

**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)	<u>File No. ER-2013-0442</u> Tracking No. YE-2013-0424
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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 April 1, 2013, The Empire District Electric Company (“Empire”) filed one tariff sheet to revise its Cost Adjustment Factors (“CAFs”) of its Fuel Adjustment Clause (“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 the FAC is in accordance with 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.

4. Based on its examination and analysis of the information Empire filed and submitted in this case, in the attached Memorandum (Appendix A), the Staff recommends that the Commission issue an interim rate adjustment order (1) approving the true-up amount of \$(1,026,324), and (2) approving Empire's Tariff Sheet, 5th Revised Sheet No. 17k Canceling 4th Revised Sheet No. 17k, bearing a proposed effective date of June 1, 2013, subject to true-up and prudence reviews.

5. The Staff's review shows Empire's filing is in compliance with §386.266 RSMo, 4 CSR 240-20.090, and the *Commission's Order Approving Stipulation and Agreement* in Case No. ER-2012-0345.

WHEREFORE, the Staff recommends that the Commission issue an order (1) approving the true-up amount of \$(1,026,324), and (2) approving Empire's Tariff Sheet, 5th Revised Sheet No. 17k Canceling 4th Revised Sheet No. 17k, bearing a proposed effective date of June 1, 2013, subject to true-up and prudence reviews.

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 electronic mailed to all counsel of record this 1st day of May, 2013.

/s/ Sarah L. Kliethermes

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2013-0442, Tariff Tracking No. YE-2013-0424
The Empire District Electric Company

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

/s/John A. Rogers 05/01/2013
Energy Resource Analysis Unit / Date

/s/Sarah Kliethermes 05/01/2013
Staff Counsel Office / Date

SUBJECT: Staff Recommendation for Approval of True-up Amount and 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: May 1, 2013

On April 1, 2013, The Empire District Electric Company ("Empire") filed one (1) tariff sheet in Tariff Tracking No. YE-2013-00424, 5th Revised Sheet No. 17k Canceling 4th Revised Sheet No. 17k bearing a proposed effective date of June 1, 2013, to revise its Cost Adjustment Factors ("CAFs") 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 direct testimony of its witness Todd W. Tarter on April 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 used to calculate the CAFs for Accumulation Period 9 ("AP9") and the true-up amount for Recovery Period 7 ("RP7").¹ That dollar amount is \$(2,084,040)² resulting from:

1. Customer refund 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 during AP9 and amount of \$(1,040,454), which is Line 4 on 5th Revised Sheet No. 17k, plus;

2. True-up amount of the over/under recovery amount as a result of the CAFs for RP7 is equal to \$(1,026,324), which is Line 5 on 5th Revised Sheet No. 17k, plus;

3. Interest for both AP9 and RP7 is equal to \$(17,262), which is Line 6 on 5th Revised Sheet No. 17k.

¹ Staff notes that Empire does not file separate cases requesting approval of its FAC true-up amounts and approval of changes to its CAF per kWh rates as is the practice of KCP&L Greater Missouri Operations Company and Ameren Missouri.

² Line 7 on 5th Revised Sheet No. 17k.

The CAF rate of \$(0.00093) per kWh (Line 9 on 5th Revised Sheet No. 17k) is equal to the FAC Amount of \$(2,084,040) divided by the forecasted Missouri net system input (“NSI”) for RP9 of 2,247,709,242 kWh (Line 8 on 5th Revised Sheet No. 17k).

Because of a difference in line losses, there are different CAF per kWh rates for service taken at secondary and primary voltage levels. When accounting for line losses for the different voltage levels, the proposed CAF rates 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. Empire’s present CAF rates are \$(0.00038) per kWh for customers receiving service at primary voltage level and above, and \$(0.00038) per kWh for customers receiving service at secondary voltage level.

Cost Adjustment Factor (CAF) Per kWh			
Voltage Level Adjustment	Present	Proposed	Difference
Primary	\$(0.00038)	\$(0.00097)	\$0.00059 Decrease
Secondary	\$(0.00038)	\$(0.00099)	\$0.00061 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 \$(0.38) to \$(0.99), a net decrease in the customer’s bill of \$0.61 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 decrease in Empire’s FAC is due to over recovery during RP7, a decrease in natural gas prices, lower off-system sales revenues, and depressed wholesale market energy prices.

Staff reviewed 5th Revised Sheet No. 17k Canceling 4th Revised Sheet No. 17k, the direct testimony of Empire witness Todd W. Tarter filed on April 1, 2013, in addition to Empire’s monthly filings and work papers provided to Staff related to this filing on April 1, 2013 for AP9 and on April 29, 2013 for RP7. 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 5th Revised Sheet No. 17k Canceling 4th Revised Sheet No. 17k and the testimony and the work papers of Empire’s witness Todd W. Tarter. The Staff also reviewed Empire’s monthly interest rates that are applied to the over/under collection and recovery amounts for AP9 and for RP7 to calculate monthly interest amounts. The information filed with the tariff sheet and work papers, as supplemented by Empire, include sufficient data to calculate the true-up amount for RP7 and the CAFs for AP9.

Staff Recommendation

Empire filed 5th Revised Sheet No. 17k Canceling 4th Revised Sheet No. 17k, 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 5th Revised Sheet No. 17k Canceling 4th Revised Sheet No. 17k filed on April 1, 2013, become effective on June 1, 2013, the first cycle of Empire's June 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 true-up amount of \$(1,026,324) and the following proposed tariff sheet, as filed, to become effective on June 1, 2013, as requested by Empire, subject to both true-up and prudence reviews:

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

5th Revised Sheet No. 17k Canceling 4th Revised Sheet No. 17k

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 FAC rate adjustment in this case is solely based on the accuracy of Empire's calculations, and is not indicative of the prudence of the fuel costs included in the FAC rate adjustment.

