

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

In the Matter of The Empire District )  
Company for Authority to Implement Rate )  
Adjustments Related to The Company's ) **File No. ER-2014-0087**  
Fuel And Purchased Power Adjustment ) Tariff Tracking No. JE-2014-0155  
Clause (FAC) Required by 4 CSR 240- )  
20.090(4) )

**STAFF RECOMMENDATION TO APPROVE TARIFF SHEET**

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

1. On October 1, 2013, The Empire District Electric Company ("Empire") filed one tariff sheet bearing a proposed effective date of December 1, 2013, to revise the Current Period Fuel Adjustment Rates ("FARs") of its Fuel Adjustment Clause ("FAC"). The Commission assigned it Tracking No. JE-2014-0155. Empire filed 3<sup>rd</sup> Revised Sheet No. 17e Canceling 2<sup>nd</sup> 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 October 1, 2013, Empire made a FAC true-up filing in File No. EO-2014-0088 to identify the true-up amount of \$231,592 it under-recovered from its customers during the 8<sup>th</sup> Recovery Period of its FAC. This amount is included with the amount of its under-recovery during accumulation period 10 of \$262,858 and an interest adjustment of (\$4,780) 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, 3rd Revised Sheet No. 17e Canceling 2<sup>nd</sup> Revised Sheet No. 17e, as filed on October 1, 2013, to become effective December 1, 2013, 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                            | \$(0.00097) | \$0.00024 | \$0.00121 Increase |
| Secondary                          | \$(0.00099) | \$0.00024 | \$0.00123 Increase |

6. Except for Empire's proposed true-up amount in its FAC true-up filing in File No. EO-2014-0088, 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 or law, or issue an interim rate adjustment Order approving, Empire's Tariff Sheet, P.S.C. MO. No. 5, Section 4, 3rd Revised Sheet No. 17e Canceling 2<sup>nd</sup> Revised Sheet No. 17e, as filed on October 1, 2013, to become effective, December 1, 2013, subject to true-up and prudence reviews.

Respectfully submitted,

**/s/ Robert S. Berlin**

Robert S. Berlin

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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 31<sup>st</sup> day of October, 2013.

**/s/ Robert S. Berlin**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
File No. ER-2014-0087, Tariff Tracking No. JE-2014-0155  
The Empire District Electric Company

FROM: Matthew J. Barnes, Utility Regulatory Auditor IV

DATE: /s/ John A. Rogers 10/31/2013                      /s/Robert S. Berlin 10/31/2013  
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: October 31, 2013

On October 1, 2013, The Empire District Electric Company ("Empire") filed one (1) tariff sheet in Tariff Tracking No. JE-2014-0155, 3<sup>rd</sup> Revised Sheet No. 17e Canceling 2<sup>nd</sup> Revised Sheet No. 17e bearing a proposed effective date of December 1, 2013, to revise its Current Period Fuel Adjustment Rates<sup>1</sup> ("FARs") of its Fuel Adjustment Clause ("FAC") used to determine the Fuel Adjustment Rate<sup>2</sup> charge on customers' bills. Empire also filed direct testimony of its witness Todd W. Tarter on October 1, 2013, 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 amount<sup>3</sup> used to calculate the FARs for Accumulation Period 10 ("AP10"). That dollar amount is \$489,670 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 AP10 is equal to \$262,858, found on Line 7 on 3<sup>rd</sup> Revised Sheet No. 17e, plus;
2. The true-up amount of the over/under recovery amount as a result of the FARs for RP8<sup>4</sup> which is equal to \$231,592, found on Line 8 on 3<sup>rd</sup> Revised Sheet No. 17e, plus;

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<sup>1</sup> 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 3<sup>rd</sup> Revised Sheet No. 17e.

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

<sup>3</sup> 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 3<sup>rd</sup> Revised Sheet No. 17e.

<sup>4</sup> Staff notes that for the first time, Empire has concurrently filed an FAC true-up case in a separate docket to identify and explain the true-up amount that is used to calculate the FAR's in this docket.

3. The interest for AP10, a portion of RP9<sup>5</sup>, and RP8 which equals \$(4,780), found on Line 10 on 3<sup>rd</sup> Revised Sheet No. 17e.

The Current Period FAR of \$0.00023 per kWh (Line 13 on 3<sup>rd</sup> Revised Sheet No. 17e) is equal to the FPA Amount of \$489,670 divided by the forecasted Missouri net system input (“NSI”) for RP10 of 2,157,273,065 kWh (Line 12 on 3<sup>rd</sup> 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 \$0.00024 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. Empire’s present FARs are \$(0.00097) per kWh for customers receiving service at primary voltage level and above, and \$(0.00099) per kWh for customers receiving service at secondary voltage level.

| Fuel Adjustment Rates (\$ Per kWh) |             |           |                    |
|------------------------------------|-------------|-----------|--------------------|
| Voltage Level Adjustment           | Present     | Proposed  | Difference         |
| Primary                            | \$(0.00097) | \$0.00024 | \$0.00121 Increase |
| Secondary                          | \$(0.00099) | \$0.00024 | \$0.00123 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 \$(0.99) to \$0.24, a net increase in the customer’s bill of \$1.23 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 under recovery during RP8, and a decrease in natural gas prices, lower off-system sales revenues, and longer than normal planned and forced plant outages during AP10.<sup>6</sup>

Staff reviewed Empire’s proposed 3<sup>rd</sup> Revised Sheet No. 17e Canceling 2<sup>nd</sup> Revised Sheet No. 17e, the direct testimony of Empire witness Todd W. Tarter filed on October 1, 2013, in addition to Empire’s monthly filings and work papers for AP10. 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 3<sup>rd</sup> Revised Sheet No. 17e Canceling 2<sup>nd</sup> 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 AP10, a portion of RP9,

<sup>5</sup> Recovery Period 9 is June 2013 through November 2013. June, July, and August 2013 are the last three months of Accumulation Period 10.

<sup>6</sup> Staff received clarification from Empire that the planned spring outage for Iatan I was longer than “normal”.

and RP8 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 AP10.

#### Staff Recommendation

Empire filed 3<sup>rd</sup> Revised Sheet No. 17e Canceling 2<sup>nd</sup> 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 3<sup>rd</sup> Revised Sheet No. 17e Canceling 2<sup>nd</sup> Revised Sheet No. 17e filed on October 1, 2013, become effective on December 1, 2013, the first cycle of Empire's December billing month. Thus, the tariff sheet was filed with sixty-one (61) 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 December 1, 2013, as requested by Empire, subject to both true-up and prudence reviews:

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

3<sup>rd</sup> Revised Sheet No. 17e Canceling 2<sup>nd</sup> Revised Sheet No. 17e

The Staff has verified that Empire is not delinquent on any assessment and Empire has filed its 2012 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 RP8 and AP10.

