BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of The Empire District Electric Company of Joplin, Missouri for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company.	))))))	**File No. ER-2012-0345**

RESPONSE TO ORDER DIRECTING FILING, REVISED LIST OF ISSUES AND ORDER OF WITNESSES AND REQUEST FOR CLARIFICATION

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and on behalf of the parties to this matter, states as follows:

Response to Order

1. As noted by the Commission in its February 11, 2013, *Order Directing Filing*, in Staff's February 8 filing of its *List of Issues and Order of Witnesses, Cross, and Openings*, the witnesses to testify on certain issues were omitted. Those witnesses are as follows:

Bad Debt: Keith, Green, Rackers, Addo

Pay Station Fees: Baker, McMellen, Meisenheimer

Economic Development Rider: Baker, Imhoff

Policy: Walters, Beecher, R. Kliethermes, Lange, Bolin, Meisenheimer, Rackers

2. The parties have identified that an issue pertaining to the Asbury Unit Train was mis-worded. The corrected wording of that issue is as follows:

> Did Empire properly book depreciation expense in the eight months immediately prior to the retirement of the Asbury unit train?

3. The parties have identified that an issue relating to Southwest Power Pool Transmission Expense was omitted. That issue is as follows:

> What is the appropriate level of SPP Transmission Expense to include in Empire's revenue requirement? (Keith, Bolin, Robertson, Rackers)

4. The changes described above, as well as a number of scheduling revisions, are reflected in the Revised List of Issues, Order of Witnesses, and Hearing Schedule, attached.

5. The Commission also ordered the parties to "provide additional detail concerning the order of witnesses…." The intended order of witnesses was provided in the issues list filed February 8, in that document the witnesses names were provided in the order the parties anticipate calling those witnesses. To the extent an issue has sub-issues, for example, there are three separate issues relating to the Asbury Unit Train, the parties would intend to conduct all cross-examination for those three sub-issues with each witness taking the stand a single time, as opposed to discrete cross-examination on each sub-issue element. The parties hope this additional information addresses the Commission's questions concerning the order of witnesses.

Request for Clarification

6. The Commission also ordered that:

> The parties shall make a general opening statement on the first day of the evidentiary hearing, and shall make short opening statements regarding rate of return, rate base, statement of operating income, and rate design thereafter during the hearing prior to offering witness testimony on those issues.

7. While the parties do not object to provision of the described statements, the parties seek clarification that the Commission was not, in so ordering, precluding the

parties from making short openings on various sub-issues, for example, SPP Tracker, Rate Case Expense, Property Tax, etc..

WHEREFORE, Staff submits (1) this response to the Commission's *Order Directing Filing*, (2) its revised list of issues and witnesses and hearing schedule, and (3) request for the clarification described here-in, on behalf of the parties to this matter.

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 13th day of February, 2013.

/s/ Sarah Kliethermes

Amended List of Issues, Order of Witnesses, and Hearing Schedule

Tuesday morning (2/19)

Opening statements
Policy (Walters, Beecher, R. Kliethermes, Lange, Bolin, Meisenheimer, Rackers)

Wednesday morning (2/20)

RATE BASE

Iatan Plant

1. Should the disallowances ordered by the Commission in Case Nos. ER-2010-0355 and ER-2010-0356 with regard to Kansas City Power & Light and KCPL – Greater Missouri Operations also be ordered against Empire's Iatan plant balances? (Mertens; McMellen)

2. Should carrying costs be adjusted? (Mertens; McMellen)

Depreciation Reserve – Iatan Adjustments

Should the disallowances ordered by the Commission in Case Nos. ER-2010-0355 and ER-2010-0356 be made against Empire's Iatan plant balances? (Mertens; McMellen)

Joplin Tornado O&M Asset

Should the Joplin tornado O&M asset be included in rate base? (Keith; Bolin; Robertson)

Thursday morning (2/21)

Maintenance Normalization Adjustments at Empire generation units

What is the appropriate normalization period or method of normalization for Empire's generation units? (Mertens; Foster)

Cash Working Capital (CWC)

What Billing lag should be used to adjust the overall Revenue lag for purposes of CWC? (Land; Harrison; Rackers)

Should fuel purchased power and cash vouchers be treated as prepayments, or reflected in the CWC calculation, or both? (Land; Rackers)

<u>Thursday Afternoon (2/21)</u>

<u>STATEMENT OF OPERATING INCOME</u>

Fuel and Purchased Power

Net Base Fuel and Purchased Power Costs

(a) What amount of off-system sales revenue should be included in Empire's net base fuel and purchased power costs included in the revenue requirement used to set rates in this case? (Keith, Green, Rackers)

(b) What amount of REC revenue and certain post process fuel run adjustments should be included in net base fuel and purchased power costs included in the revenue requirement used to set rates in this case? (Keith, Tarter, Green)

(c) What amount of Plum Point demand charges should be included in net base fuel and purchased power costs included in the revenue requirement used to set rates in this case? (Tarter, Barnes, Foster)

<u>Friday morning (2/22)</u>

Economic Development Rider

Should non-participating customers be held harmless of the revenues foregone by Empire for service under an EDR? (Baker, Imhoff)

Pay Station Fees

Should pay station fees be paid directly by the user at the time of the transaction or included in Empire's revenue requirement? (Baker, McMellen, Meisenheimer)

FAC Tariff

(a) Should Empire be permitted to flow any SPP transmission costs and revenues through its FAC? (Keith, Barnes, Oligschlaeger, Beck, Rackers)

(b) If so, which SPP transmission costs and revenues should flow through Empire's FAC?

(c) Should Empire be required to make changes to its FAC tariff sheets to make the provisions of Empire's FAC more consistent with the FACs currently in place for other Missouri investor-owned electric utilities? If so, what changes should be made to Empire's FAC tariff sheets? (Keith, Barnes)

<u>Friday afternoon (2/22)</u>

SPP Transmission Tracker

(a) If the Commission determines that Empire should not be permitted to flow SPP transmission costs and revenues through its FAC, should those transmission costs and revenues be deferred in a transmission cost and revenue tracker using the trued-up test year amounts of those charges and revenues as the base against which changes will be tracked, with amounts above the base booked to a regulatory asset and amounts below the base booked to a regulatory liability? (Keith, Oligschlaeger, Beck, Rackers, Robertson)

(b) If the Commission determines that Empire should be permitted to defer changes in transmission costs and revenues through a tracker, should any conditions apply to that tracker? If so, what conditions should apply? (Keith, Oligschlaeger; Robertson)

SPP Transmission Expense

What is the appropriate level of SPP Transmission Expense to include in Empire's revenue requirement? (Keith, Bolin, Robertson, Rackers)

<u>Monday morning (2/25)</u>

SPP Integrated Market Costs

Should test year costs incurred by Empire to prepare for and participate in the SPP Integrated Marketplace be included in the revenue requirement used to set rates in this case, or should some or all of those costs be deferred for consideration in a future rate case? (Mertens, Rackers, McMellen)

<u>Monday afternoon (2/25)</u>

Rate case expense

Were prior rate case expenses amortized or normalized; if they were amortized, should Empire be allowed to recover the unamortized portion of prior rate case expenses? (Keith; Bolin; Roth)

Advertising

Should the costs of certain radio and TV advertisements be categorized as "general?" (Green; Land)

Outside services

What is the appropriate level of outside services expense? (Keith; Green; Rackers)

Property Insurance expense

What insurance policy should be used in the calculation of property insurance expense? (Keith; Bolin)

Banking Fees

Should fees to secure short-term debt be expensed or capitalized? (Sager; McMellen; Rackers)

Tuesday morning (2/26)

Payroll and Benefits - Incentive Compensation

1. What level of cash incentives based on performance goals should be included in the cost of service? (Walters; McMellen; Rackers)

2. Should executive stock awards included? (Walters; McMellen; Rackers)

3. Should lightning bolts be included? (Walters; McMellen; Rackers)

Dues and Donation – Including EEI Dues

What amount of test year dues and donations, including EEI dues, should be included in the revenue requirement used to set rates in this case? (Green; Keith; Addo)

Depreciation and Amortization

What are the appropriate depreciation rates? (Sullivan; Robinett)

Riverton Amortization

Should the Commission order an amortization associated with the projected retirements of Riverton 7 and 8? (Sullivan; Robinett; Robertson)

Taxes

1. Property tax

What amount of property tax expense should be included in the revenue requirement used to set rates in this case? (McMellen; Rackers; Williams)

2. Current & Deferred income taxes

(a) Should an adjustment be made related to state income tax flow through for prior years? (Sager; Oligschlaeger)

(b) Should an adjustment be made for cost of removal tax issues related to prior years? (J. Warren; Sager; Oligschlaeger)

Iatan/Plum Point Trackers

1. What is the appropriate base cost to be built into rates? (Keith; Foster)

2. What FERC accounts should be included in the tracker? (Keith; Foster)

<u>Tuesday afternoon (2/26)</u>

Bad Debt Expense

1. What level of bad debt expense should be included? (Keith, Green, Rackers, Addo)

2. Should the revenue requirement be factored up for bad debts? (Keith, , Green, Rackers, Addo)

Vegetation Management Tracker

1. What is the proper level of expense? (Harrison; Walters)

2. What is the proper base level to be used in the tracker? (Harrison; Walters)

Corporate franchise tax

Should the lower rate for 2013 corporate franchise taxes be included in Empire's revenue requirement? (Rackers; Williams)

Rate Design Issue - LED Street and Area Lighting

Within twelve months of the effective date of rates authorized by the Commission in this case, should Empire be required to complete its own evaluation of LED SAL systems and either (i) file proposed LED lighting tariff sheet(s), or (ii) update the Commission regarding when the Company intends to file such tariff sheet(s)? (Penning, Kang)

<u>Wednesday morning (2/27)</u>

<u>RATE DESIGN</u>

Rate Design & Class Cost of Service

1. Does Staff's revenue proof contain Staff normalized billing units? If not, what adjustment should be made? (Keith; Scheperle)

2. What is the appropriate customer charge for the Residential class? (Scheperle; Meisenheimer)

3. What is appropriate per-class rate increase for this case? (Scheperle; Meisenheimer; Brubaker)

Wednesday afternoon (2/27)

DSM Cost Recovery

1. Should pre-MEEIA DSM programs be set forth on a separate tariff?(Keith; Scheperle; Meisenheimer; Brubaker)

2. Should pre-MEEIA DSM program costs be shown on a separate line item on customer bills?(Keith; Scheperle; Meisenheimer; Brubaker)

3. How should the pre-MEEIA DSM revenue requirement be grossed up?(Scheperle; Meisenheimer; Brubaker)

4. How should the pre-MEEIA DSM revenue requirement be allocated among Empire's customer classes?(Scheperle; Meisenheimer; Brubaker)

Other Rate Design Issues:

Low Income Weatherization

(a) Should the maximum and average per-unit amount be eliminated? (Keith; Warren; Bickford)

(b) Should Staff's recommended tariff language revision be implemented? (Keith; Warren; Bickford)

Thursday morning (2/28)

RATE OF RETURN

A. What value for the return on equity should the Commission use to determine Empire's rate of return in the revenue requirement used to set rates in this case? (Vander Weide; Gorman; Atkinson)

B. What capital structure should the Commission use to determine the rate of return included in the revenue requirement used to set rates in this case? (Vander Weide; Sager; Gorman; Atkinson)

C. What is the appropriate cost of debt? (Sager; Atkinson)

Thursday Afternoon (2/28)

Asbury Unit Train

1. Was Empire's sale of the Asbury unit train properly booked by Empire? (Sager; Robinett)

2. Were the lease proceeds associated with the Asbury unit train properly booked? (Sager; Robinett)

3. Did Empire properly book depreciation expense in the eight months immediately prior to the retirement of the Asbury unit train? (Sager; Robinett)

TRUE-UP

This list does not include potential issues that may arise during the true-up process.