

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

In the Matter of The Empire District Electric Company)
For Authority to Implement Rate Adjustments Related) **File No. ER-2017-0092**
To the Company's Fuel and Purchased Power) Tracking No. JE-2017-0046
Adjustment (FAC) Required in 4 CSR 240-20.090(4))

STAFF RECOMMENDATION TO APPROVE TARIFF SHEET

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

1. On September 30, 2016, The Empire District Electric Company ("Empire") filed one tariff sheet, as substituted October 25, 2016, bearing a proposed effective date of December 1, 2016, to revise the Current Period Fuel Adjustment Rates ("FARs") for the 16th Accumulation Period ("AP16") of its Fuel Adjustment Clause ("FAC"). The Commission assigned it Tariff Tracking No. JE-2017-0046. Empire filed its 1st Revised Sheet No. 17ac Canceling Original Sheet No. 17ac, as substituted October 25, 2016, which complies with the Commission's *Report and Order* in File No. ER-2016-0023, 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.

2. Concurrently on September 30, 2016, Empire submitted a FAC true-up filing in File No. EO-2017-0094 to identify the true-up amount of (\$516,561)¹ for the 14th Recovery Period of its FAC. This amount is included in calculation of the FARs for AP16.

¹ An amount that is "bracketed" in parentheses indicates an over-recovery by the utility.

3. On October 25, 2016, Empire filed a substitute tariff sheet to reflect minor corrections to the total energy cost, interest, fuel and purchased power adjustment, current period FAR primary and secondary voltage level, and VAF primary and secondary expansion factors. This filing brings the tariff sheet and work papers into agreement. The substitute tariff sheet also bears an effective date of December 1, 2016.

4. 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 adjustments to its FAC rates are in accordance with 4 CSR 240-20.090, §386.266 RSMo, and the “FAC mechanism established in the most recent general rate proceeding.” 4 CSR 240-20.090(4).

5. If the proposed rate adjustments are in accordance with the rule, statute and FAC mechanism referenced above, Commission Rule 4 CSR 240-20.090(4) also 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.

6. In the accompanying Summary and Staff Recommendation Memorandum, Staff recommends that the Commission issue an order approving Empire’s Tariff Sheet, P.S.C. MO. No. 5, Section 4, 1st Revised Sheet No. 17ac Canceling Original Sheet No. 17ac, as substituted October 25, 2016, to become effective December 1, 2016, as requested by Empire, subject to true-up and prudence reviews.

7. For AP16, the Fuel and Purchased Power Adjustment amount is (\$9,456,558) which divided by the forecasted net system input for Recovery Period 16 of 2,205,063,123 kWh results in a current period FAR of (\$0.00429). Because of a difference in line losses, there are different FARs for service taken at secondary voltage level and at primary and above voltages levels; the resulting rates are in the column marked "Proposed" in the following table:

Fuel Adjustment Rates (\$ Per kWh)			
Voltage Level Adjustment	Present	Proposed	Difference
Primary	(\$0.00204)	(\$0.00449)	\$0.00245 Decrease
Secondary	(\$0.00207)	(\$0.00457)	\$0.00250 Decrease

8. Based on a monthly usage of 1,000 kWh, the proposed change to the FAR for secondary service will decrease the Fuel Adjustment Charge of an Empire residential customer's bill from (\$2.07) to (\$4.57), a decrease of \$2.50 per month.

9. Except for Empire's RP14 true-up filing in File No. EO-2017-0094, also filed on September 30, 2016, Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing

10. The Staff's review shows Empire's filing is in compliance with the Commission's *Report and Order* in File No. ER-2016-0023, 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.

11. The Staff has verified that Empire is not delinquent on any assessment and Empire has filed its 2015 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).

WHEREFORE, Staff recommends that the Commission issue an interim rate adjustment order approving Empire's Tariff Sheet, P.S.C. MO. No. 5, Section 4, 1st Revised Sheet No. 17ac Canceling Original Sheet No. 17ac, as substituted October 25, 2016, to become effective December 1, 2016, as requested by Empire, subject to true-up and prudence reviews.

Respectfully submitted,

/s/ Nicole Mers

Nicole Mers
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 31st day of October, 2016.

/s/ Nicole Mers

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2017-0092, Tariff Tracking No. JE-2017-0046
The Empire District Electric Company

FROM: Ashley Sarver, Utility Regulatory Auditor IV
David C. Roos, Regulatory Economist III

DATE: /s/ John A. Rogers 10/31/2016 /s/ Nicole Mers 10/31/2016
Energy Resources Department / Date Staff Counsel Department / 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 File No. ER-2016-0023.

DATE: October 31, 2016

Summary and Staff Recommendation

On September 30, 2016, The Empire District Electric Company ("Empire" or "Company") filed one (1) tariff sheet, 1st Revised Sheet No. 17ac Canceling Original Sheet No. 17ac, as substituted October 25, 2016, bearing a proposed effective date of December 1, 2016, to revise its Current Period Fuel Adjustment Rates¹ ("FARs") of its Fuel Adjustment Clause ("FAC") used to determine the Fuel Adjustment Charge² on customers' bills. Empire also filed direct testimony of its witness Bryan S. Owens on September 30, 2016, and submitted to Missouri Public Service Commission Staff ("Staff") work papers in support of the testimony and filed tariff sheet. The Commission assigned the tariff sheet to Tariff Tracking No. JE-2017-0046.

On October 25, 2016, at the request of Staff, Empire filed a substitute tariff sheet to reflect minor corrections to the total energy cost, interest, fuel and purchased power adjustment, current period FAR primary and secondary voltage level, and VAF primary and secondary expansion factors. The tariff sheet and work papers are now in agreement.

Based on its examination and analysis of the information Empire filed and submitted in this case, Staff recommends the Commission issue an order approving the substituted tariff sheet filed on October 25, 2016, to become effective on December 1, 2016.

¹ The Current Period FARs for service at primary voltage and above and for service at secondary voltage are located on lines 14 and 15, respectively, of proposed 1st Revised Sheet No. 17ac.

² The actual line item on the customer's bill is: Fuel Adjust Charge.

Empire's AP16 FARs

The testimony and work papers include information that supports Empire's calculation of the dollar amount³ used to calculate the FARs for Accumulation Period 16 ("AP16"). That dollar amount is (\$9,456,558)⁴ resulting from:

1. The amount equal to 95% of the difference between: a) Empire's Missouri jurisdiction actual fuel and purchased power costs plus net emissions allowance costs less off-system sales revenue and renewable energy credits ("REC") revenue and b) Empire's Missouri jurisdiction net base energy cost during AP16 which is equal to (\$8,902,825), found on Line 7 of 1st Revised Sheet No. 17ac, as substituted October 25, 2016, plus;
2. The true-up amount of (\$516,561)⁵ which is the over-recovery amount as a result of the FARs for Recovery Period 14 ("RP14"), found on Line 8 of 1st Revised Sheet No. 17ac plus;
3. The interest for AP16, a portion of RP14⁶, and a portion of RP15⁷ which is equal to (\$37,172), found on Line 10 of 1st Revised Sheet No. 17ac, as substituted October 25, 2016.

The Current Period FAR of (\$0.00429) per kWh (Line 13 of 1st Revised Sheet No. 17ac) is equal to the FPA Amount of (\$9,456,558) divided by the forecasted Missouri net system input ("NSI") for RP16 of 2,205,063,123 kWh, found on Line 12 of 1st Revised Sheet No. 17ac, as substituted October 25, 2016.

Because of a difference in line losses, there are different FARs for service taken at secondary voltage level and at primary and above voltage levels. When accounting for line losses for the different voltage levels, the proposed FARs are (\$0.00449) per kWh for customers receiving service at primary voltage level and above, and (\$0.00457) per kWh for customers receiving service at secondary voltage level. Empire's present FARs are (\$0.00204) per kWh for customers receiving service at primary voltage level and above and (\$0.00207) per kWh for customers receiving service at secondary voltage level.

³ The dollar amount used to calculate the Current Period FAR is called the Fuel and Purchased Power Adjustment ("FPA") which is located on line 11 of proposed 1st Revised Sheet No. 17ac.

⁴ An amount in parentheses indicates an over-recovery by the utility.

⁵ Empire's RP14 true-up filing is contained in File No. EO-2017-0094.

⁶ Recovery Period 14 is December 2015 through May 2016.

⁷ Recovery Period 15 is June 2016 through November 2016.

Fuel Adjustment Rates (\$ Per kWh)			
Voltage Level Adjustment	Present	Proposed	Difference
Primary	(\$0.00204)	(\$0.00449)	\$0.00245 Decrease
Secondary	(\$0.00207)	(\$0.00457)	\$0.00250 Decrease

Based on a monthly usage of 1,000 kWh, the proposed change to the FAR will decrease the Fuel Adjustment Charge of an Empire residential customer's bill from (\$2.07) to (\$4.57), a decrease in the customer's bill of \$2.50 per month. 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. 17u through 17ac.

On page 7, line 12 through page 8, line 1 of his filed testimony Company witness Bryan S. Owens describes the reasons for the decreases in the FAR's:

Q. Please briefly describe the reasons for the decrease in the average energy cost during the accumulation period?

A. As previously noted, the average total energy cost for the period was about 15.93 percent lower than the base. Contributing to this result was the completion of the Riverton Unit 12 conversion from simple cycle to a combined cycle unit. The unit became available for commercial use in the Southwest Power Pool's Integrated Marketplace ("SPP IM") on May 1, 2016. The unit has had strong availability and a favorable position in the SPP IM during the Accumulation Period of March 2016 through August 2016. Additionally, fuel and market prices (primarily lower natural gas prices) during the Accumulation Period, were lower than what was utilized to develop the current FAC base factor and amplify the favorable position of Riverton Unit 12 Combined Cycle in the SPP IM thus far.

Staff Review

Staff reviewed Empire's proposed 1st Revised Sheet No. 17ac Canceling Original Sheet No. 17ac, as substituted October 25, 2016, the direct testimony of Empire witness Bryan S. Owens filed on September 30, 2016, in addition to Empire's monthly filings and work papers for AP16. Staff verified that the actual fuel and purchased power costs plus net emissions allowance costs less off-system sales revenues and REC revenues, match the fuel and purchased power costs plus net emissions allowance costs less off-system sales revenues and REC revenues in Empire's proposed 1st Revised Sheet No. 17ac Canceling Original Sheet No. 17ac, as substituted

October 25, 2016. Staff also reviewed Empire's monthly interest rates that are applied to the monthly over- and under-recovery amounts for AP16, a portion of RP15, and a portion of RP14 and the calculation of the monthly interest amounts. The information filed with the tariff sheet and work papers, as substituted by Empire, include sufficient data to calculate the FARs for AP16.

Attachment A includes three charts which provide a summary of Empire's sixteen (16) FAC rate adjustment filings. Chart 1 illustrates a) Empire's FARs for primary and secondary voltage service levels for each of the sixteen (16) accumulation periods, b) that there have been eight (8) positive FARs and eight (8) negative FARs, and c) that the FARs for AP16 represent the largest negative FARs. Chart 2 illustrates Empire's FAC cumulative over-recovered amount at the end of each of the sixteen accumulation periods with the cumulative over-recovered amount through AP16 of approximately \$1.3 million. Chart 3 illustrates Empire's FAC cumulative over-recovered percentage at the end of each of the sixteen (16) accumulation periods with the cumulative over-recovered percentage through AP16 of approximately 0.1 percent.

Staff Recommendation

Empire filed the 1st Revised Sheet No. 17ac Canceling Original Sheet No. 17ac, as substituted October 25, 2016, which complies with the Commission's *Report and Order* in File No. ER-2016-0023, 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 the 1st Revised Sheet No. 17ac Canceling Original Sheet No. 17ac, initially filed on September 30, 2016, and revised through the substitute tariff sheet filed on October 25, 2016, become effective on December 1, 2016. Thus, the tariff sheet was filed with sixty (60) days' notice. Based on its examination and analysis of the information Empire filed

and submitted in this case, the Staff recommends the Commission issue an order approving the following proposed tariff sheet, as substituted on October 25, 2016, to become effective on December 1, 2016, as requested by Empire, subject to both true-up and prudence reviews:

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

1st Revised Sheet No. 17ac Canceling Original Sheet No. 17ac, as substituted
October 25, 2016

The Staff has verified that Empire is not delinquent on any assessment and Empire has filed its 2015 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). Except for Empire's RP14 true-up filing in File No. EO-2017-0094, also filed on September 30, 2016, Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing. Staff's recommendation for approval of the Current Period FARs in this case is solely based on the accuracy of Empire's calculations, and is not indicative of the prudence of the fuel costs during a portion of RP14, a portion of RP15, and AP16.

Chart 1: Empire Fuel Adjustment Rates

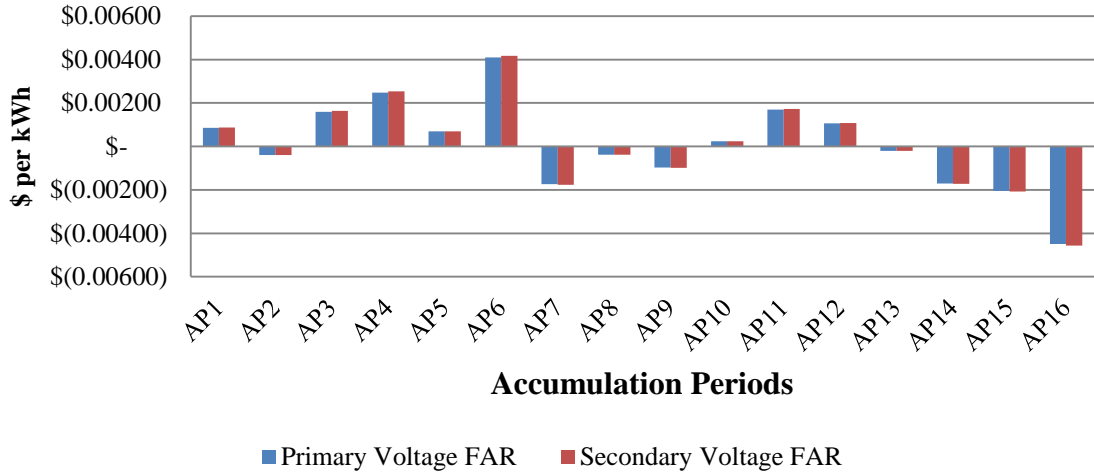


Chart 2: Empire FAC Cumulative Collection Amounts

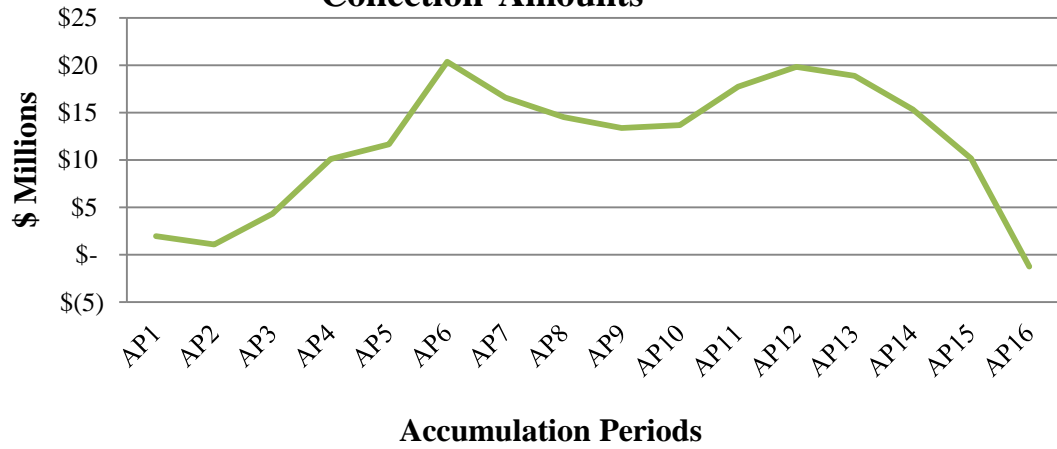
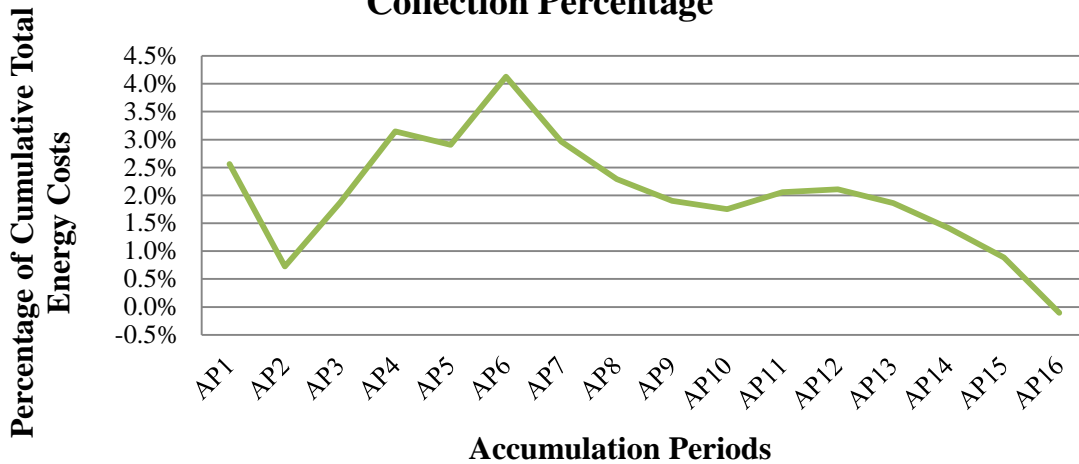


Chart 3: Empire FAC Cumulative Collection Percentage



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

In the Matter of The Empire District Electric Company for)
Authority to Implement Rate Adjustments Related to the) **File No. ER-2017-0092**
Company's Fuel and Purchased Power Adjustment Clause)
(FAC) Required in 4 CSR 240-20.090(4))

AFFIDAVIT OF ASHLEY SARVER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, Ashley Sarver and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached Staff Recommendation in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Ashley Sarver
Ashley Sarver

Subscribed and sworn to be this 28th day of October, 2016.

JESSICA LUEBBERT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: February 19, 2019
Commission Number: 16633434

Jessica Luebbert
Notary Public