

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

In the Matter of The Empire District Electric Company)
For Authority to Implement Rate Adjustments Related) **File No. ER-2016-0080**
To the Company's Fuel and Purchased Power) Tracking No. JE-2016-0098
Adjustment (FAC) Required in 4 CSR 240-20.090(4))

STAFF RECOMMENDATION TO APPROVE TARIFF SHEET

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Recommendation to Approve Tariff Sheet* states as follows:

1. On October 1, 2015, The Empire District Electric Company ("Empire") filed one tariff sheet bearing a proposed effective date of December 1, 2015, to revise the Current Period Fuel Adjustment Rates ("FARs") of its Fuel Adjustment Clause ("FAC"). The Commission assigned it Tariff Tracking No. JE-2016-0098. Empire filed its 1st Revised Sheet No. 17t Canceling Original Sheet No. 17t, which complies with the Commission's *Report and Order* in File No. ER-2014-0351, Commission Rule 4 CSR 240-3.161 (Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements), and Empire's FAC embodied in its tariff.

2. Concurrently on October 1, 2015, Empire made a FAC true-up filing in File No. ER-2016-0082 to identify the true-up amount of (\$183,134)¹ for the 12th Recovery Period of its FAC. This amount is included with the over-recovery amount equal to 95% of the difference between (a) Empire's Missouri jurisdiction actual fuel and purchased power costs plus net emissions allowance costs less off-system sales revenue and renewable energy credits revenue and (b) Empire's Missouri

¹ An amount that is "bracketed" in parentheses indicates an over-recovery by the utility.

jurisdiction net base energy cost during Accumulation Period 14 (“AP14”), which is equal to (\$3,365,151), plus interest equal to (\$9,469), when calculating new FARs in this case. This results in a dollar amount² of (\$3,557,753) used to calculate the FARs for AP14.

3. Commission Rule 4 CSR 240-20.090(4) provides that Staff “shall submit a recommendation regarding its examination and analysis to the commission not later than thirty (30) days after the electric utility files its tariff schedules to adjust its FAC rates.” Staff must determine if Empire’s proposed adjustments to its FAC rates are in accordance with 4 CSR 240-20.090, §386.266 RSMo, and the “FAC mechanism established in the most recent general rate proceeding.” 4 CSR 240-20.090(4).

4. If the proposed rate adjustments are in accordance with the rule, statute and FAC mechanism referenced above, Commission Rule 4 CSR 240-20.090(4) also provides in part:

[T]he commission shall either issue an interim rate adjustment order approving the tariff schedules and the FAC rate adjustments within sixty (60) days of the electric utility’s filing or, if no such order is issued, the tariff schedules and the FAC rate adjustments shall take effect sixty (60) days after the tariff schedules were filed.

5. In the accompanying Staff Recommendation Memorandum, Staff recommends that the Commission issue an order approving Empire’s Tariff Sheet, P.S.C. MO. No. 5, Section 4, 1st Revised Sheet No. 17t Canceling Original Sheet No. 17t, as filed on October 1, 2015, to become effective December 1, 2015, as requested by Empire, subject to true-up and prudence reviews.

² The dollar amount used to calculate the FARs is called the Fuel and Purchased Power Adjustment (“FPA”).

6. Because of a difference in line losses, there are different FARs for service taken at secondary voltage level and at primary and above voltages levels; the resulting rates are in the column marked “Proposed” in the following table:

Fuel Adjustment Rates (\$ Per kWh)			
Voltage Level	Present	Proposed	Difference
Primary	(\$0.00021)	(\$0.00170)	\$0.00149 Decrease
Secondary	(\$0.00021)	(\$0.00172)	\$0.00151 Decrease

7. Based on a monthly usage of 1,000 kWh, the proposed change to the FAR for secondary service will decrease the Fuel Adjustment Charge of an Empire residential customer’s bill from (\$0.21) to (\$1.72), a decrease of \$1.51 per month.

8. Except for Empire’s proposed true-up amount in its FAC true-up filing in File No. ER-2016-0082, Staff is not aware of any other matter pending before the Commission that affects or is affected by this filing.

9. The Staff’s review shows Empire’s filing is in compliance with the Commission’s *Report and Order* in File No. ER-2014-0351, Commission Rule 4 CSR 240-3.161 (Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements), and Empire’s FAC embodied in its tariff.

10. The Staff has verified that Empire is not delinquent on any assessment and Empire has filed its 2014 annual report. Empire is current on its submission of its Surveillance Monitoring reports as required in 4 CSR 240-20.090(10) and its monthly reports as required by 4 CSR 240-3.161(5).

WHEREFORE, Staff recommends that the Commission issue an interim rate adjustment order approving Empire's Tariff Sheet, P.S.C. MO. No. 5, Section 4, 1st Revised Sheet No. 17t Canceling Original Sheet No. 17t, as filed on October 1, 2015, to become effective December 1, 2015, subject to true-up and prudence reviews.

Respectfully submitted,

/s/ Jacob T. Westen

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 2nd day of November, 2015.

/s/ Jacob T. Westen

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2016-0080, Tariff Tracking No. JE-2016-0098
The Empire District Electric Company

FROM: Matthew J. Barnes, Utility Regulatory Auditor IV
David C. Roos, Regulatory Economist III
Curt B. Gateley, Utility Policy Analyst II

DATE: /s/John A. Rogers 11/02/2015 /s/Robert S. Berlin 11/02/2015
Energy Resources Department / Date Staff Counsel Department / Date

SUBJECT: Staff Recommendation for Approval of Tariff Sheet Filed to Change Rates Related to The Empire District Electric Company's Fuel Adjustment Clause Pursuant to the Commission's *Report and Order* in File No. ER-2014-0351.

DATE: November 2, 2015

The Empire District Electric Company Recommendation

On October 1, 2015, The Empire District Electric Company ("Empire") filed one (1) tariff sheet, 1st Revised Sheet No. 17t Canceling Original Sheet No. 17t bearing a proposed effective date of December 1, 2015, to revise its Current Period Fuel Adjustment Rates¹ ("FARs") of its Fuel Adjustment Clause ("FAC") used to determine the Fuel Adjustment Rate² charge on customers' bills. Empire also filed direct testimony of its witness Todd W. Tarter on October 1, 2015, and submitted to Staff work papers in support of the testimony and filed tariff sheet. The Commission assigned the tariff sheet to Tariff Tracking No. JE-2016-0098.

The testimony and work papers include information that supports Empire's calculation of the dollar amount³ used to calculate the FARs for Accumulation Period 14 ("AP14"). That dollar amount is (\$3,557,753)⁴ resulting from:

1. The amount is equal to 95% of the difference between: a) Empire's Missouri jurisdiction actual fuel and purchased power costs plus net emissions allowance costs less off-

¹ The Current Period FARs for service at primary voltage and above and for service at secondary voltage are located on lines 14 and 15, respectively, of proposed 1st Revised Sheet No. 17t.

² The actual line item on the customer's bill is: Fuel Adjust Charge.

³ The dollar amount used to calculate the Current Period FAR is called the Fuel and Purchased Power Adjustment ("FPA") which is located on line 11 of proposed 1st Revised Sheet No. 17t.

⁴ An amount in parentheses indicates an over-recovery by the utility.

system sales revenue and renewable energy credits (“REC”) revenue, and b) Empire’s Missouri jurisdiction net base energy cost during AP14 which is equal to (\$3,365,151), found on Line 7 of 1st Revised Sheet No. 17t, plus;

2. The true-up amount of (\$183,134)⁵ which is the over-recovery amount as a result of the FARs for Recovery Period 12 (“RP12”), found on Line 8 of 1st Revised Sheet No. 17t plus;

3. The interest for AP14, a portion of RP12⁶, and a portion of RP13⁷ which is equal to (\$9,469), found on Line 10 of 1st Revised Sheet No. 17t.

The Current Period FAR of (\$0.00162) per kWh (Line 13 of 1st Revised Sheet No. 17t) is equal to the FPA Amount of (\$3,557,753) divided by the forecasted Missouri net system input (“NSI”) for RP14 of 2,196,228,827 kWh (Line 12 of 1st Revised Sheet No. 17t).

Because of a difference in line losses, there are different FARs for service taken at secondary voltage level and at primary and above voltage levels. When accounting for line losses for the different voltage levels, the proposed FARs are (\$0.00170) per kWh for customers receiving service at primary voltage level and above, and (\$0.00172) per kWh for customers receiving service at secondary voltage level. Empire’s present FARs are (\$0.00021) per kWh for customers receiving service at primary voltage level and above and (\$0.00021) per kWh for customers receiving service at secondary voltage level.

Fuel Adjustment Rates (\$ Per kWh)			
Voltage Level Adjustment	Present	Proposed	Difference
Primary	(\$0.00021)	(\$0.00170)	\$0.00149 Decrease
Secondary	(\$0.00021)	(\$0.00172)	\$0.00151 Decrease

Based on a monthly usage of 1,000 kWh, the proposed change to the FAR will decrease the Fuel Adjustment Charge of an Empire residential customer’s bill from (\$0.21) to (\$1.72), a decrease in the customer’s bill of \$1.51 per month. The accumulation periods, recovery periods, and other

⁵ Empire’s RP12 true-up filing is contained in File No. ER-2016-0082.

⁶ Recovery Period 12 is December 2014 through May 2015.

⁷ Recovery Period 13 is June 2015 through November 2015.

specifications of Empire's existing FAC are set out in its currently effective tariff sheets designated Sheet Nos. 17l through 17s.

On page 7, lines 5 through 17 Company witness Todd W. Tarter describes the reasons for the decreases in the FAR's:

Q. Please briefly describe the reasons for the decrease in the average energy cost during the accumulation period?

A. As previously noted, the average total energy cost for the period was about 5.81 percent lower than the base. Contributing to this result was lower fuel and market prices during the Accumulation Period of March 2015 through August 2015 than what was utilized to develop the FAC base factor that was in effect for about 80% of the period. As previously mentioned, the FAC base factor was lowered near the latter part of the Accumulation Period. The lower base factor was determined with lower natural gas prices than the prior base factor and recognizes Empire's participation in the Southwest Power Pool's Integrated Marketplace ("SPP IM").

The SPP IM was not in existence when the previous FAC base factor—which was in effect for most of the period—was developed.

Staff Review

Staff reviewed Empire's proposed 1st Revised Sheet No. 17t Canceling Original Sheet No. 17t, the direct testimony of Empire witness Todd W. Tarter filed on October 1, 2015, in addition to Empire's monthly filings and work papers for AP14. Staff verified that the actual fuel and purchased power costs plus net emissions allowance costs less off-system sales revenue and REC revenue, match the fuel and purchased power costs plus net emissions allowance costs less off-system sales revenue and REC revenue in Empire's proposed 1st Revised Sheet No. 17t Canceling Original Sheet No. 17t. The Staff also reviewed Empire's monthly interest rates that are applied to the monthly over- and under-recovery amounts for AP14, a portion of RP13, and a portion of RP12 and the calculation of the monthly interest amounts. The information filed with the tariff sheet and work papers, as supplemented by Empire, include sufficient data to calculate the FARs for AP14.

Attachment A includes three charts which provide a summary of Empire's fourteen FAC rate adjustment filings. Chart 1 illustrates a) Empire's FARs for primary and secondary voltage

service levels for each of the fourteen accumulation periods, b) that there have been eight (8) positive FARs and six (6) negative FARs, and c) that the FARs for AP14 represent the second largest negative FARs. Chart 2 illustrates Empire's FAC cumulative under-recovered amount at the end of each of the fourteen accumulation periods with the cumulative under-recovered amount through AP14 of approximately \$15.6 million. Chart 3 illustrates Empire's FAC cumulative under-recovered percentage at the end of each of the fourteen accumulation periods with the cumulative under-recovered percentage through AP14 of approximately 1.4 percent.

Staff Recommendation

Empire filed 1st Revised Sheet No. 17t Canceling Original Sheet No. 17t, which complies with the Commission's *Report and Order* in File No. ER-2014-0351, Commission Rule 4 CSR 240-3.161 (Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements), and Empire's FAC embodied in its tariff.

Commission Rule 4 CSR 240-20.090(4) provides in part:

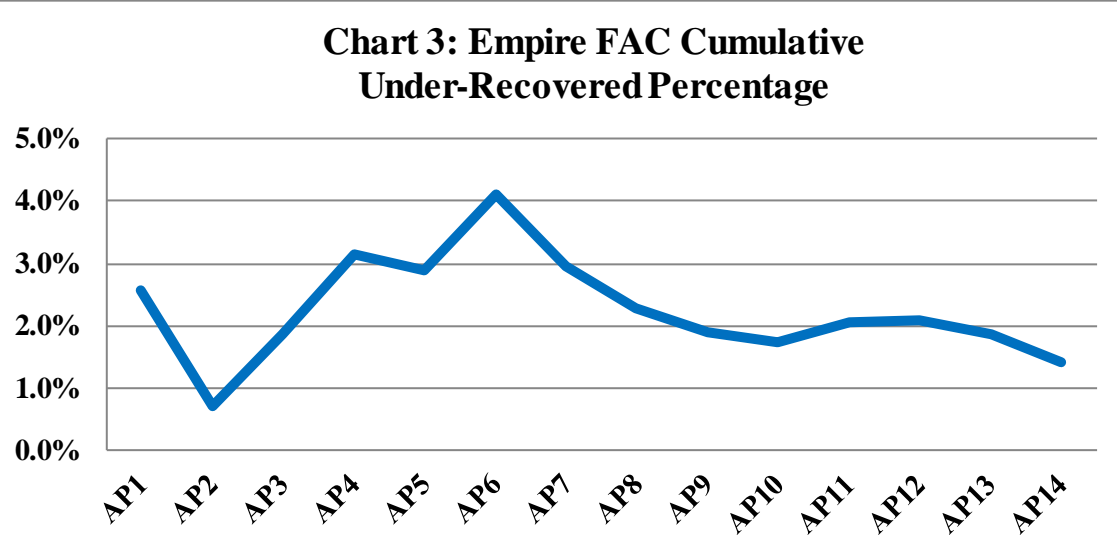
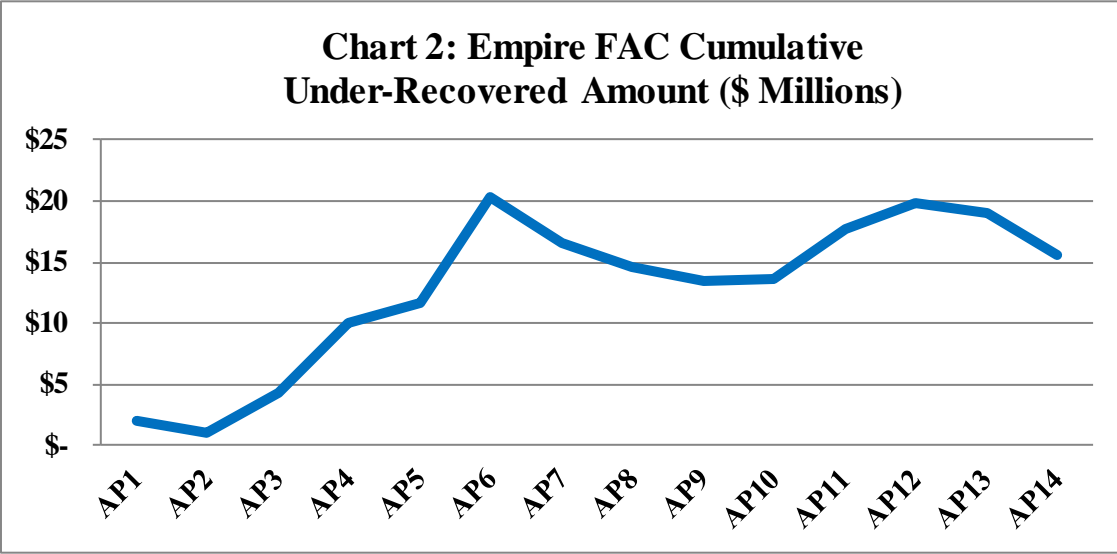
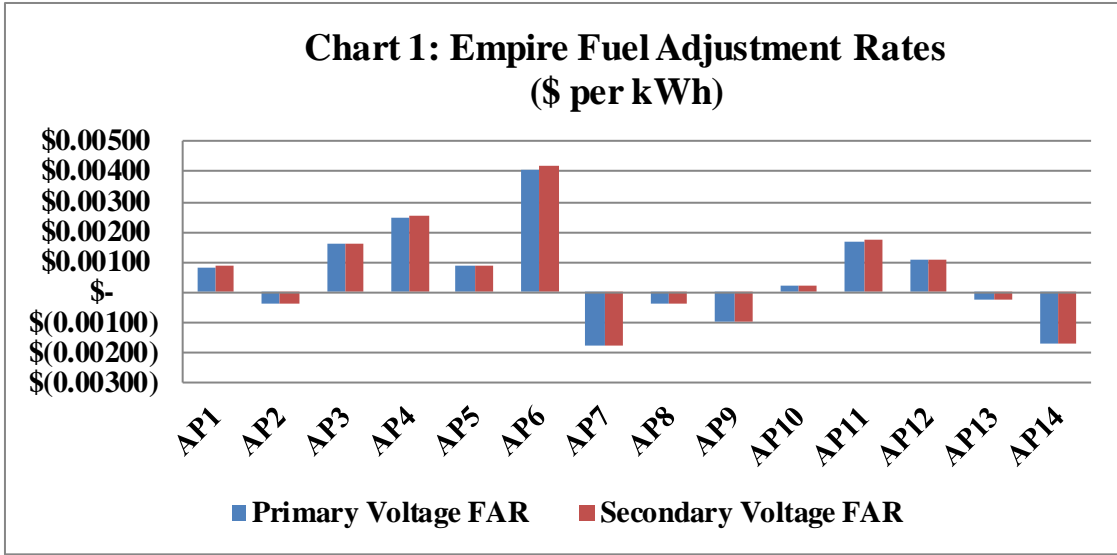
[T]he commission shall either issue an interim rate adjustment order approving the tariff schedules and the FAC rate adjustments within sixty (60) days of the electric utility's filing or, if no such order is issued, the tariff schedules and the FAC rate adjustments shall take effect sixty (60) days after the tariff schedules were filed.

Empire has requested that 1st Revised Sheet No. 17t Canceling Original Sheet No. 17t filed on October 1, 2015, become effective on December 1, 2015, the first cycle of Empire's December billing month. Thus, the tariff sheet was filed with sixty (60) days' notice. Based on its examination and analysis of the information Empire filed and submitted in this case, the Staff recommends the Commission issue an order approving the following proposed tariff sheet, as filed, to become effective on December 1, 2015, as requested by Empire, subject to both true-up and prudence reviews:

P.S.C. Mo. No. 5 Section 4

1st Revised Sheet No. 17t Canceling Original Sheet No. 17t

The Staff has verified that Empire is not delinquent on any assessment and Empire has filed its 2014 annual report. Empire is current on its submission of its Surveillance Monitoring reports as required in 4 CSR 240-20.090(10) and its monthly reports as required by 4 CSR 240-3.161(5). Except for Empire's RP12 true-up filing in File No. ER-2016-0082, also filed on October 1, 2015, Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing. Staff's recommendation for approval of the Current Period FARs in this case is solely based on the accuracy of Empire's calculations, and is not indicative of the prudence of the fuel costs during a portion of RP12, a portion of RP13, and AP14.



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OF THE STATE OF MISSOURI**

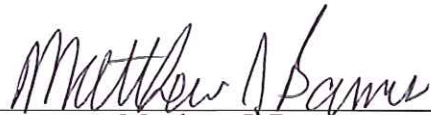
In the Matter of The Empire District)	
Electric Company for Authority to)	
Implement Rate Adjustments)	File No. ER-2016-0080
Related to the Company's Fuel and)	
Purchase Power Adjustment (FAC))	
Required in 4 CSR 240-20.090(4))	

AFFIDAVIT OF MATTHEW J. BARNES

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW Matthew J. Barnes and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.


Further the Affiant sayeth not.



 Matthew J. Barnes

Subscribed and sworn to before me this 2nd day of November, 2015.

SUSAN L. SUNDERMEYER Notary Public - Notary Seal State of Missouri Commissioned for Callaway County My Commission Expires: October 28, 2018 Commission Number: 14942086
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 Notary Public

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OF THE STATE OF MISSOURI**

In the Matter of The Empire District)
Electric Company for Authority to)
Implement Rate Adjustments)
Related to the Company's Fuel and)
Purchase Power Adjustment (FAC))
Required in 4 CSR 240-20.090(4))

File No. ER-2016-0080

AFFIDAVIT OF CURT B. GATELEY

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW Curt B. Gateley and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.


_____ Curt B. Gateley

Subscribed and sworn to before me this 2nd day of November, 2015.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 28, 2018
Commission Number: 14942086


_____ Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION
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In the Matter of The Empire District)
Electric Company for Authority to)
Implement Rate Adjustments) File No. ER-2016-0080
Related to the Company's Fuel and)
Purchase Power Adjustment (FAC))
Required in 4 CSR 240-20.090(4))

AFFIDAVIT OF DAVID C. ROOS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW David C. Roos and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.


_____ David C. Roos

Subscribed and sworn to before me this 2nd day of November, 2015.

SUSAN L. SUNDERMEYER Notary Public - Notary Seal State of Missouri Commissioned for Callaway County My Commission Expires: October 28, 2018 Commission Number: 14942086
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