

**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-2018-0270**  
To the Company's Fuel and Purchase Power ) Tracking No. JE-2018-0127  
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 April 2, 2018, The Empire District Electric Company ("Empire") filed one proposed tariff sheet bearing a proposed effective date of June 1, 2018, to revise its Current Period Fuel Adjustment Rates ("FARs") for the 19th Accumulation Period ("AP19") of its Fuel Adjustment Clause ("FAC"). The Commission assigned it Tariff Tracking No. JE-2018-0127. Empire filed its 4<sup>th</sup> Revised Sheet No. 17ac Canceling 3<sup>rd</sup> Revised Sheet No. 17ac, as substituted April 20, 2018<sup>1</sup>, and substituted again on April 24, 2018<sup>2</sup>, 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 April 2, 2018, Empire submitted a FAC true-up filing in File No. EO-2018-0271 to identify the true-up amount of \$1,076,500<sup>3</sup> for the 17<sup>th</sup> Recovery Period ("RP17") of its FAC. This amount and interest for RP 17 are included in calculation of the FARs for AP19.

---

<sup>1</sup> Substituted tariff sheet reflects a minor correction to the Forecasted Missouri NSI.

<sup>2</sup> Substituted tariff sheet corrected the date of issue.

<sup>3</sup> An amount that is not "bracketed" in parentheses indicates an under-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, 4<sup>th</sup> Revised Sheet No. 17ac Canceling 3<sup>rd</sup> Revised Sheet No. 17ac, as substituted April 20, 2018 and again on April 24, 2018, as requested by Empire, subject to true-up and prudence reviews.

6. For AP19, the Fuel and Purchased Power Adjustment amount is \$15,745,552 which divided by the forecasted net system input (“NSI”) for Recovery Period 19 of 2,213,798,613 kWh results in a current period FAR of \$0.00711 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	\$0.00181	\$0.00744	\$0.00563 Increase
Secondary (Residential)	\$0.00184	\$0.00758	\$0.00574 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 \$1.84 to \$7.58, an increase of \$5.74 per month. Empire witness Jill Schwartz testified:

"...during the Accumulation Period, specifically in January 2018, colder than normal weather prevailed most of the month. Empire set new records for daily native load requirements and hourly peak demand. As such, the actual total energy cost per megawatt-hour was over the Company budget by approximately 21.54 percent." (Schwartz Direct Testimony, p.7 lines 3-7)

8. Except for Empire's RP17 true-up filing in File No. EO-2018-0271, also filed on April 2, 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 2016 annual report.<sup>4</sup> Empire is current on its submission of its

---

<sup>4</sup> The Commission approved Empire's request for an extension of time to May 15, 2018, to file its 2017 annual report.

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, 4<sup>th</sup> Revised Sheet No. 17ac Canceling 3<sup>rd</sup> Revised Sheet No. 17ac, as substituted April 20, 2018 and April 24, 2018, to become effective June 1, 2018, as requested by Empire, subject to true-up and prudence reviews.

Respectfully submitted,

**/s/ Robert S. Berlin**

Robert S. Berlin  
Deputy Staff Counsel  
Missouri Bar No. 51709  
Attorney for the Staff of the  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 65012  
(573) 526-7779 (Telephone)  
(573) 751-9285 (Fax)  
bob.berlin@psc.mo.gov

### **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 2<sup>nd</sup> day of May, 2018.

**/s/ Robert S. Berlin**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
File No. ER-2018-0270, Tariff Tracking No. JE-2018-0127  
The Empire District Electric Company

FROM: Brooke Richter, Utility Regulatory Auditor IV  
Catherine Lucia, Utility Regulatory Auditor IV  
Kory Boustead, Rate and Tariff Examiner II

DATE: /s/ John A. Rogers 05/02/2018      /s/ Bob Berlin / 05/02/2018  
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: May 2, 2018

### Summary and Staff Recommendation

On April 2, 2018, The Empire District Electric Company ("Empire" or "Company") filed one (1) proposed tariff sheet, 4th Revised Sheet No. 17ac Canceling 3rd Revised Sheet No. 17ac, as substituted April 20, 2018, bearing a proposed effective date of June 1, 2018, to revise its Current Period Fuel Adjustment Rates<sup>1</sup> ("FARs") of its Fuel Adjustment Clause ("FAC") used to determine the Fuel Adjustment Charge<sup>2</sup> on customers' bills. Empire also filed direct testimony of its witness Jill M. Schwartz on April 2, 2018, 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-2018-0127. On April 20, 2018 and on April 24, 2018, at the request of Staff, Empire filed a substitute tariff sheet to reflect a minor correction to the Forecasted Missouri NSI and to the date of issue, respectively. 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 April 24, 2018, to become effective on June 1, 2018.

---

<sup>1</sup> 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 4th Revised Sheet No. 17ac.

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

**Empire's AP19 FARs**

The testimony and work papers include information that supports Empire's calculation of the dollar amount<sup>3</sup> used to calculate the FARs for Accumulation Period 19 ("AP19"). That dollar amount is \$15,745,552 resulting from:

1. The amount of \$14,755,589, found on Line 7 of 4th Revised Sheet No. 17ac, as substituted April 24, 2018, which is equal to 95% of the difference between: a) Empire's Missouri jurisdiction<sup>4</sup> actual fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenue<sup>5</sup> and less renewable energy credits ("REC") revenue and b) Empire's Missouri jurisdiction net base energy cost<sup>6</sup> during AP19 plus;
2. The true-up amount of \$1,076,500<sup>7</sup> which is the under-recovery amount as a result of the FARs for Recovery Period 17 ("RP17"), found on Line 8 of 4th Revised Sheet No. 17ac, as substituted April 24, 2018, plus;
3. The interest for AP19, a portion of RP17<sup>8</sup>, and a portion of RP18<sup>9</sup> which is equal to \$(86,537), found on Line 10 of 4th Revised Sheet No. 17ac, as substituted April 24, 2018.

The Current Period FAR of \$0.00711 per kWh (Line 13 of 4th Revised Sheet No. 17ac) is equal to the FPA Amount of \$15,745,552 divided by the forecasted Missouri net system input ("NSI") for RP19 of 2,213,798,613 kWh, found on Line 12 of 4th Revised Sheet No. 17ac, as substituted April 24, 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 \$0.00744 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. Empire's present FARs are \$0.00181 per kWh

---

<sup>3</sup> 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 4th Revised Sheet No. 17ac.

<sup>4</sup> 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 AP19, J is equal to 81.83% as reflected on line 4 of 4th Revised Sheet No. 17ac.

<sup>5</sup> For AP19, this amount is \$84,144,071 as reflected on line 1 of 4th Revised Sheet No. 17ac.

<sup>6</sup> For AP19, this amount is \$65,471,519 as reflected on line 2 of 4th Revised Sheet No. 17ac.

<sup>7</sup> Empire's RP17 true-up filing is contained in File No. EO-2018-0271.

<sup>8</sup> Recovery Period 17 is June 2017 through November 2017.

<sup>9</sup> Recovery Period 18 is December 2017 through May 2018.

for customers receiving service at primary voltage level and above and \$0.00184 per kWh for customers receiving service at secondary voltage level.<sup>10</sup>

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Primary	\$0.00181	\$0.00744	\$0.00563 Increase
Secondary	\$0.00184	\$0.00758	\$0.00574 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 \$1.84 to \$7.58, an increase in the customer's bill of \$5.74 per month.<sup>11</sup> 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 1 through 17 of her filed testimony Company witness Jill M. Schwartz 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 September 2017 through February 2018. Empire actually incurred average energy costs of \$0.03104 per kWh during the Accumulation Period. This represents an overall increase in average energy costs of \$0.00689 per kWh during the Accumulation Period, or about 28.52 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 \$1,076,500 of under recovered energy cost and \$86,537 of interest income from the Recovery Period ending November 30, 2017, or an average of \$0.00711 per kWh sold during the upcoming Recovery Period.

<sup>10</sup> Lines 14 and 15 of 3<sup>rd</sup> Revised Sheet No. 17ac.

<sup>11</sup> In Jill Schwartz's direct testimony, on page 7 line 3 through 7, she states, "during the Accumulation Period, specifically in January 2018, colder than normal weather prevailed most of the month. Empire set new records for daily native load requirements and hourly peak demand. As such, the actual total energy cost per megawatt-hour was over the Company budget by approximately 21.54 percent."

### **Staff Review**

Staff reviewed Empire's proposed 4th Revised Sheet No. 17ac Canceling 3rd Revised Sheet No. 17ac, as substituted April 24, 2018, the direct testimony of Empire witness Jill M. Schwartz filed on April 2, 2018, in addition to Empire's monthly filings and work papers for AP19. 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 4th Revised Sheet No. 17ac Canceling 3rd Revised Sheet No. 17ac, as substituted April 24, 2018. Staff also reviewed Empire's monthly interest rates that are applied to the monthly over- and under-recovery amounts for AP19, a portion of RP18, and a portion of RP17 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 AP19.

Attachment A includes three charts which provide a summary of Empire's nineteen (19) FAC rate adjustment filings. Chart 1 illustrates a) Empire's FARs for primary and secondary voltage service levels for each of the nineteen (19) accumulation periods, and b) that there have been eleven (11) positive FARs and eight (8) negative FARs. Chart 2 illustrates Empire's FAC cumulative under-collected amount<sup>12</sup> at the end of each of the nineteen (19) accumulation periods with the cumulative under-collected amount through AP19 of \$28,165,775. Chart 3 illustrates Empire's FAC cumulative under-collected percentage of cumulative total energy costs at the end of each of the nineteen (19) accumulation periods with the cumulative under-collected percentage through AP19 of approximately 2.0%.

### **Staff Recommendation**

Empire filed the 4th Revised Sheet No. 17ac Canceling 3rd Sheet No. 17ac, as substituted April 24, 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.

---

<sup>12</sup> 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.



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 4th Revised Sheet No. 17ac Canceling 3rd Revised Sheet No. 17ac initially filed on April 2, 2018 and revised through the substitute tariff sheet filed on April 20, 2018 and April 24, 2018, become effective on June 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 April 24, 2018, to become effective on June 1, 2018, as requested by Empire, subject to both true-up and prudence reviews:

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

4th Revised Sheet No. 17ac Canceling 3rd Revised Sheet No. 17ac

The Staff has verified that Empire is not delinquent on any assessment and Empire has filed its 2016 annual report. The Company has filed a request for extension of time in which to file their 2017 annual report. This request has been approved and the annual report is due on May 15, 2018. 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 RP17 true-up filing in File No. EO-2018-0271, also filed on April 2, 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 AP19.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

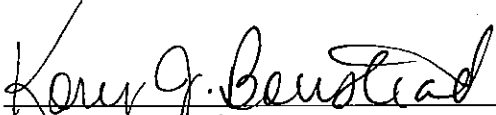
In the Matter of The Empire District Electric )  
Company for Authority to Implement Rate ) **File No. ER-2018-0270**  
Adjustments Related to the Company's Fuel and ) Tracking No. JE-2018-0127  
Purchase Power Adjustment (FAC) Required in )  
4 CSR 240-020.090(4)

**AFFIDAVIT OF KORY J. BOUSTEAD**

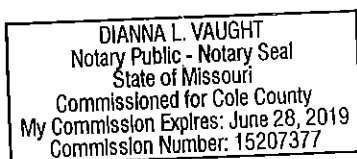
STATE OF MISSOURI )  
 ) ss  
COUNTY OF COLE )

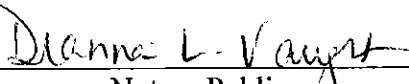
**COMES NOW**, Kory J. Boustead and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached Staff Recommendation in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
Kory J. Boustead

Subscribed and sworn to be this 2nd day of May, 2018.



  
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-2018-0270**  
Adjustments Related to the Company's Fuel and ) Tracking No. JE-2018-0127  
Purchase Power Adjustment (FAC) Required in )  
4 CSR 240-020.090(4)

**AFFIDAVIT OF CATHERINE F. LUCIA**

STATE OF MISSOURI )  
 ) ss  
COUNTY OF COLE )

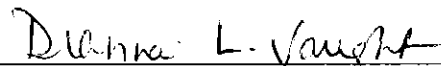
**COMES NOW**, Catherine F. Lucia and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached Staff Recommendation in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
Catherine F. Lucia

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

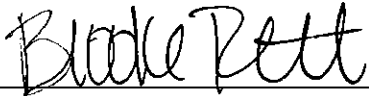
In the Matter of The Empire District Electric )  
Company for Authority to Implement Rate ) **File No. ER-2018-0270**  
Adjustments Related to the Company's Fuel and ) Tracking No. JE-2018-0127  
Purchase Power Adjustment (FAC) Required in )  
4 CSR 240-020.090(4)

**AFFIDAVIT OF BROOKE RICHTER**

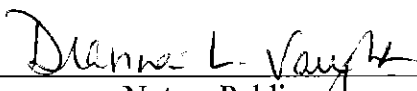
STATE OF MISSOURI )  
 ) ss  
COUNTY OF COLE )

**COMES NOW**, Brooke Richter 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.

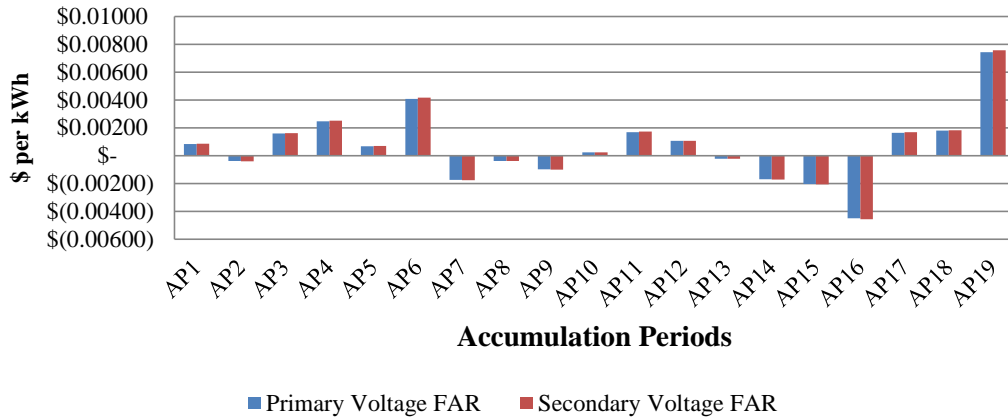
Further the Affiant sayeth not.

  
\_\_\_\_\_  
Brooke Richter

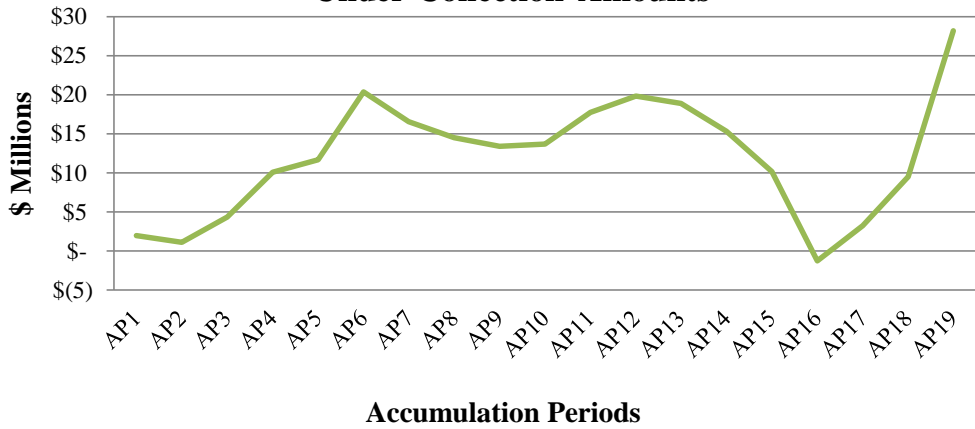
Subscribed and sworn to be this 2nd day of May, 2018.

  
\_\_\_\_\_  
Notary Public

**Chart 1: Empire Fuel Adjustment Rates**



**Chart 2: Empire FAC Cumulative Under-Collection Amounts**



**Chart 3: Empire FAC Cumulative Under-Collection Percentage**

