

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

In the Matter of The Empire District Electric Company's)
Request For Authority to Implement Rate Adjustments) **File No. ER-2018-0086**
Required by 4 CSR 240-20.090(4) and the Company's) Tracking No. JE-2018-0032
Approved Fuel Adjustment Clause (FAC))

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 27, 2017, The Empire District Electric Company ("Empire") filed one proposed tariff sheet bearing a proposed effective date of December 1, 2017, to revise its Current Period Fuel Adjustment Rates ("FARs") for the 18th Accumulation Period ("AP18") of its Fuel Adjustment Clause ("FAC"). The Commission assigned it Tariff Tracking No. JE-2018-0032. Empire filed its 3rd Revised Sheet No. 17ac Canceling 2nd Revised Sheet No. 17ac, as substituted October 16, 2017, 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 27, 2017, Empire submitted a FAC true-up filing in File No. EO-2018-0087 to identify the true-up amount of \$(1,045,682)¹ for the 16th Recovery Period ("RP16") of its FAC. This amount and interest for RP 16 are included in calculation of the FARs for AP18.

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

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 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, marked as Appendix A, Staff recommends that the Commission issue an order approving Empire’s Tariff Sheet, P.S.C. MO. No. 5, Section 4, 3rd Revised Sheet No. 17ac Canceling 2nd Revised Sheet No. 17ac, as substituted October 16, 2017, as requested by Empire, subject to true-up and prudence reviews.

6. For AP18, the Fuel and Purchased Power Adjustment amount is \$3,837,264 which divided by the forecasted net system input for Recovery Period 18 of 2,218,459,384 kWh results in a current period FAR of \$0.00173 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 FARs are in the column marked “Proposed” in the following table:

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Primary	\$0.00165	\$0.00181	\$0.00016 Increase
Secondary	\$0.00168	\$0.00184	\$0.00016 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 \$1.68 to \$1.84, an increase of \$0.16 per month.

8. Except for Empire's RP16 true-up filing in File No. EO-2018-0087, also filed on September 27, 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 2016 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, 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, 3rd Revised Sheet No. 17ac Canceling 2nd Revised Sheet

No. 17ac, as substituted October 16, 2017, to become effective December 1, 2017, as requested by Empire, subject to true-up and prudence reviews.

Respectfully submitted,

/s/ 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 27th day of October, 2017.

/s/ Robert S. Berlin

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2018-0086, Tariff Tracking No. JE-2018-0032
The Empire District Electric Company

FROM: Ron Irving, Utility Regulatory Auditor I
Catherine Lucia, Utility Regulatory Auditor IV
Dana Eaves, Utility Regulatory Auditor V

DATE: /s/ John A. Rogers 10/27/2017 /s/ Bob Berlin / 10/27/2017
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: October 27, 2017

Summary and Staff Recommendation

On September 27, 2017, The Empire District Electric Company ("Empire" or "Company") filed one (1) proposed tariff sheet, 3rd Revised Sheet No. 17ac Canceling 2nd Revised Sheet No. 17ac, as substituted October 16, 2017, bearing a proposed effective date of December 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 September 27, 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-2018-0032. On October 16, 2017, at the request of Staff, Empire filed a substitute tariff sheet to reflect a minor correction to the Missouri Energy Ratio. 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 16, 2017, to become effective on December 1, 2017.

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 3rd Revised Sheet No. 17ac.

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

Empire's AP18 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 18 ("AP18"). That dollar amount is \$3,837,264 resulting from:

1. The amount of \$4,854,920, found on Line 7 of 3rd Revised Sheet No. 17ac, as substituted October 16, 2017, which is equal to 95% of the difference between:
a) Empire's Missouri jurisdiction⁴ actual fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenue⁵ and less renewable energy credits ("REC") revenue and b) Empire's Missouri jurisdiction net base energy cost⁶ during AP18 plus;
2. The true-up amount of (\$1,045,682)⁷ which is the over-recovery amount as a result of the FARs for Recovery Period 16 ("RP16"), found on Line 8 of 3rd Revised Sheet No. 17ac, as substituted October 16, 2017, plus;
3. The interest for AP18, a portion of RP16⁸, and a portion of RP17⁹ which is equal to \$28,026, found on Line 10 of 3rd Revised Sheet No. 17ac, as substituted October 16, 2017.

The Current Period FAR of \$0.00173 per kWh (Line 13 of 3rd Revised Sheet No. 17ac) is equal to the FPA Amount of \$3,837,264 divided by the forecasted Missouri net system input ("NSI") for RP18 of 2,218,459,384 kWh, found on Line 12 of 3rd Revised Sheet No. 17ac, as substituted October 16, 2017.

Because of a difference in line losses, there are different FARs for service taken at primary and above voltage levels and at secondary voltage level. When accounting for line losses for the different voltage levels, the proposed FARs are \$0.00181 per kWh for customers receiving service at primary voltage level and above, and \$0.00184 per kWh for customers receiving service at secondary voltage level. Empire's present FARs are \$0.00165 per kWh

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 3rd Revised Sheet No. 17ac.

⁴ Missouri Energy Ratio (J) = (Missouri retail kWh sales)/(Total system kWh sales), where Total system kWh sales includes sales to municipalities that are associated with Empire and excludes off-system sales. See 1st Revised Sheet No 17r. For AP18, J is equal to 81.79% as reflected on line 4 of 3rd Revised Sheet No. 17ac.

⁵ For AP18, this amount is \$69,070,641 as reflected on line 1 of 3rd Revised Sheet No. 17ac.

⁶ For AP18, this amount is \$62,822,095 as reflected on line 2 of 3rd Revised Sheet No. 17ac.

⁷ Empire's RP16 true-up filing is contained in File No. EO-2018-0087.

⁸ Recovery Period 16 is December 2016 through May 2017.

⁹ Recovery Period 17 is June 2017 through November 2017.

for customers receiving service at primary voltage level and above and \$0.00168 per kWh for customers receiving service at secondary voltage level.¹⁰

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Primary	\$0.00165	\$0.00181	\$0.00016 Increase
Secondary	\$0.00168	\$0.00184	\$0.00016 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 \$1.68 to \$1.84, an increase in the customer's bill of \$0.16 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 6, line 12 through page 7, line 5 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 \$0.02415 during the Accumulation Period of March 2017 through August 2017. Empire actually incurred average energy costs of \$0.02656 per kWh during the Accumulation Period. This represents an overall increase in average energy costs of \$0.00240 per kWh during the Accumulation Period, or about 9.95 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 less approximately \$1,045,682 of over recovered energy cost and \$28,026 of interest income from the Recovery Period ending May 31, 2017, or an average of \$0.00173 per kWh sold during the upcoming Recovery Period.

Staff Review

Staff reviewed Empire's proposed 3rd Revised Sheet No. 17ac Canceling 2nd Revised Sheet No. 17ac, as substituted October 16, 2017, the direct testimony of Empire witness

¹⁰ Lines 14 and 15 of 2nd Revised Sheet No. 17ac.

Bethany Q. King filed on September 27, 2017, in addition to Empire's monthly filings and work papers for AP18. Staff verified that the actual fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenues and less REC revenues, match the fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenues and less REC revenues in Empire's proposed 3rd Revised Sheet No. 17ac Canceling 2nd Revised Sheet No. 17ac, as substituted October 16, 2017. Staff also reviewed Empire's monthly interest rates that are applied to the monthly over- and under-recovery amounts for AP18, a portion of RP17, and a portion of RP16 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 AP18.

Attachment A includes three charts which provide a summary of Empire's eighteen (18) FAC rate adjustment filings. Chart 1 illustrates a) Empire's FARs for primary and secondary voltage service levels for each of the eighteen (18) accumulation periods, and b) that there have been ten (10) positive FARs and eight (8) negative FARs. Chart 2 illustrates Empire's FAC cumulative under-collected amount¹¹ at the end of each of the eighteen (18) accumulation periods with the cumulative under-collected amount through AP18 of \$9,493,223. Chart 3 illustrates Empire's FAC cumulative under-collected percentage of cumulative total energy costs at the end of each of the eighteen (18) accumulation periods with the cumulative under-collected percentage through AP18 of approximately 0.7%.

Staff Recommendation

Empire filed the 3rd Revised Sheet No. 17ac Canceling 2nd Sheet No. 17ac, as substituted October 16, 2017, 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.

¹¹ A positive under-collected amount means the Total Energy Cost (defined on line 1 of 3rd Revised Sheet No. 17ac as $TEC = (FC + PP + E - OESSR - REC)$) is greater than the Net Base Energy Cost (defined on line 2 of 3rd 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.

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 3rd Revised Sheet No. 17ac Canceling 2nd Revised Sheet No. 17ac initially filed on September 27, 2017 and revised through the substitute tariff sheet filed on October 16, 2017, become effective on December 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, as substituted October 16, 2017, to become effective on December 1, 2017, as requested by Empire, subject to both true-up and prudence reviews:

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

3rd Revised Sheet No. 17ac Canceling 2nd Revised Sheet No. 17ac

The Staff has verified that Empire is not delinquent on any assessment and Empire has filed its 2016 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 RP16 true-up filing in File No. EO-2018-0087, also filed on September 27, 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 AP18.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric Company's)
Request for Authority to Implement Rate Adjustments) **Case No. ER-2018-0086**
Required by 4 CSR 240-20.090(4) and the Company's)
Approved Fuel Adjustment Clause (FAC))

AFFIDAVIT OF DANA E. EAVES

State of Missouri)
County of Cole) ss.

COMES NOW Dana E. Eaves and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Staff Recommendation; and that the same is true and correct according to his best knowledge and belief.

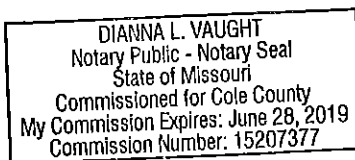
Further the Affiant sayeth not.


Dana E. Eaves

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 27th day of October, 2017.


NOTARY PUBLIC



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

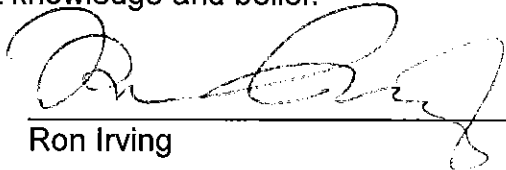
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 Required by 4 CSR 240-20.090(4) and the Company's)
 Approved Fuel Adjustment Clause (FAC))

AFFIDAVIT OF RON IRVING

State of Missouri)
) ss.
 County of Cole)

COMES NOW Ron Irving and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Staff Recommendation; and that the same is true and correct according to his best knowledge and belief.

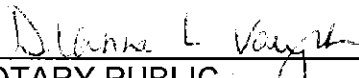
Further the Affiant sayeth not.



 Ron Irving

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 27th day of October, 2017.



 NOTARY PUBLIC

DIANNA L. VAUGHT
 Notary Public - Notary Seal
 State of Missouri
 Commissioned for Cole County
 My Commission Expires: June 28, 2019
 Commission Number: 15207377

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

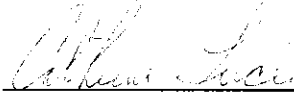
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Request for Authority to Implement Rate Adjustments) **Case No. ER-2018-0086**
Required by 4 CSR 240-20.090(4) and the Company's)
Approved Fuel Adjustment Clause (FAC))

AFFIDAVIT OF CATHERINE LUCIA

State of Missouri)
) ss.
County of Cole)

COMES NOW Catherine Lucia and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached Staff Recommendation; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



Catherine Lucia

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 27th day of October, 2017.



NOTARY PUBLIC

