

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

In the Matter of The Empire District Electric Company)
for Authority to Implement Rate Adjustments Related) **File No. ER-2019-0301**
to the Company’s Fuel and Purchased Power) **Tariff No. JE-2019-0178**
Adjustment (FAC) Required in 4 CSR 240-020.090)

STAFF RECOMMENDATION TO APPROVE TARIFF SHEET

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its recommendation states:

1. On April 1, 2019, The Empire District Electric Company (“Empire”) filed one proposed tariff sheet, bearing an effective date of June 1, 2019, to revise its current period Fuel Adjustment Rates (“FARs”) for the 21st Accumulation Period (“AP21”) of its Fuel Adjustment Clause (“FAC”). This proposed tariff sheet is P.S.C. Mo. No. 5, Sec. 4, 6th Revised Sheet No. 17ac, Canceling P.S.C. Mo. No 5, Sec. 4, 5th Revised Sheet No. 17ac. The Commission assigned it Tariff No. JE-2019-0178.

2. Concurrently on April 1, 2019, Empire submitted a FAC true-up filing in File No. EO-2019-0302 to identify the true-up amount of \$844,601 for the 19th Recovery Period (“RP19”) of its FAC. This amount and interest for RP19 are included in calculation of the FARs for AP21.

3. Commission Rule 4 CSR 240-20.090(8)(F) provides that “[w]ithin thirty (30) days after the electric utility files its testimony and tariff sheet(s) to adjust its FARs, the staff shall submit a recommendation regarding its examination and analysis to the commission[.]” Staff must determine if Empire’s proposed adjustments to its FAC rates are in accordance with 4 CSR 240-20.090 (“Fuel and Purchased Power

Rate Adjustment Mechanisms”), §386.266 RSMo, and the “FAC mechanism established, continued, or modified in the utility’s most recent general rate proceeding.”¹

4. If the proposed rate adjustments are in accordance with the rule, statute, and FAC mechanism referenced above, Commission Rule 4 CSR 240-20.090(8)(H)(1) and (2) provides:

- (H) Within sixty (60) days after the electric utility files its testimony and tariff sheet(s) to adjust its FARs, the commission shall either –
 1. Issue an interim rate adjustment order approving the tariff sheet(s) and the adjustments to the FARs [or]
 2. Allow the tariff sheet(s) and the adjustments to the FARs to take effect without commission order[.]

5. In the attached Staff Memorandum, marked Appendix A, Staff recommends that the Commission issue an order approving Empire’s proposed tariff sheet P.S.C. Mo. No. 5, Sec. 4, 6th Revised Sheet No. 17ac, Canceling P.S.C. Mo. No 5, Sec. 4, 5th Revised Sheet No. 17ac, subject to true-up and prudence reviews.

6. For AP21, the fuel and purchased power adjustment (“FPA”) amount is \$7,432,635, which divided by the forecasted net system input for the 21st Recovery Period of 2,253,608,426 kWh results in a current period FAR of \$0.00330 per kWh. Because of a difference in line losses, there are different FARs for service taken at secondary voltage level and at primary and above voltages levels. The resulting FARs are in the column marked “Proposed” in the following table:

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Secondary (Residential)	\$(0.00087)	\$0.00351	\$0.00438 Increase
Primary	\$(0.00085)	\$0.00345	\$0.00430 Increase

¹ 4 CSR 240-20.090(8)(F)

7. Based on a monthly usage of 1,000 kWh, the proposed change to the FAR for secondary service will increase the FAC of an Empire residential customer's bill from \$(0.87) to \$3.51, an increase of \$4.38 per month. Empire witness Leslie Forest testified on lines 8 through 10 on page 6 of her Direct Testimony regarding this increase:

Liberty-Empire's average energy costs per kWh have increased above the level built into its base electric rates, which is why the FAC rate schedules filed by the Company seek an increase in the rates charged to the Missouri customers.

8. Except for Empire's RP19 true-up filing in File No. EO-2019-0302, also filed April 1, 2019, Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing.

9. The Staff's review shows Empire's filing is in compliance with Commission Rule 4 CSR 240-20.090, §386.266 RSMo, and Empire's FAC embodied in its tariff.

10. Staff verified that Empire is not delinquent on any assessment and Empire filed its 2017² annual report. Empire is current on submission of its monthly reports, required by 4 CSR 240-20.090(5), and its surveillance monitoring reports, required by 4 CSR 240-20.090(6).

WHEREFORE, for the above-stated reasons, Staff recommends that the Commission issue an interim rate adjustment order approving Empire's proposed tariff sheet, P.S.C. Mo. No. 5, Sec. 4, 6th Revised Sheet No. 17ac, Canceling P.S.C. Mo. No. 5, Sec. 4, 5th Revised Sheet No. 17ac, to become effective June 1, 2019, subject to true-up and prudence reviews.

² On February 19, 2019 the Company filed a request for an extension of time in which to file its 2018 Annual Report. This request was approved, and the Annual Report is due May 15, 2019.

Respectfully submitted,

/s/ Karen E. Bretz

Karen E. Bretz
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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was served via e-mail on counsel for the parties of record to this case on this 25th day of April, 2019.

/s/ Karen Bretz

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2019-0301, Tariff Tracking No. JE-2019-0178
The Empire District Electric Company

FROM: Cynthia M. Tandy, Utility Regulatory Auditor I
Brooke Mastrogiannis, Utility Regulatory Auditor IV
Lisa Wildhaber, Utility Regulatory Auditor III

DATE: /s/ Brad J. Fortson 04/25/2019 /s/ Karen Bretz 04/25/2019
Energy Resources Department / Date Staff Counsel Department / 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-2016-0023.

DATE: April 25, 2019

Summary and Staff Recommendation

On April 1, 2019, The Empire District Electric Company (“Empire” or “Company”) filed one (1) proposed tariff sheet, 6th Revised Sheet No. 17ac Canceling 5th Revised Sheet No. 17ac, bearing a proposed effective date of June 1, 2019, to revise its Current Period Fuel Adjustment Rates¹ (“FARs”) of its Fuel Adjustment Clause (“FAC”) used to determine the Fuel Adjustment Charge² on customers’ bills. Empire also filed direct testimony of its witness Leslie Forest on April 1, 2019, with a substitute filing for corrections in the testimony on April 12, 2019³, and submitted to Commission Staff (“Staff”) work papers in support of the substitute testimony and the proposed tariff sheet. The Commission assigned the tariff sheet to Tariff Tracking No. JE-2019-0178.

Based on its examination and analysis of the information Empire filed and submitted in this case, Staff recommends the Commission issue an order approving the proposed tariff sheet filed on April 1, 2019, to become effective on June 1, 2019.

¹ The Current Period FARs for service at primary voltage and above and for service at secondary voltage are located on lines 14 and 15, respectively, of proposed 6th Revised Sheet No. 17ac.

² The actual line item on the customer’s bill is: Fuel Adjust Charge.

³ The correction does not create any change in the new FARs for this rate adjustment filing.

Empire's AP21 FARs

The testimony, substitute testimony, and work papers include information that supports Empire's calculation of the dollar amount⁴ used to calculate the FARs for Accumulation Period 21 ("AP21"). That dollar amount is \$7,432,635 resulting from:

1. The amount of \$6,556,712, found on Line 7 of 6th Revised Sheet No. 17ac, which is equal to 95% of the difference between: a) Empire's Missouri jurisdiction⁵ actual fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenue⁶ and less renewable energy credits ("REC") revenue and b) Empire's Missouri jurisdiction net base energy cost⁷ during AP21 plus;
2. The true-up amount of \$844,601⁸ which is the under-recovery amount as a result of the FARs for Recovery Period 19 ("RP19"), found on Line 8 of 6th Revised Sheet No. 17ac, plus;
3. The interest for AP21, a portion of RP19⁹, and a portion of RP20¹⁰ which is equal to \$31,323, found on Line 10 of 6th Revised Sheet No. 17ac.

The Current Period FAR of \$.00330 per kWh (Line 13 of 6th Revised Sheet No. 17ac) is equal to the FPA Amount of \$7,432,635 divided by the forecasted Missouri net system input ("NSI") for RP21 of 2,253,608,426 kWh, found on Line 12 of 6th Revised Sheet No. 17ac.

Because of a difference in line losses, there are different FARs for service taken at primary and above voltage levels and at secondary voltage level. When accounting for line losses for the

⁴ The dollar amount used to calculate the Current Period FAR is called the Fuel and Purchased Power Adjustment ("FPA") which is located on line 11 of proposed 6th Revised Sheet No. 17ac.

⁵ Missouri Energy Ratio (J) = (Missouri retail kWh sales)/(Total system kWh sales), where Total system kWh sales includes sales to municipalities that are associated with Empire and excludes off-system sales. See Original Sheet No 17aa. For AP21, J is equal to 82.74% as reflected on line 4 of 6th Revised Sheet No. 17ac. Empire calculates the Missouri Energy Ratio on a monthly basis and combines the months for the entry on line 5 of its sheet 17ac. For this reason, the calculation of the total energy cost minus the net base energy cost (line 3) multiplied by the Missouri Energy Factor (line 4) does not equal the amount on line 5. Line 3 multiplied by line 4 equals 6,849,155.

⁶ For AP21, this amount is \$74,862,132 as reflected on line 1 of 6th Revised Sheet No. 17ac.

⁷ For AP21, this amount is \$66,584,207 as reflected on line 2 of 6th Revised Sheet No. 17ac.

⁸ Empire's RP19 true-up filing is contained in File No. EO-2019-0302.

⁹ Recovery Period 19 is June 2018 through November 2018.

¹⁰ Recovery Period 20 is December 2018 through May 2019.

different voltage levels, the proposed FARs are \$.00345 per kWh for customers receiving service at primary voltage level and above, and \$.00351 per kWh for customers receiving service at secondary voltage level. Empire’s present FARs are (\$.00085) per kWh for customers receiving service at primary voltage level and above and (\$.00087) per kWh for customers receiving service at secondary voltage level.¹¹

Fuel Adjustment Rates (\$ Per kWh)			
Service Voltage Level	Present	Proposed	Difference
Primary	(\$.00085)	\$.00345	\$0.00430 Increase
Secondary	(\$.00087)	\$.00351	\$0.00438 Increase

Based on a monthly usage of 1,000 kWh, the proposed change to the FAR will increase the Fuel Adjustment Charge of an Empire residential customer’s bill from \$(0.87) to \$3.51, an increase in the customer’s bill of \$4.38 per month.¹² 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. 17u through 17ac.

On page 6, lines 5 through 20 of her filed testimony, Company witness Leslie Forest, with the substitute testimony filed on April 12, 2019, describes the reasons for the increase in the FAR’s:

Q. How have Liberty-Empire’s average energy costs changed over the cost included in base rates during the accumulation period?

A. Liberty-Empire’s average energy costs per kWh have increased above the level built into its base electric rates, which is why the FAC rate schedules filed by the Company seek an increase in the rates charged to the Missouri customers. More specifically, Liberty-Empire’s Missouri base rates included an average cost of energy per kWh of net system production of \$0.02415 during the Accumulation Period of September 2018 through February 2019. Liberty-Empire actually incurred average energy costs of \$0.02715 per kWh during the Accumulation Period, which is \$0.00300 per kWh or about 12.4 percent higher than the average cost built into base rates. Pursuant to Liberty-Empire’s FAC tariff, Liberty-Empire is requesting

¹¹ Lines 14 and 15 of 5th Revised Sheet No. 17ac.

¹² In Leslie Forest’s direct testimony, on page 7 lines 6 through 9, she states, “during the Accumulation Period, specifically September 2018, October 2018, and January 2019, experienced warmer than normal weather. As such, the actual total energy cost per megawatt-hour was below the Company budget by approximately 23.24 percent.”

to charge to its Missouri customers the net of 95 percent of this cost increase plus approximately \$844,601 of under-recovered energy cost and \$31,323 of interest income from the Recovery Period ending November 30, 2018, or an average of \$0.00330 per kWh sold during the upcoming Recovery Period.

Staff Review

Staff reviewed Empire's proposed 6th Revised Sheet No. 17ac Canceling 5th Revised Sheet No. 17ac, the direct testimony of Empire witness Leslie Forest filed on April 1, 2019, the substituted testimony filed on April 12, 2019, in addition to Empire's monthly filings and work papers for AP21. Staff verified that the actual fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenues and less REC revenues, match the fuel costs plus purchased power costs plus net emissions allowance costs less off-system sales revenues and less REC revenues in Empire's proposed 6th Revised Sheet No. 17ac Canceling 5th Revised Sheet No. 17ac. Staff also reviewed Empire's monthly interest rates that are applied to the monthly over- and under-recovery amounts for AP21, a portion of RP20, and a portion of RP19 and the calculation of the monthly interest amounts. The information filed with the tariff sheet and work papers, include sufficient data to calculate the FARs for AP21.

Attachment A includes three charts which provide a summary of Empire's twenty one (21) FAC rate adjustment filings. Chart 1 illustrates a) Empire's FARs for primary and secondary voltage service levels for each of the twenty one (21) accumulation periods, and b) that there have been twelve (12) positive FARs and nine (9) negative FARs. Chart 2 illustrates Empire's FAC cumulative under-collected amount¹³ at the end of each of the twenty one (21) accumulation periods with the cumulative under-collected amount through AP21 of \$33,958,735. Chart 3 illustrates Empire's FAC cumulative under-collected percentage of cumulative total energy costs at the end of each of the twenty one (21) accumulation periods with the cumulative under-collected percentage through AP21 of approximately 2.2%.

¹³ A positive under-collected amount means the Total Energy Cost (defined on line 1 of 6th Revised Sheet No. 17ac as $TEC = (FC + PP + E - OSSR - REC)$) is greater than the Net Base Energy Cost (defined on line 2 of 6th Revised Sheet No. 17ac as $B = BF \times S_{AP}$). Conversely, a negative under-collected amount means the Total Energy Cost is less than the Net Base Energy Cost.

Staff Recommendation

Empire filed the 6th Revised Sheet No. 17ac Canceling 5th Sheet No. 17ac, and based on Staff's review, Staff has determined that Empire is in compliance with Commission Rule 4 CSR 240-20.090 (Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements), Section 386.266 RSMo, and Empire's FAC embodied in its tariff.

Commission Rule 4 CSR 240-20.090(8)(H)¹⁴ provides in part:

(H) Within sixty (60) days after the electric utility files its testimony and tariff sheet(s) to adjust its FARs, the commission shall either—

1. Issue an interim rate adjustment order approving the tariff sheet(s) and the adjustments to the FARs;
2. Allow the tariff sheet(s) and the adjustments to the FARs to take effect without commission order; or
3. If it determines the adjustment to the FARs is not in accordance with the provisions of this rule, section 386.266, RSMo, and the FAC mechanism established in the electric utility's most recent general rate proceeding, reject the proposed rate sheets, suspend the timeline of the FAR adjustment filing, set a prehearing date, and order the parties to propose a procedural schedule. The commission may order the electric utility to file tariff sheet(s) to implement interim adjusted FARs to reflect any part of the proposed adjustment that is not in question.

Empire has requested that the 6th Revised Sheet No. 17ac Canceling 5th Revised Sheet No. 17ac filed on April 1, 2019 become effective on June 1, 2019. Thus, the tariff sheet was filed with sixty (60) days' notice. Based on its examination and analysis of the information Empire filed and submitted in this case, Staff recommends the Commission issue an order approving the following proposed tariff sheet, to become effective on June 1, 2019, as requested by Empire, subject to both true-up and prudence reviews:

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

6th Revised Sheet No. 17ac Canceling 5th Revised Sheet No. 17ac

Staff has verified that Empire has filed its 2017¹⁵ annual report and is not delinquent on any assessment. Empire is current on its submission of its Surveillance Monitoring reports as required

¹⁴ Effective January 30, 2019.

¹⁵ The Company has filed a request for extension of time in which to file their 2018 Annual Report on February 19th, 2019. This request has been approved and the Annual Report is due on May 15, 2019.

in 4 CSR 240-20.090(6) and its monthly reports as required by 4 CSR 240-20.090(5). Staff is not aware of any other matter before the Commission that affects or is affected by this filing, except as noted herein.

Except for Empire's RP19 true-up filing in File No. EO-2019-0302, also filed on April 1, 2019, 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 Current Period FARs in this case is solely based on the accuracy of Empire's calculations, and is not indicative of the prudence of the fuel costs during AP21.

Chart 1: Empire Fuel Adjustment Rates

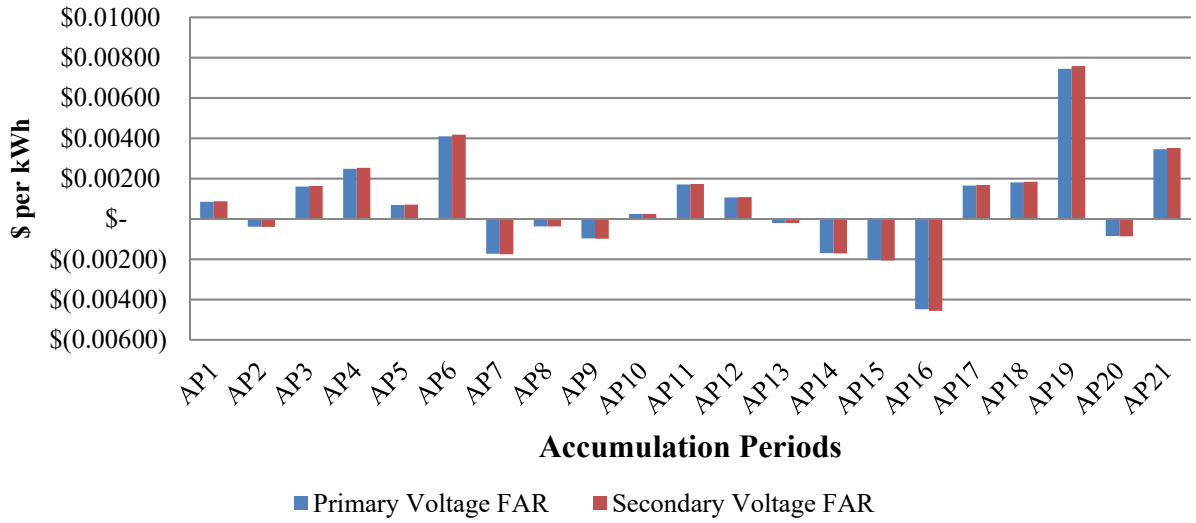


Chart 2: Empire FAC Cumulative Under-Collection Amounts

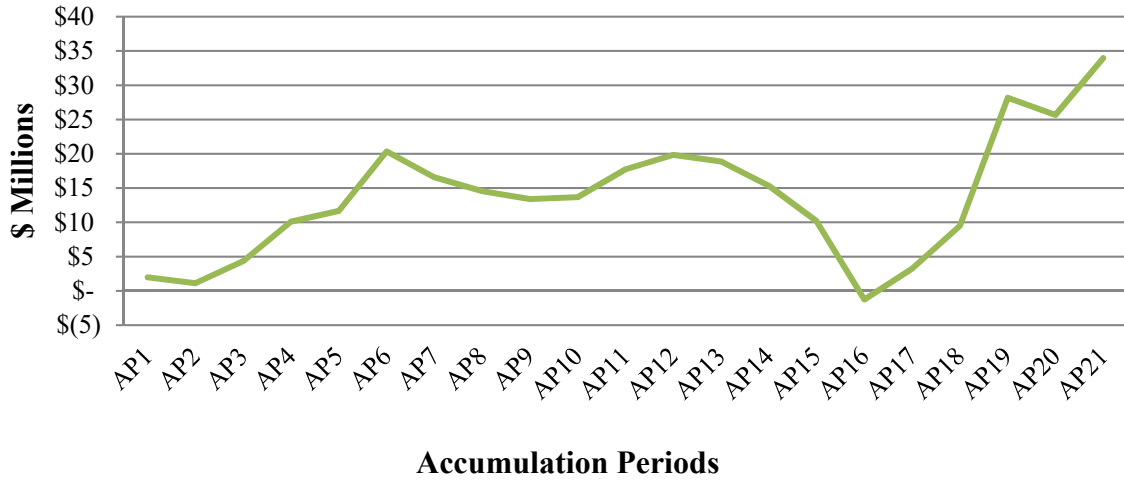
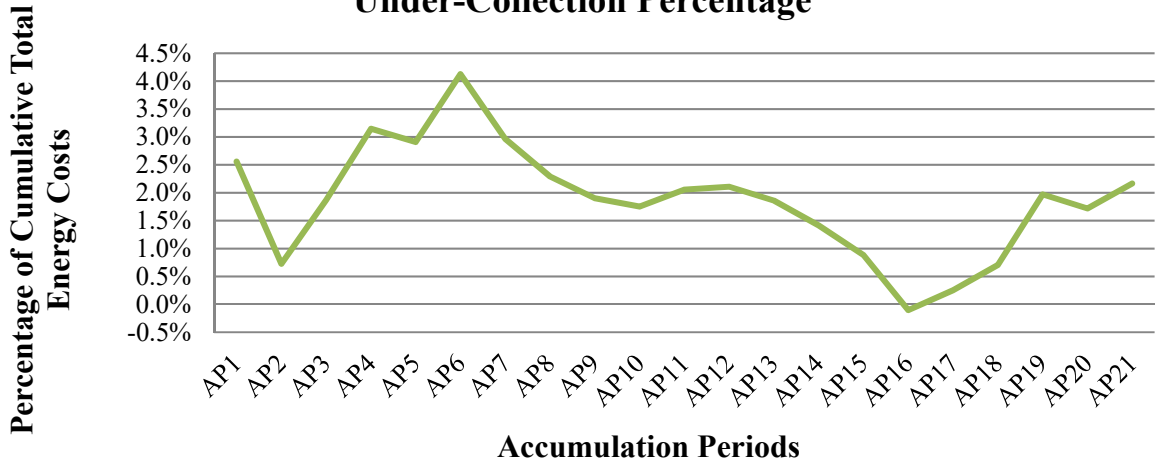


Chart 3: Empire FAC Cumulative Under-Collection Percentage



BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

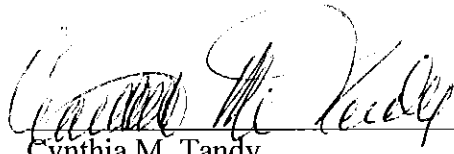
In the Matter of The Empire District Electric)
Company for Authority to Implement Rate) **File No. ER-2019-0301**
Adjustments Related to the Company's Fuel and) **Tracking No. JE-2019-0178**
Purchased Power Adjustment (FAC) Required in)
Required by 4 CSR 240-20.090)

AFFIDAVIT OF CYNTHIA M. TANDY

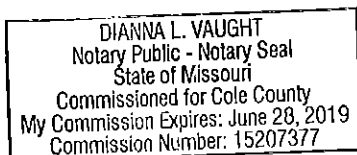
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

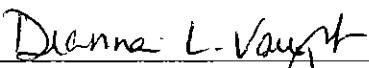
COMES NOW, Cynthia M. Tandy, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Staff Recommendation* in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


Cynthia M. Tandy

Subscribed and sworn to be this 25th day of April, 2019.




Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric)
Company for Authority to Implement Rate) **File No. ER-2019-0301**
Adjustments Related to the Company's Fuel and) Tracking No. JE-2019-0178
Purchased Power Adjustment (FAC) Required in)
Required by 4 CSR 240-20.090)

AFFIDAVIT OF BROOKE MASTROGIANNIS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, Brooke Mastrogiannis, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Staff Recommendation* in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Brooke Mastrogiannis

Brooke Mastrogiannis

Subscribed and sworn to be this 25th day of April, 2019.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 28, 2019
Commission Number: 15207377

Dianna L. Vaught

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric)
Company for Authority to Implement Rate) **File No. ER-2019-0301**
Adjustments Related to the Company's Fuel and) Tracking No. JE-2019-0178
Purchased Power Adjustment (FAC) Required in)
Required by 4 CSR 240-20.090)

AFFIDAVIT OF LISA WILDHABER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, Lisa Wildhaber, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Staff Recommendation* in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

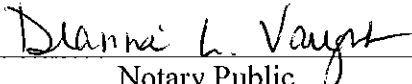
Further the Affiant sayeth not.



Lisa Wildhaber

Subscribed and sworn to be this 25th day of April, 2019.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 28, 2019
Commission Number: 15207377



Notary Public