

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

In the Matter of the Propriety of the            )  
Rate Schedules for Gas Service of            )     **Case No. GR-2018-0229**  
Empire District Gas Company                    )

**STIPULATION AND AGREEMENT**

**COME NOW** The Empire District Gas Company (“EDG” or “Company”) and Staff of the Missouri Public Service Commission (collectively the “Signatories”), and for this Stipulation and Agreement (the “Tax Stipulation”) respectfully state as follows:

1. This Tax Stipulation is being entered into solely for the purpose of settling the issues specifically addressed herein and thereby settling the case captioned above. Unless otherwise explicitly provided herein, none of the Signatories shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost of service or valuation determination or cost allocation, rate design, revenue recovery, or revenue-related methodology. Except as explicitly provided herein, none of the Signatories shall be prejudiced or bound in any manner by the terms of this Tax Stipulation in this or any other proceeding.

2. The Signatories stipulate and agree as follows:

a. The tariff sheets filed in this docket by EDG on September 24, 2018, with a proposed effective date of October 24, 2018, and assigned Tariff Tracking No. YG-2019-0050 became effective October 24, 2018. The tariffs reflect a reduction in base rate revenue in the amount of \$773,566 as the result of the implementation of the Tax Cuts and

Jobs Act of 2017, as a separate line item credit on customers' bills.<sup>1</sup> The reduction in the annual revenue requirement represents the calculated revenue requirement utilized in current base rates utilizing a federal corporate income tax rate of 35%, compared to a recalculated revenue requirement using the reduced federal corporate income tax rate of 21%. The attached **Appendix A** displays the annual reduction, along with the revised annual revenue requirement.

b. EDG shall establish a regulatory liability to account for the tax savings associated with excess Accumulated Deferred Income Taxes ("ADIT").

(i) EDG will record a regulatory liability for the difference between the excess ADIT balances included in current rates, which was calculated using the 35% federal corporate income tax rate, versus the now lower federal corporate income tax rate of 21%.

(ii) EDG is evaluating the cost and ability to use the Average Rate Assumption Method ("ARAM") as a method for computing and normalizing excess ADIT. If EDG determines that it is unable to use the ARAM, EDG shall notify the Signatories within thirty (30) days of such determination. EDG shall provide testimony and support in its next general rate case of its proposed methodology for returning the regulatory liability to customers.

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<sup>1</sup> Upon conclusion of the next general rate proceeding of EDG, the newly introduced credit line item will be removed from the service classification tariffs and the income tax component of the revenue requirement, which will continue to include the impact of the TCJA, will be a part of the overall revenue requirement used to establish base rates, subject to the class revenue allocation and rate design that the Commission orders in that proceeding.

(iii) The calculation of the Regulatory Liability of excess ADIT will begin as of January 1, 2018.

(iv) The Signatories intend to appropriately reflect excess ADIT in future customer rates using a methodology consistent with the tax normalization requirements specified by IRS normalization principles. The Signatories agree that, in the event the IRS asserts that the terms of this Stipulation create a violation of normalization requirements, this Stipulation shall be amended to cure and prevent any normalization violation.

3. In recognition of the fact that the revenue requirement reduction related to the TCJA did not take effect until 10/24/2018 and that revenue collected between 1/1/2018 and 10/24/2018 will not be refunded to customers or taken into account in the setting of future rates, EDG agrees that it shall not file a rate case until January 1, 2020, in the event that the Commission issues an order approving this Stipulation and Agreement without condition or modification.

4. Counsel for the Office of the Public Counsel (“OPC”), Midwest Energy Consumers Group (“MECG”), Renew Missouri (“Renew”), and Missouri School Boards’ Association (“MSBA”) have indicated to the undersigned that although OPC, MECG, Renew and MSBA have not signed this Tax Stipulation, they do not oppose this Tax Stipulation.

5. This Tax Stipulation has resulted from negotiations among the parties, and the terms herein are interdependent and non-severable. If the Commission does not approve this Tax Stipulation unconditionally and without modification, or if the

Commission approves the Tax Stipulation with modifications or conditions to which a Signatory objects, then this Tax Stipulation shall be void and none of the Signatories shall be bound by any of the agreements or provisions hereof.

6. This Tax Stipulation is based on the unique circumstances presented by EDG to the Signatories. Except to the extent necessary to implement the terms of this Tax Stipulation, this agreement shall not be construed to have precedential impact in any other Commission proceeding.

7. The non-utility Signatories enter into this Tax Stipulation in reliance upon information provided to them by EDG, and this Tax Stipulation is explicitly predicated upon the representations made by EDG.

8. In the event the Commission accepts the specific terms of this Tax Stipulation without condition or modification, the Signatories waive their respective rights to present oral argument and written briefs pursuant to RSMo. §536.080.1, their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2, their respective rights to seek rehearing pursuant to §386.500, and their respective rights to judicial review pursuant to §386.510. These waivers apply only to a Commission order approving this Tax Stipulation without condition or modification issued in this proceeding and only to the issues that are resolved hereby. These waivers do not apply to any issues not explicitly addressed by this Tax Stipulation. The Signatories agree that any and all discussions, suggestions, or memoranda reviewed or discussed, related to this Tax Stipulation shall be privileged and shall not be subject to discovery, admissible in evidence, or in any way used, described or discussed.

9. When approved by the Commission, this Tax Stipulation shall constitute a binding agreement among the Signatories hereto. This Tax Stipulation contains the entire agreement of the Signatories concerning the issues addressed herein.

10. This Tax Stipulation does not constitute a contract with the Commission. Acceptance of this Tax Stipulation by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego the use of any discovery, investigatory powers or other statutory powers which the Commission presently has. Thus, nothing in this Tax Stipulation is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information.

**WHEREFORE**, the Signatories respectfully request the Commission issue an order approving the specific terms and conditions of this Stipulation and Agreement as a full and complete resolution of Case No. GR-2018-0229.

Respectfully submitted,

**/s/ Jeffrey A. Keevil**

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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 counsel of record this 14th day of December, 2018.

**/s/ Jeffrey A. Keevil**

The Empire District Gas Company  
TCJA Revenue Requirement Impact  
Appendix A

Line No.	Revenue Requirement Component	21% Federal Income Tax Rate	35% Federal Income Tax Rate <sup>1</sup>
1	OpEx	15,034,640	15,034,640
2	Rate Base	57,732,318	57,732,318
3	ROR	9.17%	9.17%
4	Return on Rate Base	5,295,901	5,295,901
5	Interest Sync:		
6	Rate Base	57,732,318	57,732,318
7	Weighted Cost of Debt	3.57%	3.57%
8	Interest Deduct	2,061,044	2,061,044
9	Return on Rate Base	5,295,901	5,295,901
10	Interest Deduct	(2,061,044)	(2,061,044)
11	Net Income (Equity Portion of Return)	3,234,857	3,234,857
12	Composite Tax Rate	25.12%	36.49%
13	Equity x Tax Rate	812,548	1,180,493
14	GRCF	1.3354	1.5746
15	Taxes	1,085,111	1,858,837
16	Total Rev Req (MO model)	21,415,652	22,189,378
17	Total Rev Req (Per rate case)	22,189,218	22,189,218
18	Difference	(773,566)	160

**Footnotes:**

<sup>1</sup>Information derived from Docket No. GR-2009-0434

Jurisdictional Revenue  
22,189,218