are specifically reset, or at a minimum, once every five years, to limit cost shifting among retail classes.

Staff reviewed Empire's allocation of the TDC expense and verified the calculation of the TDC rates computed for each rate schedule are correct.

RECOMMENDATION:

Staff recommends the Commission continue to allow Empire's TDC rate schedules to be collected, resulting in the collection of $4,773,943, or an increase of $954,221.

CERTIFICATE OF SERVICE

24-EPDE-894-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's R&R was served via electronic service this 20th day of February, 2025, to the following:

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