STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held at its Office in Jefferson City on the 14th day of February, 2019.

In the Matter of the Propriety of the Rate Schedules for Gas Service of Empire District Gas Company	)))	**File No. GR-2018-0229**

ORDER APPROVING STIPULATION AND AGREEMENT

Issue Date: February 14, 2019 Effective Date: February 24, 2019

The Commission opened this file on February 21, 2018 to consider the effect of the Tax Cuts and Jobs Act of 2017 on the rates charged by The Empire District Gas Company for natural gas service. On September 24, Empire filed tariffs to reduce its base rate revenue by $773,566 to reflect the effect of the federal tax cuts on a going-forward basis. The Commission allowed those tariffs to take effect by operation of law on October 24.

Those tariffs reduced Empire's rates on a going-forward basis in light of the reduced federal tax rates, but did not resolve the issue of how to adjust Empire's rates to reflect the revenue effect of the reduced tax rates between January 1 and October 24. The tariffs also did not resolve the issue of how to adjust Empire's rates to reflect savings associated with the company's excess Accumulated Deferred Income Taxes (ADIT). On December 14, The Empire District Gas Company and the Staff of the Commission filed a stipulation and agreement resolving those remaining issues.

The stipulation and agreement was not signed by all parties, but it represented that the Office of the Public Counsel, Midwest Energy Consumers Group (MECG), Renew

Missouri Advocates, and the Missouri School Boards' Association, the only parties that did not sign the stipulation and agreement, would not oppose it. Commission Rule 4 CSR 240-2.115 provides that if no party objects to a non-unanimous stipulation and agreement within seven days of its filing, the Commission can treat it as unanimous. More than seven days have passed since the stipulation and agreement was filed, and no party has objected to it. Therefore, the Commission will treat the stipulation and agreement as unanimous.

The stipulation and agreement requires Empire to establish a regulatory liability to account for the tax savings associated with excess ADIT, with calculation of the regulatory liability of excess ADIT to begin as of January 1, 2018. In recognition of the fact that the revenue requirement reduction related to the tax rate reduction did not take effect until October 24, 2018 and that revenue collected by Empire between January 1, 2018 and October 24, 2018 will not be refunded to customers or taken into account in the setting of future rates, the stipulation and agreement provides that Empire will not file a rate case until January 1, 2020.

To gather more information, the Commission scheduled an on-the-record proceeding on February 6, 2019, at which the parties were questioned about the stipulation and agreement. Empire, Staff, Public Counsel, and MECG all indicated that Empire's agreement to not file a new general rate proceeding until January 1, 2020 was reasonable consideration for allowing Empire to retain any "excess" earnings resulting from the reduced tax rates during the period between January 1, 2018 and October 24, 2018.

After reviewing the stipulation and agreement, as well as the argument and testimony presented at the on-the-record presentation, the Commission finds and concludes that the stipulation and agreement is a reasonable resolution of the issues it addresses and should be approved. Because the stipulation and agreement is unopposed, the Commission will make this order effective in ten days.

THE COMMISSION ORDERS THAT:

1. The Stipulation and Agreement filed on December 14, 2018, is approved. The signatory parties are ordered to comply with the terms of the stipulation and agreement. A copy of the stipulation and agreement is attached to this order and incorporated by reference.

2. This order shall be effective on February 24, 2019.

BY THE COMMISSION

Morris L. Woodruff
Secretary

Silvey, Chm., Kenney, Hall, Rupp, and
Coleman, CC., concur.

Woodruff, Chief Regulatory Law Judge

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Propriety of the Rate Schedules for Gas Service of Empire District Gas Company	)))	**Case No. GR-2018-0229**

STIPULATION AND AGREEMENT

COME NOW The Empire District Gas Company ("EDG" or "Company") and Staff of the Missouri Public Service Commission (collectively the "Signatories"), and for this Stipulation and Agreement (the "Tax Stipulation") respectfully state as follows:

1. This Tax Stipulation is being entered into solely for the purpose of settling the issues specifically addressed herein and thereby settling the case captioned above. Unless otherwise explicitly provided herein, none of the Signatories shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost of service or valuation determination or cost allocation, rate design, revenue recovery, or revenue-related methodology. Except as explicitly provided herein, none of the Signatories shall be prejudiced or bound in any manner by the terms of this Tax Stipulation in this or any other proceeding.

2. The Signatories stipulate and agree as follows:

   a. The tariff sheets filed in this docket by EDG on September 24, 2018, with a proposed effective date of October 24, 2018, and assigned Tariff Tracking No. YG-2019-0050 became effective October 24, 2018. The tariffs reflect a reduction in base rate revenue in the amount of $773,566 as the result of the implementation of the Tax Cuts and

Jobs Act of 2017, as a separate line item credit on customers' bills.[1] The reduction in the annual revenue requirement represents the calculated revenue requirement utilized in current base rates utilizing a federal corporate income tax rate of 35%, compared to a recalculated revenue requirement using the reduced federal corporate income tax rate of 21%. The attached **Appendix A** displays the annual reduction, along with the revised annual revenue requirement.

b. EDG shall establish a regulatory liability to account for the tax savings associated with excess Accumulated Deferred Income Taxes ("ADIT").

(i) EDG will record a regulatory liability for the difference between the excess ADIT balances included in current rates, which was calculated using the 35% federal corporate income tax rate, versus the now lower federal corporate income tax rate of 21%.

(ii) EDG is evaluating the cost and ability to use the Average Rate Assumption Method ("ARAM") as a method for computing and normalizing excess ADIT. If EDG determines that it is unable to use the ARAM, EDG shall notify the Signatories within thirty (30) days of such determination. EDG shall provide testimony and support in its next general rate case of its proposed methodology for returning the regulatory liability to customers.

[1] Upon conclusion of the next general rate proceeding of EDG, the newly introduced credit line item will be removed from the service classification tariffs and the income tax component of the revenue requirement, which will continue to include the impact of the TCJA, will be a part of the overall revenue requirement used to establish base rates, subject to the class revenue allocation and rate design that the Commission orders in that proceeding.

(iii) The calculation of the Regulatory Liability of excess ADIT will begin as of January 1, 2018.

(iv) The Signatories intend to appropriately reflect excess ADIT in future customer rates using a methodology consistent with the tax normalization requirements specified by IRS normalization principles. The Signatories agree that, in the event the IRS asserts that the terms of this Stipulation create a violation of normalization requirements, this Stipulation shall be amended to cure and prevent any normalization violation.

3. In recognition of the fact that the revenue requirement reduction related to the TCJA did not take effect until 10/24/2018 and that revenue collected between 1/1/2018 and 10/24/2018 will not be refunded to customers or taken into account in the setting of future rates, EDG agrees that it shall not file a rate case until January 1, 2020, in the event that the Commission issues an order approving this Stipulation and Agreement without condition or modification.

4. Counsel for the Office of the Public Counsel ("OPC"), Midwest Energy Consumers Group ("MECG"), Renew Missouri ("Renew"), and Missouri School Boards' Association ("MSBA") have indicated to the undersigned that although OPC, MECG, Renew and MSBA have not signed this Tax Stipulation, they do not oppose this Tax Stipulation.

5. This Tax Stipulation has resulted from negotiations among the parties, and the terms herein are interdependent and non-severable. If the Commission does not approve this Tax Stipulation unconditionally and without modification, or if the

Commission approves the Tax Stipulation with modifications or conditions to which a Signatory objects, then this Tax Stipulation shall be void and none of the Signatories shall be bound by any of the agreements or provisions hereof.

6. This Tax Stipulation is based on the unique circumstances presented by EDG to the Signatories. Except to the extent necessary to implement the terms of this Tax Stipulation, this agreement shall not be construed to have precedential impact in any other Commission proceeding.

7. The non-utility Signatories enter into this Tax Stipulation in reliance upon information provided to them by EDG, and this Tax Stipulation is explicitly predicated upon the representations made by EDG.

8. In the event the Commission accepts the specific terms of this Tax Stipulation without condition or modification, the Signatories waive their respective rights to present oral argument and written briefs pursuant to RSMo. §536.080.1, their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2, their respective rights to seek rehearing pursuant to §386.500, and their respective rights to judicial review pursuant to §386.510. These waivers apply only to a Commission order approving this Tax Stipulation without condition or modification issued in this proceeding and only to the issues that are resolved hereby. These waivers do not apply to any issues not explicitly addressed by this Tax Stipulation. The Signatories agree that any and all discussions, suggestions, or memoranda reviewed or discussed, related to this Tax Stipulation shall be privileged and shall not be subject to discovery, admissible in evidence, or in any way used, described or discussed.

9. When approved by the Commission, this Tax Stipulation shall constitute a binding agreement among the Signatories hereto. This Tax Stipulation contains the entire agreement of the Signatories concerning the issues addressed herein.

10. This Tax Stipulation does not constitute a contract with the Commission. Acceptance of this Tax Stipulation by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego the use of any discovery, investigatory powers or other statutory powers which the Commission presently has. Thus, nothing in this Tax Stipulation is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information.

WHEREFORE, the Signatories respectfully request the Commission issue an order approving the specific terms and conditions of this Stipulation and Agreement as a full and complete resolution of Case No. GR-2018-0229.

Respectfully submitted,

/s/ Jeffrey A. Keevil
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Attorney for
The Empire District Gas Company

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record this 14th day of December, 2018.

/s/ Jeffrey A. Keevil

Line No.	Revenue Requirement Component	21% Federal Income Tax Rate	35% Federal Income Tax Rate[1]
1	OpEx	15,034,640	15,034,640
2	Rate Base	57,732,318	57,732,318
3	ROR	9.17%	9.17%
4	Return on Rate Base	5,295,901	5,295,901
5	Interest Sync:		
6	Rate Base	57,732,318	57,732,318
7	Weighted Cost of Debt	3.57%	3.57%
8	Interest Deduct	2,061,044	2,061,044
9	Return on Rate Base	5,295,901	5,295,901
10	Interest Deduct	(2,061,044)	(2,061,044)
11	Net Income (Equity Portion of Return)	3,234,857	3,234,857
12	Composite Tax Rate	25.12%	36.49%
13	Equity x Tax Rate	812,548	1,180,493
14	GRCF	1.3354	1.5746
15	Taxes	1,085,111	1,858,837
16	Total Rev Req (MO model)	21,415,652	22,189,378
17	Total Rev Req (Per rate case)	22,189,218	22,189,218
18	Difference	(773,566)	160

Footnotes:

	Jurisdictional Revenue
[1] Information derived from Docket No. GR-2009-0434	22,189,218

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 14th day of February 2019.

Morris L Woodruff

Morris L. Woodruff
Secretary

MOPSC Digitally signed by MOPSC Date: 2019.02.14 12:56:15 -06'00'

MISSOURI PUBLIC SERVICE COMMISSION

February 14, 2019

File/Case No. GR-2018-0229

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Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,

Morris L Woodruff

Morris L. Woodruff
Secretary

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.