

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

In the Matter of The Empire District Electric)
Company for Authority to File Tariffs Increasing)
Rates for Electric Service Provided to)
Customers in the Company's Missouri Service)
Area)

Case No. ER-2014-0351

**MOTION TO DIRECT FILING AND JOINT LIST OF
ISSUES, LIST AND ORDER OF WITNESSES, ORDER
OF CROSS-EXAMINATION, AND
ORDER OF OPENING STATEMENTS**

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and on behalf of The Empire District Electric Company (“Empire”), the Office of Public Counsel (“OPC”), the City of Joplin (“Joplin”), the Missouri Department of Economic Development – Division of Energy (“DE”), and the Midwest Energy Users’ Association (“MEUA”) (collectively the “parties”), with the exception of Midwest Energy Consumers Group (“MECG”), tenders this *Motion to Direct Filing and Joint List of Issues, List and Order of Witnesses, Order of Cross Examination, and Order of Opening Statements* in satisfaction of the Commission's *Order Setting Procedural Schedule* issued herein on August 20, 2014, and moves for an order of the Commission directing MECG to specifically identify which issues it disputes with the other parties and identify which witnesses it wishes to cross-examine on each such issue.

All parties to this proceeding, with the exception of MECG, have reached an agreement in principle as to all issues in this rate case proceeding and intend to file a global stipulation and agreement with the Commission by Friday, April 3, 2015. It is the

understanding of these parties that MEEG will object to the global stipulation and agreement to be filed by all other parties to the case and request a hearing. At this time, the parties present a list of all matters at issue in this rate case proceeding. To avoid unnecessary witness appearances and the unnecessary expenditure of the Commission's time and the parties' resources, the parties to the global settlement agreement request that MEEG be directed to make the filing described above. This will allow for a more appropriate List of Issues, List and Order of Witnesses, and Order of Cross Examination to be filed with the Commission.¹

LIST OF ISSUES

A. Revenue Requirement Issues

1. Southwest Power Pool (SPP) Transmission Expense

What is the appropriate level of SPP Transmission Expense to include in Empire's revenue requirement?

2. SPP Integrated Market (IM) Expense

What is the appropriate level of SPP IM Expense to include in Empire's revenue requirement?

3. Revenues

- a. Should Empire's other Missouri retail customers be held harmless of the revenue impact of the bill credits Empire offers to its Special Contract customer?*
- b. What amount of off-system sales revenue (including SPP IM revenue) should be included in the revenue requirement?*

¹ This case proceeding is similar to the procedural setting in Missouri-American Water Company's rate case proceeding in Case No. WR-2007-0216. For reference, see *Order Directing City of Joplin To Make Specific Filings, Resetting Hearing Schedule And Directing Responses To Stipulation And Agreement*, issued August 9, 2007, EFIS Item No. 201.

- c. *What amount of REC revenue should be included in the revenue requirement?*
- d. *What amount of SPP Transmission Revenue should be included in the revenue requirement?*

4. Joplin Tornado Operations and Maintenance (O&M) Asset

Should the Joplin Tornado O&M asset be included in rate base?

5. Depreciation Expense

Should Empire continue to recover depreciation expense for the retired Riverton 7 and Asbury 2?

6. Incentive Compensation

- a. *What level of cash incentives based on performance goals should be included in the cost of service?*
- b. *Should executive stock awards be included in the cost of service?*
- c. *Should lightning bolts be included in the cost of service?*

7. Rate Case Expense

What is the appropriate amount to include in Empire's revenue requirement for Rate Case Expense?

8. Accumulated Deferred Income Taxes (Rate Base)

What is the appropriate level to be used to be included in rate base?

9. Income Tax

- a. *Should an adjustment be made to state income tax flow through for prior years?*
- b. *Should an adjustment be made for cost of removal tax issues related to prior years?*

10. Vegetation Management Trackers

- a. What amount should be included in the revenue requirement for Vegetation Management?*
- b. Should the vegetation management tracker be continued?*
- c. What is the proper base level to use in the tracker?*

11. Iatan 2/Iatan Common/Plum Point O&M Trackers

- a. What amount should be included in the revenue requirement for Iatan 2/Iatan Common/Plum Point O&M?*
- b. Should the Iatan 2/Iatan Common/Plum Point O&M trackers be continued?*

12. Riverton 12 O&M Tracker

- a. Should a tracker for Riverton 12 O&M be established?*
- b. If so, what amount, if any, should be included in the revenue requirement for Riverton 12 O&M?*

13. Operation and Maintenance (O&M) Expense

What is the appropriate level of O&M expense to include in the cost of service?

14. Prepayments

Should the working funds for Iatan 2, Iatan Common, and Plum Point be treated as prepayments?

15. Advertising

Should the cost of the "Value of Electricity" advertising be included in the revenue requirement?

16. EEI Dues

What amount, if any, of the dues paid by Empire to EEI should be included in revenue requirement?

17. Net Base Fuel and Purchased Power

What level of fuel expense should be included in Empire's Fuel Adjustment Clause (FAC) and revenue requirement?

18. Energy Efficiency

- a. *Should Empire continue its current level of Pre-MEEIA energy efficiency programs?*
- b. *What should the cost recovery mechanism be to recover Pre-MEEIA program costs?*

19. Low-Income Weatherization

- a. *Should an evaluation be performed on the Low-Income Weatherization program?*
- b. *Should Low-Income Weatherization program expenses be recovered in the base rates?*

20. Rate of Return

- a. *What is the appropriate value for Return on Equity ("ROE") that the Commission should use in setting Empire's Rate of Return?*
- b. *What capital structure should the Commission use to determine the rate of return?*
- c. *What is the appropriate value for embedded cost of debt?*

21. Total Revenue Requirement

What revenue requirement should the Commission establish in this proceeding?

B. Non-Revenue Requirement Issues

1. FAC Tariff

- a. Should Empire be allowed to continue, with modifications, its FAC?
 - i. Did Empire provide a complete explanation of the costs and

- revenues that it is proposing be included in its FAC?
- ii. Did Empire show the magnitude of each cost and revenue type that it has requested be included in its FAC?
 - iii. Did Empire show that each cost and revenue type that it has requested be included in its FAC is volatile?
 - iv. Did Empire show that each cost and revenue type that it has requested be included in its FAC is uncertain?
 - v. Did Empire show that it is unable to manage each cost and revenue type that it has requested be included in its FAC?
- b. If Empire is allowed to continue its FAC, what modifications, if any should be made to its FAC?
- i. Should the incentive mechanism be changed from Empire absorbing/retaining 5% of the change in cost to 10%?
 - ii. Should SPP transmission costs and revenues be included? If so, what transmission costs and revenues should be included?
 - iii. Should the costs and revenues included in Empire's FAC reflect its current operations only?
 - iv. Should cost types incurred and revenue types received of less than \$60,000 during the test year be included in the FAC?
 - v. Should Empire be allowed to add SPP charges and revenues to its FAC between rate cases?
 - vi. If so, should Empire be required to file the change with the Commission or provide notification in its FAC monthly reports?
 - vii. Should Empire's FAC be modified to charge certain elements on the basis of how the cost or revenue was allocated in this rate case?
- c. If Empire is allowed to continue its FAC, what if any changes should be made to FAC reporting requirements?
- d. What level of fuel expense should be included in Empire's FAC and revenue requirement?

2. Miscellaneous Tariffs

- a. *Should Empire's Economic Development Rider be modified to condition participation in applicable energy efficiency programs, as proposed by the Division of Energy?*
- b. *Should Empire be required to submit a Large Power rate schedule in its next case that recognizes a time differentiated facilities demand charge?*
- c. *Should Empire modify its tariffs to include language on how a CHP customer requiring standby service is to be charged for such service, as proposed on page 3 of Division of Energy witness Alex Schroeder's surrebuttal testimony?*
- d. *Should a standby service cost study (referenced on page 3 of Schroeder's surrebuttal testimony and page 19 of Schroeder's February 11th direct testimony) be completed before Empire's next rate case in order to develop a sound standby rate framework?*

3. Class Cost of Service and Rate Design

- a. What, if any, revenue neutral interclass shifts are supported by Class Cost of Service studies?
- b. What, if any, revenue neutral interclass shifts should be made in designing the rates resulting from this case?
- c. What, if any, changes to the residential customer charge are supported by Class Cost of Service studies?
- d. What, if any, changes to the residential customer charge should be made in designing the rates resulting from this case?
- e. What, if any, changes to the Commercial and Industrial customer charges are supported by Class Cost of service studies?
- f. What, if any, changes to the Commercial and Industrial customer charges should be made in designing the rates resulting from this case?
- g. What, if any, changes to the LP tail block rate are supported by Class Cost of Service studies?

- h. What, if any, changes to the LP tail block rate should be made in designing the rates resulting from this case?
- i. Should the LP tariff be modified to reduce demand charges following an outage? If so (1) how is “outage” to be defined, and (2) is Empire’s current billing and customer information system capable of accomplishing the modified billing proposed by MECG?
- j. What, if any, changes to the Special Contract interruptible credit and allowable hours of interruption are supported by Class Cost of Service studies?
- k. What, if any, changes to the Special Contract interruptible credit and hours of interruption should be made in designing the rates resulting from this case?
- l. What, if any, changes to the general interruptible credit are supported by Class Cost of Service studies?
- m. What, if any, changes to the general interruptible credit should be made in designing the rates resulting from this case?

HEARING SCHEDULE

Wednesday, April 8, 2015: 9:00am

Mark Exhibits

Entries of Appearance

Motions and Outstanding Matters

Opening Statements:

Empire

Staff of the Missouri Public Service Commission

Office of the Public Counsel

Missouri Department of Economic Development – Division of Energy

Midwest Energy Consumers Group

Midwest Energy Users’ Association

City of Joplin

FAC Tariff / Net Base Fuel and Purchased Power Costs

A. Should Empire be allowed to continue, with modifications, its FAC?

1. Did Empire provide a complete explanation of the costs and revenues that it is proposing be included in its FAC?

2. Did Empire show the magnitude of each cost and revenue type that it has requested be included in its FAC?

3. Did Empire show that each cost and revenue type that it has requested be included in its FAC is volatile?

4. Did Empire show that each cost and revenue type that it has requested be included in its FAC is uncertain?

5. Did Empire show that it is unable to manage each cost and revenue type that it has requested be included in its FAC?

Tarter- Empire

Doll - Empire

Roos – Staff

Mantle – OPC

B. If Empire is allowed to continue its FAC, what modifications, if any should be made to its FAC?

1. Should the incentive mechanism be changed from Empire absorbing/retaining 5% of the change in cost to 10%?

2. Should SPP transmission costs and revenues be included? If so, what transmission costs and revenues should be included?

3. Should the costs and revenues included in Empire's FAC reflect its current operations only?

4. Should cost types incurred and revenue types received of less than \$60,000 during the test year be included in the FAC?

5. Should Empire be allowed to add SPP charges and revenues to its FAC between rate cases?

6. If so, should Empire be required to file the change with the Commission or provide notification in its FAC monthly reports?

7. Should Empire's FAC be modified to charge certain elements on the basis of how the cost or revenue was allocated in this rate case?

Tarter- Empire
Doll - Empire
Roos – Staff
Mantle – OPC

C. If Empire is allowed to continue its FAC, what if any changes should be made to FAC reporting requirements?

Tarter- Empire
Doll - Empire
Roos – Staff

D. What level of fuel expense that should be included in Empire's FAC and revenue requirement?

Tarter – Empire
Maloney – Staff
Lange – Staff
Harrison - Staff

SPP Transmission Expense

What is the appropriate level of SPP Transmission Expense to include in Empire's revenue requirement?

Doll - Empire
Bolin - Staff

SPP Integrated Market (IM) Expense

What is the appropriate level of SPP IM Expense to include in Empire's revenue requirement?

Tarter – Empire
Doll - Empire
Bolin - Staff

Thursday, April 9, 2015

Class Cost of Service and Rate Design

- A. What, if any, revenue neutral interclass shifts are supported by Class Cost of Service studies?
- B. What, if any, revenue neutral interclass shifts should be made in designing the rates resulting from this case?
- C. What, if any, changes to the residential customer charge are supported by Class Cost of Service studies?
- D. What, if any, changes to the residential customer charge should be made in designing the rates resulting from this case?
- E. What, if any, changes to the Commercial and Industrial customer charges are supported by Class Cost of service studies?
- F. What, if any, changes to the Commercial and Industrial customer charges should be made in designing the rates resulting from this case?
- G. What, if any, changes to the LP tail block rate are supported by Class Cost of Service studies?
- H. What, if any, changes to the LP tail block rate should be made in designing the rates resulting from this case?
- I. Should the LP tariff be modified to reduce demand charges following an outage?
If so (1) how is "outage" to be defined, and (2) is Empire's current billing and customer information system capable of accomplishing the modified billing proposed by MECG?
- J. What, if any, changes to the Special Contract interruptible credit and allowable hours of interruption are supported by Class Cost of Service studies?
- K. What, if any, changes to the Special Contract interruptible credit and hours of interruption should be made in designing the rates resulting from this case?

L. What, if any, changes to the general interruptible credit are supported by Class Cost of Service studies?

M. What, if any, changes to the general interruptible credit should be made in designing the rates resulting from this case?

Overcast – Empire – Via Telephone

Keith - Empire

Dismukes – OPC – Via Telephone

Marke - OPC

Scheperle – Staff

Kliethermes, S – Staff

Kliethermes, R – Staff

Beck – Staff (issue I.)

Maini - MCEG

Revenues

A. Should Empire's other Missouri retail customers be held harmless of the revenue impact of the bill credits Empire offers to its Special Contract customer?

Keith - Empire

Kliethermes, S – Staff

B. What amount of off-system sales revenue (including SPP IM revenue) should be included in the revenue requirement?

Tarter – Empire (AM only)

Bolin - Staff

C. What amount of REC revenue should be included in the revenue requirement?

Tarter – Empire (AM only)

Sarver – Staff

D. What amount of SPP Transmission Revenue should be included in the revenue requirement?

Doll – Empire

Bolin – Staff

Energy Efficiency

- A. *Should Empire continue its current level of Pre-MEEIA energy efficiency programs?*

Keith - Empire
Huffman – Staff
Marke - OPC
Burchanan – DED DE

- a. *What should the cost recovery mechanism be to recover Pre-MEEIA program costs?*

Keith - Empire
Huffman – Staff
Marke – OPC

Low-Income Weatherization

- A. *Should an evaluation be performed on the Low-Income Weatherization program?*

Keith - Empire
Stahlman - Staff
Marke - OPC
Buchanan – DED DE

- B. *Should Low-Income Weatherization program expenses be recovered in the base rates?*

Keith - Empire
Stahlman - Staff
Marke - OPC
Buchanan – DED DE

Miscellaneous Tariffs

- A. *Should Empire's Economic Development Rider be modified to condition participation in applicable energy efficiency programs, as proposed by the Division of Energy?*

Baker – Empire (Friday, April 10th)
Kliethermes, S - Staff
Lohraff – DED DE

B. Should Empire be required to submit a Large Power rate schedule in its next case that recognizes a time differentiated facilities demand charge?

Keith - Empire
Kliethermes, S – Staff

C. Should Empire modify its tariffs to include language on how a CHP customer requiring standby service is to be charged for such service, as proposed on page 3 of Division of Energy witness Alex Schroeder's surrebuttal testimony?

Keith - Empire
Kliethermes, S – Staff
Lohraff – DED DE

D. Should a standby service cost study (referenced on page 3 of Schroeder's surrebuttal testimony and page 19 of Schroeder's February 11th direct testimony) be completed before Empire's next rate case in order to develop a sound standby rate framework?

Keith - Empire
Kliethermes, S – Staff
Lohraff – DED DE

Friday, April 10, 2015

Policy Issues

Beecher – Empire
Walters – Empire
Kliethermes, R – Staff
Bolin – Staff
Stahlman - Staff
Marke – OPC

Joplin Tornado O&M Asset

A. Should the Joplin Tornado O&M asset be included in rate base?

Keith – Empire
Bolin - Staff

Depreciation Expense

B. Should Empire continue to recover depreciation expense for the retired Riverton 7 and Asbury 2?

Sager - Empire
Robinett – Staff
Roth – OPC (Riverton 7 only)

Incentive Compensation

- A. What level of cash incentives based on performance goals should be included in the cost of service?*
- B. Should executive stock awards be included in the cost of service?*
- C. Should lightning bolts be included in the cost of service?*

Walters - Empire
Green - Staff

Rate Case Expense

What is the appropriate amount to include in Empire's revenue requirement for Rate Case Expense?

Keith - Empire
Sarver – Staff
Roth - OPC

Monday, April 13, 2015

Rate of Return

- a. What is the appropriate value for Return on Equity ("ROE") that the Commission should use in setting Empire's Rate of Return?*

Vander Weide – Empire (Friday April 17th) via telephone
Griffin – Staff
Schafer - OPC

- b. What capital structure should the Commission use to determine the rate of return?*

c. *What is the appropriate value for embedded cost of debt?*

Sager - Empire
Griffin – Staff
Schafer - OPC

Tuesday, April 14, 2015

Accumulated Deferred Income Taxes (Rate Base)

What is the appropriate level to be used to be included in rate base?

J. Williams – Empire
Bolin – Staff

Income Tax

- a. *Should an adjustment be made to state income tax flow through for prior years?*
- b. *Should an adjustment be made for cost of removal tax issues related to prior years?*

J. Williams - Empire
Bolin – Staff

Vegetation Management Trackers (Afternoon Only)

- A. *What amount should be included in the revenue requirement for Vegetation Management?*
- B. *Should the vegetation management tracker be continued?*
- C. *What is the proper base level to use in the tracker?*

Walter - Empire
Green – Staff
Roth – OPC

Wednesday, April 15, 2015

latan 2/latan Common/Plum Point O&M Trackers

- A. *What amount should be included in the revenue requirement for latan 2/latan Common/Plum Point O&M?*
- B. *Should the latan 2/latan Common/Plum Point O&M trackers be continued?*

Mertens – Empire
Green – Staff
Roth - OPC

Riverton 12 O&M Tracker

- A. *Should a tracker for Riverton 12 O&M be established?*
- B. *If so, what amount, if any, should be included in the revenue requirement for Riverton 12 O&M?*

Mertens – Empire
Green – Staff
Roth - OPC

Operation and Maintenance (O&M) Expense

What is the appropriate level of O&M expense to include in the cost of service?

Mertens – Empire
Green - Staff

Thursday, April 16, 2015

Prepayments

Should the working funds for latan 2, latan Common, and Plum Point be treated as prepayments?

Mertens - Empire
Richter – Staff
Roth – OPC

Advertising

Should the cost of the “Value of Electricity” advertising be included in the revenue requirement?

Walters – Empire
 Richter - Staff

EI Dues

What amount, if any, of the dues paid by Empire to EI should be included in revenue requirement?

Keith - Empire
 Richter - Staff

ORDER OF CROSS EXAMINATION:

<i>Empire Witnesses:</i>	<i>Div. of Energy Witnesses:</i>	<i>OPC Witnesses</i>
Division of Energy	City of Joplin	Division of Energy
City of Joplin	MEUA	City of Joplin
MEUA	OPC	MEUA
OPC	Staff	Staff
Staff	MECG	MECG
MECG	Empire	Empire

<i>Staff Witnesses:</i>	<i>MECG Witness:</i>
Division of Energy	Division of Energy
City of Joplin	City of Joplin
MEUA	Empire
OPC	MEUA
MECG	OPC
Empire	Staff

The parties agree to waive cross examination of any witness not listed in the above *List and Order of Witnesses*. As stated above, some witnesses will be appearing via telephone.

WHEREFORE, the Staff of the Missouri Public Service Commission and the other parties hereto jointly tender this *Motion to Direct Filing and Joint List of Issues, List and Order of Witnesses, Order of Cross Examination, and Order of Opening Statements* in satisfaction of the Commission's *Order Setting Procedural Schedule* issued herein on October 28, 2014.

Respectfully submitted,

/s/ Robert S. Berlin
Robert S. Berlin
Missouri Bar Number
51709
Deputy Staff Counsel

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Attorney for the Staff of the Missouri
Public Service Commission.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served, either electronically or by hand delivery or by First Class United States Mail, postage prepaid, to all counsel of record on this **31st day of March, 2015**.

/s/ Robert S. Berlin