

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

In the Matter of the Application of The Empire)
District Electric Company for the Issuance of)
an Accounting Authority Order Relating to its)
Electrical Operations and for a Contingent)
Waiver of the Notice Requirement of 4 CSR)
240-4.020(2))

File No. EU-2011-0387

RECOMMENDATION TO APPROVE APPLICATION IN PART AND DENY IN PART

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), and for its *Recommendation* states as follows to the Missouri Public Service Commission (“Commission”):

1. On June 6, 2011, The Empire District Electric Company, (“Empire”) filed an *Application* in which it requested, *inter alia*, account authority to defer recording to its books the following financial items related to the May 22, 2011, Joplin area tornado:

- Incremental O&M costs incurred and to be incurred
- Incremental Capital-related costs incurred and to be incurred
- Alleged financial impact of the tornado on sales (lost fixed cost recovery or “lost revenues”)

2. In the attached memorandum, labeled Attachment A, Staff recommends that the Commission authorize Empire, subject to the conditions described there-in, to defer for a period of ten years commencing January 1, 2012, (1) tornado-related incremental O&M costs and (2) capital-related incremental costs.

3. Also in the attached memorandum, Staff recommends the Commission deny Empire’s request to defer any loss of the fixed cost components of Empire’s rates resulting from sales allegedly lost as a consequence of the tornado.

4. Staff recommends the Commission enter an order that:

1. Empire be authorized to defer actual incremental O&M expenses associated with repair and restoration activities associated with the May 22, 2011, tornado, and depreciation and carrying charges equal to its ongoing AFUDC rates

associated with tornado-related capital expenditures, to Account 182.3, Other Regulatory Assets.

2. Nothing in the Commission's order shall be considered a finding by the Commission of the reasonableness of the costs and/or expenditures deferred, and the Commission reserves the right to consider the ratemaking treatment to be afforded all deferred costs and/or expenditures.

3. Any insurance claim proceeds or government payments or credits applicable to incremental operation and maintenance expense or capital expenditures shall be used to offset the total amount of costs to be deferred.

4. Empire is required to begin, as of January 1, 2012, ratably amortizing to expense, over a ten-year (120-month) period, the appropriate amount of all costs it is authorized to defer, which are directly related to the May 2011 tornado. Thus, the ten-year amortization period will conclude December 31, 2021.

5. Empire is to maintain detailed supporting records, work papers, invoices and other documents to support the amount of costs deferred under this AAO, including any related deferred taxes recorded as a result of the cost deferral. Such records shall be made available for review by the Commission Staff, The Office of the Public Counsel and other intervenors, pursuant to 4 CSR 240-2.085 and Section 386.480.

6. Empire's request for authority to defer the fixed cost components of the Company's rates resulting from sales lost due to the tornado be denied.

WHEREFORE, the Staff respectfully recommends the Commission enter an order as described here-in.

Respectfully submitted,

/s/ Sarah Kliethermes

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 17th day of August, 2011.

/s/ Sarah Kliethermes