

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of The Empire Dis-)	
trict Electric Company of Joplin,)	
Missouri for authority to file)	
tariffs increasing rates for elec-)	ER-2014-0351
tric service provided to customers)	YE-2015-0074
in the Company's Missouri service)	
area)	

**REPLY BRIEF OF
MIDWEST ENERGY USERS' ASSOCIATION**

I. The Settlement Is Reasonable.

No settlement is perfect. An acceptable settlement has no mother or father; no one wishes to own it. It represents the handiwork of numerous parties. It is unlikely that anyone can claim complete victory. There are trade-offs due to the work of others that are willing to make an accommodation without perceiving damage to their position.

Here, however, MECG appears to seek a complete victory. MECG engaged in negotiations, apparently did not achieve the result it desired, then retreated to its demands, while accepting the benefit of the other parties' work.

MECG has already gained much benefit from this settlement. The residential subsidy is reduced - albeit not as much as MECG would like - but nonetheless reduced. The residential customer charge was unchanged - believed important to Public Counsel - while the residential class revenue share was increased and the industrial (GP and LP) share was reduced.

We have participated in one or two settlements. None were perfect nor as we would have liked. Nevertheless, we have found that no settlement is likely if other parties' interests and concerns are not accommodated. Here the settlement is reasonable. It does not award anyone all they sought, but a reasonable accommodation was reached and found acceptable by all but MECG.

Settlement is not achieved by making demands, rather by responsibly addressing all parties' concerns. It is achieved through careful evaluation of the competing interests, seeking to understand the interests of the other parties, and learning that part of a loaf is better than none. The residential subsidy was not created in one case. It should be insufficient to simply intone that you didn't give us what we wanted. Rather, the question should be: Has there been movement, though small, in an acceptable direction while other interests were reasonably accommodated.

II. Load Factor Does Not Equal Efficiency.

MECG argues that efficiency should be a goal. We missed hearing anyone argue for *inefficiency*. But shifting the terminology does not advance the issue and requires careful analysis. While MECG uses load factor to differentiate between efficient and inefficient use, no particular load factor delineation is specified by the MECG witness. Even if an efficient industry consistently uses variable speed drives and efficient lighting, but only operates five days a week, that

industry's load factor will not be as high as that of an industry that consistently uses large amounts of power across the entire week. Load factor does not necessarily indicate efficiency.

MECG seems to state a premise that increasing load factor increases efficiency, then concludes that structural changes in rates will increase load factor. But the premise is false. A system-wide load factor is not the same as a class or individual customer load factor. Load factor is simply **the relationship between peak use and average use**. A high load factor customer may be quite inefficient in its use of electrical energy. Instead, load factor measures **consistency** of use rather than efficiency. Careful thought reveals the logical flaw. Avoidance (or deferral) of capacity does not necessarily result in efficiency. A customer likely will seek the **lowest overall cost**. One can easily envision an industry that is wasteful, yet would have a high load factor simply because its wasteful use at peak bears a high relationship to its wasteful average use.

III. Impact on Others.

MECG's witness testified that she had not evaluated the impact of her proposal on other large power customers. Tr. 173, 11. 8-9. She also confirmed that there were no load factor restrictions on the LP rate category (Tr 174, 1. 6), nor on the GP rate category. Tr 174, 1. 140. The availability clauses of both were confirmed as identical. Tr. 175, 1. 3.

In designing and adjusting rates, sensitivity to potential customer shifts between classes is required. Here that

is a particular problem because there are no restrictions to preclude "low load factor" customers (however delineated) from the LP rate class. While a time-differentiated rate class might seem desirable from MECG's perspective, the cost of installing time-differentiated metering, the synchronizing of meters with an external time standard, followed by the integration of those meters into a billing system, would not be free. Hopefully, the cost of those meters would be borne by those customers who would derive benefit from installing that metering.

But customers also have a vote on these shifts and experiments. Major shifts can be disruptive. Customers rationally may react to avoid higher costs. The law of unintended consequences is in full operation. The loss of revenue is an obvious concern to the utility and must be entered into the calculus of settlement.

The concept of "smart metering" seems to be developing along with expanding internet use, but the risk of hacking, SCADA disruptions, and other interferences remain present without real solutions. "Solutions" are costly. It would provide little benefit to shift costs to other customers when those other customers are already concerned about high energy costs.

IV. Conclusion.

The best mechanism yet designed in litigation or in alternative dispute resolution is the ability of disparate parties to reach an agreement. MECG should be encouraged to present its proposals clearly in direct testimony so that they may be evaluated by the parties and potentially accommodated through settlement. In the circumstances, MEUA urges that the nearly unanimous settlement should be approved as reasonable and consistent with the public interest.

Respectfully submitted,



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ATTORNEY FOR MIDWEST ENERGY USERS'
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by electronic means, by United States Mail, First Class postage prepaid, or by hand delivery to all known parties in interest upon their respective representatives or attorneys of record as reflected in the records maintained by the Secretary of the Commission.

A handwritten signature in black ink, appearing to read "Stuart W. Conrad", written over a horizontal line.

Stuart W. Conrad

Dated: May 29, 2015