

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

In the Matter of the Application of The Empire )  
District Electric Company and The Empire )  
District Gas Company for Approval of their )  
Cost Allocation Manual )

**Case No. AO-2012-0062**

**STAFF'S MAY 2016 STATUS REPORT**

**COMES NOW**, the Staff of the Missouri Public Service Commission ("Staff"), by and through counsel, and for its *April 2016 Status Report* states as follows:

1. In its *March 2016 Status Report* the Staff reported that The Empire District Electric/Gas Company ("Empire") had indicated to the Staff that due to its pending general rate increase case (File No. ER-2016-0023) and merger case (File No. EM-2016-0213) with Liberty Utilities (Central) Co. and Liberty Sub Corp., it will take awhile for Empire to get back with the Staff regarding the draft cost allocation manual ("CAM") that the Staff had previously submitted to Empire and the Office of the Public Counsel ("Public Counsel").

2. On April 1, 2016 in Empire's general rate increase case, File No. ER-2016-0023, Public Counsel witness Charles R. Hyneman filed Direct Testimony and, as Schedule CRH-1, a proposed Cost Allocation Manual.

3. On April 25, 2016, Empire filed a *Motion To Strike CAM Testimony and Motion For Expedited Treatment*. Empire seeks that discussion of Empire's CAM(s) take place in File No. AO-2012-0062.

4. On April 26, 2016 the Commission issued an *Order Setting Deadline For Filing Responses To Motion To Strike CAM Testimony*; the deadline set was 2:00 p.m., April 28, 2016.

5. On April 28, 2016, Public Counsel responded to Empires' *Motion To Strike CAM Testimony and Motion For Expedited Treatment* by filing a response requesting that the Commission deny Empire's *Motion To Strike CAM Testimony*.

6. On April 29, 2016, the Staff filed *Staff's Reply To OPC's Response To Empire's Motion To Strike* praying that the Commission grant Empire's *Motion To Strike CAM Testimony* and direct Public Counsel to file Mr. Hyneman's testimony and its proposed CAM in File No. AO-2012-0062.

7. On May 17, 2016, Empire filed in File No. AO-2012-0062 a Notice Of Activity In Case No. ER-2016-0023 to inform the Regulatory Law Judge in File No. AO-2012-0062 of the recent activity in Empire's electric rate case related to Empire's CAM and to request that, if the Commission believes it is appropriate to approve a CAM for Empire at this time, that the Commission issue an order in File No. AO-2012-0062 approving the CAM submitted by Empire on August 23, 2011.

8. On May 26, 2016, Public Counsel filed in File No. AO-2012-0062 its Reply To Empire's Notice Of Activity. Public Counsel urged the Commission not to take any action in File No. AO-2012-0062, until the CAM issue was resolved in Empire's electric rate case through settlement or through Commission order after the commencement of litigation. Public Counsel asserted that if the Commission "believes it has sufficient information before it at this time to approve a CAM for Empire" as Empire stated in its Notice, Public Counsel urged the Commission to adopt the CAM filed in Empire's electric rate case and the instant CAM docket.

9. On May 27, 2016, Empire filed a Revised List Of Issues And Order Of Witnesses in File No. ER-2016-0023. For Friday June 10, 2016, the first issue of the

day is Allocations and the fourth Allocations issue is shown to be Empire's CAM with the issue characterized as follows:

Friday, June 10, 2016:

## **22. Allocations**

D. Should the Commission approve the Cost Allocation Manual ("CAM") submitted by Empire for Commission approval on August 23, 2011, or otherwise take action on Empire's CAM in Case No. AO-2012-0062, or should the Commission direct Empire to adopt the CAM proposed by Office of Public Counsel in this case?

Keith (Empire)  
McMellen (Staff)  
Hyneman (OPC)

The Staff stated in its May 27, 2016 Amended Statement of Positions at page 12:

Further proceedings on the CAM should occur in Case No. AO-2012-0062. The Commission should not direct Empire to adopt the CAM proposed by OPC in this case.

Empire stated in its May 20, 2016 Statement of Positions at pages 14-15

No action on Empire's CAM should be taken in this case, and Empire incorporates herein by reference its Motion to Strike. Empire believes it would be appropriate to allow Empire sufficient time to review Staff's proposed CAM in the CAM docket, File No. AO-2012-0062, and allow Empire, Staff, and OPC additional time to continue working on a CAM that is acceptable to all parties. However, if the Commission believes it has sufficient information before it at this time to approve a CAM for Empire, Empire requests that the Commission take up its application which initiated the CAM proceeding and issue an order approving the CAM submitted by Empire on August 23, 2011.

Public Counsel stated in its May 20, 2016 Statement of Positions at pages 9-10:

No. This Commission should approve the CAM proposed by OPC. Empire has been operating without a Commission-approved CAM for several years. Empire's current CAM is not sufficient to protect its customers from Empire's subsidization of nonregulated and affiliate transactions as well as improper corporate allocations. Since Empire does not have a Commission-approved CAM it is in violation of the Commission's Affiliate Transaction Rule. Staff opened a docket to

address this issue in 2011. Five years later, no substantive progress has been made. OPC believes Empire's ratepayers deserve the protection inherent in Empire's compliance with a well-developed, robust, and comprehensive CAM. OPC recommends the Commission not allow a continued delay in the correction of the current Affiliate Transaction Rule violation.

**WHEREFORE**, the Staff submits its *May 2016 Status Report*.

Respectfully submitted,

**/s/ Steven Dottheim**

Steven Dottheim

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### **CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing *Staff's May 2016 Status Report* have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 31<sup>st</sup> day of May, 2016.

**/s/ Steven Dottheim**