

**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-2017-0254**
To the Company's Fuel and Purchased Power) Tracking No. JE-2017-0191
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 March 31, 2017, The Empire District Electric Company ("Empire") filed one proposed tariff sheet bearing a proposed effective date of June 1, 2017, to revise its Current Period Fuel Adjustment Rates ("FARs") for the 17th Accumulation Period ("AP17") of its Fuel Adjustment Clause ("FAC"). The Commission assigned it Tariff Tracking No. JE-2017-0191. Empire filed its 2nd Revised Sheet No. 17ac Canceling First Revised Sheet No. 17ac 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 March 31, 2017, Empire submitted a FAC true-up filing in File No. EO-2017-0255 to identify the true-up amount of \$5,816¹ for the 15th Recovery Period ("RP15") of its FAC. This amount and interest for RP 15 are included in calculation of the FARs for AP17.

3. 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

¹ An amount that is not "bracketed" in parentheses indicates an under-recovery by the utility.

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).

4. 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.

5. In the attached Staff Memorandum, Staff recommends that the Commission issue an order approving Empire’s Tariff Sheet, P.S.C. MO. No. 5, Section 4, 2nd Revised Sheet No. 17ac Canceling 1st Revised Sheet No. 17ac to become effective June 1, 2017, as requested by Empire, subject to true-up and prudence reviews.

6. For AP17, the Fuel and Purchased Power Adjustment amount is \$3,530,433 which divided by the forecasted net system input for Recovery Period 17 of 2,233,927,053 kWh results in a current period FAR of \$0.00158 per kWh. 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	(\$0.00449)	\$0.00165	\$0.00614 Increase
Secondary	(\$0.00457)	\$0.00168	\$0.00625 Increase

7. Based on a monthly usage of 1,000 kWh, the proposed change to the FAR for secondary service will increase the Fuel Adjustment Charge of an Empire residential customer's bill from (\$4.57) to \$1.68, an increase of \$6.25 per month.

8. As a matter of further explanation for this increase, Staff notes that AP17 used the revised base factor of \$0.02415 per kWh set in the last general rate case ER-2017-0023 for all but 13 days of AP17. For the first 13 days of AP17 Empire used the previous base factor of \$0.02684 per kWh set in Case No. ER-2014-0351 to calculate the Net Base Energy Cost. From September 14, 2016 through February 28, 2017, the revised base factor of \$0.02415 per kWh was used to calculate the Net Base Energy Cost. The current base factor of \$0.02415 per kWh is a 10.02% *reduction* from the previous base factor of \$0.02684 per kWh set in previous rate case ER-2014-0351. The actual Total Energy Cost per kWh for AP17 is \$0.02612 per kWh which lies between the current base factor of \$0.02415 and the previous base factor of \$0.02684. Components of the FAC base factor also slightly changed from rate Case No. ER-2014-0351 to rate Case No. ER-2017-0023 as further explained in Staff's Memorandum.

9. Except for Empire's RP15 true-up filing in File No. EO-2017-0255, also filed on March 31, 2017, 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 Case 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 received an extension of time to file its 2016 annual report to May 15, 2017. 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, for the above-stated reasons, Staff recommends that the Commission issue an interim rate adjustment order approving Empire's Tariff Sheet, P.S.C. MO. No. 5, Section 4, 2nd Revised Sheet No. 17ac Canceling 1st Revised Sheet No. 17ac, to become effective June 1, 2017, as requested by Empire, subject to true-up and prudence reviews.

Respectfully submitted,

/s/ Robert S. Berlin

Robert S. Berlin

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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 1st day of May, 2017.

/s/ Robert S. Berlin

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2017-0254, Tariff Tracking No. JE-2017-0191
The Empire District Electric Company

FROM: David C. Roos, Regulatory Economist III
Ron Irving, Utility Regulatory Auditor I
Curtis Gateley, Utility Policy Analyst II

DATE: /s/ John A. Rogers 5/1/2017 /s/ Bob Berlin 5/1/2017
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: May 1, 2017

Summary and Staff Recommendation

On March 31, 2017, The Empire District Electric Company ("Empire" or "Company") filed one (1) proposed tariff sheet, 2nd Revised Sheet No. 17ac Canceling 1st Revised Sheet No. 17ac bearing a proposed effective date of June 1, 2017, 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 Bethany Q. King on March 31, 2017, and submitted to Missouri Public Service Commission ("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-2017-0191. Staff recommends that the Commission approve the proposed tariff sheet.

Empire's AP17 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 17 ("AP17"). That dollar amount is \$3,521,108 resulting from:

1. The amount of \$3,530,433, found on Line 7 of 2nd Revised Sheet No. 17ac , which is equal to 95% of the difference between: a) Empire's Missouri jurisdiction actual

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 2nd Revised Sheet No. 17ac.

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

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 2nd Revised Sheet No. 17ac.

fuel costs plus 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 AP17 plus;

2. The true-up amount of \$5,816⁴ which is the under collected amount as a result of the FARs for Recovery Period 15 (“RP15”), found on Line 8 of 2nd Revised Sheet No. 17ac plus;
3. The interest for AP17, a portion of RP15⁵, and a portion of RP16⁶ which is equal to (\$15,140), found on Line 10 of 2nd Revised Sheet No. 17ac.

The Current Period FAR of \$0.00158 per kWh (Line 13 of 2nd Revised Sheet No. 17ac) is equal to the FPA Amount of \$3,521,108 divided by the forecasted Missouri net system input (“NSI”) for RP17 of 2,233,927,053 kWh, found on Line 12 of 2nd Revised Sheet No. 17ac.

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 \$0.00165 per kWh for customers receiving service at primary voltage level and above, and \$0.00168 per kWh for customers receiving service at secondary voltage level. Empire’s present 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.

Fuel Adjustment Rates (\$ Per kWh)			
Voltage Level Adjustment	Present	Proposed	Difference
Primary	(\$0.00449)	\$0.00165	\$0.00614 Increase
Secondary	(\$0.00457)	\$0.00168	\$0.00625 Increase

Based on a monthly usage of 1,000 kWh, the proposed change to the FAR will increase the Fuel Adjustment Charge of an Empire residential customer’s bill from (\$4.57) to \$1.68, an increase in the customer’s bill of \$6.25 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.

⁴ Empire’s RP15 true-up filing is contained in File No. EO-2017-0255.

⁵ Recovery Period 15 is June 2016 through November 2016.

⁶ Recovery Period 16 is December 2016 through May 2017.

On page 6, line 22 through page 7, line 15 of her filed testimony Company witness Bethany Q. King describes the reasons for the increases in the FAR's:

Q. How have Empire's average energy cost changed over the cost included in base rates during the accumulation period?

A. Empire's average energy costs per kWh have increased above the level built into its base electric rates, which is why the FAC rate schedules filed by the Company seek an increase in the rates charged to the Missouri customers. More specifically, Empire's Missouri base rates included an average cost of energy per kWh of net system production of \$0.02434 during the Accumulation Period of September 2016 through February 2017. Empire actually incurred average energy costs of \$0.02612 per kWh during the Accumulation Period. This represents an overall increase in average energy costs of \$0.00177 per kWh during the Accumulation Period, or about 7.29 percent higher than the average cost built into base rates. Pursuant to Empire's FAC tariff, Empire is requesting to recover from its Missouri customers the net of 95 percent of this cost increase plus approximately \$5,816 of under recovered energy cost and \$15,140 of interest income from the Recovery Period ending November 30, 2016, or an average of \$0.00158 per kWh sold during the upcoming Recovery Period.

Staff notes that AP17 used the revised base factor of \$0.02415 per kWh set in general rate case Case No. ER-2017-0023 for all but 13 days of AP17. The first 13 days of AP17, Empire used the previous base factor of \$0.02684 per kWh set in Case No. ER-2014-0351 to calculate the Net Base Energy Cost ("B").⁷ From October 2016 through February 2017, the revised base factor of \$0.02415 per kWh was used to calculate B. The revised base factor of \$0.02415 per kWh is a 10.02% reduction from the previous base factor of \$0.02684 per kWh. The actual Total Energy Cost ("TEC")⁸ per kWh for AP17 is \$0.02612 per kWh which lies between the revised base factor of \$0.02415 per kWh and the previous base factor of \$0.02684 per kWh. Components of the FAC base factor also changed slightly from Case No. ER-2014-0351 to Case No. ER-2017-0023.⁹

Staff Review

Staff reviewed Empire's proposed 2nd Revised Sheet No. 17ac Canceling 1st Revised Sheet No. 17ac, the direct testimony of Empire witness Bethant Q. King filed on March 31, 2017, in addition to Empire's monthly filings and work papers for AP17. Staff verified that the actual

⁷ The Net Base Energy Cost is defined on line 2 of 2nd Revised Sheet No. 17ac as $B = BF \times S_{AP}$.

⁸ Total Energy Cost is defined on line 1 of 2nd Revised Sheet No. 17ac as $TEC = (FC + PP + E - OSSR - REC)$

⁹ Southwest Power Pool Auction Revenue Rights (ARRs) and Transmission Congestion Rights (TCRs) were removed from Empire's FAC in the ER-2017-0023 general rate case, as part of a global settlement agreement approved by Commission Order on August 10, 2016.

fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenues and REC revenues, match the fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenues and REC revenues in Empire's proposed 2nd Revised Sheet No. 17ac Canceling 1st Revised Sheet No. 17ac. Staff also reviewed Empire's monthly interest rates that are applied to the monthly over- and under-recovery amounts for AP17, a portion of RP16, and a portion of RP15 and the calculation of the monthly interest amounts. The information filed with the tariff sheet and work papers, include sufficient data to calculate the FARs for AP17.

Attachment A includes three charts which provide a summary of Empire's seventeen (17) FAC rate adjustment filings. Chart 1 illustrates a) Empire's FARs for primary and secondary voltage service levels for each of the seventeen (17) accumulation periods, and b) that there have been nine (9) positive FARs and eight (8) negative FARs. Chart 2 illustrates Empire's FAC cumulative under-collected amount¹⁰ at the end of each of the seventeen (17) accumulation periods with the cumulative under-collected amount through AP17 of approximately \$3,244,678. Chart 3 illustrates Empire's FAC cumulative under-collected percentage at the end of each of the seventeen (17) accumulation periods with the cumulative under-collected percentage through AP17 of approximately 0.3%.

Staff Recommendation

Empire filed the 2nd Revised Sheet No. 17ac Canceling 1st Sheet No. 17ac, 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

¹⁰ A positive under-collected amount means the Total Energy Cost (defined on line 1 of 2nd Revised Sheet No. 17ac as $TEC = (FC + PP + E - OSSR - REC)$) is greater than the Net Base Energy Cost (defined on line 2 of 2nd Revised Sheet No. 17ac as $B = BF \times S_{AP}$). Conversely, a negative under-collected amount means the Total Energy Cost is less than the Net Base Energy Cost. A negative under-collected amount is synonymous with a positive over-collected amount.

FAC rate adjustments shall take effect sixty (60) days after the tariff schedules were filed.

Empire has requested that the 2nd Revised Sheet No. 17ac Canceling Original Sheet No. 17ac, filed on March 31, 2017, become effective on June 1, 2017. 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, to become effective on June 1, 2017, as requested by Empire, subject to both true-up and prudence reviews:

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

2nd Revised Sheet No. 17ac Canceling 1st Revised Sheet No. 17ac

The Staff has verified that Empire is not delinquent on any assessment and Empire has filed its 2015 annual report. Empire received an extension of time to file their 2016 Missouri Public Service Commission's Annual Report. The 2016 Annual Report is now due May 15, 2017. 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 RP15 true-up filing in File No. EO-2017-0255, also filed on March 1, 2017 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 RP15, a portion of RP16, and AP17.

Attachment A

Chart 1: Empire Fuel Adjustment Rates

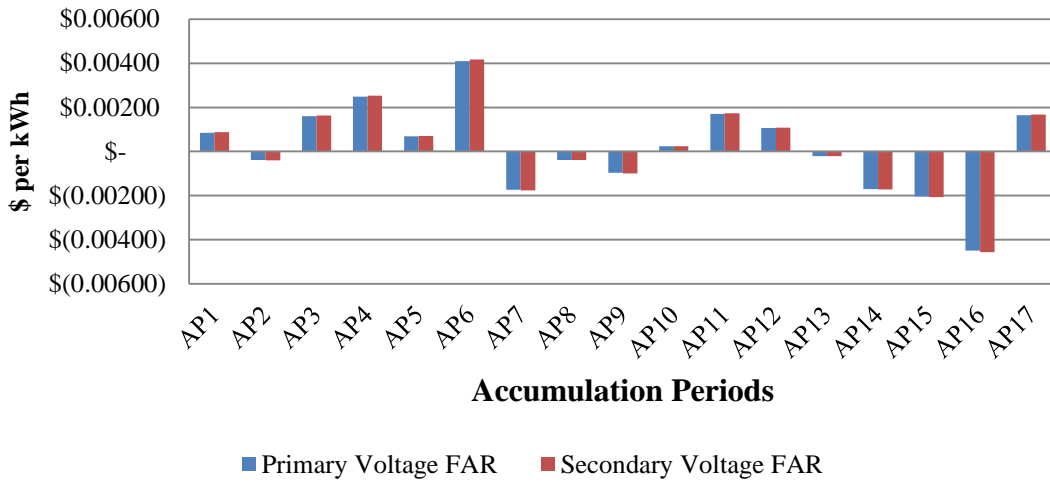


Chart 2: Empire FAC Cumulative Collection Amounts

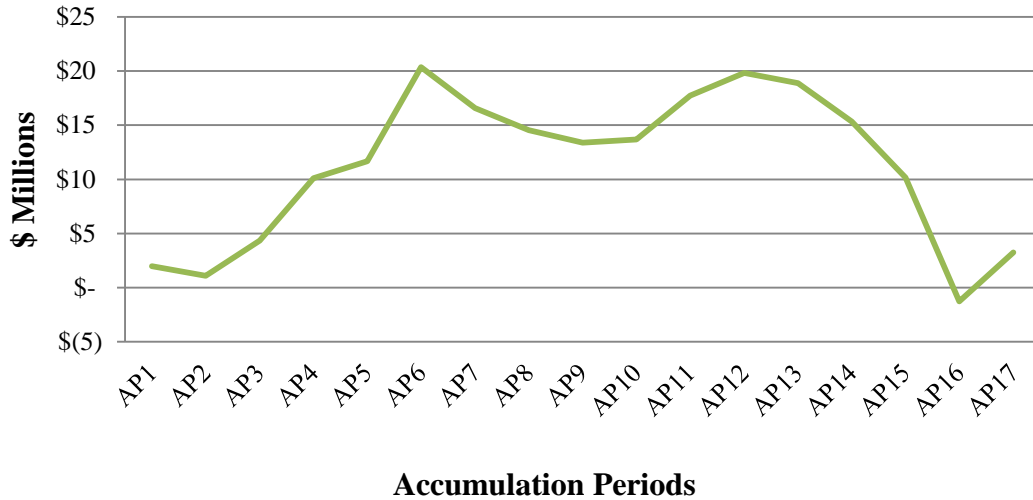


Chart 3: Empire FAC Cumulative Collection Percentage

