

**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-2019-0095**
To the Company's Fuel and Purchase Power) Tracking No. JE-2019-0061
Adjustment (FAC) Required in 4 CSR 240-020.090(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 October 1, 2018, The Empire District Electric Company ("Empire") filed one proposed tariff sheet bearing a proposed effective date of December 1, 2018, to revise its Current Period Fuel Adjustment Rates ("FARs") for the 20th Accumulation Period ("AP20") of its Fuel Adjustment Clause ("FAC"). The Commission assigned it Tariff Tracking No. JE-2019-0061. Empire filed its 5th Revised Sheet No. 17ac Canceling 4th Revised Sheet No. 17ac, as substituted October 10, 2018¹, 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 October 1, 2018, Empire submitted a FAC true-up filing in File No. EO-2019-0096 to identify the true-up amount of \$(1,224)² for

¹ Substituted tariff sheet reflects a correction of an inadvertent error in the testimony and workpapers of Empire witness Leslie Forest. The correction does not create any change in the new FARs for this rate adjustment filing. The tariff sheet and workpapers are now in agreement. Empire witness Forest also filed Substitute Direct Testimony on October 10, 2018 to comport with this correction.

² An amount that is "bracketed" in parentheses indicates an over-recovery by the utility.

the 18th Recovery Period (“RP18”) of its FAC. This amount and interest for RP 18 are included in calculation of the FARs for AP20.

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, 5th Revised Sheet No. 17ac Canceling 4th Revised Sheet No. 17ac, as substituted October 10, 2018, as requested by Empire, subject to true-up and prudence reviews.

6. For AP20, the Fuel and Purchased Power Adjustment amount is \$(1,800,606) which divided by the forecasted net system input (“NSI”) for Recovery Period 20 of 2,214,363,961 kWh results in a current period FAR of \$(0.00081) 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	\$0.00744	\$(0.00085)	\$0.00829 Decrease
Secondary (Residential)	\$0.00758	\$(0.00087)	\$0.00845 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 \$7.58 to \$(0.87), a decrease of \$8.45 per month.

Empire witness Leslie Forest testified:

“Empire’s average energy costs per kWh have declined below the level built into its base electric rates, which is why the FAC rate schedules filed by the Company seek a decrease in the rates charged to the Missouri Customers...” (Forest Substitute Direct Testimony, p.6 lines 18-20)

8. Except for Empire’s RP18 true-up filing in File No. EO-2019-0096, also filed on October 1, 2018, Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing

9. 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.

10. The Staff has verified that Empire is not delinquent on any assessment and Empire has filed its 2017 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, 5th Revised Sheet No. 17ac Canceling 4th Revised Sheet No. 17ac, as substituted October 10, 2018, to become effective December 1, 2018, 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 31st day of October, 2018.

/s/ Robert S. Berlin

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2019-0095, Tariff Tracking No. JE-2019-0061
The Empire District Electric Company

FROM: Lisa Wildhaber, Utility Regulatory Auditor III
Brooke Mastrogiannis, Utility Regulatory Auditor IV
Kory J. Boustead, Rate and Tariff Examiner II

/s/ John A. Rogers 10/31/2018 /s/ Robert S. Berlin 10/31/2018
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, 2018

Summary and Staff Recommendation

On October 1, 2018, The Empire District Electric Company ("Empire" or "Company") filed one (1) proposed tariff sheet, 5th Revised Sheet No. 17ac Canceling 4th Revised Sheet No. 17ac, as substituted October 10, 2018, bearing a proposed effective date of December 1, 2018, 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 Leslie Forest on October 1, 2018, as substituted on October 10, 2018, and submitted to Missouri Public Service Commission ("Commission") Staff ("Staff") work papers in support of the substituted testimony and substituted filed tariff sheet. The Commission assigned the tariff sheet to Tariff Tracking No. JE-2019-0061. On October 10, 2018, at the request of Staff, Empire filed a substitute tariff sheet and substitute testimony to reflect correction of an inadvertent error in the testimony and work papers of witness Leslie Forest.³ The tariff sheet and work papers are now in agreement.

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 5th Revised Sheet No. 17ac.

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

³ The correction does not create any change in the new FARs for this rate adjustment filing.

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 10, 2018, to become effective on December 1, 2018.

Empire's AP20 FARs

The testimony and work papers include information that supports Empire's calculation of the dollar amount⁴ used to calculate the FARs for Accumulation Period 20 ("AP20"). That dollar amount is (\$1,800,606) resulting from:

1. The amount of (\$1,944,828), found on Line 7 of 5th Revised Sheet No. 17ac, as substituted October 10, 2018, which is equal to 95% of the difference between:
 - a) Empire's Missouri jurisdiction⁵ actual fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenue⁶ and less renewable energy credits ("REC") revenue and b) Empire's Missouri jurisdiction net base energy cost⁷ during AP20 plus;
2. The true-up amount of (\$1,224)⁸ which is the over-recovery amount as a result of the FARs for Recovery Period 18 ("RP18"), found on Line 8 of 5th Revised Sheet No. 17ac, as substituted October 10, 2018, plus;
3. The interest for AP20, a portion of RP18⁹, and a portion of RP19¹⁰ which is equal to \$145,446, found on Line 10 of 5th Revised Sheet No. 17ac, as substituted October 10, 2018.

The Current Period FAR of (\$0.00081) per kWh (Line 13 of 5th Revised Sheet No. 17ac) is equal to the FPA Amount of (\$1,800,606) divided by the forecasted Missouri net system input ("NSI") for RP20 of 2,214,363,961 kWh, found on Line 12 of 5th Revised Sheet No. 17ac, as substituted October 10, 2018.

⁴ 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 5th Revised Sheet No. 17ac.

⁵ 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 Original Sheet No 17aa. For AP20, J is equal to 82.19% as reflected on line 4 of 5th Revised Sheet No. 17ac.

⁶ For AP20, this amount is \$64,930,243 as reflected on line 1 of 5th Revised Sheet No. 17ac.

⁷ For AP20, this amount is \$67,415,208 as reflected on line 2 of 5th Revised Sheet No. 17ac.

⁸ Empire's RP18 true-up filing is contained in File No. EO-2019-0096.

⁹ Recovery Period 18 is December 2017 through May 2018.

¹⁰ Recovery Period 19 is June 2018 through November 2018.

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 (\$0.00085) per kWh for customers receiving service at primary voltage level and above, and (\$0.00087) per kWh for customers receiving service at secondary voltage level. Empire’s present FARs are \$0.00744 per kWh for customers receiving service at primary voltage level and above and \$0.00758 per kWh for customers receiving service at secondary voltage level.¹¹

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Primary	\$0.00744	(\$0.00085)	\$0.00829 Decrease
Secondary	\$0.00758	(\$0.00087)	\$0.00845 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 \$7.58 to \$(0.87), a decrease in the customer’s bill of \$8.45 per month.¹² 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, lines 18 through 22, and page 7, lines 1 through 8 of her filed testimony Company witness Leslie Forest describes the reasons for the decrease 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 declined below the level built into its base electric rates, which is why the FAC rate schedules filed by the Company seek a decrease 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 2018 through August 2018. Empire actually incurred average energy costs of \$0.02326 per kWh

¹¹ Lines 14 and 15 of 4th Revised Sheet No. 17ac.

¹² In Leslie Forest’s direct testimony, on page 7 lines 17 through 19, she states, “during the Accumulation Period, specifically in July and August 2018, cooler than normal weather prevailed. As such, the actual total energy cost per megawatt-hour was below the Company budget by approximately 8.83 percent.”

during the Accumulation Period, which is \$-0.00089 per kWh or about 3.69 percent less than the average cost built into base rates. Pursuant to Empire's FAC tariff, Empire is requesting to return to its Missouri customers the net of 95 percent of this cost decrease plus approximately \$1,224 of under recovered energy cost and \$145,446 of interest income from the Recovery Period ending May 31, 2018, or an average of \$-0.00081 per kWh sold during the upcoming Recovery Period.

Staff Review

Staff reviewed Empire's proposed 5th Revised Sheet No. 17ac Canceling 4th Revised Sheet No. 17ac, as substituted October 10, 2018, the direct testimony of Empire witness Leslie Forest filed on October 1, 2018, as substituted on October 10, 2018, in addition to Empire's monthly filings and work papers for AP20. 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 5th Revised Sheet No. 17ac Canceling 4th Revised Sheet No. 17ac, as substituted October 10, 2018. Staff also reviewed Empire's monthly interest rates that are applied to the monthly over- and under-recovery amounts for AP20, a portion of RP19, and a portion of RP18 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 AP20.

Attachment A includes three charts which provide a summary of Empire's twenty (20) FAC rate adjustment filings. Chart 1 illustrates a) Empire's FARs for primary and secondary voltage service levels for each of the twenty (20) accumulation periods, and b) that there have been eleven (11) positive FARs and nine (9) negative FARs. Chart 2 illustrates Empire's FAC cumulative under-collected amount¹³ at the end of each of the twenty (20) accumulation periods with the cumulative under-collected amount through AP20 of \$25,680,810. Chart 3 illustrates Empire's FAC cumulative under-collected percentage of cumulative total energy costs at the end of each of the twenty (20) accumulation periods with

¹³ A positive under-collected amount means the Total Energy Cost (defined on line 1 of 4th Revised Sheet No. 17ac as $TEC = (FC + PP + E - OSSR - REC)$) is greater than the Net Base Energy Cost (defined on line 2 of 4th 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.

the cumulative under-collected percentage through AP20 of approximately 1.7%.

Staff Recommendation

Empire filed the 5th Revised Sheet No. 17ac Canceling 4th Sheet No. 17ac, as substituted October 10, 2018, 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 5th Revised Sheet No. 17ac Canceling 4th Revised Sheet No. 17ac initially filed on October 1, 2018 and revised through the substitute tariff sheet filed on October 10, 2018, become effective on December 1, 2018. Thus, the tariff sheet was initially 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 10, 2018, to become effective on December 1, 2018, as requested by Empire, subject to both true-up and prudence reviews:

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

5th Revised Sheet No. 17ac Canceling 4th Revised Sheet No. 17ac

The Staff has verified that Empire is not delinquent on any assessment and Empire has filed its 2017 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 RP18 true-up filing in File No. EO-2019-0096,

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Empire District Electric Company
Empire Fuel Adjustment Clause (AP20)
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also filed on October 1, 2018, 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 AP20.

Chart 1: Empire Fuel Adjustment Rates

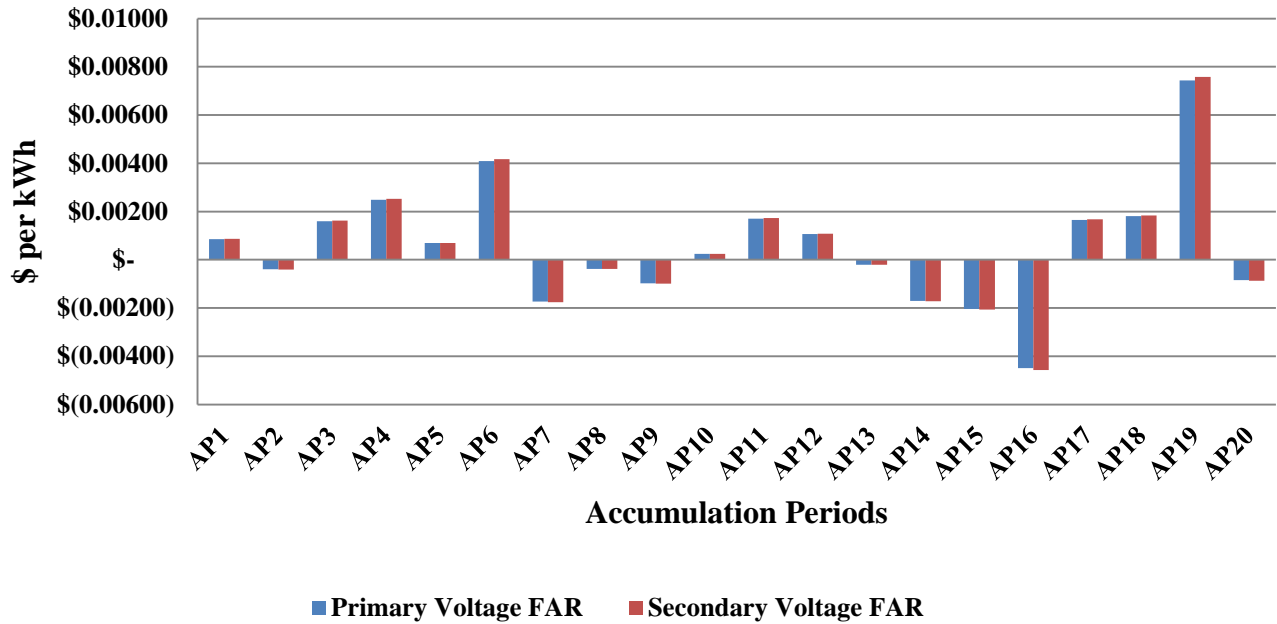


Chart 2: Empire FAC Cumulative Under-Collection Amounts

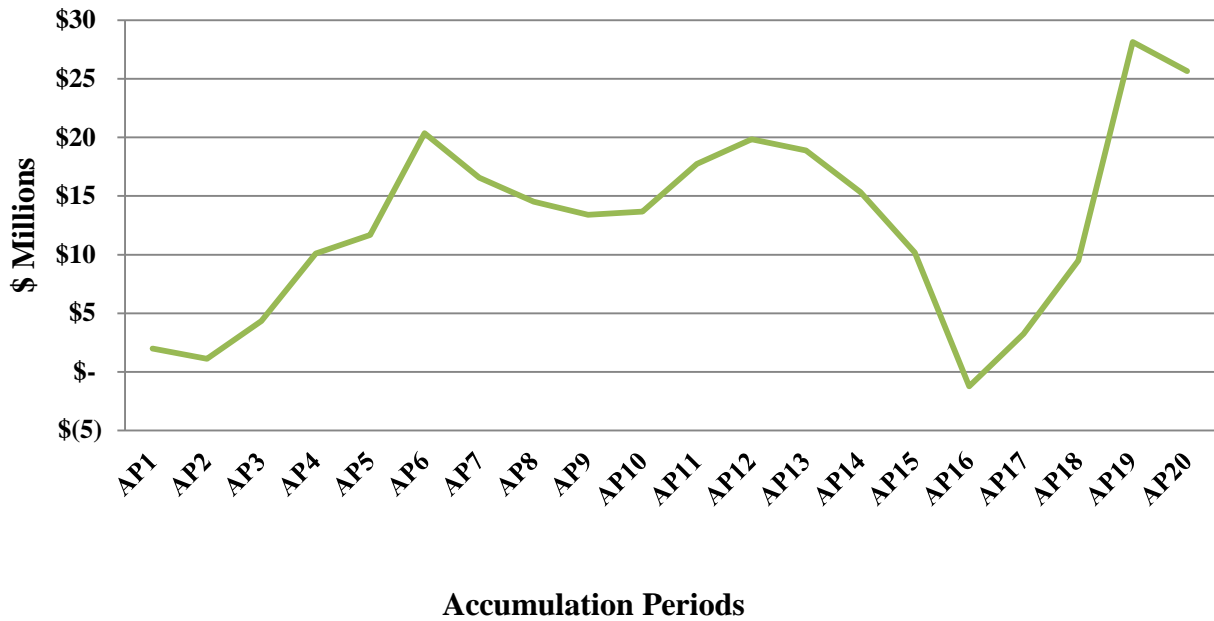


Chart 3: Empire FAC Cumulative Under-Collection Percentage



BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric)
Company for Authority to Implement Rate) **File No. ER-2019-0095**
Adjustments Related to the Company's Fuel and)
Purchase Power Adjustment (FAC) Required)
In 4 CSR 240-020.090(4)

AFFIDAVIT OF KORY J. BOUSTEAD

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, Kory J. Boustead, 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.


Kory J. Boustead

Subscribed and sworn to be this 30th day of October, 2018.

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


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric)
Company for Authority to Implement Rate) File No. ER-2019-0095
Adjustments Related to the Company's Fuel and)
Purchase Power Adjustment (FAC) Required)
In 4 CSR 240-020.090(4)

AFFIDAVIT OF BROOKE MASTROGIANNIS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

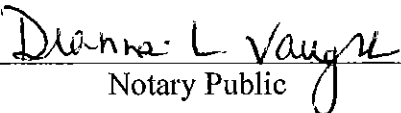
COMES NOW, Brooke Mastrogiannis, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Staff Recommendation* in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



Brooke Mastrogiannis

Subscribed and sworn to be this 30th day of October, 2018.



Notary Public

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 28, 2019
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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric)
Company for Authority to Implement Rate) **File No. ER-2019-0095**
Adjustments Related to the Company's Fuel and)
Purchase Power Adjustment (FAC) Required)
In 4 CSR 240-020.090(4)

AFFIDAVIT OF LISA WILDHABER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

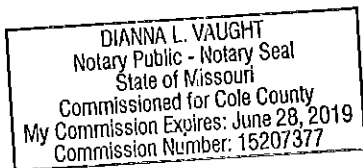
COMES NOW, Lisa Wildhaber, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Staff Recommendation* in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

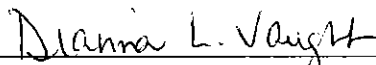
Further the Affiant sayeth not.



Lisa Wildhaber

Subscribed and sworn to be this 30th day of October, 2018.





Notary Public