

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

In the Matter of the Application of)	<u>Case No. ER-2013-0122</u>
The Empire Electric Company to)	Tracking No. YE-2013-0168
Modify its FAC Tariff)	

STAFF'S RECOMMENDATION TO APPROVE TARIFF SHEET

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("the Commission"), by and through counsel, and for its *Recommendation to Approve Tariff Sheet* states the following:

1. On October 1, 2012, The Empire Electric Company (the "Company" or "Empire") filed one (1) tariff sheet to revise the Cost Adjustment Factors ("CAF") of its Fuel Adjustment Clause ("FAC"), bearing a proposed effective date of December 1, 2012. The Commission assigned Tracking No. YE-2013-0168 to the tariff filing.

2. With the tariff sheet, Empire proposes to revise the current CAFs for adjustment amount for Accumulation Period 8 ("AP8") and the true-up amount for Recovery Period 6 ("RP6"), taking into account line losses for service taken at secondary and primary voltage levels, as follows:

Cost Adjustment Factor (CAF) Per kWh			
Voltage Level Adjustment	Present	Proposed	Difference
Primary	\$(0.00180)	\$(0.00038)	\$0.00142 Increase
Secondary	\$(0.00183)	\$(0.00038)	\$0.00145 Increase

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 is in accordance with Rule 4 CSR 240-20.090(4), §386.266 RSMo, and the “FAC mechanism established in the most recent general rate proceeding.” *Id.*

4. 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.

5. In the attached Memorandum (“Appendix A”), Staff summarizes its review and analysis of Empire’s filed testimony, workpapers, and proposed tariff sheet; and Staff recommends that the Commission issue an order approving Empire’s Tariff Sheet, 3rd Revised Sheet No. 17k Cancelling 2nd Revised Sheet No. 17k, bearing a proposed effective date of December 1, 2012, as filed on October 1, 2012, subject to true-up and prudence reviews.

6. The Staff’s review shows Empire’s filing complies with §386.266 RSMo, Rule 4 CSR 240-20.090, Rule 4 CSR 240-3.161, and the Commission’s *Order Approving Global Agreement* in File No. ER-2012-0004. Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing.

WHEREFORE, Staff recommends that the Commission issue an order approving Empire’s Tariff Sheet, P.S.C. MO. No. 5, Section 4, 3rd Revised Sheet No. 17k Cancelling 2nd Revised Sheet No. 17k, as filed on October 1, 2012, to become effective December 1, 2012, subject to true-up and prudence reviews.

Respectfully submitted,

/s/ Tanya K. Alm

Tanya K. Alm MBE 62721

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed with first-class postage, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 31ST day of October, 2012.

/s/ Tanya K. Alm

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2013-0122, Tariff Tracking No. YE-2013-0168
The Empire District Electric Company

FROM: Matthew J. Barnes, Utility Regulatory Auditor IV
David C. Roos, Regulatory Economist III
Michelle Bocklage, Rate and Tariff Examiner II

DATE: /s/John A. Rogers 10/31/2012 /s/Tanya Alm 10/31/2012
Energy Unit / Date Staff Counsel Division / 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 Global Agreement* in File No.
ER-2011-0004

DATE: October 31, 2012

On October 1, 2012, The Empire District Electric Company ("Empire") filed one (1) tariff sheet in Tariff Tracking No. YE-2013-0168, 3rd Revised Sheet No. 17k Canceling 2nd Revised Sheet No. 17k bearing a proposed effective date of December 1, 2012, to revise its Cost Adjustment Factors ("CAF") of its Fuel Adjustment Clause ("FAC"), which changes the CAF per kWh rates used to determine the CAF charge on customers' bills. Empire also filed direct testimony of its witness Todd W. Tarter on October 1, 2012, and work papers in support of the filed tariff sheet.

The testimony and work papers include information that supports Empire's calculation of the dollar amount used to calculate the CAFs for Accumulation Period 8 ("AP8") and the true-up amount for Recovery Period 6 ("RP6"). That dollar amount is \$(775,752) resulting from: (1) 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 during AP8, and b) Empire's actual base energy costs during AP8; plus (2) the true up of the over/under recovery amount as a result of the CAFs for RP6; and, plus (3) interest.

Empire's work papers support the following components of the AP8 FAC Amount of \$(775,752), which is Line 7 on 3rd Revised Sheet No. 17k:

1. Customer refund for AP8 is equal to \$(1,914,185), which is Line 4 on 3rd Revised Sheet No. 17k, plus;
2. True-up for RP6 is equal to \$1,157,848, which is Line 5 on 3rd Revised Sheet No. 17k, plus;
3. Interest is equal to \$(19,415), which is Line 6 on 3rd Revised Sheet No. 17k.

The CAF rate of \$(0.000036) per kWh to be applied to bills beginning December 1, 2012, (Line 9 on 3rd Revised Sheet No. 17k) is equal to the FAC Amount of \$(775,752) divided by the

forecasted Missouri net system input (“NSI”) for RP8 of 2,162,908,477 kWh (Line 8 on 3rd Revised Sheet No. 17k).

Because of a difference in line losses, there are different CAF rates per kWh for service taken at secondary and primary voltage levels. When accounting for line losses due to different voltage levels, the proposed CAF rates are \$(0.00038) per kWh for customers receiving service at primary voltage level and above, and \$(0.00038) per kWh for customers receiving service at secondary voltage level. Empire’s present CAF rates are \$(0.00180) per kWh for customers receiving service at primary voltage level and above, and \$(0.00183) per kWh for customers receiving service at secondary voltage level.

Cost Adjustment Factor (CAF) Per kWh			
Voltage Level Adjustment	Present	Proposed	Difference
Primary	\$(0.00180)	\$(0.00038)	\$0.00142 Increase
Secondary	\$(0.00183)	\$(0.00038)	\$0.00145 Increase

Based on a monthly usage of 1,000 kWh, the proposed change to the CAF will decrease the FAC charge of an Empire residential customer’s bill from \$(1.83) to \$(0.38), a net increase in the customer’s bill of \$1.45 per month for customers receiving service at secondary voltage level. 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 slight increase in Empire’s FAC is due to under recovery for RP6, the depressed natural gas prices, abundant storage levels of natural gas, lower off-system sales revenues, and depressed wholesale market energy prices.

Staff reviewed 3rd Revised Sheet No. 17k Canceling 2nd Revised Sheet No. 17k, the direct testimony and work papers of Empire witness Todd W. Tarter filed on October 1, 2012, in addition to Empire’s monthly filings and work papers in this filing for AP8 and for RP6. 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 3rd Revised Sheet No. 17k Canceling 2nd Revised Sheet No. 17k and the testimony and the work papers of Empire’s witness Todd W. Tarter. The Staff also reviewed Empire’s monthly interest amount that is applied to the over/under collection and recovery for AP8 and for RP6. The information filed with the tariff sheet and work papers, as supplemented by Empire, include sufficient data to calculate the CAFs for AP8.

Staff Recommendation

Staff recommends that the Commission approve Empire’s FAC rate adjustment and issue an order approving Empire’s proposed tariff sheet as filed, proposing an effective date of December 1, 2012. Empire filed 3rd Revised Sheet No. 17k Canceling 2nd Revised Sheet No. 17k, which complies with the Commission’s *Order Approving Global Agreement* in File No. ER-2011-0004,

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 3rd Revised Sheet No. 17k Canceling 2nd Revised Sheet No. 17k filed on October 1, 2012, become effective on December 1, 2012, the first cycle of Empire's December billing month. Thus, the tariff sheet was filed with sixty-one (61) days' notice. The Staff recommends the Commission issue an order approving the following proposed tariff sheet, as filed, to become effective on December 1, 2012, as requested by Empire, subject to both true-up and prudence reviews:

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

3rd Revised Sheet No. 17k Canceling 2nd Revised Sheet No. 17k

The Staff has verified that Empire is not delinquent on any assessment and Empire has filed its 2011 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 FAC rate adjustment in this case is solely based on the accuracy of Empire's calculations, and is not indicative of the prudence of the fuel costs included in the FAC rate adjustment.

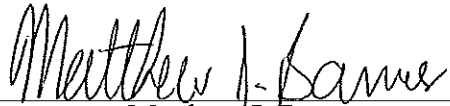
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Company's Application to Modify its FAC) Case No. ER-2013-0122
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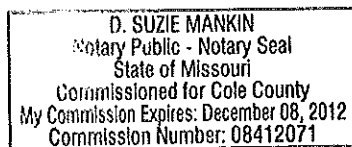
AFFIDAVIT OF MATTHEW J. BARNES

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 25th day of October, 2012.




Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric)
Company's Application to Modify its FAC) Case No. ER-2013-0122
Tariff)

AFFIDAVIT OF MICHELLE BOCKLAGE

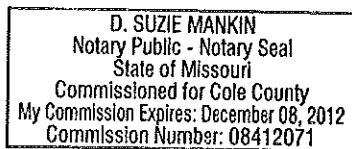
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

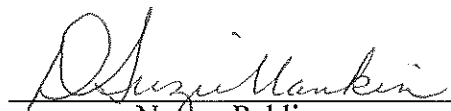
Michelle Bocklage of lawful age, on oath states: that she participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of her knowledge and belief.



Michelle Bocklage

Subscribed and sworn to before me this 25th day of October, 2012.





Notary Public


BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric)
Company's Application to Modify its FAC) Case No. ER-2013-0122
Tariff)

AFFIDAVIT OF DAVID C. ROOS

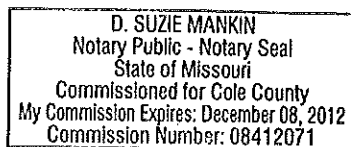
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

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 25th day of October, 2012.





Notary Public