

EXHIBIT

13

Exhibit No.: FAC
Issue(s)
Witness/Type of Exhibit: Mantle/Rebuttal
Sponsoring Party: Public Counsel
Case No.: EO-2017-0065

FILED
September 1, 2017
Data Center
Missouri Public
Service Commission

REBUTTAL TESTIMONY

OF

LENA M. MANTLE

Submitted on Behalf of the Office of the Public Counsel

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. EO-2017-0065

June 22, 2017

OPC Exhibit No. 13
Date 6-24-17 Reporter A.F.
File No. EO-2017-0065

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

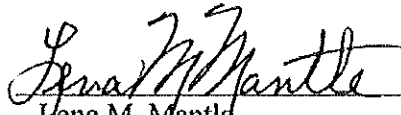
In the Matter of the Sixth Prudence)
Review of Costs Subject to the)
Commission-Approved Fuel Adjustment) Case No. EO-2017-0065
Clause of The Empire District)
Electric Company)

AFFIDAVIT OF LENA MANTLE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Lena Mantle, of lawful age and being first duly sworn, deposes and states:

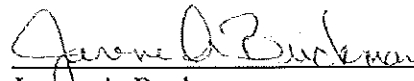
1. My name is Lena Mantle. I am a Senior Analyst for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


Lena M. Mantle
Senior Analyst

Subscribed and sworn to me this 22nd day of June 2017.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2017
Cole County
Commission #13754037


Jerene A. Buckman
Notary Public

My Commission expires August 23, 2017.

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REBUTTAL TESTIMONY

OF

LENA M. MANTLE

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. EO-2017-0065

1 **INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Lena M. Mantle. My business address is P.O. Box 2230, Jefferson
4 City, Missouri 65102. I am a Senior Analyst for the Office of the Public Counsel
5 (“OPC”).

6 **Q. Are you the same Lena M. Mantle that filed direct testimony in this case?**

7 A. Yes, I am.

8 **Q. What is the purpose of your rebuttal testimony?**

9 A. In this testimony I explain how the direct testimony of the Empire District
10 Electric Company (“Empire”) witness Aaron J. Doll supports the recommendation
11 in my direct testimony that the Commission should not provide a finding of
12 prudence. I also explain how the resource planning process referred to in
13 Schedule 1 of Mr. Doll’s testimony does not imply prudence. In addition, I
14 provide support for the rebuttal testimony of OPC witness Charles R. Hyneman
15 regarding compilations and reviews with respect to the fuel adjustment clause in
16 Missouri. Also in support of the rebuttal testimony of Mr. Hyneman, I give an
17 example of a cost that, absent a review of circumstances outside of the prudence
18 review period, could be considered imprudent.

19 **EMPIRE WAS NOT “FOUND TO BE PRUDENT” IN PRIOR FAC REVIEWS**

20 **Q. Is OPC recommending the Commission find Empire prudent with respect to**
21 **its FAC costs and revenues for the prudence review period?**

1 A. No. OPC is recommending the Commission find Empire's hedging practices are
2 imprudent and have caused its ratepayers harm. The Commission should order
3 Empire to return to its customers \$13,104,811.18 plus interest.

4 **Q. Would this imply that all other FAC costs and revenues were incurred**
5 **prudently?**

6 A. It should not. It is merely a finding that for this one cost, Empire's hedging policy
7 was imprudent. A finding that no other indication of imprudence was provided
8 for the other FAC costs and revenues, consistent with past Commission orders in
9 Empire's FAC prudence review cases and OPC's recommendation in my direct
10 testimony, would signify that costs and revenues were reviewed and no evidence
11 of imprudence was found.

12 **Q. What in Mr. Doll's testimony supports the need for such a finding?**

13 A. On page 5 of his direct testimony, Mr. Doll states "Empire has been found to be
14 prudent in all five of its prior FAC audits."

15 **Q. Did he provide support for this statement?**

16 A. Mr. Doll did not provide support for this statement in his testimony so OPC asked
17 for Mr. Doll's support in its data request 8003. In his response, attached as
18 Schedule LM-R-1, Mr. Doll provided cites to five Commission orders.

19 **Q. Is there a finding that Empire was prudent by the Commission in its report**
20 **and orders as testified to by Mr. Doll?**

21 A. No. The concise Report and Order for each of the prior Empire FAC prudence
22 review cases are attached as Schedule LM-R-2. The report and orders either state
23 that Staff found no evidence of imprudence or Staff did not identify any
24 imprudence. The Commission, in each of these cases, approved the Staff report.
25 None of these reports found Empire to be prudent with respect to the costs and
26 revenues associated with its FAC.

1 **Q. Does “no evidence of imprudence” imply “prudent”?**

2 A. No, it does not. It simply means that Staff, in its review of the costs and revenues,
3 did not find any *indication* of imprudence. Staff did not state in its reports that it
4 found Empire prudent. There is a broad spectrum from prudent to imprudent. At
5 one end, there is absolute prudence. With absolute prudence, there could be no
6 better decision made. The other end of the spectrum is undeniable imprudence.
7 Both of these rarely occur. In between there are an endless number of decisions
8 and outcomes some more prudent than others; some more imprudent than others.

9 **Q. Could Empire’s hedging policy have once been prudent and now be**
10 **imprudent?**

11 A. Yes. Empire’s hedging policy was likely prudent when it was adopted in 2001
12 when the natural gas market was volatile and unpredictable and may have even
13 been prudent when Empire was first granted an FAC in 2008. However, as
14 explained in OPC witness John Riley’s testimony, there has been a dramatic
15 change in the natural gas market since Empire implemented its current hedging
16 policy. Price spikes are not as common as they once were and are short lived. A
17 prudent hedging strategy changes with changes in the natural gas market.
18 Continuing the same hedging policy in a stable natural gas market that was used
19 in a volatile market is imprudent and resulted in harm to Empire’s customers.

20 **Q. How does Mr. Doll’s testimony support your recommendation to the**
21 **Commission regarding its findings in this case?**

22 A. It is clear from Mr. Doll’s testimony that Empire believes the Commission’s
23 finding of no evidence of imprudence in past FAC reviews is equivalent to the
24 Commission finding Empire prudent in its actions and for that reason Empire’s
25 hedging policy is prudent in the current natural gas market.

26 Neither of these “beliefs” are correct. Therefore, it is vital for the
27 Commission in this case to find Empire imprudent with respect to its hedging

1 practices, to find harm was caused to its ratepayers in the amount of
2 \$13,104,811.18 plus interest, and to find that no other evidence of imprudence
3 was provided. These findings would recognize the harm Empire's imprudent
4 hedging policies have caused its customers and the reality that errors occur and
5 other instances of imprudence may not have been evident in the review conducted
6 by Staff and OPC. It would also allow adjustments for errors in accounting that
7 occurred during this time period that may be found in the future.

8 **PRUDENCE DETERMINATIONS AND RESOURCE PLAN FILINGS**

9 **Q. Where in Mr. Doll's testimony does he discuss Empire's resource plan filings?**

10 A. Mr. Doll does not mention Empire's resource plan filings in his testimony.
11 However, resource planning is mentioned as the vehicle to provide concerns
12 regarding Empire's hedging policy in Blake Mertens' surrebuttal testimony
13 attached as Schedule 1 to Mr. Doll's testimony.

14 **Q. Would you summarize Empire's testimony regarding resource planning?**

15 A. It is Empire's contention that because it described its hedging practices in its
16 resource planning filings and OPC did not identify concerns with Empire's
17 hedging strategy at that time, OPC should not be able to present testimony in any
18 subsequent case regarding the imprudence of Empire's hedging policy and the
19 subsequent harm to customers of Empire's imprudent actions.

20 **Q. How does OPC respond to this contention?**

21 A. Resource plan filings are not the appropriate vehicle for imprudence to be raised.

22 **Q. Would you explain the objective of resource plan filing?**

23 A. The Commission's policy goal for the Electric Utility Resource Planning chapter
24 4 CSR 240-22 ("Resource Planning Chapter") can be found in 4 CSR 240-22.010
25 (1):

1 The commission’s policy goal in promulgating this chapter is to set
2 minimum standards to govern the scope and objectives of the
3 resource planning process that is required of electric utilities
4 subject to its jurisdiction in order to ensure that the public interest
5 is adequately served. Compliance with these rules shall not be
6 construed to result in commission approval of the utility resource
7 plans, resource acquisition strategies or investment decisions.
8

9 **Q. Does the Resource Planning Chapter provide any guidance on imprudence as
10 it applies to the contents of the utility’s resource plan filing?**

11 **A. In the last rule of the Resource Planning Chapter, 4 CSR 240-22.080(17), the
12 Commission specifically stated:**

13 The commission may acknowledge the preferred resource plan or
14 resource acquisition strategy in whole, in part, with exceptions or
15 not at all. Acknowledgement shall not be construed to mean or
16 constitute a finding as to the prudence, pre-approval, or prior
17 commission authorization of any specific project or group of
18 projects.
19

20 The Commission further stated in that same section of the rule:

21 Consistency with an acknowledged preferred resource plan or
22 resource acquisition strategy does not create a rebuttable
23 presumption of prudence and shall not be considered to be
24 dispositive of the issue.
25

26 **Q. Empire’s testimony brings up the fact that OPC did not bring up its concerns
27 with regard to Empire’s hedging practices in its resource plan filing. Should
28 that preclude OPC from challenging imprudent practices and the impact of
29 such practices before the Commission?**

30 **A. No. Resource Plan filings are voluminous. OPC is limited by rule, as are all
31 parties, in the amount of time it has to review such filings and present concerns to
32 the filing utility. The Commission itself realized the sheer amount of work
33 required to do a complete review when it states that “staff shall conduct a *limited*
34 review” (emphasis added) in 4 CSR 240-22.080(7). Thus, with this realization
35 that only a limited review could be done, the fact that OPC did not bring up its**

1 concerns with Empire's hedging strategy in the resource plan filings should not
2 preclude OPC from bring up policies and practices described in the resource plan
3 that when implemented are imprudent and cause harm to Empire's customers.

4 **Q. You state that imprudence requires proof of harm to the customers. Is that**
5 **type of information provided in resource plan filings?**

6 A. No. Resource plan filings contain information at a high level. It does include
7 estimates of the impact of different plans on revenue requirement of the utility.
8 However, specifics of the impact of hedging policies are not included in the filing.

9 **Q. Would you briefly summarize your experience with resource planning?**

10 A. In my work as an engineer for Staff, I became involved in the review of electric
11 utility resource planning in the 1980's prior to the Commission's original resource
12 planning rules. I participated in the drafting of the original rules that became
13 effective in 1992 and the review of resource plan filings of the electric utilities
14 that followed. As Manager of the Energy Department of the Commission Staff, I
15 oversaw the revision of the resource planning rules that became effective in
16 October 2010 and are currently in effect for the electric investor-owned utilities.

17 **FAC COMPILATIONS AND REVIEWS**

18 **Q. Empire witness Mr. Doll's direct testimony (p. 2) refers to the Staff's review**
19 **as both an "audit" and a "review." Mr. Hyneman adds "compilation" to this**
20 **mix. Would you provide a brief summary of the difference between a**
21 **compilation and a review as provided in Mr. Hyneman's rebuttal testimony?**

22 A. Briefly, a compilation is the lowest level of service an auditor can provide. A
23 compilation involves presenting information without expressing any assurance on
24 that information. In a review, an auditor asks questions regarding specific
25 significant assets and liabilities to determine if the amounts are complete and

1 accurate. In a review, an auditor uses analytic procedures to identifying amounts
2 that are unusual and require additional inquiry.

3 **Q. Is there a process similar to a compilation with respect to the FAC in**
4 **Missouri?**

5 A. Yes, there is. Empire files to change its FAC rate every six months as laid out in
6 its FAC tariff sheets. As required by Commission rule 4 CSR 240-20.090(4), this
7 filing is made with a 60-day effective date. Staff has 30 days to review the filing
8 and the Commission has 30 days to make its determination regarding the rate
9 change.

10 In its review of the filing, Staff follows a process very similar to a
11 compilation. It reviews the information provided by Empire and checks to make
12 sure Empire followed its FAC tariff sheets and calculated the new FAC rate
13 correctly. It does not make a determination as to the prudence of costs and
14 revenues in the accumulation period. Staff's review is simply a check to make
15 sure the utility is following the tariff sheets and the utility did the math correctly.
16 Other parties are given ten days after Staff files its recommendation to provide
17 additional input for the Commission to make its determination.

18 **Q. Are you aware of any instances where Empire changed its FAC rate filing**
19 **due to Staff's review of its FAC rate tariff filing?**

20 A. Yes. In case ER-2012-0326, Staff contacted Empire concerning the calculation of
21 the monthly interest amount to be applied to the true-up of Empire's Recovery
22 Period 5. Empire filed a revised tariff sheet incorporating a change to interest
23 calculation in that case.

24 **Q. Have there been instances in other FAC rate change filings of tariff sheet**
25 **interpretation issues?**

1 A. Yes. In 2009 there was some confusion for one utility regarding what revenues
2 were allowed in an FAC.¹ More recently, there was an instance when, in
3 reviewing another utility's filing, OPC discovered a provision of the tariff sheets
4 was not being applied correctly.² The parties to the case worked together to
5 determine the correct application of the tariff language. This is not an exhaustive
6 list of interpretation issues but does give an idea of what type of review is done
7 when a utility files to change its FAC rate.

8 **Q. Why is it important to understand that the FAC rate change cases undergo a**
9 **compilation?**

10 A. When the Commission approves an FAC for an electric utility it starts a process
11 of numerous submissions and filings. It is important to understand the level of
12 review for the different submissions and filings. It would be easy to assume that a
13 prudence review is conducted when each filing or submission is made. While
14 Staff and OPC review the different filings and submissions, the only time an
15 effort is made to review the utilities actions and the results of the actions for
16 imprudence with respect to FAC costs and revenues is in Staff's prudence reviews
17 that are required by statute and Commission rule to be conducted at least every 18
18 months. It is these reviews by Staff that are described in Mr. Hyneman's
19 testimony that rarely lead to true audits of FAC costs and revenues.

20 **NEED FOR REVIEW OF CIRCUMSTANCES PRIOR TO THE PRUDENCE**
21 **REVIEW PERIOD**

22 **Q. Does it appear from Staff's prudence review report filed in this case that**
23 **Staff reviewed information outside of the prudence review time period?**

¹ EO-2009-0431 In the Matter of the Application of KCP&L Greater Missouri Operations Company
Containing its Annual Fuel Adjustment Clause True-up.

² ER-2016-0130 In the Matter of the Adjustment of Union Electric Company d/b/a Ameren Missouri's Fuel
Adjustment Clause for the 20th Accumulation Period.

1 A. No. Staff, in each section of its prudence review report, lists the information it
2 reviewed for that section. The primary source of information was the data
3 requests Staff sent Empire in this case. All of the data requests Staff sent Empire
4 in this prudence review case start with the phrase “[f]or the period March 1, 2015
5 through August 31, 2016”. While Staff also relied on other information
6 submissions and its Revenue Requirement report in case ER-2016-0023 filed
7 during the prudence review time period, the emphasis in the data requests to just
8 supply information from the prudence review time period leads OPC to believe
9 Staff only reviewed information from that time period.

10 **Q. Should information from outside the time period be considered when doing a**
11 **prudence review?**

12 A. Yes. The standard set for prudence requires the utility’s conduct to be judged by
13 asking whether the conduct was reasonable at the time. Often the decisions that
14 impact costs, such as the hedging costs that are the subject of OPC’s prudence
15 review, are made prior to when the cost is incurred. If prudence reviews were
16 limited only to data from the review period, it could result in more findings of
17 imprudence since the data indicating prudence would be from a prior period.

18 **Q. Do you have an example of why it is important to review information from**
19 **prior to the review period?**

20 A. An example of a cost that could be considered imprudent if OPC only took into
21 account the information from the prudence review period is the cost of Empire’s
22 wind power during the review period. Attached to this testimony as Schedule
23 LM-R-3 are Empire’s summary sheet of fuel and purchased power for April and
24 August 2016 as provided in workpapers to its filing to change its FAC rate in ER-
25 2017-0092. These summary sheets show that the cost per mega-watt hour
26 (“MWh”) of Meridian Way wind energy was \$39.43 in April. In that same

1 month, the per MWh cost of Empire's generation was \$17.38. This in isolation
2 would not necessarily point to imprudence because the native load was larger than
3 the amount generated by Empire. It could be assumed the wind energy was
4 needed to meet the native load.

5 However, the August 2016 summary sheet shows that Empire's generation
6 provided more MWh in August than the MWh native load in April at a cost of
7 \$22.55. This shows that Empire was capable of generating more than enough
8 energy in April to meet its native load requirement at a cost much lower than the
9 cost for wind energy from the Meridian Way. This should lead an auditor to
10 investigate why Empire was paying so much for wind power in April when it
11 could generate more than enough energy at a cheaper cost from its own
12 generation.

13 With just the information from the prudence review time period, paying
14 \$39.43/MWh for power in April 2016 seems to be imprudent and would indeed
15 cause harm to the customers through higher FAC rates.

16 **Q. With such a price difference, \$39.49/MWh and \$22.55/MWh, why isn't OPC**
17 **recommending an imprudence adjustment?**

18 **A.** OPC is not recommending an imprudence adjustment because there are mitigating
19 factors from outside of this prudence review period that OPC is taking into
20 account. Empire entered into a 20 year contract with the Meridian Way wind
21 farm contract in June 2007 at a set price. This was prior to the Commission
22 granting Empire an FAC when Empire absorbed all fuel and purchased power
23 cost increases between rate cases. Cost stability and predictability was critical to
24 Empire's earnings. As described in OPC witness John Riley's direct testimony,
25 natural gas prices were volatile in that time period. Empire's wind contracts
26 provided diversity in fuel choice at a cost competitive with natural gas generation,
27 therefore making it a prudent decision at that time.

1 **Q. Was this contract entered into because of the Renewable Energy Standards**
2 **in Missouri?**

3 A. No, it is not. The Missouri renewable energy standards (“RES”) were passed in
4 November 2008 and no standard had to be met until 2011. Empire entered into
5 this contract before there was a renewable energy requirement.

6 **Q. If Empire’s resources are dispatched according to cost, i.e., economic**
7 **dispatch, this resource should be called on only when it is the least-cost**
8 **resource. Why did Empire pay for so much wind energy in April 2016 when**
9 **it is obviously more expensive than Empire’s other resources?**

10 A. As a part of the contract with the wind farm, Empire agreed to “take or pay” for
11 all energy generated by the wind farm. If the wind is blowing and the wind
12 turbines are generating energy, Empire has to pay the contract price for the energy
13 regardless of whether there are lower costs alternative resources available. It is
14 typically windier in the spring and fall. Therefore the amount of wind energy
15 generated is greater in the spring and fall resulting in a higher monthly cost in the
16 spring and fall.

17 **Q. Why is this example important to this case?**

18 A. This example shows that if auditors only review data from the time period being
19 reviewed, as Staff seemed to do and Empire opined in its objections to OPC data
20 requests, limited information could lead to an erroneous assertion of imprudence.
21 Even though the cost difference between wind generation and thermal generation
22 during this time may initially seem imprudent, a review of information that led to
23 Empire entering into the contract reveals that, while there may be a lower cost
24 solution now, the decision at the time it was made was not imprudent. Staff’s
25 limited review and Empire’s lack of cooperation with OPC’s discovery requests
26 as described in Mr. Hyneman’s rebuttal testimony is in direct contrast to the
27 Commission’s policy that imprudence be based on the information known by

1 management at the time decisions were made, not when costs were actually
2 incurred.

3 **Q. Does this conclude your direct testimony?**

4 **A. Yes, it does.**

Data Request

Data Request No. 8003
Company Name Empire District Electric Company
Case No. EO-2017-0065
Date Requested May 30, 2017
Date Due June 7, 2017

Requested From Angela Cloven
Requested By OPC – Jere Buckman

Description

Reference Aaron Doll Direct testimony pg. 5, line 12: Please provide Commission case number, Document title, page within document, and date of document in which the Commission found Empire prudent in all five of its prior FAC audits.

Response:

- | |
|--|
| <ol style="list-style-type: none">1. EO-2010-0084<ol style="list-style-type: none">a. Order Regarding Prudence Reviewb. Page 2c. March 23, 20102. EO-2011-0285<ol style="list-style-type: none">a. Order Approving Staff's Prudence Reviewb. Page 2c. September 20, 20113. EO-2013-0114<ol style="list-style-type: none">a. Order Approving Staff's Prudence Reviewb. Page 2c. April 3, 20134. EO-2014-0057<ol style="list-style-type: none">a. Order Approving Staff's Prudence Reviewb. Page 2c. March 26, 2014 |
|--|

- 5. **EO-2015-0214**
 - a. **Order Approving Staff's Prudence Audit Report And Recommendation**
 - b. **Page 2**
 - c. **September 16, 2015**

Provided by: Aaron Doll

Date: June 5, 2017

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

In the Matter of the First Prudence Review of Costs)
Subject to the Commission-Approved Fuel Adjustment) File No. EO-2010-0084
Clause of The Empire District Electric Company)

ORDER REGARDING PRUDENCE REVIEW

Issue Date: March 23, 2010

Effective Date: March 23, 2010

On September 4, 2009, the Commission's Staff commenced a prudence audit of The Empire District Electric Company's ("Empire") fuel adjustment clause ("FAC"). Staff filed its report and recommendation on February 26, 2010. Because no requests for a hearing were filed,¹ the Commission must issue an order regarding the audit no later than April 2, 2010.²

In File No. ER-2008-0093, the Commission approved Empire's original FAC to become effective on September 1, 2008.³ Staff's prudence review examines the costs associated with the FAC for an audit period of September 1, 2008 through August 31, 2009. Staff's report breaks out the types Empire's fuel and purchased power costs into four major categories: Fuel, Purchased Power, Off-System Sales Margin and Net Emission Allowances. The specific costs examined under these categories included financial hedges, natural gas expense, coal and pet coke expense, other fuel type costs, tire derived fuel, purchased power contracts, purchased power energy costs, off-system sales, SO2

¹ Pursuant to Commission Rule 4 CSR 240-20.090(7)(B), any hearing requests must be filed no later than 190 days post audit initiation. The 190-day post audit initiation deadline was March 13, 2010. Because it fell on a Saturday, the Commission's computation of time rule extended the deadline until Monday March 15, 2010.

² See Commission Rule 4 CSR 240-20.090(7)(B).

³ *In the Matter of The Empire District Electric Company's Tariffs to Increase Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company*, File No. ER-2008-0093, Order Granting Expedited Treatment and Approving Tariff Sheets, issued August 12 and effective August 23, 2008.

allowances, interest costs, and outages. While Staff found no evidence of imprudence with regard to these expense categories, it did note several areas where it will conduct additional evaluation in the future.

Because no party requested a hearing, any issues in relation to Staff's prudence review remain adjudicated. And because no contested case issue exists in this file, the Commission will close the file with this order.

THE COMMISSION ORDERS THAT:

1. The Staff of the Missouri Public Service Commission's February 26, 2010 report concerning the prudence audit of Empire District Electric Company's ("Empire") fuel adjustment clause is accepted as being compliant with the provisions of Commission Rule 4 CSR 240-20.090.
2. This order shall become effective immediately upon issuance.
3. This file shall be closed on April 2, 2010.

(SEAL)

Harold Stearley, Senior Regulatory Law Judge,
by delegation of authority pursuant to
Section 386.240, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 23rd day of March, 2010.

BY THE COMMISSION



Steven C. Reed
Secretary

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office in
Jefferson City on the 20th day
of September, 2011.

In the Matter of the Second Prudence Review)
of Costs Subject to the Commission-Approved) Case No. EO-2011-0285
Fuel Adjustment Clause of The Empire District)
Electric Company)

ORDER APPROVING STAFF'S PRUDENCE REVIEW

Issue Date: September 20, 2011

Effective Date: September 30, 2011

The Empire District Electric Company ("Empire") has used a fuel adjustment clause since the Commission approved the use of that clause in the company's general rate case, ER-2008-0093. Section 386.266.4(4) RSMo Supp. 2010, the statute that authorizes an electric utility to use a fuel adjustment clause, requires the Commission to conduct a prudence review of the utility's fuel costs no less frequently than at 18-month intervals. The 18-month prudence review is also required by Commission Rule 4 CSR 240-20.090(7) and by Empire's tariff.

On March 9, 2011, the Commission's Staff filed a notice stating that it started its prudence audit on that date. Commission Rule 4 CSR 240-20.090(7)(B) establishes a timeline that requires Staff to file a recommendation regarding the results of its audit no later than 180 days after it initiates its audit. The timeline then directs the Commission to issue an order regarding Staff's audit no later than 210 days after Staff initiates it audit, unless within 190 days some party to the proceeding requests a hearing.

Staff filed its report and recommendation regarding its prudence audit on August 26, 2011. No party requested a hearing by the 190th day after Staff initiated its audit. Therefore, the Commission may now consider Staff's report and recommendation.

Staff's report and recommendation regarding its prudence review states that Staff has conducted a review of all aspects of Empire's fuel costs as they are passed through to customers under the fuel adjustment clause. Staff does not identify any imprudence by Empire that would result in harm to the utility's ratepayers.

The Commission finds Staff's report and recommendation regarding its prudence review of Empire's fuel costs to be reasonable. No party has requested a hearing, or in any other way opposed or objected to Staff's recommendation. Therefore, the Commission will approve Staff's report.

THE COMMISSION ORDERS THAT:

1. Staff's Report regarding its prudence audit of the costs subject to The Empire District Electric Company's fuel adjustment clause is approved.
2. This order shall become effective on September 30, 2011.

BY THE COMMISSION



Steven C. Reed
Secretary

(SEAL)

Gunn, Chm., Davis, Jarrett,
and Kenney, CC., concur.

Pridgin, Senior Regulatory Law Judge

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office in
Jefferson City on the 3rd day of
April, 2013.

In the Matter of the Third Prudence Review)
of Costs Subject to the Commission-Approved) Case No. EO-2013-0114
Fuel Adjustment Clause of The Empire District)
Electric Company)

ORDER APPROVING STAFF'S PRUDENCE REVIEW

Issue Date: April 3, 2013

Effective Date: April 13, 2013

The Empire District Electric Company ("Empire") has used a fuel adjustment clause since the Commission approved the use of that clause in the company's general rate case, ER-2008-0093. Section 386.266.4(4) RSMo Supp. 2012, the statute that authorizes an electric utility to use a fuel adjustment clause, requires the Commission to conduct a prudence review of the utility's fuel costs no less frequently than at 18-month intervals. The 18-month prudence review is also required by Commission Rule 4 CSR 240-20.090(7) and by Empire's tariff.

On September 21, 2012, the Commission's Staff filed a notice stating that it started its prudence audit on that date. Commission Rule 4 CSR 240-20.090(7)(B) establishes a timeline that requires Staff to file a recommendation regarding the results of its audit no later than 180 days after it initiates its audit. The timeline then directs the Commission to issue an order regarding Staff's audit no later than 210 days after Staff initiates it audit, unless within 190 days some party to the proceeding requests a hearing.

Staff filed its report and recommendation regarding its prudence audit on February 26, 2013. No party requested a hearing by the 190th day after Staff initiated its audit. Therefore, the Commission may now consider Staff's report and recommendation.

Staff's report and recommendation regarding its prudence review states that Staff has conducted a review of all aspects of Empire's fuel costs as they are passed through to customers under the fuel adjustment clause. Staff does not identify any imprudence by Empire that would result in harm to the utility's ratepayers.

The Commission finds Staff's report and recommendation regarding its prudence review of Empire's fuel costs to be reasonable. No party has requested a hearing, or opposed or objected to Staff's recommendation. Therefore, the Commission will approve Staff's report.

THE COMMISSION ORDERS THAT:

1. Staff's Report regarding its prudence audit of the costs subject to The Empire District Electric Company's fuel adjustment clause is approved.
2. All other requests for relief are denied.
3. This order shall become effective on April 13, 2013.

BY THE COMMISSION



Shelley Brueggemann
Acting Secretary

R. Kenney, Chm., Jarrett,
Stoll, and W. Kenney, CC., concur.

Pridgin, Senior Regulatory Law Judge

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held at its office in Jefferson City on the 26th day of March, 2014.

In the Matter of the Fourth Prudence Review)
of Costs Subject to the Commission-Approved) File No. EO-2014-0057
Fuel Adjustment Clause of The Empire District)
Electric Company)

ORDER APPROVING STAFF'S PRUDENCE REVIEW

Issue Date: March 26, 2014

Effective Date: April 5, 2014

The Commission first authorized the use of a Fuel Adjustment Clause ("FAC") by The Empire District Electric Company ("Empire") in File No. ER-2008-0093. The Commission approved the continuation of the FAC in Empire's general rate cases in 2010, 2011 and 2012.¹ Pursuant to Section 386.266.4(4) RSMo (Cum.Supp.2013), a prudence review of Empire's FAC costs must occur no less frequently than at eighteen-month intervals.

On September 3, 2013, the Commission's Staff filed a notice indicating that it started its prudence audit of Empire's FAC for the period September 1, 2012, through February 28, 2013. Commission Rule 4 CSR 240-20.090(7) requires Staff to file its recommendation no later than one hundred eighty days after it initiates the audit. Pursuant to the same rule, other parties to the case have one hundred ninety days after initiation of the audit to request a hearing; otherwise, the Commission must issue an order within two hundred ten days of Staff initiating an audit.

On February 28, 2014, Staff filed its Prudence Audit Report and Recommendation, in which it examined whether Empire prudently incurred the fuel and purchased power costs

¹ File Nos. ER-2010-0130, ER-2011-0004 and ER-2012-0345, respectively.

and off-system sales revenues associated with its FAC. No party requested a hearing by March 12, 2014, which was the filing deadline to request a hearing. Therefore, the Commission may now consider Staff's Report and Recommendation.

Staff found no evidence of imprudence by Empire for the period of September 1, 2012 through February 28, 2013. In evaluating prudence, Staff reviews, without the benefit of hindsight, whether a reasonable person would find reasonable the information Empire relied on and the process Empire employed at the time the decision was made.

The Commission finds Staff's report and recommendation regarding its prudence review of Empire's fuel and purchased power costs and off-system sales revenue associated with its FAC to be reasonable. No party requested a hearing or objected to Staff's recommendation. Therefore, the Commission will approve Staff's report.

THE COMMISSION ORDERS THAT:

1. Staff's report regarding its prudence and audit of the costs subject to The Empire District Electric Company's fuel adjustment clause is approved.
2. This order shall become effective on April 5, 2014.
3. This file shall be closed on April 10, 2014.

BY THE COMMISSION



A handwritten signature in cursive script that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

R. Kenney, Chm., Stoll, W. Kenney,
and Hall, CC., concur.

Burton, Regulatory Law Judge

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held at its office in Jefferson City on the 16th day of September, 2015.

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

)
) File No. EO-2015-0214
)
)

**ORDER APPROVING STAFF'S PRUDENCE AUDIT REPORT AND
RECOMMENDATION**

Issue Date: September 16, 2015

Effective Date: September 28, 2015

On March 5, 2015, the Commission's Staff filed a notice indicating that on March 2, 2015, it started its prudence audit of Empire's Fuel Adjustment Clause (FAC) for the period March 2, 2014, through February 28, 2015.¹ Commission Rule 4 CSR 240-20.090(7) requires Staff to file its recommendation no later than 180 days after it initiates the audit. Pursuant to the same rule, other parties to the case have 190 days after initiation of the audit to request a hearing; otherwise, the Commission must issue an order within 210 days of Staff initiating an audit.

On August 31, 2015, Staff filed its Prudence Audit Report and Recommendation, examining whether Empire prudently incurred the fuel and purchased power costs and off-system sales revenues associated with its FAC. No party requested a hearing within the time allowed by regulation, so the Commission may now consider Staff's report and recommendation.

¹ Pursuant to Section 386.266.4(4) RSMo (Cum.Supp. 2013), a prudence review of Empire's FAC costs must occur no less frequently than at eighteen-month intervals.

In evaluating prudence, Staff reviewed whether a reasonable person would find that both the information Empire relied on, and the process Empire employed when making the decision under review, were reasonable based on the circumstances at the time the decision was made, i.e., without the benefit of hindsight. During its review, Staff found no evidence of imprudence by Empire.

The Commission finds Staff's report and recommendation regarding its prudence review of Empire's fuel and purchased power costs and off-system sales revenue associated with its FAC to be reasonable, and will approve it.

Because no one has contested Staff's report and recommendation, and because the regulation requires a prompt decision, the Commission will make this order effective in less than thirty days.

THE COMMISSION ORDERS THAT:

1. Staff's Fifth Prudence Audit Report and Recommendation regarding the costs subject to The Empire District Electric Company's fuel adjustment clause is approved.
2. This order shall become effective on September 28, 2015.
3. This file shall be closed on September 29, 2015.



BY THE COMMISSION

A handwritten signature in cursive script that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Hall, Chm., Stoll, Kenney, Rupp
and Coleman, CC., concur.

Woodruff, Chief Regulatory Law Judge

THE EMPIRE DISTRICT ELECTRIC COMPANY -- SUMMARY OF FUEL AND PURCHASED POWER
April 2016

Peak (MW) 648

		April 2016							
		GENERATION COST			REVENUE		NET		
		MWH	\$	\$/MWH	\$	\$/MWH	\$	\$/MWH	
GENERATING UNITS	Asbury	5,434	202,451.15	37.26	(111,114.19)	(20.45)	91,336.96	16.81	
	latan 1	33,427	509,976.27	15.26	(575,419.74)	(17.21)	(65,443.47)	(1.96)	
	latan 2	57,651	807,761.12	14.01	(896,841.42)	(15.56)	(89,080.30)	(1.55)	
	Plum Point Own	19,186	423,662.65	22.08	(365,362.33)	(19.04)	58,300.32	3.04	
	Riverton 12 (CC)	-	-	N.A.	-	N.A.	-	N.A.	
	Riverton 10-11	-	-	N.A.	-	N.A.	-	N.A.	
	EC 1-2	2,904	82,645.88	28.46	(107,408.88)	(36.99)	(24,763.00)	(8.53)	
	EC 3-4	6,104	135,307.84	22.17	(266,429.07)	(43.65)	(131,121.23)	(21.48)	
	State Line 1	3,913	90,687.03	23.18	(171,069.38)	(43.72)	(80,382.35)	(20.54)	
	State Line CC	135,055	1,971,808.90	14.60	(2,909,262.97)	(21.54)	(937,454.07)	(6.94)	
	Nat. Gas Trans/Stor	-	357,732.75		-		357,732.75		
	TOTAL THERMAL	263,674	4,582,033.59	17.38	(5,402,907.98)	(20.49)	(820,874.39)	(3.11)	
	Ozark Beach	4,474	-	N.A.	(105,171.09)	(23.51)	(105,171.09)	(23.51)	
	TOTAL GENERATION	268,148	4,582,033.59	17.09	(5,508,079.07)	(20.54)	(926,045.48)	(3.45)	
PPA	Plum Point PPA	18,923	671,449.59	35.48	(360,353.98)	(19.04)	311,095.61	16.44	
	Elk River PPA	46,520	1,463,381.82	31.46	(675,858.82)	(14.53)	787,523.00	16.93	
	Meridian Way PPA	33,609	1,327,322.00	39.49	(400,963.60)	(11.93)	926,358.40	27.56	
	Spot/MISO/Other	-	(179,262.26)	N.A.	(8,000.00)	N.A.	(187,262.26)		
	TOTAL PPA	99,052	3,282,891.15	33.14	(1,445,176.40)	(14.59)	1,837,714.75	18.55	
LOAD CH RESOURC	Adjustments	-	-		(1,408.83)		(1,408.83)		
	Capacity	-	871,258.87		-		871,258.87		
	TOTAL W DMD	367,200	8,736,183.61	23.79	(6,954,664.30)	(18.94)	1,781,519.31	4.85	
	TOTAL W/O DMD	367,200	7,864,924.74	21.42	(6,954,664.30)	(18.94)	910,260.44	2.48	
LOAD CH	SPP Chg - EDE Load	350,466	6,974,383.23	19.90					
	Other		94,796.99						
	ARR/TCR/FTR		(645,332.56)						
	NATIVE LOAD COST	350,466	6,423,847.66	18.33					
NET FPP			Total FPP Native Ld - Net \$ Total w dmd						
	NET FPP W DMD	350,466	8,205,366.97	23.41					
	NET FPP W/O DMD	350,466	7,334,108.10	20.93					
NET FPP	MO FAC (Total Company Basis):	Consumables/Env	Net RECs	FPP Eligible FAC	Fuel Admin	Recov Trans Exp	Fixed Pipeline Fee	Loss Chg	
				7,309,505.21	24,602.89				
		FAC \$/MWh							
		20.86							
TRANS	Transmission Rev		888,327.74						

¹Budgeted Net FPP (w/ & w/o Dmd) will reflect the impact of budgeted Off-system sales margin (OSS rev - OSS exp)

*MO FAC Base: \$26.84

THE EMPIRE DISTRICT ELECTRIC COMPANY -- SUMMARY OF FUEL AND PURCHASED POWER
August 2016

Peak (MW) 1,104

		August 2016							
		GENERATION COST			REVENUE		NET		
		MWH	\$	\$/MWH	\$	\$/MWH	\$	\$/MWH	
GENERATING UNITS	Asbury	126,783	2,352,731.89	18.56	(3,602,325.22)	(28.41)	(1,249,593.33)	(9.86)	
	Iatan 1	42,221	688,823.15	16.31	(1,072,362.93)	(25.40)	(383,539.78)	(9.08)	
	Iatan 2	75,352	1,038,837.12	13.79	(1,820,582.45)	(24.16)	(781,745.33)	(10.37)	
	Plum Point Own	33,137	550,579.01	16.62	(950,203.43)	(28.67)	(399,624.42)	(12.06)	
	Riverton 12 (CC)	121,629	3,202,558.50	26.33	(3,594,365.61)	(29.55)	(391,807.11)	(3.22)	
	Riverton 10-11	-	-	N.A.	-	N.A.	-	N.A.	
	EC 1-2	28	365.46	13.05	(4,676.60)	(167.02)	(4,311.14)	(153.97)	
	EC 3-4	6,918	292,439.18	42.27	(370,721.96)	(53.59)	(78,282.78)	(11.32)	
	State Line 1	399	20,678.57	51.83	(30,235.00)	(75.78)	(9,556.43)	(23.95)	
	State Line CC	126,805	3,352,423.62	26.44	(4,009,742.20)	(31.62)	(657,318.58)	(5.18)	
	Nat. Gas Trans/Stor	-	527,464.73	-	-	-	527,464.73	-	
	TOTAL THERMAL	533,272	12,026,901.23	22.55	(15,455,215.40)	(28.98)	(3,428,314.17)	(6.43)	
	Ozark Beach	6,847	-	N.A.	(205,529.02)	(30.02)	(205,529.02)	(30.02)	
	TOTAL GENERATION	540,119	12,026,901.23	22.27	(15,660,744.42)	(28.99)	(3,633,843.19)	(6.73)	
PPA	Plum Point PPA	32,744	1,227,394.17	37.48	(938,934.16)	(28.67)	288,460.01	8.81	
	Elk River PPA	26,588	823,430.36	30.97	(615,650.08)	(23.16)	207,780.28	7.81	
	Meridian Way PPA	19,306	766,995.00	39.73	(409,286.00)	(21.20)	357,709.00	18.53	
	Spot/MISO/Other	-	29,027.61	N.A.	-	N.A.	29,027.61	-	
	TOTAL PPA	78,638	2,846,847.14	36.20	(1,963,870.24)	(24.97)	882,976.90	11.23	
LOAD CH RESOURCE	Adjustments	-	-	-	(2,139.59)	-	(2,139.59)	-	
	Capacity	-	871,258.87	-	-	-	871,258.87	-	
	TOTAL W DMD	618,757	15,745,007.24	25.45	(17,626,754.25)	(28.49)	(1,881,747.01)	(3.04)	
	TOTAL W/O DMD	618,757	14,873,748.37	24.04	(17,626,754.25)	(28.49)	(2,753,005.88)	(4.45)	
LOAD CH	SPP Chg - EDE Load	522,031	15,044,193.36	28.82					
	Other	-	136,265.74	-					
	ARR/TCR/FTR	-	(251,081.05)	-					
	NATIVE LOAD COST	522,031	14,929,378.05	28.60					
NET FPP		-	-	-					
	NET FPP W DMD	522,031	13,047,631.04	24.99					
	NET FPP W/O DMD	522,031	12,176,372.17	23.32					
MO FAC (Total Company Basis):	Consumables/Env	-	-	-	12,156,957.41	19,414.76	-	-	
	FAC\$/MWh	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	
TRANS		-	-	-					
	Transmission Rev	-	725,266.10	-					

¹Budgeted Net FPP (w/ & w/o Dmd) will reflect the impact of budgeted Off-system sales margin (OSS rev - OSS exp)

*MO FAC Base: \$26.84