

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

In the Matter of a Proceeding Under)
Section 393.137 (SB 564) to Adjust)
the Electric Rates of The Empire)
District Electric Company)

Case No. ER-2018-0366

STATEMENT OF POSITIONS

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Statement of Positions*, states as follows:

1. Should Empire District's rates be adjusted prospectively to reflect the reduction in the federal corporate income tax rate from 35% to 21% due to the Tax Cuts and Jobs Act?

Yes. (Oligschlaeger Direct, p. 4, lines 9 – 15)

a. If yes, what should be the amount and timing of such rate reduction?

Rates should be reduced by \$17,827,022 on an annual basis, effective October 1, 2018. (Ibid., page 4, line 16 to page 5, line 17)

2. Should Empire District's rates be adjusted prospectively to reflect a flow-back of "protected" excess accumulated deferred income taxes ("ADIT") to customers due to the TCJA?

No. (Ibid., page 5, line 18 to page 6, line 13)

a. If yes, what is the correct balance of protected excess ADIT as 12/31/2017 to be subject to amortization?

Staff does not recommend that Empire District's rates be reduced in this proceeding to flow-back protected excess ADIT. Staff's understanding is that Empire District has not completed the work necessary at this time to accurately quantify its balances of protected and unprotected excess ADIT as of December 31, 2017. (Ibid.)

- b. If yes, what is the appropriate amortization period for protected excess ADIT?

Staff does not recommend that Empire District's rates be reduced in this proceeding to flow-back protected excess ADIT. Staff's understanding is that Empire District has not completed the work necessary at this time to accurately quantify the period of time over which to flow back protected excess ADIT to customers in compliance with the normalization provisions of the federal tax code. (Ibid.)

3. Should Empire District's rates be adjusted prospectively to reflect a flow-back of "unprotected" excess ADIT to customers due to the TCJA?

No. (Ibid.)

- a. If yes, what is the correct balance of unprotected excess ADIT as of 12/31/2017 to be subject to amortization?

Staff does not recommend that Empire District's rates be reduced in this proceeding to flow-back unprotected excess ADIT. Staff's understanding is that Empire District has not completed the work necessary at this time to quantify its balances of protected and unprotected excess ADIT as of December 31, 2017. (Ibid.)

- b. If yes, what is the appropriate amortization period for unprotected excess ADIT?

Staff does not recommend that Empire District's rates be reduced in this proceeding to flow-back unprotected excess ADIT. (Ibid.) In the event that the Commission does order in this proceeding an immediate rate reduction to flow back unprotected excess ADIT to customers, Staff recommends a 10-year amortization period be used for this item.

4. Should the financial impact of the TCJA corporate income tax rate reduction from 35% to 21% be deferred by Empire District from January 1, 2018 forward to the date customer rates are adjusted to reflect this impact?

No, as long as the impact of the reduced corporate income tax rate in passed on prospectively to Empire District customers in this proceeding. (Ibid., page 6, line 14 to page 7, line 14)

5. Should the financial impact of the amortization of protected excess ADIT be deferred by Empire District from January 1, 2018 forward to the date customer rates are adjusted to reflect this impact?

Yes. (Ibid., page 4, lines 9 - 15) However, in the event that the Commission orders a prospective rate reduction in this proceeding due to a protected excess ADIT amortization, Staff does not recommend deferring the financial impact of the protected excess ADIT amortization back to January 1, 2018.

6. Should the financial impact of the amortization of unprotected excess ADIT be deferred by Empire District from January 1, 2018 forward to the date customer rates are adjusted to reflect this impact?

Yes. (Ibid., page 4, lines 9 - 15) However, in the event that the Commission orders a prospective rate reduction in this proceeding due to an unprotected excess ADIT amortization, Staff does not recommend deferring the financial impact of the unprotected excess ADIT amortization back to January 1, 2018.

7. What modifications should be made to Empire's tariff to implement the revenue requirement reduction?

Consistent with its position in EO-2018-0092 and ER-2018-0228, Staff recommends that a reasonable allocation of the revenue requirement reduction to the classes is provided below:

Schedule	Tariff ID	Allocation
Residential	RG	48.08%
Commercial	CB	8.87%
Small Heating	SH	2.38%
General Power	GP	18.29%
Praxair	SC-P	0.92%
Total Electric Bldg	TEB	8.46%
Feed Mill and Grain Elevator	PFM	0.02%
Large Power	LP	11.54%
Power Transmission	MS	0.002%
Municipal Street Lighting	SPL	0.61%
Private Lighting	PL	0.80%
Special Lighting	LS	0.02%

For ease of administration and consistency with the Ameren Missouri approach, Staff recommends that the revenue requirement reduction applicable to each rate class be divided by the total kilowatt-hour (“kWh”) billing units stated for that class. The result of this calculation is a cents-per kilowatt-hour rate for each service classification that will be applied to all billed usage of customers taking service under those classifications (stated as a separate line item on the customers’ bills) to yield separate line item bill credits. The tariff sheets for each of the above service classifications will be updated to include reference to the cents per kilowatt-hour rates and resulting credits derived in the prior step. If Empire’s billing system cannot easily accommodate printing a separate line item on the customers’ bills, Staff does not object to Empire consolidating the value of the credit into a net energy charge or a net bill; however, Staff recommends that the existing tariffed energy rates be maintained. (Lange Direct, p. pg. 2, citing Nonunanimous Stipulation and Agreement filed in EO-2018-0092, p. 3, lines 6 to 10.)

Staff reserves the right to respond to alternative allocations and rate designs that may be proposed in by other parties in position statements and surrebuttal testimony.

Respectfully submitted,

/s/ Nicole Mers

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 17th day of July 2018, to all counsel of record.

/s/ Nicole Mers