

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. ER-2010-0275, Tariff Tracking No. YE-2010-0589
The Empire District Electric Company

FROM: John Rogers, Utility Regulatory Manager
Leon Bender, Utility Regulatory Engineer I

 /s/ John Rogers 04/26/10
John Rogers, Energy Department/Date

/s/ Sarah Kliethermes 04/26/10
Sarah Kliethermes Staff Counsel Division/Date

SUBJECT: Staff Recommendation For **Approval** Of Tariff Sheet Filed to Increase Revenues Related to The Empire District Electric Company's (Empire) Fuel Adjustment Clause (FAC) Pursuant to the Commission's Report and Order from Case ER-2008-0093

DATE: April 26, 2010

On April 1, 2010, The Empire District Electric Company ("Empire") filed one (1) tariff sheet bearing a proposed effective date of June 1, 2010, to revise its Cost Adjustment Factors ("CAF") (Items 10 and 11 on Sheet No. 17c) of its Fuel Adjustment Clause ("FAC"). Included in the filing are: the proposed tariff sheet, the testimony of W. Scott Keith and Empire's work papers. The testimony and work papers included information supporting Empire's calculation of the CAF for Accumulation Period 4 (June 1, 2010 through November 30, 2010) resulting from: 1) 95% of the difference between Empire's actual fuel and purchased power costs and Empire's base costs during Accumulation Period 3 (September 1, 2009 through February 28, 2010); and 2) the true-up of the over/under recovery amount as a result of the CAF for Recovery Period 1 (June 1, 2009 through November 30, 2009).

Empire's present CAF is a negative amount of \$0.00039 per kWh for customers receiving service at primary voltage level and above and a negative \$0.00040 per kWh, for customers receiving service at secondary voltage level. The proposed change to the CAF's results in positive CAF rates of \$0.00160 per kWh, and \$0.00163 per kWh for customers receiving service at primary voltage levels and secondary voltage levels

respectively.

Cost Adjustment Factor (CAF) Per kWh			
Voltage Level Adjustment	Present	Proposed	Difference
Primary	\$(0.00039)	\$0.00160	\$0.00199 Increase
Secondary	\$(0.00040)	\$0.00163	\$0.00203 Increase

The proposed change to the CAF's results from an increase of approximately \$3.48 million, of which approximately \$340,000 are from under recovery and interest from Recovery Period 1.

Empire's FAC Recovery Period 1 began with its June 2009 billing month and ended with its November 2009 billing month. Recovery Period 1 is for Accumulation Period 1, which was September 1, 2008 through February 28, 2009. Empire's FAC Recovery Period 2 began with the December 2009 billing month and will end with the May 2010 billing month. Recovery Period 2 is for Accumulation Period 2, which was March 1, 2009 through August 31, 2009. Empire's FAC Recovery Period 3, for which this tariff filing was made, will begin with the June 2010 billing month and end with the November 2010 billing month. That recovery period is for Accumulation Period 3, which is September 1, 2009 through February 28, 2010.

The accumulation periods, recovery periods, and other specifications of Empire's existing FAC are set out in its tariff sheets designated Original Sheet Nos. 17 through 17c. The Commission approved those tariff sheets to become effective on September 1, 2008, via its August 12, 2008 Order Granting Expedited Treatment and Approving Compliance Tariff Sheets issued in Case No. ER-2008-0093. Specifically, Original Sheet No. 17 sets out Empire's two six-month accumulation periods: September through February, and March through August. The six-month recovery periods are June through November, and December through May. The Accumulation Periods and Recovery Periods are shown on the attached Timeline.

Staff reviewed Tariff Sheet No. 17c and the direct testimony of W. Scott Keith Empire filed on April 1, 2010. The Staff reviewed Empire's monthly filings and work

papers in this filing for Accumulation Period 3 and verified that the actual fuel and purchased power costs match the fuel and purchased power costs in Empire's proposed Tariff Sheet No. 17c and the supporting schedules of W. Scott Keith direct testimony. The Staff also reviewed Empire's monthly interest amount that is applied to the over/under base fuel and purchased power cost and verified that the interest rates and calculations are correct for Accumulation Period 3. The information filed with the revised tariff sheet, and workpapers as supplemented by Empire, include sufficient data to calculate adjustments to the CAF based on the actual fuel, purchased power, and emissions costs net of off-system sales and base cost of fuel and purchased power provided by Empire for Accumulation Period 3.

Staff Recommendation

The Staff is of the opinion that Empire timely filed Tariff Sheet No. 17c and that it complies with the Commission's *Report and Order* in Case No. ER-2008-0093, 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 Tariff Sheet No. 17c, filed April 1, 2010, become effective on June 1, 2010, the first cycle of Empire's June billing month. Thus, the tariff sheet was filed with 61 days' notice. The Staff, therefore, recommends the Commission issue an order approving the following proposed tariff sheet, as filed on April 1, 2010, to become effective on June 1, 2010, as requested by Empire, subject to both true-up and prudence reviews:

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

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

The Staff has verified that Empire is not delinquent on any assessment and Empire has an Annual Report Extension Submission for its 2009 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). The Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing. Empire's current rate case will have no effect on this filing.

Empire Fuel Adjustment Clause (FAC) Timeline

Periods	<p>A1 (Sep08-Feb09) ~ A2 (Mar09-Aug09) ~ A3 (Sep09-Feb10) ~ A4 (Mar10-Aug10) ~ A5 (Sep10-Feb11) ~ A6 (Mar11-Aug11) A7 (Sep11-Feb12) ~ A8 (Mar12-Aug12) ~ A9 (Sep12-Feb13) R1 (Jun09-Nov09) EO-2009-0349 ~ R2 (Dec09-May10) ER-2010-0105 ~ R3 (Jun10-Nov10) ER-2010-0275 R4 (Dec10-May11) EO-2011-xxxx ~ R5 (Jun11-Nov11) EO-2011-xxxx ~ R6 (Dec11-May12) EO-2012-xxxx R7 (Jun12-Nov12) EO-2012-xxxx ~ R8 (Dec12-May13) EO-2013-xxxx</p>											
	Jan	Feb	Mar	Apr 1 file	May	Jun	Jul	Aug	Sep	Oct 1 file	Nov	Dec
Month #	5	6	7	8	9	10	11	12	13	14	15	16
Accumulation	A1	A1	A2	A2	A2	A2	A2	A2	A1	A1	A1	A1
Recovery						R1	R1	R1	R1	R1	R1	R2
Month #	17	18	19	20	21	22	23	24	25	26	27	28
Accumulation	A3	A3	A4	A4	A4	A4	A4	A4	A5	A5	A5	A5
Recovery	R2	R2	R2	R2	R2	R3	R3	R3	R3	R3	R3	R4
Month #	29	30	31	32	33	34	35	36	37	38	39	40
Accumulation	A5	A5	A6	A6	A6	A6	A6	A6	A7	A7	A7	A7
Recovery	R4	R4	R4	R4	R4	R5	R5	R5	R5	R5	R5	R6
Month #	41	42	43	44	45	46	47	48	49	50	51	52
Accumulation	A7	A7	A8	A8	A8	A8	A8	A8	A9	A9	A9	A9
Recovery	R6	R6	R6	R6	R6	R7	R7	R7	R7	R7	R7	R8

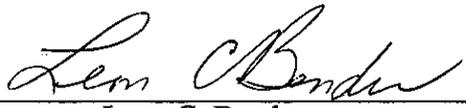
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District)
Electric Company's Application to)
Modify it's FAC Tariff) Case No. ER-2010-0275

AFFIDAVIT OF LEON C. BENDER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Leon C. Bender, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.



Leon C. Bender

Subscribed and sworn to before me this 26th day of April, 2010.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086



Notary Public