

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

In the Matter of the Seventh Prudence Review)
of Costs Subject to the Commission-Approved)
Fuel Adjustment Clause of The Empire District)
Electric Company.)

Case No. EO-2018-

**STAFF'S NOTICE OF START OF SEVENTH FUEL ADJUSTMENT CLAUSE
PRUDENCE REVIEW**

COMES NOW the Staff of the Missouri Public Service Commission and, for its Notice of Start of Seventh Fuel Adjustment Clause Prudence Review, states:

1. Complying with both Commission Rule 4 CSR 240-20.090(7) and § 386.266.4(4) RSMo Supp. 2012, The Empire District Electric Company's ("Empire") Fuel and Purchased Power Adjustment Clause ("FAC") tariff sheets provide, applicable to the review period of September 1, 2016 through February 28, 2018, that there "shall be a periodic review of fuel and energy costs subject to the FAC" and that "[p]rudence reviews shall occur no less frequently than at eighteen (18) month intervals."¹

2. Staff has conducted six such prudence reviews of Empire's FAC. Staff's first report was filed on February 26, 2010, in Case No. EO-2010-0084 for the review period of September 1, 2008, through August 31, 2009; the second filed on August 26, 2011 in Case No. EO-2011-0285 for the review period of September 1, 2009, through February 28, 2011; the third filed on February 26, 2013 in Case No. EO-2013-0114 for the review period of March 1, 2011, through August 31, 2012; the fourth filed on February 28, 2014 in Case No. EO-2014-0057 for the review period September 1, 2012, through February 28, 2013; the fifth filed on August 31, 2015 in Case No. EO-2015-0214 for the review period March 1, 2013 through February 28,

¹ The Empire District Electric Company, P.S.C. MO. No. 5, Sec. 4, 1st Revised Sheet No. 17s and Original Sheet No. 17ab.

2015; and the sixth filed on September 6, 2016 in Case No. EO-2017-0065 for the review period March 1, 2015 through August 31, 2016. Staff identified no instances of imprudence by Empire regarding the costs associated with Empire's FAC (offset by off-system sales revenues and any emission allowance revenues) during any of these prudence reviews.

3. On March 9, 2018, Staff initiated its seventh prudence review of the costs associated with Empire's FAC (offset by off-system sales revenues and any emission allowance revenues) for the period of September 1, 2016, through February 28, 2018.

4. Rule 4 CSR 240-20.090(7)(B), in part, provides: "The Staff shall file notice within ten (10) days of starting its prudence audit." It also establishes the following schedule of dates by which certain events are to take place keyed off of the date Staff initiates its prudence review:

Time from Staff prudence audit initiation within which event is to occur	Event
180 days after	Submission of Staff recommendation to Commission regarding Staff's examination and analysis
190 days after	Request for hearing
210 days after	Commission Order, if no hearing requested

5. Accordingly, the Staff plans to file its recommendation to the Commission regarding the Staff's examination and analysis by Friday, August 31, 2018.

6. The following table identifies Empire's Commission-approved FAC tariff sheets which were applicable for electric service provided to its customers during the review period September 1, 2016 through February 28, 2018:

September 1, 2016 through September 13, 2016	September 14, 2016 through February 28, 2018
1st Revised Sheet No. 17l	Original Sheet No. 17u
1st Revised Sheet No. 17m	Original Sheet No. 17v
1st Revised Sheet No. 17n	Original Sheet No. 17w
1st Revised Sheet No. 17o	Original Sheet No. 17x
1st Revised Sheet No. 17p	Original Sheet No. 17y
1st Revised Sheet No. 17q	Original Sheet No. 17z
1st Revised Sheet No. 17r	Original Sheet No. 17aa
1st Revised Sheet No. 17s	Original Sheet No. 17ab
3rd Revised Sheet No. 17t	3rd Revised Sheet No. 17ac

7. Staff may change its review approach during this review, and in future prudence reviews as well, based on the particular utility and the particular conditions prevailing at the time of the review. The Staff's Energy Resources Department is primarily responsible for this prudence review. The Staff plans to file its recommendation at the conclusion of its prudence review covering the following topics:

Section 1 - Standard of Prudence

A. Standard requires documentation and includes other Commission principles as appropriate, such as the Commission's Affiliate Transactions Rules, which also requires documentation.

Section - 2 Audit Scope

A. Presently Known Areas To Review

1. Empire's Total Book Costs as Allocated to Missouri for Fuel Consumed in Empire's Generating Units
2. Costs Associated with Empire's Fuel Hedging Program

3. Purchased Power Energy Charges, Including Applicable Transmission Fees
 4. Southwest Power Pool Variable Costs
 5. Emission Allowance Costs and Revenues
 6. Off System Sales
- B. Tests/Investigations to Address/Discover Other Significant Items Impacting Fuel and Purchased Power Cost Recovery Amount
1. Comparison of Base Fuel Components and Amounts to Claimed Cost Components and Amounts
 2. Plant Outages
 3. Fuel, Freight and Transportation / Purchase Power Contracts

WHEREFORE, the Staff prays the Commission accept its notice that it started its seventh prudence review of the costs subject to Empire's Commission-approved fuel adjustment clause on March 9, 2018, for the review period September 1, 2016, through February 28, 2018, and that it plans to submit its recommendation to the Commission regarding the results of Staff's examination and analysis by filing its recommendation in this docket by Friday, August 31, 2018.

Respectfully submitted,

/s/ Robert S. Berlin

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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 9th day of March, 2018.

/s/ Robert S. Berlin