

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

In the Matter of The Empire District)	<u>File No. ER-2012-0098</u>
Electric Company's Application to)	Tracking No. YE-2012-0138
Modify its FAC Tariff)	

**STAFF RECOMMENDATION TO APPROVE APPLICATION TO
MODIFY TARIFF SHEET**

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through counsel, and for its *Recommendation to Approve Application to Modify Tariff Sheet* states as follows:

1. On September 30, 2011, The Empire District Electric Company (“Empire”) filed a tariff sheet to modify the Cost Adjustment Factors (CAF) of its Fuel Adjustment Clause (FAC) (P.S.C. Mo. No. 5, Sec. 4, 1st [Revised] Sheet Number 17k). This FAC tariff sheet bears an issue date of October 1, 2011 and an effective date of December 1, 2011. The filing is pursuant to the Missouri Public Service Commission’s (“Commission”) *Order Approving Global Settlement* in File No. ER-2011-0004, which authorized modification of Empire’s 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. In the attached Memorandum (Appendix A), the Staff recommends that the Commission either allow the tariff sheet to become effective by operation of law, or enter an order approving Empire's Tariff Sheet, P.S.C. MO. No. 5, Section 4, 1th [Revised] Sheet No. 17k Cancelling Original Sheet No. 17k, as filed on September 30, 2011, to become effective December 1, 2011, 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 *Order Approving Global Settlement* in File No. ER-2011-0004.

WHEREFORE, the Staff recommends that the Commission either allow the tariff sheet to become effective by operation of law, or enter an order approving, Empire's Tariff Sheet, P.S.C. MO. No. 5, Section 4, 1th [Revised] Sheet No. 17k Cancelling Original Sheet No. 17k as filed on September 30, 2011, to become effective December 1, 2011, subject to true-up and prudence reviews.

Respectfully submitted,

/s/ Goldie Tompkins

Goldie Tompkins

Legal Counsel

Missouri Bar No. 58759

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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 November, 2011.

/s/ Goldie Tompkins

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2012-0098, Tariff Tracking No. YE-2012-0138
The Empire District Electric Company

FROM: Leon Bender, Utility Regulatory Engineer
Michelle Bocklage, Rate and Tariff Examiner II

DATE: /s/John Rogers 11/1/2011 /s/Sarah Kliethermes 11/1/2011
Energy Department / 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 Report and Order in Case No. ER-2011-0004

DATE: November 1, 2011

On October 1, 2011 The Empire District Electric Company (Empire) filed one (1) tariff sheet in Tariff Tracking No. YE-2012-0138, 1st Revised Sheet No. 17k Canceling Original Sheet No. 17k bearing a proposed effective date of December 1, 2011 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 direct testimony of its witness Todd W. Tarter on October 1, 2011 in support of the filed tariff sheet.

Included in Empire's October 1, 2011 filing are the proposed tariff sheet, the testimony of Empire witness Todd W. Tarter and Empire's work papers. The testimony and work papers include information for Accumulation Period 6 and the true-up amount for Recovery Period 4 supporting Empire's calculation of the CAFs for Recovery Period 6 (December 1, 2011 through May 31, 2012) resulting from: 1) 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; b) Empire's base costs during Accumulation Period 6 (March 1, 2011 through August 31, 2011), and 2) the true up of the over/under recovery amount as a result of the CAFs for Recovery Period 4 (December 1, 2010 through May 31, 2011); and 3) interest.

Empire's present CAFs are a positive amount of \$0.00086 per kWh for customers receiving service at primary voltage level and above and \$0.00088 per kWh for customers receiving service at secondary voltage level. The proposed change to the CAFs results in CAF rates of \$0.00409 per kWh for customers receiving service at primary voltage level and above and \$0.00417 per kWh for customers receiving service at secondary voltage level.

Cost Adjustment Factor (CAF) Per kWh			
Voltage Level Adjustment	Present	Proposed	Difference
Primary	\$0.00086	\$0.00409	\$0.00323 Increase
Secondary	\$0.00088	\$0.00417	\$0.00329 Increase

The \$8,523,174 proposed change to the FAC results from: 1) \$8,254,744 which is 95% of the increase in fuel and purchased costs plus net emissions allowance costs less off-system sales revenue and REC revenues above the base costs; 2) plus true-up of \$236,340 due to under-recovery of revenues and interest collected in Recovery Period 4, and 3) plus interest in the amount of \$32,090. Based on a monthly usage of 1,000 kWh, the proposed change to the CAF will increase the Fuel Charge of an Empire residential customer's bill from \$0.88 to \$4.17, an increase of \$3.29 per month for customers receiving service at secondary voltage level.

The large increase in the CAF is due to limitations on generation at the coal-fired Iatan generating units due to flooding and limitations at the coal-fired Plum Point generating station due to the outage of an induction draft fan. The limitations on generating capacity at Iatan and Plum Point were replaced with gas generation which is more expensive than coal-fired generation.

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.

Staff reviewed 1st Revised Sheet No. 17k Canceling Original Sheet No. 17k, and the direct testimony of Empire witness Todd W. Tarter filed on October 1, 2011 in addition to Empire's

monthly filings and work papers in this filing for Accumulation Period 6 and for Recovery Period 4. 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 1st Revised Sheet No. 17k Canceling Original Sheet No. 17k and the supporting schedules of Todd W. Tarter's direct testimony. The Staff also reviewed Empire's monthly interest amount that is applied to the over/under collection and recovery for Accumulation Period 6 and for Recovery Period 4 respectively. The information filed with the revised tariff sheet and workpapers as supplemented by Empire include sufficient data to calculate the CAFs for Accumulation Period 6.

Staff Recommendation

The Staff is of the opinion that Empire timely filed 1st Revised Sheet No. 17k Canceling Original Sheet No. 17k, as substituted, and that it complies with the Commission's *Report and Order* 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 1st Revised Sheet No. 17k Canceling Original Sheet No. 17k filed October 1, 2011, become effective on December 1, 2011, the first cycle of Empire's December billing month. Thus, the tariff sheet was filed with 30 days' notice. The Staff recommends the

Commission issue an order approving the following proposed tariff sheet, as filed on October 1, 2011, to become effective on December 1, 2011, as requested by Empire, subject to both true-up and prudence reviews:

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

1st Revised Sheet No. 17k Canceling Original Sheet No. 17k

The Staff has verified that Empire is not delinquent on any assessment and Empire has filed its 2010 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.

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

In the Matter of The Empire District)
Electric Company's Application to) Case No. ER-2012-0098
Modify its FAC Tariff)

AFFIDAVIT OF LEON C. BENDER

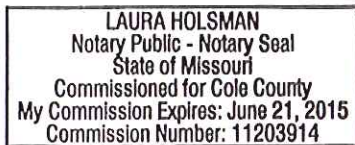
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Leon C. Bender, 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.



Leon C. Bender

Subscribed and sworn to before me this 31 day of October, 2011.





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-2012-0098
Tariff)

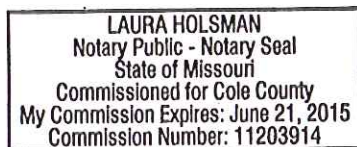
AFFIDAVIT OF MICHELLE BOCKLAGE

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 31 day of October, 2011.




Notary Public