Exhibit No.:
Issues: Rate Design

Witness: Curt Wells
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2008-0093
Date Testimony Prepared: April 25, 2008

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

CURT WELLS

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2008-0093

Jefferson City, Missouri
April 2008

Staff Exhibit No. 220
Case No(s). ER-2008-0093
Date 5-12-08 Rptr KT

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of The Empire District Electric Company of Joplin, Missouri's application for authority to file tariffs increasing rates for electric service provided to customers in the Missouri service area of the Company	))))))	Case No. ER-2008-0093

AFFIDAVIT OF CURT WELLS

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Curt Wells, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 3 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

Curt Wells

Subscribed and sworn to before me this 24th day of April, 2008.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

Susan L. Sundermeyer
Notary Public

SURREBUTTAL TESTIMONY

OF

CURT WELLS

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2008-0093

Q. Please state your name and business address.

A. My name is Curt Wells and my business address is Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri, 65102.

Q. Are you the same Curt Wells who provided input to the Staff's Class Cost of Service and Rate Design Report?

A. Yes, I am.

Q. What is the purpose of your surrebuttal testimony?

A. I will address the written rebuttal testimony of The Empire District Electric Company (Empire or Company) witness H. Edwin Overcast regarding the Staff's proposed facilities charge.

Q. Does Empire oppose the implementation of a facilities charge?

A. No. Dr. Overcast states that Empire supports the use of a facilities charge as long as its implementation does not create a revenue shortfall. In fact, Empire has previously agreed to implement a facilities charge as described in the Nonunanimous Stipulation and Agreement Regarding Rate Design in Case No. ER-2004-0570, which states:

> 5. Empire agrees to pursue implementation of a Facilities Charge, as proposed by the Staff, in conjunction with its next rate case. Empire will remedy any programming constraints and will provide the Staff with its

evaluation of the impact of adopting a Facilities Charge on its customers at that time.

Q. What is the basis for Dr. Overcast's concern?

A. Empire is concerned that implementing a facilities charge may cause a revenue shortfall in the initial months of billing. Dr. Overcast states, "Since this is a new rate provision, it is necessary to estimate the facilities charge billing demand units".(p. 16, ll. 7-8); "If the proposed estimated billing determinant is too high relative to the actual facilities demand during the Rate Effective Period the expected revenue will be lower for Empire than authorized" (p. 16, ll. 11-13); and "The full effect of the ratchet on revenues will not result until Empire has completed the rate year."(p.17, ll. 2-3.).

Q. Is this a valid concern?

A. No. Dr. Overcast has misinterpreted Staff's proposal. Staff is not proposing a phase-in of the facilities demand, with the facilities charge calculated based on the customer's highest demand beginning with the effective date of the tariff. Rather, Staff proposed that the facilities demand be calculated based on the highest monthly demand over the current and previous 11 months, even though the previous months were prior to the effective date of the proposed facilities charge.

For example, assume that new rates become effective June 1, 2008. Each customer's June 2008 facilities demand will be the maximum monthly billing demand during the billing months of July 2007 through June 2008.

Thus, the Staff was able to calculate the revenue-neutral level of the facilities charge from the historical billing data provided by Empire to the Staff.

Q. Has Staff spoken with Empire regarding this method of calculating facilities demand for the initial months after its implementation?

A. Yes. As a result of Staff's conversations with Empire, Empire stated it had no objection to implementation of the facilities charge as proposed.

Q. Does this conclude your Surrebuttal Testimony?

A. Yes, it does.