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 in the Company's Missouri Service Area	))))	Case No. ER-2014-0351

<u>GLOBAL STIPULATION AND AGREEMENT</u>

COME NOW The Empire District Electric Company ("Empire" or "Company"), the Staff of the Commission ("Staff"), the Office of the Public Counsel ("OPC"), the City of Joplin ("Joplin"), the Missouri Department of Economic Development – Division of Energy ("DE"), and the Midwest Energy Users' Association ("MEUA") (collectively, the "Signatories"),[1] by and through their respective counsel, and, for their Global Stipulation and Agreement ("Agreement"), respectfully state as follows to the Missouri Public Service Commission ("Commission"):

As set forth in this Agreement, the Signatories have reached agreement as to all issues in this rate case proceeding. The Signatories understand that MECG will be objecting to this Agreement and MECG will be requesting a hearing on some or all issues. As such, this Agreement will become the joint position statement of the Signatories ("Joint Recommendation").[2] If MECG does object to this Agreement, the Signatories believe the Commission will need to make specific findings of fact as to all issues, but may then, based on the record evidence that will then be before the Commission, make the additional finding that

[1] The Signatories are all parties to this proceeding with the exception of the Midwest Energy Consumers Group ("MECG").

[2] This is similar to the procedural setting in Missouri-American Water Company's rate case proceeding, Commission Case No. WR-2007-0216, et al. In that case, the Commission ordered Joplin, the sole non-signatory of the stipulation and agreement, to identify which issues it disputed with the other parties, to identify which witnesses it wished to cross-examine on each issue, and to inform the Commission if it opposes the resolution of the remaining issues encompassed in the agreement or if it agrees with the other parties on any of the issues that it has not identified to be in dispute. *See Order Directing City of Joplin to Make Specific Filings, Resetting Hearing Schedule and Directing Responses to Stipulation and Agreement*, issued August 9, 2007 (EFIS Item No. 201).

acceptance of the Joint Recommendation is a fair and reasonable resolution of all issues and results in just and reasonable rates.[3]

This Agreement is being entered into solely for the purpose of settling the issues in this case. 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 determination or cost allocation 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 Agreement in this or any other proceeding.

Signatories' Agreements on Matters Contained in the List of Issues

The Signatories submitted a List of Issues to the Commission containing all matters at issue in this rate case proceeding. Using this List of Issues, the Agreement of the Signatories is as follows:

A. Revenue Requirement Issues

1. SPP Transmission Expense: What is the appropriate level of SPP Transmission Expense to include in Empire's revenue requirement?

A total revenue requirement increase of $17,125,000 for Empire is a fair and reasonable resolution of this issue in this case.

2. SPP Integrated Market (IM) Expense: What is the appropriate level of SPP IM Expense to include in Empire's revenue requirement?

A total revenue requirement increase of $17,125,000 for Empire is a fair and reasonable resolution of this issue in this case.

[3] *See* Report and Order issued October 4, 2007, effective October 14, 2007, in Commission Case No. WR-2007-0216, et al. ("Having found in favor of the joint signatories with regard to the only issues in dispute, and having found all of the components of the Joint Recommendation to be just and reasonable, the Commission will adopt the Joint Recommendation of the signatory parties, as embodied in the Global Agreement, in its entirety. The Commission shall direct the parties to comply with the terms of the Global Agreement in all respects.")

3. Revenues

a. Should Empire's other Missouri retail customers be held harmless of the revenue impact of the bill credits Empire offers to its Special Contract customer?

b. What amount of off-system sales revenue (including SPP IM revenue) should be included in the revenue requirement?

c. What amount of REC revenue should be included in the revenue requirement?

d. What amount of SPP Transmission Revenue should be included in the revenue requirement?

A total revenue requirement increase of $17,125,000 for Empire is a fair and reasonable resolution of this issue in this case.

4. Joplin Tornado O&M Asset: Should the Joplin Tornado O&M asset be included in rate base?

A total revenue requirement increase of $17,125,000 for Empire is a fair and reasonable resolution of this issue in this case.

5. Depreciation Expense: Should Empire continue to recover depreciation expense for the retired Riverton 7 and Asbury 2?

The Signatories agree that depreciation of these units will be discontinued. The Signatories further agree that there will be no changes to depreciation rates in this case.

6. Incentive Compensation

a. What level of cash incentives based on performance goals should be included in the cost of service?

b. Should executive stock awards be included in the cost of service?

c. Should lightning bolts be included in the cost of service?

A total revenue requirement increase of $17,125,000 for Empire is a fair and reasonable resolution of this issue in this case.

7. Rate Case Expense: What is the appropriate amount to include in Empire's revenue requirement for Rate Case Expense?

A total revenue requirement increase of $17,125,000 for Empire is a fair and reasonable resolution of this issue in this case.

8. Accumulated Deferred Income Taxes (Rate Base): What is the appropriate level to be used to be included in rate base?

A total revenue requirement increase of $17,125,000 for Empire is a fair and reasonable resolution of this issue in this case.

9. Income Tax

a. Should an adjustment be made to state income tax flow through for prior years?

b. Should an adjustment be made for cost of removal tax issues related to prior years?

A total revenue requirement increase of $17,125,000 for Empire is a fair and reasonable resolution of this issue in this case.

10. Vegetation Management Trackers

a. What amount should be included in the revenue requirement for Vegetation Management?

b. Should the vegetation management tracker be continued?

c. What is the proper base level to use in the tracker?

The Signatories agree that the tracker will be discontinued, with the accumulated balance to be trued up in Empire's next general rate case.

11. Iatan 2/Iatan Common/Plum Point O&M Trackers

a. What amount should be included in the revenue requirement for Iatan 2/Iatan Common/Plum Point O&M?

b. Should the Iatan 2/Iatan Common/Plum Point O&M trackers be continued?

The Signatories agree that the trackers will be discontinued, with the accumulated balances to be trued up in Empire's next general rate case.

12. Riverton 12 O&M Tracker

a. Should a tracker for Riverton 12 O&M be established?

b. If so, what amount, if any, should be included in the revenue requirement for Riverton 12 O&M?

The Signatories agree that the tracker for the Riverton 12 Long-Term Maintenance Contract shall be established, with the base set at $2.7 million, Missouri jurisdictional.

Fluctuations in actual charges above and below this annual level of expense (base) will be recorded in a regulatory asset/liability account. The balance recorded in the regulatory asset/liability account at the time of Empire's next Missouri general rate case will be amortized over three years, and the revenue requirement associated with the tracker will be taken into account during Empire's next Missouri rate case.

13. Operation and Maintenance (O&M) Expense: What is the appropriate level of O&M expense to include in the cost of service?

A total revenue requirement increase of $17,125,000 for Empire is a fair and reasonable resolution of this issue in this case.

14. Prepayments: Should the working funds for Iatan 2, Iatan Common, and Plum Point be treated as prepayments?

A total revenue requirement increase of $17,125,000 for Empire is a fair and reasonable resolution of this issue in this case.

15. Advertising: Should the cost of the "Value of Electricity" advertising be included in the revenue requirement?

A total revenue requirement increase of $17,125,000 for Empire is a fair and reasonable resolution of this issue in this case.

16. EEI Dues: What amount, if any, of the dues paid by Empire to EEI should be included in revenue requirement?

A total revenue requirement increase of $17,125,000 for Empire is a fair and reasonable resolution of this issue in this case.

17. Net Base Fuel and Purchased Power: What level of fuel expense should be included in Empire's FAC and revenue requirement?

Pursuant to Exhibit A attached hereto, total fuel and purchased power to be included in Empire's FAC base is $142,143,000.

18. Energy Efficiency

a. Should Empire continue its current level of Pre-MEEIA energy efficiency programs?

b. What should the cost recovery mechanism be to recover Pre-MEEIA program costs?

With the exception of the low-income weatherization program discussed below, the Signatories agree that Empire will continue its current energy efficiency programs, at current funding levels and with the current recovery mechanism, until Empire has an approved MEEIA or until the effective date of rates in Empire's next general rate case.

19. Low-Income Weatherization

a. Should an evaluation be performed on the Low-Income Weatherization program?

b. Should Low-Income Weatherization program expenses be recovered in the base rates?

The Signatories agree that Empire will continue its current low-income weatherization program, with an annual budget of $225,000. If the budget amount is not spent in any given Empire budget year, the balance will roll over to be spent in a future Empire budget year. On a going forward basis, the low-income weatherization program is not a "demand side measure" or program for purposes of RSMo. 393.1075.7. Costs for this program are built into and will be recovered through the agreed-upon revenue requirement.

20. Rate of Return

a. What is the appropriate value for Return on Equity ("ROE") that the Commission should use in setting Empire's Rate of Return?

b. What capital structure should the Commission use to determine the rate of return?

c. What is the appropriate value for embedded cost of debt?

A total revenue requirement increase of $17,125,000 for Empire is a fair and reasonable resolution of this issue in this case.

21. Total Revenue Requirement: What revenue requirement should the Commission establish in this proceeding?

Empire should be authorized to file tariffs designed to increase the Company's revenues by $17,125,000, exclusive of any applicable license, occupation, franchise, gross receipts taxes, or similar fees or taxes. The specimen tariffs attached hereto as Exhibit B are designed to implement the agreed upon revenue requirement increase and reflect the Signatories' agreements as set forth herein.

B. Non-Revenue Requirement Issues

1. FAC Tariff

a. Should Empire be allowed to continue, with modifications, its FAC?

b. If Empire is allowed to continue its FAC, what modifications, if any should be made to its FAC?

c. If Empire is allowed to continue its FAC, what if any changes should be made to FAC reporting requirements?

The Signatories agree that the FAC tariff sheets shall be as shown in Exhibit B. The FAC excludes Southwest Power Pool ("SPP") Schedule 1A and 12 charges and also excludes Empire's labor, administrative, and convention costs from Acct. 501. Exhibit C attached hereto shows the subaccounts which the Signatories agree should be included in Empire's FAC at this time. For the FAC tariff, the Missouri jurisdictional energy allocation factor will be used in the allocation of off-system sales revenues (accounts 447133 and 447830), and REC revenues (account 456073). Empire will work with stakeholders to develop descriptions of the costs and revenues that are flowing through the FAC to be filed with the Commission in the next case.

2. Miscellaneous Tariffs

a. Should Empire's Economic Development Rider be modified to condition participation in applicable energy efficiency programs, as proposed by the Division of Energy?

The Signatories agree that there shall be no change to the Economic Development Rider.

b. Should Empire be required to submit a Large Power rate schedule in its next case that recognizes a time differentiated facilities demand charge?

The Signatories agree that no such requirement should be imposed on Empire.

c. Should Empire modify its tariffs to include language on how a CHP customer requiring standby service is to be charged for such service, as proposed on page 3 of Division of Energy witness Alex Schroeder's surrebuttal testimony?

The Signatories agree that the following language should be included in Empire's tariffs resulting from this case: "Any "qualifying facility" as defined in 4 CSR 240-20.060(1)(G) shall be provided, upon request, stand-by power at the otherwise applicable standard rates which would apply if the Company provided energy at the customer's full service requirements."

Empire further agrees to work toward submitting a Standby Tariff in its next general rate case, but the Signatories acknowledge that more time may be necessary. Upon approval, this Standby Tariff will apply prospectively to all new customer generators. Empire will hold at least two workshops with DE, Staff, and other interested stakeholders during the development of this Standby Tariff. The first workshop will occur at date to be determined by Empire and DE. The Standby Tariff to be submitted by Empire will incorporate the following concepts: (a) definitions for supplementary power, back-up power, and maintenance power, and rules for determining when, and in what amount, these services are actually used; (b) unbundled rates for services (e.g. generation, transmission, and distribution); (c) the customer's generator availability; (d) maintenance scheduling; (e) seasonally differentiated charges; (f) time differentiated charges (e.g. on-peak vs. off-peak); and (g) differentiated charges by voltage level (i.e. secondary, primary, high voltage primary).

d. Should a standby service cost study (referenced on page 3 of Schroeder's surrebuttal testimony and page 19 of Schroeder's February 11th direct testimony) be completed before Empire's next rate case in order to develop a sound standby rate framework?

The Signatories agree that Empire will conduct a standby service cost study before Empire's next general rate case filing, unless the Signatories agree that more time is necessary.

3. Class Cost of Service and Rate Design

a. What, if any, revenue neutral interclass shifts are supported by Class Cost of Service studies?

b. What, if any, revenue neutral interclass shifts should be made in designing the rates resulting from this case?

c. What, if any, changes to the residential customer charge are supported by Class Cost of Service studies?

d. What, if any, changes to the residential customer charge should be made in designing the rates resulting from this case?

e. What, if any, changes to the Commercial and Industrial customer charges are supported by Class Cost of service studies?

f. What, if any, changes to the Commercial and Industrial customer charges should be made in designing the rates resulting from this case?

g. What, if any, changes to the LP tail block rate are supported by Class Cost of Service studies?

h. What, if any, changes to the LP tail block rate should be made in designing the rates resulting from this case?

i. Should the LP tariff be modified to reduce demand charges following an outage? If so (1) how is "outage" to be defined, and (2) is Empire's current filling and customer information system capable of accomplishing the modified billing proposed by MECG?

j. What, if any, changes to the Special Contract interruptible credit and allowable hours of interruption are supported by Class Cost of Service studies?

k. What, if any, changes to the Special Contract interruptible credit and hours of interruption should be made in designing the rates resulting from this case?

l. What, if any, changes to the general interruptible credit are supported by Class Cost of Service studies?

m. What, if any, changes to the general interruptible credit should be made in designing the rates resulting from this case?

The Signatories agree that Staff's proposed rate design and revenue allocation methodology should be used in this case, including a revenue neutral shift to the residential class of .75%, with a .85% decrease for LP, TEB, and GP rate classes.

The Signatories agree that Staff's proposed rate design and revenue allocation methodology should be modified as follows:

- There shall be no increase in the residential customer charge at this time.

The Signatories agree that Staff's billing determinants and current revenues for this case, pursuant to Exhibit D attached hereto, plus an overall increase of $17,125,000, should be used in the setting of rates in this case.

Additional Agreements of the Signatories

In addition to the above agreements, the Signatories stipulate and agree as follows:

1. The Signatories request that the Commission authorize the continuation of a tracker mechanism for pension and OPEB expenses. The annual level of ongoing Missouri jurisdictional pension and OPEBs expense is $6,909,482 and $883,144, respectively. This includes the actuarially determined expenses for 2014 of $6,274,848 and $1,191,905 for pension and OPEBs, respectively, and the five year amortization of Missouri jurisdictional amounts of $634,634 and ($308,761) for pensions and OPEBs, respectively. The Missouri jurisdictional

regulatory asset included in rate base as of August 31, 2014, is a total of $3,173,170 and ($1,543,805) for pensions and OPEBs, respectively. The prepaid pension asset balance as of August 31, 2014 is $16,443,518, Missouri jurisdictional. The Accounting Standards 715-30 and 715-60 (FAS 87/106) tracker language shall continue in effect. The impact of the expiration of the "substantive plan agreement" amortization on OPEB expenses will continue to be reflected in Empire's ongoing tracker balance calculations.

2. Empire will provide monthly quality of service reporting, will continue submitting monthly revenue and usage reports to Staff, and will continue providing the following information as part of its monthly reports (as agreed to in the Non-Unanimous Stipulation and Agreement filed May 12, 2010, in Case No. ER-2010-0130):

a. Monthly SPP market settlements and revenue neutrality uplift charges;

b. Notify Staff within 30 days of entering a new long-term contract for transportation, coal, natural gas or other fuel; natural gas spot transactions are specifically excluded;

c. Provide Staff with a monthly natural gas fuel report that includes all transactions, spot and longer term; the report will include term, volumes, price and analysis of number of bids;

d. Notify Staff within 30 days of any material change in Empire's fuel hedging policy, and provide the Staff with access to new written policy;

e. Provide Staff its Missouri Fuel Adjustment Interest calculation work papers in electronic format with all formulas intact when Empire files for a change in the cost adjustment factor;

f. Notify Staff within 30 days of any change in Empire's internal policies for participating in the SPP; and

g. Continue to provide Staff access to all contracts and policies upon Staff's request, at Empire's corporate office in Joplin, Missouri.

3. The extension policy shall be implemented as proposed by Empire.

4. Empire intends to file a rate case shortly after the conclusion of this case (the Riverton 12 case). The Signatories agree to use Staff's EMS run dated February 26, 2015 as a starting point for calculation of the revenue requirement in the Riverton 12 case, to which any party may propose adjustments. The Signatories will work toward agreement of necessary update/adjustment of this run for this purpose for the Riverton 12 case. Any party will have the opportunity to bring up any issue in the Riverton 12 case, including, but not limited, to the following: FAC, rate case expense, return on equity, low income weatherization program evaluation, true-up, fuel, depreciation, rate design.

5. The Signatories request that the Commission adopt Staff's recommended in-service criteria and find the Asbury AQCS to be fully operational and used for service. The Signatories agree to the admission into the record herein of the Affidavit attached hereto as Exhibit E. The Signatories further agree that any party to Empire's next general rate case may argue the book value of Asbury AQCS and that no party is precluded from seeking any disallowances in that case.

6. The Signatories agree that the Commission should order Empire to use the depreciation rates as shown in Exhibit F attached hereto.

7. The Signatories agree that the Commission should order Empire to make the following total company depreciation reserve adjustments to reflect the unitization of Iatan 2 plant:

Account #	**Account Description**	**Depreciation Reserve Adjustment**
311I2	Structures and Improvements	$101,450.83
312I2	Boiler Plant Equipment	$1,494,664.97

314I2	Turbogenerator Units	$963,628.98
315I2	Accessory Electrical Equip	($281,415.67)
316I2	Misc Power Plant Equip	($2,278,329.11)

8. The Signatories agree that the Commission should order Empire to make the following adjustments to the additional amortization balances recorded in separate subaccounts in reserves to reflect the unitization of Iatan 2 plant balances:

Account #	**Account Description**	**Depreciation Reserve Adjustment**
311.05	Structures and Improvements	($361,914.88)
312.05	Boiler Plant Equipment	$5,814,553.61
314.05	Turbogenerator Units	$5,401,677.38
315.05	Accessory Electrical Equip	($809,308.39)
316.05	Misc Power Plant Equip	($10,045,007.72)

9. The Signatories agree Empire will continue amortization of the DSM regulatory asset for costs incurred during the Regulatory Plan for a total term of 10 years.

10. The Signatories agree Empire will continue amortization for the DSM program costs incurred after the end of the Regulatory Plan and prior to any program implementation under MEEIA for a total term of six years.

11. The Signatories agree Empire will continue to flow the SWPA payment associated with the capacity restrictions to be implemented for Ozark Beach hydro facility, net of tax, back to the customers over a 10 year period which began on the effective date of rates in

Case No. ER-2011-0004, pursuant to a tracker mechanism. This results in an annual reduction of expense of approximately $1.365 million on a Missouri jurisdictional basis.

12. The Signatories agree Empire will refund through rates via an amortization over 24 months the ITC over-collection balance as of December 31, 2014, of $205,593. Additional over-recovery of the ITC from January 2015 through the effective dates of rates for this case will be reviewed during Empire's next rate case.

13. The Signatories further agree to work toward a tariff effective date of May 1, 2015, or as soon as possible after that date, for rates resulting from this proceeding.

WHEREFORE Empire, Staff, OPC, Joplin, DE, and MEUA respectfully submit this Global Stipulation and Agreement and respectfully request that the Commission issue orders consistent with the procedure set forth in Commission Case No. WR-2007-0216, et al.

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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 3rd day of April, 2015, to all counsel of record.

/s/ Diana C. Carter