

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

In the Matter of the Sixth Prudence)	
Review of Costs Subject to the)	
Commission-Approved Fuel Adjustment)	Case No. EO-2017-0065
Clause of The Empire District Electric)	
Company)	

MOTION FOR EVIDENTIARY HEARING

COMES NOW the Office of the Public Counsel (“OPC”) and for its Motion for Evidentiary Hearing, states as follows:

1. On September 6, 2016, the Commission’s Staff notified the Commission that the Staff started its sixth prudence audit of Empire District Electric Company’s fuel adjustment clause (“FAC”) for the period March 1, 2015 through August 31, 2016, as authorized by 4 CSR 240-20.090(7).
2. On September 7, 2016, the Commission issued an order requiring the Staff to file its recommendation no later than February 28, 2017, and requiring any request for a hearing to be filed no later than March 10, 2017.
3. The Staff filed its Sixth Prudence Audit Report with the Commission on February 28, 2017, which states the Staff found no instances of imprudence.
4. OPC also reviewed Empire’s fuel purchasing practices. OPC’s review revealed imprudent practices during the audit period that directly resulted in higher FAC rates than customers would have paid had Empire’s practices been prudent. OPC hereby requests that this matter be set for an evidentiary hearing to address these issues.

5. In particular, OPC wishes to address Empire's financial hedging decisions which appear to utilize inflexible natural gas hedge purchasing policies. Empire's policy is to acquire a predetermined fixed percentage of gas hedges based on its projected natural gas volume, even when it could have acquired gas for less with modifications to its purchasing decisions. Empire's inflexible policies resulted in significant additional costs to ratepayers reflected in its seeking rate recovery in its FAC of its unnecessarily high natural gas hedging losses. OPC raised this issue in Empire's most recent rate case when it recommended "the Commission require Empire to justify why it continues to incur significant natural gas hedging costs in a non-volatile natural gas market and require Empire to demonstrate its hedging policies are prudent given the fact that, unlike other Missouri electric utilities, it does not employ hedging techniques in order to reduce the costs of recoverable natural gas purchases."¹ In addition to its concerns with Empire's financial hedging transactions, OPC also has concerns related to Empire's natural gas physical hedging activities as reflected by the above-market prices of its long-term natural gas supply purchases.

6. OPC also has concerns with the Staff's Sixth Prudence Audit Report because there is no reported analysis of Empire's generation unit heat rates to determine if Empire was maintaining its generation plants' efficiencies. In addition, the Staff report does not include a review of Empire's true purchased power and off-system sales as defined in the Commission's *Report and Order* in the Empire rate case ER-2014-0351 and FERC Order 668, resulting in an inaccurate cost of providing electricity to Empire's native load customers and the revenues generated through true off-system sales.

¹ Case No. ER-2016-0023, Rebuttal Testimony of John S. Riley, p. 4 (EFIS No. 107).

7. Before setting this matter for a hearing, OPC requests the Commission order the parties to appear in a pre-hearing conference to discuss and hopefully agree-upon a procedural schedule.

WHEREFORE, the Office of the Public Counsel respectfully requests an evidentiary hearing and an order directing the parties to appear in a pre-hearing conference to discuss a procedural schedule.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By: /s/ Marc D. Poston
Marc D. Poston (#45722)
Chief Deputy Counsel
PO Box 2230
Jefferson City MO 65102
(573) 751-5558
(573) 751-5562 FAX
marc.poston@ded.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record this 10th day of March 2017.

/s/ Marc Poston