

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

In the Matter of The Empire                    )  
District Electric Company's Request        )  
For Authority to Implement a General        )  
Rate Increase for Electric Service         )

**Case No. ER-2016-0023**  
Tracking No.: YE-2016-0104

**Staff's Response to Order Directing Filing**

**COMES NOW** the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Response* to the Commission's *Order Directing Filing* of November 30, 2015, states as follows:

1. On November 17, 2015, as directed by the Regulatory Law Judge at the prehearing conference held on November 10, 2015, Staff filed herein on behalf of all the parties a *Joint Motion to Set Test Year and to Establish Procedural Schedule*. That pleading proposed in Paragraph 1, under the heading "Test Year," the following:

The Parties shall use the EMS run developed by Staff in Case No. ER-2014-0351 and dated March 26, 2015, as a starting point solely for calculation of Empire's revenue requirement. Any party may propose adjustments to revenues and any rate base and expense items. The data shall be updated for revenues, changes in investment to rate base and expense items as of June 30, 2015, and subsequent thereto. The data shall be trued-up through March 31, 2016. Rate base items for Riverton through March 31, 2016 may be included if the in-service criteria for Riverton is determined by the Commission pursuant to § 393.135, RSMo., in this case to have been met by June 1, 2016.

2. On November 30, 2015, the Commission issued its *Order Directing Filing*, stating, "That proposal does not clearly describe the proposed test year. For that reason, the Commission will direct Staff to submit a filing stating the specific dates the parties are requesting be set for the test year." The Order allowed Staff only until December 2, 2015, to do so.

3. A "test year" represents the starting point of all parties' analysis of a

utility's operating results to determine the need for a change to the utility's rates. In most instances, the test year selected for a utility rate case in this jurisdiction consists of twelve months of recent actual financial results for the utility. The information requested by the Commission in its *Order Directing Filing* seems to assume that a test year of this nature was agreed to in this proceeding. However, the parties have instead agreed to use the final Staff EMS run from the previous rate case filed by Empire as the starting point for the analysis of Empire's need for a rate change in this case. This EMS run, filed in EFIS on March 26, 2015, was based upon a test year ordered in that rate case of April 30, 2014, updated through August 31, 2014, and also reflecting Staff's proposed adjustments to that information. All parties are free to propose whatever adjustments they believe appropriate to this starting point for purposes of updating major revenue requirement components or for other purposes in order to set Empire's rate levels resulting from this case. A similar approach was used by the parties to establish a starting point for analysis of a requested rate increase by Empire in a previous rate case, No. ER-2011-0004.

4. The true-up period agreed to in this proceeding ends March 31, 2016.

5. As the Commission is aware, Empire's last general rate case (Case No. ER-2014-0351) was quite recent – the Commission's *Report and Order* therein having been issued on June 24, 2015, less than six months ago. For that reason, Empire made the proposal set out in Paragraph 1 of the *Joint Proposed Procedural Schedule*, to establish the revenue requirement by updating (and then truing up) Staff's final EMS run from the preceding case. That EMS run was dated March 26, 2015, slightly more than three months prior to the end of the test year proposed for the present case. All of

the parties agreed to this sensible, efficient and cost-reducing proposal.

**WHEREFORE**, Staff and the other Parties renew their prayer that, with this clarification, the Commission will establish the Test Year and Procedural Schedule as set out in the *Joint Motion to Set Test Year and to Establish Procedural Schedule* filed herein on November 17, 2015.

Respectfully submitted,

/s/ Kevin A. Thompson

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### **Certificate of Service**

The undersigned hereby certifies that a true and correct copy of the foregoing has been served, by hand delivery, electronic mail, or First Class United States Mail, postage prepaid, to all parties of record on the Service List maintained for this case by the Data Center of the Missouri Public Service Commission, **on this 2<sup>nd</sup> Day of December, 2015.**

/s/ Kevin A. Thompson