

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

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

Case No. EO-2017-_____

STAFF'S NOTICE OF START OF SIXTH PRUDENCE AUDIT

COMES NOW the Staff of the Missouri Public Service Commission and, for its Notice of Start of Sixth Prudence Audit, 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 March 1, 2015 through August 31, 2016, 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 five 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; and the fifth filed on August 31, 2015 in Case No. EO-2015-0214 for the review period March 1, 2013

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

through February 28, 2015. 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 September 1, 2016, Staff initiated its sixth 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 March 1, 2015, through August 31, 2016.

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 audit:

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 Tuesday, February 28, 2017.

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 March 1, 2015 through August 31, 2016:

March 1, 2015 through July 25, 2015	July 26, 2015 through August 31, 2016
9th Revised Sheet No. 17	Original Sheet No. 17l
3rd Revised Sheet No. 17a	Original Sheet No. 17m
3rd Revised Sheet No. 17b	Original Sheet No. 17n
7th Revised Sheet No. 17c	Original Sheet No. 17o
3rd Revised Sheet No. 17d	Original Sheet No. 17p
	Original Sheet No. 17q
	Original Sheet No. 17r
	Original Sheet No. 17s

7. Staff may change its audit approach during this audit, and in future prudence audits as well, based on the particular utility and the particular conditions prevailing at the time of the audit. The Staff's Energy Resources Department is primarily responsible for this prudence audit. The Staff plans to file its recommendation at the conclusion of its prudence audit 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 sixth prudence audit of the costs subject to Empire's Commission-approved fuel adjustment clause on September 1, 2016, for the review period March 1, 2015, through August 31, 2016, 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 Tuesday, February 28, 2017.

Respectfully submitted,

/s/ Robert S. Berlin

Robert S. Berlin
Deputy Staff Counsel
Missouri Bar No. 51709
Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 526-7779 (Telephone)
(573) 751-9285 (Fax)
bob.berlin@psc.mo.gov (e-mail)

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 6th day of September, 2016.

/s/ Robert S. Berlin