1. **Intangible and General Plant:** Intangible Plant and General Plant reflected in the 2016 GFR Update includes certain costs associated with energy management systems and related equipment. Energy management systems and related equipment (EMS) are typically implemented to directly and/or indirectly reduce the demand and energy requirements of retail customers thereby benefiting retail customers and not wholesale transmission customers. As a result, the Missouri Cities believe that these costs should be excluded from Intangible and General Plant balances, Intangible and General Plant Depreciation Reserve balances and Intangible and General Plant Depreciation Expenses. The EMS amount to be excluded from Intangible and General Plant in the 2016 GFR Update totals $1,455,388. The corresponding EMS amounts for Intangible and General Plant Depreciation Reserve balances and Intangible and General Plant Depreciation Expenses should also be excluded from the 2016 TFR Update.

***Response provided by Bill Eichman, Aaron Doll and Fred Meyer - Empire believes that there may be a misunderstanding of the function of our Energy Management System (“EMS”). The EMS system referenced in TFR Information Requests Q2, Q3, and Q4 refers to the computer system used by Empire to monitor the loads at multiple points on the EDE system and sum them into a single aggregated load that provides information to EDE’s Transmission Operators and Energy Supply Specialists. The aggregated real-time load (which includes both Wholesale and Retail loads) is used by the Energy Supply Specialists to balance the system loads with the various generation resources. It is also used by the Transmission Operators at both Empire and Southwest Power Pool for the real-time monitoring of load flows. Since the EMS system is an integral part of both the Transmission and Energy Supply functions, Empire disagrees that the allocated Intangible and General Plant Depreciation/Amortization Expense and Plant Balances associated with the EMS system should be excluded from the TFR template.***

1. **Injuries and Damages:** It appears that during 2014 Empire determined that it was no longer appropriate to reflect a contingent liability pertaining to certain legal actions in its injury and damages expenses. Empire states that the elimination of these reserves reduced injuries and damages expense by approximately $0.4 million in 2014. Empire also states that injuries and damages expense for 2015 does not contain such reserve adjustments. It appears that the continent liability reserves that were accrued and included in the injuries and damages expense of $1,209,403 in the 2016 TFR Update have not been reflected in Attachment 4, Non-Escrowed Funds, line 1. The Missouri Cities believe that the reserves should be included in Attachment 4.

**Response provided by Jeff Lee – The $1,209,403 in costs recorded in account 925 are not related to contingent liability reserves. Approximately $0.8 million of the costs relate to liability insurance premiums paid. Approximately $0.4 million of the costs relate to costs paid directly for workers’ compensation and injuries & damages. These would be an accumulation of small dollar individual claims that do not meet Empire’s accrual requirements. The remaining amounts relate to workers’ comp and injuries and damages charges allocated to Empire for our Iatan joint venture. All of these items were paid and expensed when incurred and a reserve was not created. (FERC Form 1 p. 323 Line 186)**

1. **Merger of Empire and Algonguin Power and Utilities Corporation:** FERC approved the merger between Empire and Algonquin Power and Utilities Corporation (“Algonquin”) on or about May 6, 2016. Applicants in their FERC filing requesting approval of the merger stated that they and their affiliates pledged to hold harmless all wholesale power and transmission customers from any costs associated with the proposed transaction. FERC interpreted the applicant’s hold harmless commitment to apply to all transaction related costs, including costs relating to consummating the proposed transaction incurred prior to consummation or in the five-year period after consummation. Empire states in its response to TFR Q26 that it incurred $251,341.63 associated with the merger in 2015 and that these costs were recorded in FERC Account 426.5, which is not included in the 2016 Update. However, Empire has indicated that it will incur significant costs in connection with the merger transaction [total transaction cost estimated at $15 to $17 million per the 2015 FERC From 1, page 123.52] and Missouri Cities would like to better understand the types of costs that Empire anticipates incurring, the FERC accounts to which these costs will be recorded, and the estimated annual magnitude of its merger related costs over the 2016-2021 time period.

Missouri Cities therefore request that Empire provide a detailed listing and description of its merger related costs incurred in 2014, 2015 and 2016 to date and its annual estimate of merger related costs for the remainder of 2016 and from 2017-2021. Missouri Cities anticipate that Empire’s merger related costs could include Outside Services costs, A&G salaries and wages, payroll related taxes, pension and benefits related costs, office supplies and expenses, rents, costs associated with Board deliberation of the merger, etc.

***Response provided by Laurie Delano - The estimate of $15 to $17 million of transaction costs discussed in the 2015 FERC Form 1 page 123.52, primarily includes fees payable to our acquisition advisor, Moelis, along with legal fees associated with the transaction. These costs will be incurred in 2016 and 2017. No additional acquisition costs are expected beyond 2017. Consistent with the FERC Form 1, these costs will be recorded in account 426.5 for FERC reporting purposes. Costs incurred to date are summarized as follows. The detail is included in Attachment 1.***

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***We expect to incur an additional $7 million in Moelis fees once the transaction has closed in 2017.***

1. **Miscellaneous General Plant Expenses:** Miscellaneous general plant expenses include industry association dues (e.g. Edison Electric Institute dues, American Gas Association dues) and chamber of commerce dues [$186,517 and $41,698]. The Missouri Cities can choose whether to participate in these or other similar organizations and as a result would incur their own cost of doing so. The Missouri Cities believe that these costs should be excluded from the 2016 TFR Update miscellaneous administrative and general expenses.

***Response provided by Rob Sager - The cities would not be able to participate as a member to EEI or AGA. EEI and AGA are advocates of the respective industries which benefits not only its members but also utility customers. Our participation with local chambers and the national EEI/AGA associations supports one of our goals to effectively meet our customers’ expectations. The costs incurred to participate in these organizations should be shared by all customers that receive benefits from our participation in the organizations.***

1. **Transmission Plant In-Service:** The TFR 2016 Update appears to include certain transmission additions that may be “distribution” facilities as opposed to transmission facilities. For example, the list of transmission additions provided by Empire includes a spare 69/12 kV transformer with a total cost of $192,064 (Substation 430- Newton, MO). Missouri Cities believe that Empire’s transmission revenue requirement recovers the costs of facilities with a voltage of 34.5 kV and higher. Therefore, inclusion of the costs of this spare transformer that steps down the voltage to a voltage that is less than 34.5 kV in the TFR 2016 Update is not appropriate and these costs should be excluded from the TFR 2016 Update. In addition, to the extent that Empire has included the costs of other facilities with a voltage less than 34.5 kV or step-down transformers and other related equipment with a low-side voltage of less than 34.5 kV in the TFR 2016 Update, such costs should be excluded from the TFR 2016 Update.

***Response provided by Karen Heady: The asset identified appears to have been recorded to the incorrect account in error and should be recorded as a distribution asset as opposed to transmission. Impact to the formula rate template as follows:***

***Inputs tab, Line 33, Total Transmission Plant should be reduced by $192,064;***

***Inputs tab, Line 47, Transmission Accumulated Depreciation should be reduced by $3,489***

***Inputs tab, Line 60, Transmission Depreciation Expense should be reduced by $3,489***

***All of these inputs feed tab Appendix A***

***When the changes described above are entered into the TFR template, the Gross Revenue Requirement is reduced by $22,373. Since the 2016 Annual Update template has already been submitted to SPP and is currently being billed by SPP, an adjustment in the amount of $22,373 PLUS appropriate interest at the FERC approved rate(s) [estimated at $783] will need to be made on Page 2 of the ATT-11 tab of the 2017 Annual Update.***

1. **Transmission Revenue Credits**: Missouri Cities believe that the additional miscellaneous SPP revenues of $117,981 identified in Empire’s response to TFR Q15 should be included as a revenue credit in the TFR 2016 Update, line 9 of Attachment 3. These revenues are additional transmission related revenues received by Empire in 2015 from SPP that have not been included in the TFR 2016 Update. To the extent Empire received similar additional miscellaneous SPP revenues in prior years that were not included in prior TFR Updates, the Missouri Cities believe that these revenues should also be included as a revenue credit in the appropriate TFR Updates. (See Response to TFR Q15)

***Response provided by Bill Eichman and Aaron Doll - The $117,981 in excess Transmission Revenues, were received from SPP in 2015 for the various reasons identified in EDE’s supplemental response to TFR Information request #15. Since these revenues are the result of loads NOT included in EDE’s transmission divisor, but ARE a result of EDE’s participation in the SPP RTO, Empire concurs that these revenues should have been credited back in the TFR template (in the input to Line 19, Page 3, of the Inputs tab). Since the 2016 Annual Update template has already been submitted to SPP and is currently being billed by SPP, an adjustment in the amount of $117,981 PLUS appropriate interest at the FERC approved rate(s) [estimated at $4,129] will need to be made on Page 2 of the ATT-11 tab of the 2017 Annual Update.***