

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

In the Matter of The Empire)	
District Electric Company's Request)	Case No. ER-2016-0023
For Authority to Implement a General)	
Rate Increase for Electric Service)	

Office of the Public Counsel's Response to Staff's December 2, 2015 Filing

COMES NOW the Office of the Public Counsel, by and through undersigned counsel, and for its *Response* to the Staff's December 2, 2015 filing in accordance with 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 on behalf of all the parties a *Joint Motion to Set Test Year and to Establish Procedural Schedule*. (Doc. No. 33). 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.

(*Id.* at 1).

2. On December 2, 2015 Staff filed its response to the Commission's November 30, 2015 *Order* providing its explanation of paragraph 1. (*Id.* at 2). Staff's pleading indicated its understanding of paragraph 1 to be that the parties have 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. *Id.* Staff further interprets paragraph 1 to allow parties "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 for this case". *Id.* A true-up period then would be established, with a cutoff date of March 26, 2016. *Id.* The Office of the Public Counsel concurs and provides to the Commission its further understanding of the proposed language.

3. As set forth in the November 17, 2015 *Joint Motion* and Staff's December 2, 2015 pleading, the parties have agreed to utilize the Staff's Accounting Schedules ("EMS Run") developed in Empire's last rate case, ER-2014-0351. The Office of the Public Counsel's position is that the parties are aware that an EMS Run by Staff is not a substitute for the books and records of Empire itself.

4. The starting point for a revenue requirement calculation related to revenues, expenses and plant investment is the utility company's books and records. These books and records have been audited or reviewed by the utility's outside auditors to be in accordance with generally accepted accounting principles ("GAAP"). This audited income statement and balance sheet historically has been used as the starting point of all revenue requirement adjustments related to revenues, expenses, gains, losses and plant in service.

5. The Office of the Public Counsel advises the Commission that it agreed to this revenue requirement methodology in the spirit of cooperation in this case, and while it believes it can use this methodology with the appropriate safeguards, it remains unclear why this approach is necessary; it risks creating more problems than it solves.

6. In order to ensure the figures used in the EMS Run needs no adjustment, and/or to determine the level of adjustment required, Public Counsel understands the parties' proposal to mean that any party has the ability to audit or review the books and records of Empire for the

period covered by the EMS Run filed by Staff on March 26, 2015 in ER-2014-0351 and any subsequent period thereto tried-up through March 31, 2016.

WHEREFORE, the Office of the Public Counsel submits this Response and requests that the Commission establish the Test Year as set forth in the *Joint Motion to Set Test Year and to Establish Procedural Schedule* filed on November 17, 2015 in accordance with the understanding as set forth above, that the parties have the ability to audit or review Empire's books and records for the period covered in Staff's EMS Run filed in ER-2014-0351 and any subsequent period thereto tried-up through March 31, 2016.

Respectfully submitted,

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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 3rd Day of December, 2015.**

/s/ Cydney D. Mayfield