

Stipulation and Agreement:

All parties have either signed the *Stipulation and Agreement* or joined in the settlement. The Commission will therefore treat the agreement as a unanimous agreement. The parties agreed to waive procedural rights for all issues resolved in the *Stipulation and Agreement* if approved by the Commission without condition or modification. The parties also consent to the admission of pre-filed written testimony by the parties. The *Stipulation and Agreement* includes an increase in Empire's annual revenues by \$20,390,000, exclusive of any applicable license, occupation, franchise, gross receipts taxes, of similar fees or taxes, to become effective on September 14, 2016. The revenue requirement is based on a return on equity range of 9.5 to 9.9 percent. Under the *Stipulation and Agreement*, the monthly residential customer charge will be increased to \$13.00 and a \$3 million revenue neutral shift to the residential class is credited to the general power, commercial service, and large power service classes. The *Stipulation and Agreement* also supports the Commission's approval of Staff's depreciation rates, the amortization rates for discontinued Vegetation/Infrastructure and O&M trackers for Iatan Common, Iatan 2 and Plum Point, and the sharing of rate case expense by the mechanism ordered in ER-2014-0370, which links Empire's recovery of rate case expense to the percentage of its rate increase request found or agreed to be just and reasonable. The agreement supports the continuation of the trackers for Riverton 12 O&M and Pension/OPEB expenses.

The *Stipulation and Agreement* also requests the Commission adopt Staff's recommended in-service criteria for the conversion of Empire's Riverton Unit 12 from a simple cycle gas turbine to a combined cycle gas turbine. Riverton Unit 12 first went into

service in 2007, but became fully operational and used for service as a combined cycle gas turbine on May 1, 2016.¹

Decision:

Empire is an electric corporation and public utility subject to Commission regulations pursuant to Chapters 386 and 393, RSMo.² When seeking to increase the rates it charges its customers, Empire has the burden of proof to show by a preponderance of the evidence that increased rates are just and reasonable.³ The Commission will balance the interests of Empire's investors in making a reasonable return with the interest of the consumers.⁴ The Commission is not bound to the use of any single formula when determining just and reasonable rates.⁵ It is the results reached, not the method employed which are controlling.⁶

The Commission will grant the parties' request to enter all pre-filed testimony prepared by the parties into the record. Evaluating the *Stipulation and Agreement* based on the competent evidence of the whole record, the Commission independently finds and concludes that Empire has met its burden of proof that the rates proposed in the *Stipulation and Agreement* are just and reasonable. After reviewing the whole record and the terms of the unanimous *Stipulation and Agreement*, the Commission independently concludes that the terms of the agreement support safe and adequate

¹ See EFIS Item No. 160, pre-filed true-up testimony of Timothy Wilson, pg. 1-2.

² All statutory references are to the 2000 Missouri Revised Statutes, as cumulatively supplemented.

³ Section 393.150. *Bonney v. Environmental Engineering, Inc.*, 224 S.W.3d 109, (Mo.App. 2007).

⁴ *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).

⁵ *State ex rel. Associated Natural Gas Co. v. Pub. Serv. Comm'n*, 706 S.W.2d 870, (Mo.App. W.D. 1985).

⁶ *Id.*

service and result in just and reasonable rates. The Commission will therefore approve the *Stipulation and Agreement*.

The Commission is not required to state separately findings of facts or conclusions of law for those issues disposed of by stipulation and agreement.⁷

Low-Income Pilot Program:

The *Stipulation and Agreement* also states that if the Commission orders a low-income rate pilot program, the cost of the program will receive the same regulatory asset/ rate base treatment as demand side management program costs.⁸ At the on-the-record hearing on June 29, it was acknowledged that the inclusion of this language in the *Stipulation and Agreement* represented an agreement by the parties as to how to fund a program, if ordered by the Commission.⁹ Counsel for Empire stated that the parties were unable to reach a consensus on the amount to be included and the parameters for a potential low-income pilot program and would be looking for an order by the Commission directing the amount to be used for such a program and possibly the program's design.¹⁰

Decision:

Section 393.140(11) authorizes the Commission to regulate the rates Empire charges its customers. The Commission has the authority to grant interim test rates or experimental rates as a matter of necessary implication from practical necessity.¹¹ The Commission will authorize Empire to implement an experimental residential low-income

⁷ §536.090.

⁸ See paragraph 13, h of the *Stipulation and Agreement* and paragraph 15, in which the signatories agree Empire will continue to amortize demand side management costs incurred after the end of the Regulatory Plan and prior to the implementation of any plan under MEEIA for a total term of six years. EFIS Item no. 172.

⁹ Transcript June 29, 2016, Volume 7, Hearing, pg. 211.

¹⁰ Transcript June 29, 2016, Volume 7, Hearing, pg. 216.

¹¹ *State ex rel. Laclede Gas Co. v. Pub. Serv. Comm'n*, 535 S.W.2d 561, 567, n1 (Mo.App. 1976).

pilot program that provides a 100 percent discount on the customer charge for eligible low-income customers, based on LIHEAP eligibility. The goal of the temporary pilot program shall be to evaluate the impact a discount in the customer charge for low-income residential customers has on the disconnection and bad debt rates for Empire both during and after participation in the program. The results of the experimental program shall be reviewed in Empire's next general rate case.

THE COMMISSION ORDERS THAT:

1. The following exhibits are admitted into the record: Empire Exhibits 1-31; Staff Exhibits 1-24, OPC Exhibits 1-18, Division of Energy Exhibits 1-5, Joplin Exhibit 1; MEUA Exhibits 1-3, and MCEG Exhibits 1-5.

2. The *Stipulation and Agreement*, filed on June 20, 2016, is approved. The parties shall comply with the terms of the *Stipulation and Agreement*. A copy of the *Stipulation and Agreement* shall be attached to this order as "Attachment A" and is incorporated by reference as if fully set forth herein.

3. The tariff submitted by Empire on October 16, 2015, and assigned Tracking No. YE-2016-0104, is rejected.

4. No later than August 15, 2016, Empire shall file new tariff sheets consistent with this order and the terms of the *Stipulation and Agreement* bearing an effective date of September 14, 2016.

5. Empire shall establish an experimental low-income pilot program with a total program budget of \$250,000, no later than January 1, 2017, with a goal of studying the impact removing the customer charge for certain low-income residential customers has on the company's disconnection and bad debt percentages. The

program shall be implemented by January 1, 2017, or as soon as possible thereafter, and shall run until either the funds are exhausted or until rates are implemented from Empire's next general rate case, whichever occurs first. Empire shall track the program's cost as a regulatory asset for recovery consideration by the Commission in the company's next general rate case. The Commission shall assign a separate file from File No. ER-2016-0023 for monitoring the low-income pilot program and establishing standards and guidelines for the program. All parties to this general rate case shall be made parties to the low-income pilot program file.

6. The Commission adopts Staff's recommended in-service criteria for the conversion of Riverton Unit 12 to a combined cycle gas turbine and finds that it was operational and used for service as of May 1, 2016.

7. Empire shall file the information required by Section 393.275.1, RSMo. 2000, and Commission Rule 4 CSR 240-10-060 no later than October 5, 2016.

8. This order shall become effective on September 9, 2016.

BY THE COMMISSION



A handwritten signature in black ink that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Hall, Chm., Stoll, Kenney, and Rupp, CC., concur;
Coleman, C., absent.

Burton, Senior Regulatory Law Judge.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE 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) Case No. ER-2016-0023
in the Company's Missouri Service Area)

STIPULATION AND AGREEMENT

COME NOW The Empire District Electric Company (“Empire” or “Company”), the Staff of the Commission (“Staff”), the Office of the Public Counsel (“OPC”), the City of Joplin (“Joplin”), the Missouri Department of Economic Development – Division of Energy (“DE”), and the Midwest Energy Consumers Group (“MECG”) (collectively, the “Signatories”), by and through their respective counsel, and for their Stipulation and Agreement (this “Stipulation”), respectfully state as follows to the Missouri Public Service Commission (“Commission”):

1. All parties to this rate case proceeding, with the exception of the Midwest Energy Users’ Association (“MEUA”), are Signatories to this Stipulation. MEUA has been involved with all settlement negotiations and reached an agreement in principle with the Signatories on all issues. MEUA, however, has not had an opportunity to fully review this settlement document, and, as such, is not a signatory at this time. MEUA will make a separate filing regarding its position, or all parties will submit an amended stipulation as soon as possible.

2. This Stipulation is being entered into solely for the purpose of settling all contested issues in this case. Unless otherwise explicitly provided herein, none of the Signatories shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost of service or valuation determination or cost allocation, rate design, revenue recovery, or revenue-related methodology. Except as explicitly provided herein, none of the Signatories shall be prejudiced or bound in any manner by the terms of this Stipulation in this or any other proceeding.

This revenue requirement is based on a return on equity (“ROE”) range of 9.5 to 9.9 percent.

This revenue requirement reflects rate case expense calculated pursuant to the sharing mechanism ordered by the Commission for use in Commission Case No. ER-2014-0370 (linking Empire’s recovery of rate case expense to the percentage of its rate increase request found or agreed to be just and reasonable).

The electric rates to be established for Empire pursuant to this Stipulation reflect a normalized level of fuel and purchased power costs, which is used to set the fuel adjustment clause (“FAC”) base factor.

7. **Depreciation:** Staff’s depreciation rates are authorized by the Commission in this case, and the Commission should order Empire to use the depreciation rates as shown in Schedule A attached hereto. Staff’s reserve adjustments, attached hereto as Schedules B and C, are recorded on Empire's books reflecting amounts updated through the effective date of new rates. Empire will no longer engage in the process of discontinuing depreciation on assets when reserves are equal to or higher than original costs.

8. **Discontinued Trackers:** As of March 31, 2016, the unamortized regulatory asset balances are as follows:

Vegetation/Infrastructure	\$2,182,407
O&M – Iatan Common	\$759,080
O&M – Iatan 2	(\$196,421)
O&M – Plum Point	\$110,308

For Vegetation/Infrastructure, \$436,481 shall be amortized annually, over a period of five (5) years. For O&M – Iatan Common, \$253,027 shall be amortized annually, over a period of three (3) years. For O&M – Iatan 2, (\$65,474) shall be amortized annually, over a period of three (3)

**Schedule JAR(DEP)-td1
The Empire District Electric Company
Staff Recommended Annual Depreciation Rates
ER-2016-0023**

*Settlement Sch. A
6-20-2016*

Account Number	Account Description	Remaining Life (years)	Recommended Net Salvage	Recommended Remaining Life Depreciation Rate (%)
STEAM PRODUCTION PLANT				
Riverton				
311	Structures and Improvements	3	-10.00%	10.00%
312	Boiler Plant Equipment	3	-10.00%	10.00%
314	Turbogenerator Units	3	-10.00%	10.00%
315	Accessory Electric Equipment	3	-10.00%	10.00%
316	Miscellaneous Power Plant Equipment	3	-10.00%	10.00%
Asbury				
311	Structures and Improvements	20	-10.00%	4.29%
312	Boiler Plant Equipment	20	-10.00%	4.82%
314	Turbogenerator Units	20	-10.00%	4.89%
315	Accessory Electric Equipment	20	-10.00%	3.78%
316	Miscellaneous Power Plant Equipment	20	-10.00%	3.26%
Iatan 1				
311	Structures and Improvements	25	-10.00%	1.93%
312	Boiler Plant Equipment	25	-10.00%	2.78%
312	Unit Train	11	0.00%	6.67%
314	Turbogenerator Units	25	-10.00%	2.74%
315	Accessory Electric Equipment	25	-10.00%	2.81%
316	Miscellaneous Power Plant Equipment	25	-10.00%	2.80%
Iatan 2				
311	Structures and Improvements	55	-10.00%	1.53%
312	Boiler Plant Equipment	55	-10.00%	1.53%
314	Turbogenerator Units	55	-10.00%	1.53%
315	Accessory Electric Equipment	55	-10.00%	1.54%
316	Miscellaneous Power Plant Equipment	55	-10.00%	1.66%
Iatan Common				
311	Structures and Improvements	55	-10.00%	1.92%
312	Boiler Plant Equipment	55	-10.00%	1.80%
314	Turbogenerator Units	55	-10.00%	1.92%
315	Accessory Electric Equipment	55	-10.00%	1.92%
316	Miscellaneous Power Plant Equipment	55	-10.00%	1.89%
Plum Point				
311	Structures and Improvements	45	-10.00%	2.44%
312	Boiler Plant Equipment	45	-10.00%	2.26%
312	Unit Train	10	0.00%	6.67%
314	Turbogenerator Units	45	-10.00%	2.26%
315	Accessory Electric Equipment	45	-10.00%	2.20%
316	Miscellaneous Power Plant Equipment	45	-10.00%	2.15%
HYDRAULIC PRODUCTION PLANT				
331	Structures and Improvements	38	-10.00%	1.80%
332	Reservoirs, Dams and Waterways	38	-10.00%	1.82%
333	Waterwheels, Turbines and Generators	38	-10.00%	2.45%
334	Accessory Electric Equipment	38	-10.00%	2.38%
335	Miscellaneous Power Plant Equipment	38	-10.00%	1.72%

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Staff Recommended Annual Depreciation Rates
ER-2016-0023**

Account Number	Account Description	Remaining Life (years)	Recommended Net Salvage	Reccomended Remaining Life Depreciation Rate (%)
OTHER PRODUCTION PLANT				
Riverton 10 &11				
341	Structures and Improvements	18	-5.00%	4.52%
342	Fuel Holders, Producers and Access.	18	-5.00%	2.98%
343	Prime Movers	18	5.00%	2.54%
344	Generators	18	5.00%	2.43%
345	Accessory Electric Equipment	18	-5.00%	3.56%
346	Miscellaneous Power Plant Equipment	18	-5.00%	3.31%
Riverton 12 CC				
341	Structures and Improvements	41	-5.00%	2.55%
342	Fuel Holders, Producers and Access.	41	-5.00%	2.08%
343	Prime Movers	41	5.00%	2.28%
344	Generators	41	5.00%	2.06%
345	Accessory Electric Equipment	41	-5.00%	2.41%
346	Miscellaneous Power Plant Equipment	41	-5.00%	2.20%
Energy Center 1&2				
341	Structures and Improvements	10	-5.00%	4.50%
342	Fuel Holders, Producers and Access.	10	-5.00%	4.50%
343	Prime Movers	10	5.00%	3.42%
344	Generators	10	5.00%	3.50%
345	Accessory Electric Equipment	10	-5.00%	5.47%
346	Miscellaneous Power Plant Equipment	10	-5.00%	4.50%
Energy Center 3&4 (FT8)				
341	Structures and Improvements	28	-5.00%	3.20%
342	Fuel Holders, Producers and Access.	28	-5.00%	2.87%
343	Prime Movers	28	5.00%	2.84%
344	Generators	28	5.00%	3.15%
345	Accessory Electric Equipment	28	-5.00%	2.99%
346	Miscellaneous Power Plant Equipment	28	-5.00%	2.78%
Stateline CT				
341	Structures and Improvements	25	-5.00%	1.80%
342	Fuel Holders, Producers and Access.	25	-5.00%	1.50%
343	Prime Movers	25	5.00%	1.84%
344	Generators	25	5.00%	1.30%
345	Accessory Electric Equipment	25	-5.00%	1.82%
346	Miscellaneous Power Plant Equipment	25	-5.00%	1.80%
Stateline CC				
341	Structures and Improvements	36	-5.00%	2.08%
342	Fuel Holders, Producers and Access.	36	-5.00%	2.08%
343	Prime Movers	36	5.00%	1.88%
344	Generators	36	5.00%	2.18%
345	Accessory Electric Equipment	36	-5.00%	2.01%
346	Miscellaneous Power Plant Equipment	36	-5.00%	2.43%

**Schedule JAR(DEP)-td1
The Empire District Electric Company
Staff Recommended Annual Depreciation Rates
ER-2016-0023**

Account Number	Account Description	Retirement Rate (%)	Recommended Net Salvage	Reccomended Depreciation Rate (%)
TRANSMISSION PLANT				
352	Structures & Improvements	1.82%	-10.00%	2.00%
353	Station Equipment	1.67%	-10.00%	1.83%
354	Towers & Fixtures	1.54%	-10.00%	1.69%
355	Poles & Fixtures	1.67%	-100.00%	3.33%
356	Overhead Conductors	1.43%	-25.00%	1.79%
DISTRIBUTION PLANT				
361	Structures & Improvements	1.67%	-10.00%	1.83%
362	Station Equipment	2.00%	-10.00%	2.20%
364	Poles, Towers & Fixtures	1.82%	-100.00%	3.64%
365	Overhead Conductors	1.79%	-100.00%	3.57%
366	Underground Conduit	2.50%	-35.00%	3.38%
367	Underground Conductors	3.13%	-15.00%	3.59%
368	Transformers	2.22%	-10.00%	2.44%
369	Services	2.22%	-100.00%	4.44%
370	Meters	2.27%	0.00%	2.27%
371	Meter Installations	3.33%	-40.00%	4.67%
373	Street Lighting	2.22%	-50.00%	3.33%
GENERAL PLANT				
390	Structures & Improvements	2.38%	-10.00%	2.62%
391.1	Office Furniture and Equipment	4.17%	0.00%	4.17%
391.2	Computer Equipment	10.00%	0.00%	10.00%
392	Transportation Equipment	7.14%	10.00%	6.43%
393	Stores Equipment	2.86%	0.00%	2.86%
394	Tools, Shop & Garage Equipment	5.00%	0.00%	5.00%
395	Laboratory Equipment	2.38%	0.00%	2.38%
396	Power Operated Equipment	5.56%	5.00%	5.28%
397	Communication Equipment	4.55%	0.00%	4.55%
398	Miscellaneous Equipment	3.70%	0.00%	3.70%