

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

**REVISED STIPULATION AND AGREEMENT AND LIST OF ISSUES**

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”),<sup>1</sup> by and through their respective counsel, and, for their Revised Stipulation and Agreement and List of Issues (this “Revised Agreement”), respectfully state as follows to the Missouri Public Service Commission (“Commission”):

1. The Signatories previously filed a Global Stipulation and Agreement (“Global Stip”) with the Commission, and MECG objected to the Global Stip. This Revised Agreement replaces the Global Stip. MECG does not object to this Revised Agreement and will be making a filing with the Commission to state this non-objection. As such, pursuant to 4 CSR 240-2.115(2)(C), this Revised Stipulation may be treated by the Commission as a unanimous agreement.

2. The Signatories to this Revised Stipulation will also be filing a separate Non-Unanimous Stipulation and Agreement on Certain Issues. MECG will be objecting to the Non-Unanimous Stipulation and Agreement on Certain Issues and will be requesting a hearing on the issues addressed therein. A revised list of issues to be heard by the Commission is contained

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<sup>1</sup> The Signatories are all parties to this proceeding with the exception of the Midwest Energy Consumers Group (“MECG”).

below. MECG concurs in this revised list of issues and will be making a filing with the Commission to state this concurrence.

3. This Revised Agreement is being entered into solely for the purpose of settling the particular issues in this case reflected in this Revised Agreement. 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 Revised Agreement in this or any other proceeding.

4. This Revised Agreement has resulted from extensive negotiations among the parties, and the terms hereof are interdependent. If the Commission does not approve this Revised Agreement unconditionally and without modification, then this Revised Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

5. In the event the Commission accepts the specific terms of this Revised Agreement 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 §536.500, and their respective rights to judicial review pursuant to §386.510. This waiver applies only to a Commission order approving this Revised Agreement without condition or modification issued in this proceeding and only to the issues that are resolved hereby. It does not apply to any issues not explicitly addressed by this Revised Agreement.

6. **Total Revenue Requirement:** The Signatories agree that 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 A are designed to implement the agreed upon revenue requirement increase.<sup>2</sup>

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

7. **Depreciation:** The Signatories agree that depreciation of Riverton 7 and Asbury 2 will be discontinued.

The Signatories further agree that there will be no changes to depreciation rates in this case and that the Commission should order Empire to use the depreciation rates as shown in Exhibit C attached hereto.

8. **Vegetation Management 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.

9. **Iatan 2/Iatan Common/Plum Point O&M Trackers:** The Signatories agree that the trackers will be discontinued, with the accumulated balances to be trued up in Empire's next general rate case.

10. **Riverton 12 O&M Tracker:** 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.

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<sup>2</sup> MECG's non-objection to this Revised Agreement shall not be construed as MECG's consent to the Commission approving the tariffs attached hereto as Exhibit A in total. The tariffs are attached for illustrative purposes with regard to the agreed-upon revenue requirement increase. The actual tariffs to be approved by the Commission will depend on the Commission's decision on the various FAC, revenue allocation, and rate design issues still to be decided by the Commission.

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.

11. **Energy Efficiency:** 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.

12. **Low-Income Weatherization:** 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.

13. **FAC Tariff:** The Signatories agree that Empire should be allowed to continue its FAC, with certain modifications. 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. 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.

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

15. **Standby Service:** 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).

The Signatories also 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.

16. **Residential Customer Charge.** The Signatories agree that there shall be no increase in the residential customer charge at this time.

17. **Pension/OPEB:** 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.

18. **Reporting:** The Signatories agree that Empire should provide monthly quality of service reporting, should continue submitting monthly revenue and usage reports to Staff, and should 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.

19. **Extension Policy:** The Signatories agree that the extension policy shall be implemented as proposed by Empire.

20. **Asbury AQCS:** 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 D. 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.

21. **True-Up and Briefing:** The Signatories agree that true-up testimony and a true-up hearing in this case are no longer needed. The Signatories further agree that initial post-hearing briefs shall remain due by May 15 and that reply briefs shall remain due by May 29.

22. **Depreciation Reserve Adjustments:** 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:

<u>Account #</u>	<u>Account Description</u>	<u>Depreciation Reserve Adjustment</u>
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)

23. **Adjustments to Amortization Balances:** 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:

<u>Account #</u>	<u>Account Description</u>	<u>Depreciation Reserve</u> <u>Adjustment</u>
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)

24. **DSM Regulatory Asset:** 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.

25. **DSM Program Costs:** 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.



26. **SWPA Payment:** 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.

27. **ITC Balance:** The Signatories agree Empire will refund through rates via an amortization over 24 months, to begin with the effective date of rates in this case, 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.

28. **List of Issues:** Pursuant to paragraphs 1 and 2 above, the following remain as issues to be decided by the Commission:

a. **FAC:** Should SPP transmission costs and revenues be included? If so, what transmission costs and revenues should be included?

Witness: David Roos (Staff)<sup>3</sup>

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

Witnesses: Scott Keith (Empire),<sup>4</sup> Kavita Maini (MECG)<sup>5</sup>

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<sup>3</sup> Pursuant to the Second Agreement Regarding Cross Examination and Admission of Testimony, Request for Witnesses to be Excused, and Motion to Modify Hearing Schedule, all parties to this proceeding waive cross examination on all issues addressed by Staff witness Roos *except* the issues of whether the FAC base contemplated by the Joint Recommendation includes SPP transmission costs and revenues and the quantification of the FAC base if SPP transmission costs and revenues are excluded.

<sup>4</sup> Pursuant to the Second Agreement Regarding Cross Examination and Admission of Testimony, Request for Witnesses to be Excused, and Motion to Modify Hearing Schedule, all parties to this proceeding waive cross examination on all issues addressed by Empire witness Scott Keith *except* the issues of class cost of service, rate design, and time-differentiated facilities demand.

c. **Class Cost of Service and Rate Design:**

i. How do Empire's residential and industrial rates compare with national averages?

Witness: Kelly Walters (Empire)<sup>6</sup>

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

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

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

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

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

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

Witnesses for sub-issues ii-vii: Ed Overcast (Empire), Scott Keith (Empire), Sarah Kliethermes (Staff), Robin Kliethermes (Staff), Mike Scheperle (Staff),<sup>7</sup> Kavita Maini (MECG)

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<sup>5</sup> Pursuant to the Second Agreement Regarding Cross Examination and Admission of Testimony, Request for Witnesses to be Excused, and Motion to Modify Hearing Schedule, all parties to this proceeding waive cross-examination of Ms. Maini on all FAC issues.

<sup>6</sup> Pursuant to the Second Agreement Regarding Cross Examination and Admission of Testimony, Request for Witnesses to be Excused, and Motion to Modify Hearing Schedule, all parties to this proceeding waive cross examination on all issues addressed by Empire witness Kelly Walters *except* the issue of rate comparisons.

<sup>7</sup> Pursuant to the Second Agreement Regarding Cross Examination and Admission of Testimony, Request for Witnesses to be Excused, and Motion to Modify Hearing Schedule, all parties to this proceeding waive cross examination of: (1) Staff witness R. Kliethermes on policy issues; (2) Staff witness S. Kliethermes on the issues of revenues, EDR Rider, and standby service; and (3) all issues addressed by Staff witness Scheperle *except* the issues of interclass revenue responsibility shifts and Large Power class rate design.

29. **Staff Witnesses and Testimony:** The Signatories, with the concurrence of MECG, request that these witnesses be excused from appearing at the evidentiary hearing herein:

- Sarver – REC Revenues, Rate Case Expense;
- Huffman – Energy Efficiency;
- Stahlman – Policy, Low-Income Weatherization;
- Robinett – Depreciation Expense;
- Green – Incentive Compensation, Vegetation Management Tracker, Iatan2/Iatan Common/Plum Point O&M Trackers, Riverton 12 O&M Tracker, Operations and Maintenance Expense;
- Richter – Prepayments, Advertising, EEI Dues;
- Won – Weather Normalization;
- Lange – FAC/Net Base Fuel and Purchased Power;
- Harrison – FAC/Net Base Fuel and Purchased Power;
- Maloney – FAC/Net Base Fuel and Purchased Power;
- Griffin – Rate of Return; and
- Bolin – SPP transmission expense, SPP IM expense, SPP transmission revenues, policy, Joplin tornado O&M asset, ADIT, and income tax.

The Signatories, with the concurrence of MECG, also request that the Commission admit into evidence all testimony, including exhibits and other attachments thereto, filed herein by each of the Staff witnesses listed in this paragraph.

30. **Empire Witnesses and Testimony:** The Signatories, with the concurrence of MECG, request that these witnesses be excused from appearing at the evidentiary hearing herein:

- Brent Baker – line extension policy, quality service reporting, economic development rider;
- Brad Beecher – policy;
- Aaron Doll – transmission revenue/expense, SPP integrated market, economic development rider;
- Brian Owens – cash working capital, customer advances;
- Todd Tarter – fuel and purchased power, fuel inventory levels, FAC revenue and expense, FAC base factor;
- Dr. James Vander Weide – rate of return;
- Joan Land – miscellaneous revenue, EMS corrections;
- Rob Sager – depreciation expense, capital structure;
- Jay Williams – accumulated deferred income taxes, current and deferred income taxes, property tax;
- Blake Mertens – O&M expense, Iatan and Plum Point trackers, prepayments, Riverton long-term maintenance contract;
- Steve Williams – customer growth and expansions, billing adjustments;
- Jeff Lee – pensions/OPEB; and
- Mark Quan – weather normalization.

The Signatories, with the concurrence of MECG, also request that the Commission admit into evidence all testimony, including exhibits and other attachments thereto, filed herein by each of the Empire witnesses listed in this paragraph.

31. **OPC Witnesses and Testimony:** The Signatories, with the concurrence of MECG, request that all OPC witnesses be excused from appearing at the evidentiary hearing herein and request that the Commission admit into evidence all testimony, including exhibits and other attachments thereto, filed herein by OPC's witnesses.

32. **DE Witnesses and Testimony:** The Signatories, with the concurrence of MECG, request that all DE witnesses be excused from appearing at the evidentiary hearing herein and request that the Commission admit into evidence all testimony, including exhibits and other attachments thereto, filed herein by DE's witnesses.

WHEREFORE Empire, Staff, OPC, Joplin, DE, and MEUA respectfully submit this Revised Stipulation and Agreement and List of Issues.

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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 8<sup>th</sup> day of April, 2015, to all counsel of record.

/s/ Diana C. Carter