

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
Case No. ER-2011-0095, Tariff Tracking No. YE-2011-0176  
The Empire District Electric Company

FROM: Leon Bender, Utility Regulatory Engineer I

/s/ John Rogers 10/29/10  
John Rogers, Energy Department / Date

/s/ Sarah Kliethermes 10/29/10  
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 Reports and Orders in Case Nos. ER-2008-0093 and ER-2010-0130

DATE: October 29, 2010

On October 1, 2010, The Empire District Electric Company (Empire) filed one (1) tariff sheet bearing a proposed effective date of December 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 include information supporting Empire's calculation of the CAF for Recovery Period 4 (December 1, 2010 through May 31, 2011) resulting from: 1) 95% of the difference between Empire's actual fuel and purchased power costs and Empire's base costs during Accumulation Period 4 (March 1, 2010 through August 31, 2010), and 2) the true up of the over/under recovery amount as a result of the CAF for Recovery Period 2 (December 1, 2009 through May 31, 2010).

Empire's present CAF is a positive amount of \$0.00160 per kWh for customers receiving service at primary voltage level and above and \$0.00163 per kWh, for customers receiving service at secondary voltage level. The proposed change to the CAF's results in positive CAF rates of \$0.00248 per kWh, and \$0.00253 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	\$0.00160	\$0.00248	\$0.00088 Increase
Secondary	\$0.00163	\$0.00253	\$0.00090 Increase

The proposed changes to the CAFs' result from an increase of approximately \$5.35 million to the FAC as a result of: 1) an increase in fuel cost recovery of \$5,510,843, 2) a reduction of \$191,669 due to over recovery of revenues collected in Recovery Period 2, and 3) interest in the amount of \$29,348. Based on a monthly usage of 1,000 kWh, the proposed change to the CAF will increase the FAC charge of an Empire residential customer's bill from \$1.63 to \$2.53, an increase of \$0.90 per month.

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 Accumulation Periods and Recovery Periods are shown on the attached Schedule A.

Staff reviewed Tariff Sheet No. 17c and the direct testimony of Empire witness W. Scott Keith filed on October 1, 2010. Staff reviewed Empire's monthly filings and work papers in this filing for Accumulation Period 4 and for Recovery Period 2. Staff 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's 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 4 and for Recovery Period 2. 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 margin and base cost of fuel and purchased power provided by Empire for Accumulation Period 4.

Staff Recommendation

The Staff is of the opinion that Empire timely filed Tariff Sheet No. 17c and that it complies with the Commission's *Reports and Orders* in Case Nos. ER-2008-0093 and ER-2010-0130, 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 October 1, 2010, become effective on December 1, 2010, the first cycle of Empire's December 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 October 1, 2010, to become effective on December 1, 2010, as requested by Empire, subject to both true-up and prudence reviews:

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

5<sup>th</sup> Revised Sheet No. 17c Canceling 4<sup>th</sup> 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 2010 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

Accumulation

**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)

Recovery

**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

Month #	Jan	Feb	Mar	Apr 1 file	May	Jun	Jul	Aug	1 Sep	2 Oct 1 file	3 Nov	4 Dec
<b>2008</b>												
<u>Accumulation</u>									A1	A1	A1	A1
Month #	5	6	7	8	9	10	11	12	13	14	15	16
<b>2009</b>	Jan	Feb	Mar	Apr 1 file	May	Jun	Jul	Aug	Sep	Oct 1 file	Nov	Dec
<u>Accumulation</u>	A1	A1	A2	A2	A2	A2	A2	A2	A3	A3	A3	A3
<u>Recovery</u>						R1	R1	R1	R1	R1	R1	R2
Month #	17	18	19	20	21	22	23	24	25	26	27	28
<b>2010</b>	Jan	Feb	Mar	Apr 1 file	May	Jun	Jul	Aug	Sep	Oct 1 file	Nov	Dec
<u>Accumulation</u>	A3	A3	A4	A4	A4	A4	A4	A4	A5	A5	A5	A5
<u>Recovery</u>	R2	R2	R2	R2	R2	R3	R3	R3	R3	R3	R3	R4
			EDE cal R1	Staff R1	Com. R1	apply R1			EDE cal R2	Staff R2	Com. R2	apply R2
Month #	29	30	31	32	33	34	35	36	37	38	39	40
<b>2011</b>	Jan	Feb	Mar	Apr 1 file	May	Jun	Jul	Aug	Sep	Oct 1 file	Nov	Dec
<u>Accumulation</u>	A5	A5	A6	A6	A6	A6	A6	A6	A7	A7	A7	A7
<u>Recovery</u>	R4	R4	R4	R4	R4	R5	R5	R5	R5	R5	R5	R6
			EDE cal R3	Staff R3	Com. R3	apply R3			EDE cal R4	Staff R4	Com. R4	apply R4
Month #	41	42	43	44	45	46	47	48	49	50	51	52
<b>2012</b>	Jan	Feb	Mar	Apr 1 file	May	Jun	Jul	Aug	Sep	Oct 1 file	Nov	Dec
<u>Accumulation</u>	A7	A7	A8	A8	A8	A8	A8	A8	A9	A9	A9	A9
<u>Recovery</u>	R6	R6	R6	R6	R6	R7	R7	R7	R7	R7	R7	R8
			EDE cal R5	Staff R5	Com. R5	apply R5			EDE cal R6	Staff R6	Com. R6	apply R6

In the Matter of The Empire District  
Electric Company's Application to  
Modify its FAC Tariff

**STATE OF MISSOURI            )**  
                                       ) **ss**  
**COUNTY OF COLE            )**

Lem C Bender

**D. SUZIE MANKIN**  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: December 08, 2012  
Commission Number: 08412071

*Suzellankin*

Notary Public