

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of The Empire District Electric)
Company for Authority to File Tariffs Increasing)
Rates for Electric Service Provided to Customers) Case No. ER-2014-0351
in the Company’s Missouri Service Area)

**THE EMPIRE DISTRICT ELECTRIC COMPANY’S
STATEMENT REGARDING TRANSMISSION COSTS AND THE FAC**

COMES NOW The Empire District Electric Company (“Empire” or “Company”), by and through counsel, and respectfully submits this statement for consideration by the Missouri Public Service Commission (“Commission”):

At the Commission’s public agenda meeting on June 17, 2015, a majority of the Commissioners stated that the decision in this case regarding the inclusion of Southwest Power Pool (“SPP”) transmission costs in Empire’s Fuel Adjustment Clause (“FAC”) should be consistent with the Commission’s decision in Case No. ER-2014-0258 regarding the inclusion of Midwest Independent System Operator (“MISO”) transmission costs in the FAC for Union Electric Company d/b/a Ameren Missouri (“Ameren”). *The Commission needs to be aware of two critical factors related to this matter:*

- 1) There is no evidence in the record to allow the Commission to make a finding regarding the amount of transmission charges incurred by Empire to serve its load which is related to purchased power as defined by the Commission in ER-2014-0258; and
- 2) Empire has determined that approximately 34% of SPP transmission charges and 50% of MISO transmission charges incurred to serve its load are related to purchased power as defined by the Commission in ER-2014-0258, while the Commission found that 3.5% of the MISO transmission charges incurred by Ameren to serve its load are related to purchased power.

In the Ameren proceeding, the Commission concluded that only the following transmission costs, and no off-setting transmission revenues, should be included in Ameren’s

FAC: “1) costs to transmit electric power it did not generate to its own load (true purchased power) and 2) costs to transmit excess electric power it is selling to third parties to locations outside of MISO (off-system sales).”¹ In connection with this legal conclusion, the Commission made the factual finding that 3.5% of the MISO transmission charges incurred by Ameren to serve its load are related to “true purchased power.”²

The Commission cannot make a similar finding based on the evidentiary record in this Empire rate case. In this Empire proceeding, no party raised the legal issue of whether transmission costs for purchased power should or should not include transmission costs related to self-generated power, and, as such, no evidence was introduced by the parties to allow the Commission to make findings of fact in this regard.

Based on Empire’s understanding of the Commission’s decision on this issue in Ameren’s rate case, Case No. ER-2014-0258, Empire excluded all off-setting transmission revenues from its FAC calculation and determined that 34% of SPP transmission charges and 50% of MISO transmission charges incurred by Empire to serve its load are related to purchased power as defined by the Commission in ER-2014-0258. Empire thus determined that \$142,303,061 is the appropriate fuel and purchased power base for Empire’s FAC, with a base cost per MWh of \$26.84.³ The data necessary to perform these calculations pursuant to the Commission’s decision on this issue in the Ameren case is not contained in the evidentiary

¹ Ameren Report and Order, pp. 111-115.

² Ameren Report and Order, p. 114.

³ Empire, Staff, Public Counsel, Joplin, the Missouri Department of Resources–Division of Energy, and the Midwest Energy Users’ Association, all parties to this proceeding except the Midwest Energy Consumers Group, executed the Non-Unanimous Stipulation and Agreement on Certain Issues filed herein on April 8, 2015 (the “Non-Unanimous Agreement”).

Pursuant to the Non-Unanimous Agreement, which became the joint position statement of the signatories, the appropriate fuel and purchased power base for Empire’s FAC, to be included in any FAC tariff resulting from this proceeding, is \$142,143,000, with a base cost per MWh of \$26.80.

record in this Empire rate case. The fuel and purchased power base, however, must be stated in any FAC tariff resulting from this case.

Empire is submitting this information for the Commission's consideration, due to the Commissioners' statements that they intend to decide this issue as the Commission did in the Ameren case. Empire, however, believes that a lawful and reasonable decision based on the evidence in this record would allow for the inclusion of SPP transmission costs and off-setting revenues in Empire's FAC as detailed in Exhibit 3 to the Non-Unanimous Agreement.⁴

As set forth in the Non-Unanimous Agreement, it is the joint recommendation of all parties to this proceeding, with the exception of MECG, that the FAC exclude SPP Schedule 1A and 12 charges and exclude Empire's labor, administrative, and convention costs from Account 501, and that the total fuel and purchased power for Empire's FAC base should include net transmission (costs minus revenues) of \$4,894,040. Consistent with the Commission's decision in the Ameren case, and using the 34% and 50% figures determined by Empire, total fuel and purchased power for Empire's FAC base would include transmission costs of \$5,054,101.

WHEREFORE, Empire respectfully submits this statement regarding transmission costs and the FAC for the Commission's consideration.

Respectfully submitted,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:

/s/ Diana C. Carter

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⁴ Non-Unanimous Agreement Exhibit 3, showing the subaccounts to be included in Empire's FAC at this time and pursuant to the joint recommendation, is attached to Empire's Initial Post-Hearing Brief.

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CERTIFICATE OF SERVICE

I hereby certify that the above and foregoing document was filed in EFIS and that a copy of the same was sent via electronic mail on this 19th day of June, 2015, to all counsel of record.

/s/ Diana C. Carter_____