

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. ER-2010-0130 Tariff Filing No. YE-2011-0092
The Empire District Electric Company

FROM: Mike Scheperle, Manager, Economic Analysis
Mack McDuffey, Rate & Tariff Examiner II

/s/ Dan Beck Aug 31, 2010
Co-Case Coordinator / Date

/s/ Sarah Kliethermes August 31, 2010
Staff Counsel Division / Date

SUBJECT: Staff Recommendation For **Approval Of Tariff Sheets** Filed To Comply With The Commission's May 19, 2010 Order Approving Unanimous Stipulation and Agreement Effective May 29, 2010 and August 18, 2010 Order Approving Stipulation and Agreement And Cancelling Hearing Effective August 28, 2010.

DATE: August 31, 2010

Staff has reviewed the filed tariff sheets, and is of the opinion that, based on an authorized increase in revenues of \$36,800,000 with Plum Point operational plus \$10,000,000 the level of amortizations specified in the Non-Unanimous Stipulation and Agreement approved by the Commission on May 19, 2010, The Empire District Electric Company (Empire) is in compliance with the Commission's Orders. Staff has reviewed the filed fuel adjustment clause tariff sheets, and is of the opinion that they comply with the Commission's Orders.

OVERVIEW

On August 30, 2010 Empire filed with the Commission twenty-seven (27) tariff sheets with an issue date of August 30, 2010, and a proposed effective date of September 29, 2010.

On August 25, 2010 prior to Empire filing its compliance tariff sheets, the Commission issued an Order Directing Filing that ordered the Staff to file its recommendation no later than August 31, 2010. On August 30, 2010 at 2:00 pm, Empire filed their compliance filing leaving Staff with one day to review and provide a recommendation pursuant to the Commission's August 31, 2010 ordered deadline; however, Staff dedicated the necessary resources to adequately review the tariff sheets before submitting this recommendation.

On August 23, 2010 Empire also filed a Motion For Expedited Treatment And Approval Of Tariff Sheets To Be Filed In Compliance With Commission Order And Pursuant To Agreement (Motion) asking the Commission to grant the Company's motion for expedited consideration and approval of the compliance tariff sheets to be filed by Empire with the Commission on August 30, 2010, and to authorize those tariff sheets to become effective for service rendered on and after September 10, 2010, by issuing its order approving the same effective September 10, 2010.

On August 19, 2010 Commission issued Notice of Correction for the August 18, 2010 Order Approving Stipulation and Agreement And Cancelling Hearing order:

... the Commission notes in the last sentence of the first paragraph that “[t]he parties agreed that if Plum Point is operational by August 15, then the increase in Empire’s revenue would be \$36,800,000.” This sentence is incomplete. Rather, under the Agreement, Empire’s revenue would be \$36,800,000 *plus the level of amortizations specified in the agreement*. This serves as notice that the italicized language should be added.

On August 18, 2010 Commission issued Order Approving Stipulation and Agreement And Cancelling Hearing effective August 28, 2010 (in part).

- The Stipulation and Agreement, signed by The Empire District Electric Company, the Staff of the Missouri Public Service Commission and the Office of the Public Counsel and filed on August 16, 2010, is approved.
- The parties shall abide by the terms of the Unanimous Stipulation and Agreement.
- The Empire District Electric Company shall file tariff sheets containing the rate schedules in conformance with Appendix A to the May 12, 2010 Stipulation and Agreement.
- The hearing scheduled for August 20, 2010 is cancelled.

On August 16, 2010, Empire, the Staff of the Commission, and the Office of the Public Counsel, (collectively, the “Signatory Parties”) filed Stipulation And Joint Requests Regarding Plum Point and request that the Commission (in part):

- (1) determine and find that Plum Point is Fully Operational and Used for Service as of August 13, 2010,
- (2) order Empire to file revised tariff sheets containing rate schedules in conformance with Appendix A to the May 12, 2010 *Non-Unanimous Stipulation and Agreement*, and
- (3) cancel the August 20, 2010, hearing, unless it requires a Stipulation presentation.

On May 19, 2010 Commission issued Order Approving Unanimous Stipulation and Agreement effective May 29, 2010 (in part):

1. The Stipulation and Agreement, filed by The Empire District Electric Company, the Staff of the Missouri Public Service Commission, the Missouri Department of Natural Resources and the City of Joplin is approved.
2. The parties shall abide by the terms of the Unanimous Stipulation and Agreement.
3. The Empire District Electric Company shall file tariff sheets that reflect the specific terms of the Stipulation and Agreement.

On May 12, 2010 Signatory Parties filed Non-Unanimous Stipulation And Agreement as listed:

1. Issue Not Settled with this Stipulation - date the Plum Point generating unit (“Plum Point”) is “fully operational and used for service.
2. Present Rate Revenue - revenue is \$351,484,958.00 but including amortizations of \$4,463,535 (“regulatory plan amortizations”) pursuant to the *Empire Experimental Regulatory Plan Stipulation* entered into in Case No. EO-2005-0263.
3. Tariffs
 - A. Later determined by the Commission that the Plum Point generating unit is, on or before August 15, 2010, “fully operational and used for service”, then the Commission order Empire to file revised tariff sheets to produce an increase in the Company’s Missouri jurisdictional gross annual electric revenues in the amount of \$36,800,000 (plus) the level of regulatory plan amortizations. Revised specimen tariff sheets as **Appendix A**.
 - B. In the event the Plum Point expenditures are not included in the revenue requirement as a result of Plum Point being determined (or agreed) not to be “fully operational and used for service,” on or before August 15, 2010, then the Commission order Empire to file revised tariff sheets to produce an increase in the Company’s Missouri jurisdictional gross annual electric revenues in the amount of \$23,100,000 (plus) the level of regulatory plan amortizations. Revised specimen tariff sheets as **Appendix B**.
 - C. In either event, the regulatory plan amortization increase (in addition to Empire’s current regulatory plan amortization in the amount of \$4,463,535 million) shall be capped at a maximum of \$10,000,000 and said cap is reflected in the revised specimen tariff sheets contained in Appendix A and Appendix B.
4. Meter Treater Program and Rate Case Rider - The revised tariffs to be filed by Empire pursuant to this Stipulation shall reflect the removal of the Meter Treater Program and the withdrawal by Empire of its proposed rate case rider.
5. Pensions/OPEB - For the twelve months ended December 31, 2009, the annual level of ongoing pension and OPEBs expense to be recovered in rates is \$5,093,719 and \$552,484 respectively.
6. Demand Side Management - There shall be no changes in Empire’s demand side management (“DSM”) programs in conformity with the *Empire Experimental Regulatory Plan Stipulation*.
7. Fuel Adjustment Clause (FAC) - The Parties request that the Commission order Empire to file FAC tariff sheets in conformity with the specimen tariff sheets attached hereto as **Appendix D**.
 - a. Two-tariff approach to implement changes to its FAC
 - b. Renewable Energy Credits (REC) shall be included in the FAC

- c. Air Quality Control System (AQCS) Consumables shall be included in the FAC
 - d. Seven FAC reporting requirements listed
 - e. REC revenues, emission allowance revenues, and AQCS consumables will be reflected in base rates and the FAC base calculation.
 - f. The impact of off-system sales revenues and costs not included in base rates will flow through the FAC.
 - g. The base calculation for the FAC is attached as an appendix.
8. Rate Design - The rate increase shall be spread evenly both by class and component.
9. Vegetation/Infrastructure
- a. The vegetation tracker established in Empire's last electric rate case, Case No. ER-2008-0093, and trued-up through December of 2009 in the Staff Accounting Schedules in this case, will continue.
 - b. Empire's current infrastructure tracker will terminate on the effective date of the revised tariff sheets approved in this case.

RECOMMENDATIONS

Staff has reviewed the filed tariff sheets, and is of the opinion, that, Empire is in compliance with the Commission's Orders. Staff therefore recommends that the Commission approve the following proposed tariff sheets, as filed on August 30, 2010, to become effective on September 10, 2010 as requested in Empire's Motion, with less than 30 days' notice for good cause shown pursuant to Section 393.140(11) RSMo 2000:

P.S.C. Mo. No. 5

Section A

25th Revised Sheet No. 1 Canceling 24th Revised Sheet No. 1

Section 1

15th Revised Sheet No. 1 Canceling 14th Revised Sheet No. 1

Section 2

14th Revised Sheet No. 1 Canceling 13th Revised Sheet No. 1

14th Revised Sheet No. 2 Canceling 13th Revised Sheet No. 2

14th Revised Sheet No. 3 Canceling 13th Revised Sheet No. 3

15th Revised Sheet No. 4 Canceling 14th Revised Sheet No. 4

14th Revised Sheet No. 6 Canceling 13th Revised Sheet No. 6

14th Revised Sheet No. 7 Canceling 13th Revised Sheet No. 7

10th Revised Sheet No. 9 Canceling 9th Revised Sheet No. 9

9th Revised Sheet No.13 Canceling 8th Revised Sheet No.13

Section 3

15th Revised Sheet No. 1 Canceling 14th Revised Sheet No. 1

19th Revised Sheet No. 2 Canceling 18th Revised Sheet No. 2

14th Revised Sheet No. 3 Canceling 13th Revised Sheet No. 3

14th Revised Sheet No. 4 Canceling 13th Revised Sheet No. 4

3rd Revised Sheet No. 6 Canceling 2nd Revised Sheet No. 6

2nd Revised Sheet No. 7	Canceling 1 st	Revised Sheet No. 7
2nd Revised Sheet No. 8	Canceling 1 st	Revised Sheet No. 8
2nd Revised Sheet No. 9	Canceling 1 st	Revised Sheet No. 9

Section 4

7th Revised Sheet No. 7	Canceling 6th	Revised Sheet No. 7
7th Revised Sheet No. 17	Canceling 6th	Revised Sheet No. 17
1st Revised Sheet No. 17a	Canceling	Original Sheet No. 17a
1st Revised Sheet No. 17b	Canceling	Original Sheet No. 17b
4th Revised Sheet No. 17c	Canceling 3rd	Revised Sheet No. 17c
Original Sheet No. 17 d		
Original Sheet No. 17 e		
Original Sheet No. 17 f		
Original Sheet No. 17 g		

Staff has verified that Empire has filed its 2009 annual report and is not delinquent on any assessment. Any modification of the Report and Order in this case pursuant to the granting of rehearing may negate this recommendation. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

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

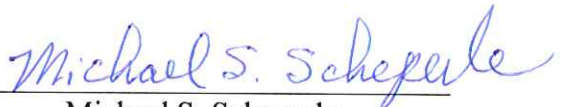
In the Matter of The Empire District)
Electric Company for Authority to File)
Tariffs Increasing Rates for Electric)
Service Provided to Customers in the)
Missouri Service Area of the Company)

Case No. ER-2010-0130
File No. YE-2011-0092

AFFIDAVIT OF MICHAEL S. SCHEPERLE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michael S. Scheperle, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was given by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.



Michael S. Scheperle

Subscribed and sworn to before me this 31st day of August 2010.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086



Notary Public