

**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-2016-0253**
To the Company's Fuel and Purchased Power) Tracking No. JE-2016-0253
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 April 1, 2016, The Empire District Electric Company ("Empire") filed one tariff sheet bearing a proposed effective date of June 1, 2016, to revise the Current Period Fuel Adjustment Rates ("FARs") for the 15th Accumulation Period ("AP15") of its Fuel Adjustment Clause ("FAC"). The Commission assigned it Tariff Tracking No. JE-2016-0253. Empire filed its 2nd Revised Sheet No. 17t Canceling 1st Revised Sheet No. 17t, which complies with the Commission's *Report and Order* in File No. ER-2014-0351, 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 April 1, 2016, Empire submitted a FAC true-up filing in File No. EO-2016-0254 to identify the true-up amount of (\$225,112)¹ for the 13th Recovery Period of its FAC. This amount is included in calculation of the FARs for AP15.

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

3. On April 19, 2016, Empire filed a substitute tariff sheet to reflect a non-material correction to the interest amount previously reported. The substitute tariff sheet also bears an effective date of June 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).

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 accompanying Staff Recommendation 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. 17t Canceling 1st Revised Sheet No. 17t, as filed on April 1, 2016 and revised through the substitute tariff filed on April 19, 2016, to become effective June 1, 2016, as requested by Empire, subject to true-up and prudence reviews.

6. For AP15, the Fuel and Purchased Power Adjustment amount is (\$4,286,774) which divided by the forecasted net system input for Recovery Period 15

of 2,196,228,827 results in a current period FAR of (\$0.00195). 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	Present	Proposed	Difference
Primary	(\$0.00170)	(\$0.00204)	\$0.00034 Decrease
Secondary	(\$0.00172)	(\$0.00207)	\$0.00035 Decrease

7. 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 (\$1.72) to (\$2.07), a decrease of \$0.35 per month.

8. Except for Empire’s proposed true-up amount in its FAC true-up filing in File No. ER-2016-0254, Staff is not aware of any other matter pending before the Commission that affects or is affected by this filing.

9. The Staff’s review shows Empire’s filing is in compliance with the Commission’s *Report and Order* in File No. ER-2014-0351, 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.

10. 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, 2nd Revised Sheet No. 17t Canceling 1st Revised Sheet No. 17t, as filed on April 1, 2016, and revised on April 19, 2016, to become effective June 1, 2016, subject to true-up and prudence reviews.

Respectfully submitted,

/s/ Mark Johnson

Mark Johnson
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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 2nd day of May, 2016.

/s/ Mark Johnson

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2016-0253, Tariff Tracking No. JE-2016-0253
The Empire District Electric Company

FROM: David Roos, Regulatory Economist III
Matthew J. Barnes, Utility Regulatory Auditor IV
Curtis Gateley, Utility Policy Analyst II

DATE: /s/John Rogers 5/02/2016 /s/Bob Berlin 5/02/2016
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-2014-0351.

DATE: May 2, 2016

Summary and Staff Recommendation

On April 1, 2016, The Empire District Electric Company ("Empire") filed one (1) tariff sheet, 2nd Revised Sheet No. 17t Canceling the 1st Revised Sheet No. 17t, as substituted April 19, 2016, bearing a proposed effective date of June 1, 2016, to revise its Current Period Fuel Adjustment Rates¹ ("FARs") of its Fuel Adjustment Clause ("FAC") used to determine the Fuel Adjustment Rate² charge on customers' bills. Empire also filed direct testimony of its witness Todd W. Tarter on April 1, 2016, and submitted to Staff work papers in support of the testimony and filed tariff sheet. The Commission assigned the tariff sheet to Tariff Tracking No. JE-2016-0253.

On April 19, 2016, Empire filed a substitute tariff sheet to reflect a correction to the interest amount previously reported. The resulting difference is a \$30 increase to the interest amount. 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 to become effective on June 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 2nd Revised Sheet No. 17t.

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

Empire’s AP15 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 15 (“AP15”). That dollar amount is (\$4,286,774)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 AP15 which is equal to (\$4,043,219), found on Line 7 of 2nd Revised Sheet No. 17t, as substituted April 19, 2016, plus;
2. The true-up amount of (\$225,112)⁵ which is the over-recovery amount as a result of the FARs for Recovery Period 13 (“RP13”), found on Line 8 of 2nd Revised Sheet No. 17t plus;
3. The interest for AP15, a portion of RP13⁶, and a portion of RP14⁷ which is equal to (\$18,443), found on Line 10 of 2nd Revised Sheet No. 17t, as substituted April 19, 2016.

The Current Period FAR of (\$0.00195) per kWh (Line 13 of 2nd Revised Sheet No. 17t) is equal to the FPA Amount of (\$4,286,774) divided by the forecasted Missouri net system input (“NSI”) for RP15 of 2,196,228,827 kWh (Line 12 of 2nd Revised Sheet No. 17t, as substituted April 19, 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 (\$0.00204) 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. Empire’s present FARs are (\$0.00170) per kWh for customers receiving service at primary voltage level and above and (\$0.00172) per kWh for customers receiving service at secondary voltage level.

Fuel Adjustment Rates (\$ Per kWh)			
Voltage Level Adjustment	Present	Proposed	Difference
Primary	(\$0.00170)	(\$0.00204)	\$0.00034 Decrease
Secondary	(\$0.00172)	(\$0.00207)	\$0.00035 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 (\$1.72) to (\$2.07), a

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. 17t.

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

⁵ Empire’s RP13 true-up filing is contained in File No. EO-2016-0254.

⁶ Recovery Period 13 is June 2015 through November 2015.

⁷ Recovery Period 14 is December 2015 through May 2016.

decrease in the customer's bill of \$0.35 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. 17l through 17s.

On page 6, line 18 through page 7, line 5, Company witness Todd W. Tarter 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 7.52 percent lower than the base. Contributing to this result was lower fuel and market prices (primarily lower natural gas prices) during the Accumulation Period of September 2015 through February 2016 than what was utilized to develop the current FAC base factor. Additionally, the period experienced a very mild winter. October 2015 through February 2016 were all below their 30-year normal heating degree day levels. This lack of cumulative weather effect dampened sales levels, contributing to the lower average total energy cost for the period.

Staff Review

Staff reviewed Empire's proposed 2nd Revised Sheet No. 17t Canceling the 1st Revised No. 17t, as substituted April 19, 2016, the direct testimony of Empire witness Todd W. Tarter filed on April 1, 2016, in addition to Empire's monthly filings and work papers for AP15. 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 2nd Revised Sheet No. 17t Canceling 1st Sheet No. 17t, as substituted April 19, 2016. Staff also reviewed Empire's monthly interest rates that are applied to the monthly over- and under-recovery amounts for AP15, a portion of RP14, and a portion of RP13 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 AP15.

Attachment A includes three charts which provide a summary of Empire's fifteen FAC rate adjustment filings. Chart 1 illustrates a) Empire's FARs for primary and secondary voltage service levels for each of the fifteen accumulation periods, b) that there have been eight (8) positive FARs and seven (7) negative FARs, and c) that the FARs for AP15 represent the largest negative FARs. Chart 2 illustrates Empire's FAC cumulative under-recovered amount at the end of each of the fifteen accumulation periods with the cumulative under-recovered amount through AP15 of approximately \$10.2 million. Chart 3 illustrates Empire's FAC cumulative under-recovered percentage at the end of each of the fifteen accumulation periods with the cumulative under-recovered percentage through AP15 of approximately 0.9 percent.

Staff Recommendation

Empire filed the 2nd Revised Sheet No. 17t Canceling the 1st Revised Sheet No. 17t, as substituted April 19, 2016, which complies with the Commission's *Report and Order* in File No. ER-2014-0351, 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.

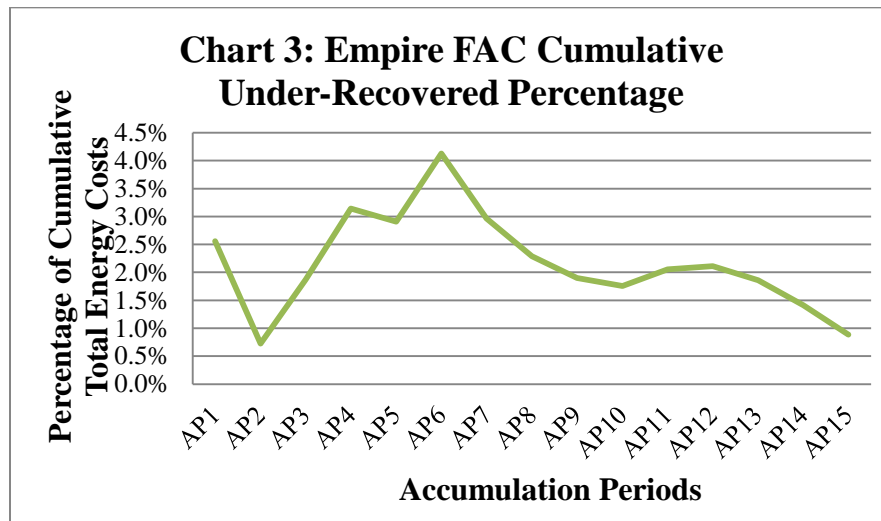
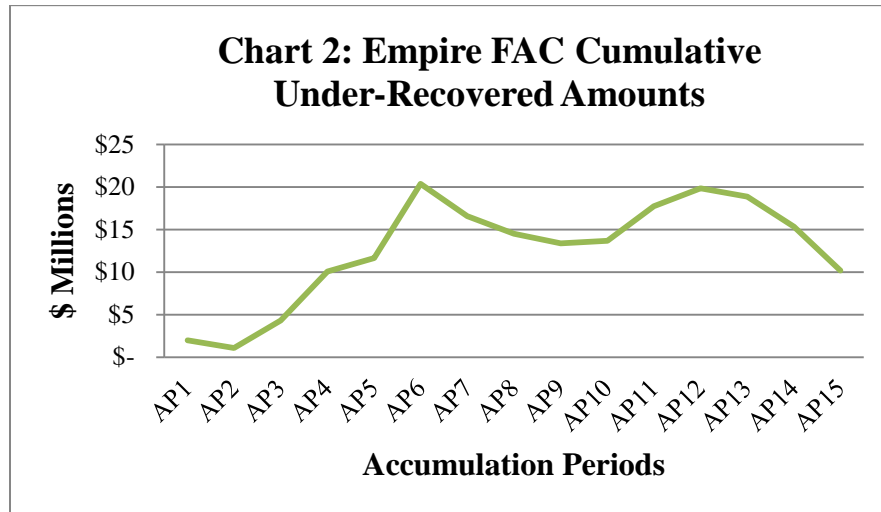
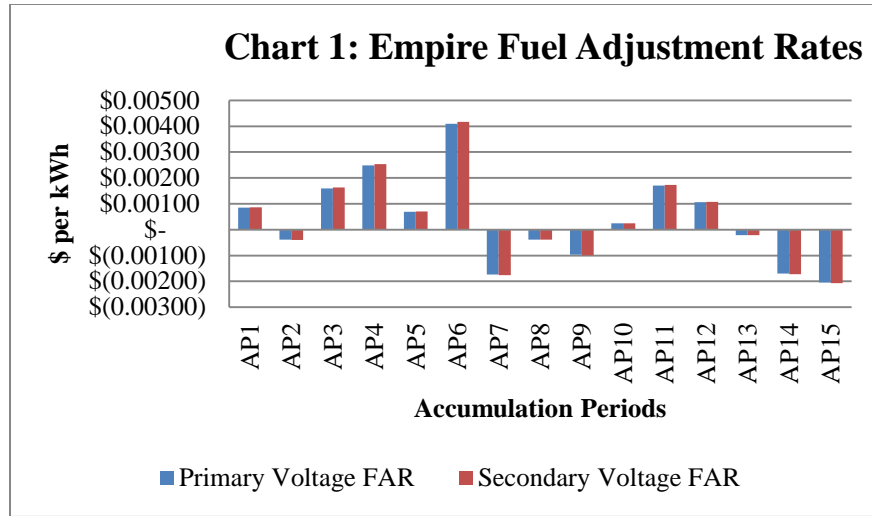
Empire has requested that the 2nd Revised Sheet No. 17t Canceling the 1st Revised Sheet No. 17t, initially filed on April 1, 2016, and revised through the substitute tariff sheet filed on April 19, 2016, become effective on June 1, 2016. Thus, the tariff sheet was filed with sixty (60) days' notice. 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 April 19, 2016, to become effective on June 1, 2016, as requested by Empire, subject to both true-up and prudence reviews:

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

2nd Revised Sheet No. 17t Canceling the 1st Revised Sheet No. 17t, as substituted April 19, 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 RP13 true-up filing in File No. EO-2016-0254, also filed on April 1, 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 RP13, a portion of RP14, and AP15.

Attachment A



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 Company's Fuel and Purchase Power Adjustment)
Clause (FAC) Required in 4 CSR 240-20.090(4))

File No. ER-2016-0253

AFFIDAVIT OF MATTHEW J. BARNES

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

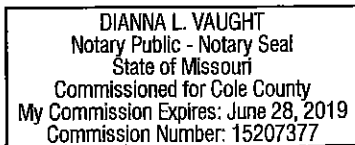
COMES NOW, Matthew J. Barnes and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Matthew J. Barnes

Matthew J. Barnes

Subscribed and sworn to be this 2nd day of May, 2016.



Dianna L. Vaught

Notary Public