

In the Matter of The Empire District Electric)
Company's Application to Modify its FAC)
Tariff)

File No. ER-2011-0320
Tracking No. YE-2011-0554

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

1. On April 1, 2011, The Empire District Electric Company (“Empire”) filed two tariff sheets each bearing an effective date of June 1, 2011, to revise its Cost Adjustment Factors (CAF) of its Fuel Adjustment Clause (FAC). The Commission assigned them Tracking No. YE-2011-0503. On May 2, 2011, Empire withdrew them and at the same time Empire filed a new PSC Mo. No. 5, Sec. 4, 1st revised sheet number 17g bearing an effective date of June 1, 2011. At Staff’s request, on May 2, 2011, Empire substituted this tariff sheet to correct the date of issuance from April 1, 2011 to May 2, 2011. Each tariff sheet filing was made pursuant to the Commission’s *Report and Order* in File No. ER-2010-0130, where the Commission authorized Empire to continue using a FAC.

2. 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 adjustment to the FAC is in accordance with 4 CSR 240-20.090,

§386.266 RSMo., and the “FAC mechanism established in the most recent general rate proceeding.” *Id.*

3. 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.

5. In the attached Memorandum (Appendix A), the Staff recommends that the Commission either allow to become effective by operation of law, or enter an order approving Empire’s Tariff Sheet, P.S.C. MO. No. 5, Sec. 4, 1st Revised Sheet No. 17g Canceling P.S.C. MO. No. 5, Sec. 4, Original Sheet No. 17g, as filed and substituted on May 2, 2011, to become effective June 1, 2011, subject to true-up and prudence reviews.

7. The Staff’s review shows Empire’s filing is in compliance with §386.266 RSMo, 4 CSR 240-20.090, and the *Report and Order* in File No. ER-2010-0130.

WHEREFORE, Staff recommends that the Commission either allow to become effective by operation or law, or issue an interim rate adjustment Order approving, Empire’s Tariff Sheet, P.S.C. MO. No. 5, Sec. 4, 1st Revised Sheet No. 17g Canceling P.S.C. MO. No. 5, Sec. 4, Original Sheet No. 17g, as filed and substituted on May 2, 2011, to become effective June 1, 2011, subject to true-up and prudence reviews.

Respectfully submitted,

/s/ Nathan Williams

Nathan Williams
Deputy Counsel
Missouri Bar No. 35512

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-8702 (Telephone)
(573) 751-9285 (Fax)
nathan.williams@psc.mo.gov

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronic mailed to all counsel of record this 2nd day of May, 2011.

/s/ Nathan Williams

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. ER-2011-0320, Tariff Tracking No. YE-2011-0554
The Empire District Electric Company

FROM: Matthew J. Barnes, Utility Regulatory Auditor IV
Michelle Bocklage, Rate and Tariff Examiner II

DATE: /s/John Rogers 5/2/2011 /s/Sarah Kliethermes 5/2/2011
Energy Department / Date Staff Counsel Division / 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 Case No. ER-2010-0130

DATE: May 2, 2011

On April 1, 2011 The Empire District Electric Company (Empire) filed two (2) tariff sheets in tariff Tracking No. YE-2011-0503, 6th Revised Sheet No. 17c Canceling 5th Revised Sheet No. 17c and 1st Revised Sheet No. 17g Canceling Original Sheet No. 17g bearing a proposed effective date of June 1, 2011 to revise its Cost Adjustment Factors (CAFs) of its Fuel Adjustment Clause (FAC) which changes the CAFs per kWh rates used to determine the CAFs charge on customer bills. Empire also filed direct testimony of its witness Todd W. Tarter on April 1, 2011 in support of the two filed tariff sheets.

On May 2, 2011 Empire withdrew 6th Revised Sheet No. 17c Canceling 5th Revised Sheet No. 17c and 1st Revised Sheet No. 17g Canceling Original Sheet No. 17g which had been filed on April 1, 2011. On May 2, 2011 Empire filed one tariff sheet in Tariff Tracking No. YE-2011-0554, 1st Revised Sheet No. 17g Canceling Original Sheet No. 17g bearing a proposed effective date of June 1, 2011. At Staff's request Empire substituted that tariff sheet on May 2, 2011, to correct the issuance date. Prior to May 2, 2011, Staff had numerous discussions with Empire concerning Empire's filing of two tariff sheets, and it was agreed that only one tariff sheet with one CAF rate per kWh for each service voltage level is appropriate. Staff recommends the Missouri Public Service Commission (Commission) approve 1st Revised Sheet No. 17g

Canceling Original Sheet No. 17g, as substituted.

Included in Empire's May 2, 2011 filing are the proposed tariff sheet, as substituted, the testimony of Empire witness Todd W. Tarter and Empire's work papers. The testimony and work papers include information for Accumulation Period 5 and the true-up amount for Recovery Period 3 supporting Empire's calculation of the CAFs for Recovery Period 5 (June 1, 2011 through November 30, 2011) resulting from: 1) 95% of the difference: a) between Empire's actual fuel and purchased power costs plus net emissions allowance costs less off-system sales revenue and renewable energy credits (REC) revenue; b) Empire's base costs during Accumulation Period 5 (September 1, 2010 through February 28, 2011), and 2) the true up of the over/under recovery amount as a result of the CAFs for Recovery Period 3 (June 1, 2010 through November 30, 2010); and 3) interest.

Empire's present CAFs are a positive amount of \$0.00248 per kWh for customers receiving service at primary voltage level and above and \$0.00253 per kWh for customers receiving service at secondary voltage level. The proposed change to the CAFs results in CAF rates of \$0.00086 per kWh for customers receiving service at primary voltage level and above and \$0.00088 per kWh for customers receiving service at secondary voltage level.

Cost Adjustment Factor (CAF) Per kWh			
Voltage Level Adjustment	Present	Proposed	Difference
Primary	\$0.00248	\$0.00086	\$0.00162 Decrease
Secondary	\$0.00253	\$0.00088	\$0.00165 Decrease

The \$1.873 million proposed change to the CAFs results from: 1) 95% of the increase in fuel and purchased costs plus net emissions allowance costs less off-system sales revenue and REC revenues above the base costs in the general rates of \$1,524,771, 2) true-up of \$319,884 due to under-recovery of revenues collected in Recovery Period 3, and 3) interest in the amount of \$28,743. Based on a monthly usage of 1,000 kWh, the proposed change to the CAF will decrease the FAC charge of an Empire residential customer's bill from \$2.53 to \$0.88, a decrease

of \$1.65 per month for customers receiving service at secondary voltage level. The accumulation periods, recovery periods, and other specifications of Empire's existing FAC are set out in its currently effective tariff sheets designated Sheet Nos. 17 through 17g.

Staff reviewed 1st Revised Sheet No. 17g Canceling Original Sheet No. 17g, as substituted, and the direct testimony of Empire witness Todd W. Tarter filed on May 2, 2011 in addition to Empire's monthly filings and work papers in this filing for Accumulation Period 5 and for Recovery Period 3. 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. 17g Canceling Original Sheet No. 17g and the supporting schedules of Todd W. Tarter's direct testimony. The Staff also reviewed Empire's monthly interest amount that is applied to the over/under fuel and purchased power costs plus net emission allowance costs less off-system sales revenue and REC revenue to verify that the interest rates and calculations are correct for Accumulation Period 5 and for Recovery Period 3. The information filed with the revised tariff sheet and workpapers as supplemented by Empire include sufficient data to calculate adjustments to the CAFs based on the actual fuel and purchased power costs plus net emission allowance costs less off-system sales revenue and REC revenue and base cost of fuel and purchased power provided by Empire for Accumulation Period 5.

Staff Recommendation

The Staff is of the opinion that Empire timely filed 1st Revised Sheet No. 17g Canceling Original Sheet No. 17g, as substituted, and that it complies with the Commission's *Report and Order* in File No. ER-2010-0130, 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. 17g Canceling Original Sheet No. 17g filed May 2, 2011, become effective on June 1, 2011, the first cycle of Empire's June billing month. Thus, the tariff sheet was filed with 30 days' notice. The Staff recommends the Commission issue an order approving the following proposed tariff sheet, as filed and substituted on May 2, 2011, to become effective on June 1, 2011, as requested by Empire, subject to both true-up and prudence reviews:

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

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

The Staff has verified that Empire is not delinquent on any assessment and Empire has filed its 2010 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). The Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing. Empire's current rate case will have no effect on this filing.