

**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)
Tariff)

File No. ER-2012-0326
Tracking No. YE-2012-0624

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 March 30, 2012, The Empire District Electric Company ("Empire") filed one tariff sheet to revise the Cost Adjustment Factors (CAF) of its Fuel Adjustment Clause (FAC). The Commission assigned Tracking No. YE-2012-0557 to that tariff filing. On April 27, 2012, Empire withdrew that FAC tariff sheet, closing Tariff Tracking No. YE-2012-0557; and Empire filed a new tariff sheet (2nd Revised Sheet No. 17k Canceling 1st Revised Sheet No. 17k bearing a proposed effective date of June 1, 2012). The Commission assigned that tariff sheet Tracking No. YE-2012-0624. Empire made these tariff filings pursuant to the Commission's *Reports and Orders* in Case No. ER-2008-0093, authorizing Empire's FAC, and Case Nos. ER-2010-0130 and ER-2011-0004, authorizing Empire's continued use of a FAC.

2. Commission Rule 4 CSR 240-20.090(4) provides that the 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, §386.266 RSMo, and the "FAC mechanism established in the most recent general rate proceeding." *Id.*

3. 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"), the Staff recommends that the Commission issue an interim rate adjustment order approving Empire's Tariff Sheet, 2nd Revised Sheet No. 17k Canceling 1st Revised Sheet No. 17k bearing a proposed effective date of June 1, 2012, as filed on April 27, 2012, subject to true-up and prudence reviews, or allow the tariff sheet to take effect on June 1, 2012, by operation of law.

7. The Staff's review shows Empire's filing is in compliance with §386.266 RSMo, Rule 4 CSR 240-20.090, and the Commission's *Reports and Orders* in Case Nos. ER-2008-0093, ER-2010-0130, and ER-2011-0004.

WHEREFORE, the Staff recommends that the Commission issue an interim rate adjustment Order approving, Empire's Tariff Sheet, P.S.C. MO. No. 5, Section 4, 2nd Revised Sheet No. 17k Cancelling 1st Revised Sheet No. 17k, as filed on April 27, 2012, to become effective June 1, 2012, subject to true-up and prudence reviews, or allow the tariff sheet to take effect on June 1, 2012, by operation or law.

Respectfully submitted,

/s/ Sarah Kliethermes
Sarah L. Kliethermes
Senior Counsel
Missouri Bar No. 60024

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-6726 (Telephone)
(573) 751-9285 (Fax)
sarah.kliethermes@psc.mo.gov

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 30th day of April, 2012.

/s/ Sarah L. Kliethermes

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2012-0326, Tariff Tracking No. YE-2012-0624
The Empire District Electric Company

FROM: Matthew J. Barnes, Utility Regulatory Auditor IV
Michelle Bocklage, Rate and Tariff Examiner II

DATE: /s/John Rogers 4/30/2012 /s/Sarah Kliethermes 4/30/2012
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: April 30, 2012

On March 30, 2012 The Empire District Electric Company (Empire) filed one (1) tariff sheet in Tariff Tracking No. YE-2012-0557, 2nd Revised Sheet No. 17k Canceling 1st Revised Sheet No. 17k bearing a proposed effective date of June 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 on March 30, 2012, direct testimony and work papers of its witness Todd W. Tarter in support of the filed tariff sheet.

On April 24, 2012, Staff contacted Empire concerning the calculation of the monthly interest amounts to be applied to the over/under collection and recovery for Accumulation Period 7 ("AP7") (September 1, 2011 through February 29, 2012), and Recovery Period 5 ("RP5") (June 1, 2011 through November 30, 2011).

On April 27, 2012, Empire withdrew 2nd Revised Sheet No. 17k Canceling 1st Revised Sheet No. 17k which had been filed on March 30, 2012 in Tariff Tracking No. YE-2012-0557. Also on April 27, 2012, Empire filed one tariff sheet in Tariff Tracking No. YE-2012-0624, 2nd Revised Sheet No. 17k Canceling 1st Revised Sheet No. 17k bearing a proposed effective date of June 1, 2012. Empire also filed on April 27, 2012 supplemental direct testimony and revised work papers of its witness Todd W. Tarter in this file, File No. ER-2012-0326. In his supplemental

testimony, Mr. Tarter identifies two sources of errors¹ which affect the monthly interest amounts for AP7 and RP5 and cause the revised interest amount owed to Empire's customers to increase by \$16,564. Mr. Tarter also testifies that Empire's FAC 2nd Revised Sheet No. 17k reflects an updating of the Company's forecasted sales for RP7.² Empire's forecasted Missouri Net System Input (NSI) for RP7 (June 1, 2012 through November 30, 2012) has decrease from 2,329,123,409 kWh to 2,230,199,532 kWh, a decrease of 98,923,877 or 4.2%.

Empire's testimony and supplemental testimony and revised work papers support the following components of the AP 7 FAC Amount of \$(3,810,809),³ which is Line 7 on 2nd Revised Sheet No. 17k:

1. Customer refund for AP7 is equal to negative \$3,608,949, which is Line 4 on 2nd Revised Sheet No. 17k, plus;
2. True-up for RP5 is equal to negative \$230,875, which is Line 5 on 2nd Revised Sheet No. 17k, plus;
3. Interest is equal to \$29,016, which is Line 6 on 2nd Revised Sheet No. 17k.

The CAF rate of \$(0.00171) per kWh to be applied to bills beginning June 1, 2012 (Line 9 on 2nd Revised Sheet No. 17k) is equal to the FAC Amount of \$(3,810,809) divided by the forecasted Missouri NSI for RP7 of 2,230,199,532 kWh (Line 8 on 2nd 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 \$(0.00180) 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. Empire's present CAF rates are \$0.00409 per kWh for customers receiving service at primary voltage level and above and \$0.00417 per kWh for customers

¹ Supplemental testimony of Todd W. Tarter, p. 2, lines 6 – 11.

² Supplemental testimony of Todd W. Tarter, p. 3, lines 10 – 15.

³ AP7 FAC amount is equal to 95% of the difference: a) between 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 AP7 and b) Empire's base costs during AP7.

receiving service at secondary voltage level.

| Cost Adjustment Factor (CAF) Per kWh | | | |
|--------------------------------------|-----------|-------------|--------------------|
| Voltage Level Adjustment | Present | Proposed | Difference |
| Primary | \$0.00409 | \$(0.00180) | \$0.00589 Decrease |
| Secondary | \$0.00417 | \$(0.00183) | \$0.00600 Decrease |

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 \$4.17 to \$(1.83), a decrease of \$6.00 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 decrease in Empire's CAF rates is due to the unusually warm weather for September 1, 2011 through February 29, 2012 - AP7, depressed natural gas prices due to reduced demand for natural gas and abundant storage levels of natural gas, and lower off-system sales revenues due to depressed wholesale market energy prices.

Staff reviewed 2nd Revised Sheet No. 17k Canceling 1st Revised Sheet No. 17k, the supplemental direct testimony and revised work papers of Empire witness Todd W. Tarter filed on April 27, 2012 in addition to Empire's monthly filings. 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 2nd Revised Sheet No. 17k Canceling 1st Revised Sheet No. 17k and the supplemental direct testimony and the revised 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 AP7 and for RP5. The information filed with the revised tariff sheet and revised workpapers as supplemented by Empire include sufficient data to calculate the CAFs for AP7.

Staff Recommendation

Empire timely filed 2nd Revised Sheet No. 17k Canceling 1st Revised Sheet No. 17k, that 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 2nd Revised Sheet No. 17k Canceling 1st Revised Sheet No. 17k filed on April 27, 2012, become effective on June 1, 2012, the first cycle of Empire's June billing month. Thus, the tariff sheet was filed with 35 days' notice. The Staff recommends the Commission issue an order approving the following proposed tariff sheet, as filed on April 27, 2012, to become effective on June 1, 2012, as requested by Empire, subject to both true-up and prudence reviews:

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

2nd Revised Sheet No. 17k Canceling 1st Revised Sheet No. 17k

The Staff has verified that Empire is not delinquent on any assessment. Empire has requested and the Commission has granted a request to file its 2011 annual report by May 15, 2012. 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.

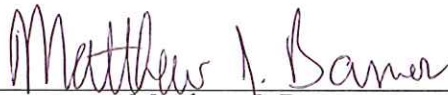
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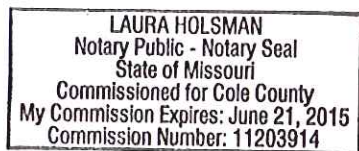
AFFIDAVIT OF MATTHEW J. BARNES

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 30th day of April, 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-2012-0326
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 30th day of April, 2012.




Notary Public