

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

In the Matter of The Empire District)	
Company's Filing to Adjust Rates Under)	<u>File No. ER-2014-0264</u>
Its Approved Fuel and Purchased Power)	Tariff No. JE-2014-0378
Cost Recovery Mechanism Pursuant to)	
4 CSR 240-20.090(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 1, 2014, The Empire District Electric Company ("Empire") filed one tariff sheet bearing a proposed effective date of June 1, 2014, to revise the Current Period Fuel Adjustment Rates ("FARs") of its Fuel Adjustment Clause ("FAC"). The Commission assigned it Tracking No. JE-2014-0378. Empire filed 4th Revised Sheet No. 17e Canceling 3rd Revised Sheet No. 17e, which complies with the Commission's *Order Approving Stipulation and Agreement* in File No. ER-2012-0345, 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 1, 2014, Empire made a FAC true-up filing in File No. EO-2014-0265 to identify the true-up amount of \$231,336 it over-recovered from its customers during the 9th Recovery Period of its FAC. This amount is included with the amount of its under-recovery during accumulation period 11 of \$3,861,540 and an interest adjustment of \$(329) when calculating the new FARs in this case.

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 adjustment to its FAC rate is 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. 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 Memorandum (Appendix A), Staff recommends that the Commission issue an order approving Empire’s Tariff Sheet, P.S.C. MO. No. 5, Section 4, 4th Revised Sheet No. 17e Canceling 3rd Revised Sheet No. 17e, as filed on April 1, 2014, to become effective June 1, 2014, as requested by Empire, subject to true-up and prudence reviews. The resulting rates are in the column marked “Proposed” in the table following:

Fuel Adjustment Rates (\$ per kWh)			
Voltage Level Adjustment	Present	Proposed	Difference
Primary	\$0.00024	\$0.00170	\$0.00146 Increase
Secondary	\$0.00024	\$0.00173	\$0.00149 Increase

6. Except for Empire's proposed true-up amount in its FAC true-up filing in File No. EO-2014-0265, Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

7. The Staff's review shows Empire's filing is in compliance with §386.266 RSMo, 4 CSR 240-20.090, and Commission's *Order Approving Stipulation and Agreement* in File No. ER-2012-0345.

WHEREFORE, Staff recommends that the Commission either allow to become effective by operation of law, or issue an interim rate adjustment Order approving, Empire's Tariff Sheet, P.S.C. MO. No. 5, Section 4, 4th Revised Sheet No. 17e Canceling 3rd Revised Sheet No. 17e, as filed on April 1, 2014, to become effective, June 1, 2014, subject to true-up and prudence reviews.

Respectfully submitted,

/s/ Robert S. Berlin

Robert S. Berlin
Senior Counsel
Missouri Bar No. 51709

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronic mailed to all counsel of record this 29th day of April, 2014.

/s/ Robert S. Berlin

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2014-0264, Tariff Tracking No. JE-2014-0378
The Empire District Electric Company

FROM: Matthew J. Barnes, Utility Regulatory Auditor IV
David Roos, Regulatory Economist III

DATE: /s/John Rogers 04/29/2014 /s/Robert S. Berlin 04/29/2014
Energy Resource Analysis Unit / Date Staff Counsel Office / 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 *Order Approving Stipulation and Agreement* in File
No. ER-2012-0345.

DATE: April 29, 2014

On April 1, 2014, The Empire District Electric Company ("Empire") filed one (1) tariff sheet in Tariff Tracking No. JE-2014-0378, 4th Revised Sheet No. 17e Canceling 3rd Revised Sheet No. 17e bearing a proposed effective date of June 1, 2014, to revise its Current Period Fuel Adjustment Rates¹ ("FARs") of its Fuel Adjustment Clause ("FAC") used to determine the Fuel Adjustment Rate² charge on customers' bills. Empire also filed direct testimony of its witness Todd W. Tarter on April 1, 2014, and submitted to Staff work papers in support of the testimony and filed tariff sheet.

The testimony and work papers include information that supports Empire's calculation of the dollar amount³ used to calculate the FARs for Accumulation Period 11 ("AP11"). That dollar amount is \$3,629,875 resulting from:

1. The under recovery amount equal to 95% of the difference between: a) Empire's actual fuel and purchased power costs plus net emissions allowance costs less off-system sales revenue and renewable energy credits ("REC") revenue, and b) Empire's net base energy cost during AP11 is equal to \$3,861,540, found on Line 7 on 4th Revised Sheet No. 17e, plus;

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 4th Revised Sheet No. 17e.

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

³ 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. 17e.

2. The true-up amount of the over/under recovery amount as a result of the FARs for RP9 which is equal to \$(231,336), found on Line 8 on 4th Revised Sheet No. 17e, plus;

3. The interest for AP11, a portion of RP10⁴, and RP9⁵ is equal to \$(329), found on Line 10 on 4th Revised Sheet No. 17e.

The Current Period FAR of \$0.00162 per kWh (Line 13 on 4th Revised Sheet No. 17e) is equal to the FPA Amount of \$3,629,875 divided by the forecasted Missouri net system input (“NSI”) for RP11 of 2,233,896,883 kWh (Line 12 on 4th Revised Sheet No. 17e).

Because of a difference in line losses, there are different FARs for service taken at secondary voltage level and at primary and above voltage levels. When accounting for line losses for the different voltage levels, the proposed FARs are \$0.00170 per kWh for customers receiving service at primary voltage level and above, and \$0.00173 per kWh for customers receiving service at secondary voltage level. Empire’s present FARs are \$0.00024 per kWh for customers receiving service at primary voltage level and above, and \$0.00024 per kWh for customers receiving service at secondary voltage level.

Fuel Adjustment Rates (\$ Per kWh)			
Voltage Level Adjustment	Present	Proposed	Difference
Primary	\$0.00024	\$0.00170	\$0.00146 Increase
Secondary	\$0.00024	\$0.00173	\$0.00149 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 \$0.24 to \$1.73, a net increase in the customer’s bill of \$1.49 per month. 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. 17 through 17k. The increases in Empire’s Current Period FARs are due to colder than normal weather during the accumulation period that increased the level of higher cost peaking generation during AP11.

⁴ Recovery Period 9 is June 2013 through November 2013.

⁵ Recovery Period 10 is December 2013 through May 2014.

Staff reviewed Empire's proposed 4th Revised Sheet No. 17e Canceling 3rd Revised Sheet No. 17e, the direct testimony of Empire witness Todd W. Tarter filed on April 1, 2014, in addition to Empire's monthly filings and work papers for AP11. Staff verified that the actual fuel and purchased power costs plus net emissions allowance costs less off-system sales revenue and REC revenue, match the fuel and purchased power costs plus net emissions allowance costs less off-system sales revenue and REC revenue in Empire's proposed 4th Revised Sheet No. 17e Canceling 3rd Revised Sheet No. 17e. The Staff also reviewed Empire's monthly interest rates that are applied to the over/under collection and recovery amounts for AP11, a portion of RP10, and RP9 and the calculation of the monthly interest amounts. The information filed with the tariff sheet and work papers, as supplemented by Empire, include sufficient data to calculate the FARs for AP11.

Staff Recommendation

Empire filed 4th Revised Sheet No. 17e Canceling 3rd Revised Sheet No. 17e, which complies with the Commission's *Order Approving Stipulation and Agreement* in File No. ER-2012-0345, 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 4th Revised Sheet No. 17e Canceling 3rd Revised Sheet No. 17e filed on April 1, 2014, become effective on June 1, 2014, the first cycle of Empire's June billing month. Thus, the tariff sheet was 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 filed, to become effective on June 1, 2014, as requested by Empire, subject to both true-up and prudence reviews:

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

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

The Staff has verified that Empire is not delinquent on any assessment and Empire has filed its 2013 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. 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 RP9 and AP11.

**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 to)
the Company's Fuel and Purchase Power)
Adjustment (FAC) Required in)
4 CSR 240-20.094(4))

Case No. ER-2014-0264

AFFIDAVIT OF MATTHEW J. BARNES

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Matthew J. Barnes, 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.



Matthew J. Barnes

Subscribed and sworn to before me this 29th day of April, 2014.

LAURA BLOCH
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 21, 2015
Commission Number: 11203914



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 Adjustments Related to)
 the Company's Fuel and Purchase Power)
 Adjustment (FAC) Required in)
 4 CSR 240-20.094(4))

Case No. ER-2014-0264

AFFIDAVIT OF DAVID C. ROOS

STATE OF MISSOURI)
) ss
 COUNTY OF COLE)

David C. Roos, 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.



 David C. Roos

Subscribed and sworn to before me this 29th day of April, 2014.

LAURA BLOCH
 Notary Public - Notary Seal
 State of Missouri
 Commissioned for Cole County
 My Commission Expires: June 21, 2015
 Commission Number: 11203914



 Notary Public