BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of The Empire District Electric Company of Joplin, Missouri for authority to file tariffs increasing rates for electric service provided to customers in the Company's Missouri service area	**)))))))**	**ER-2016-0023**

STATEMENT OF POSITION
BY MIDWEST ENERGY USERS' ASSOCIATION

COMES NOW the MIDWEST ENERGY USERS' ASSOCIATION ("MEUA") and for its Statement of Position on issues identified below states:

MEUA at this time asserts positions regarding item 15, Production Cost Model; item 16 Special Contract Revenues; and item 17 Class Cost of Service and Rate Design. MEUA reserves its rights with respect to all other issues. MEUA apologizes for being tardy with this statement but presumes that the Commission would rather have a statement that is tardy than no statement at all.

15. Production Cost Model:

What is the appropriate base amount of fuel expense to include in rates?

MEUA Position:

Testimony reveals flaws in the results of Staff's production cost model that impinge on the use of such results in Staff's class cost-of-service study analysis. Among other issues with Staff’s model result, it has been revealed that specific segments of peaking generation do not run at all per Staff’s production model result in this case. This is inconsistent with reality.

While the result of the production model overall may or may not be reasonable, rate design Staff relies on plant level detail that is at odds with reality. Peaking generation was not run by the model, inconsistent with all recent history. Also, the production model, and in turn the class cost of service model, ignore the hourly sales of all of Empire’s generation into the SPP integrated marketplace - and the hourly purchases of all energy used to supply load from the same integrated marketplace.

In turn, rate design Staff relies on a separation of generation into base, intermediate, and peaking for Staff’s "detailed" BIP class cost-of-service study. Lower load factor classes inappropriately appear to have lower costs to the extent that peaking generation used in the analysis is understated, as it undisputedly is. As such, flaws in the detail results of Staff’s production modeling impinge on the class cost-of-service and rate design issue.

16. Special Contract Revenues.

Should Empire’s other Missouri retail customers be held harmless from the revenue impact of the bill credits Empire offers to its Special Contract customer?

MEUA Position:

Interruptible load brings benefits to the system, on this there is no dispute. However, apparently due to nomenclature of the Commission-approved SC rate as a "special contract", a designation that appears nowhere in Missouri public utility statues, Staff would have the benefits of the interruptible load while having Empire pay the costs - without compensation. The distinction is specious and the result is unfair. Customers would not be "held harmless," as suggested by the issue wording. Rather customers would be provided an unearned benefit - a windfall.

17. Class Cost of Service and Rate Design.

A. What, if any, revenue neutral interclass shifts are supported by Class Cost of Service studies?

B. What, if any, revenue neutral interclass shifts should be made in designing the rates resulting from this case?

C. What, if any, changes to the residential customer charge are supported by Class Cost of Service studies?

D. What, if any, changes to the residential customer charge should be made in designing the rates resulting from this case?

E. How should the revenue requirement related to energy efficiency programs be allocated to the customer classes?

F. How should any revenue requirement increase be implemented in this case?

G. Should the Commission open a working docket so the parties to this case can discuss the implementation of revised block rate designs for Empire's residential customers?

H. What, if any, changes to the General Power, SC-P and Large Power customer, demand and energy rate elements should be made in designing the rates resulting from this case?

MEUA Position:

Re Items C, D, E, and G Residential and Energy Efficiency Issues.

MEUA Position:

No position at this time.

Re Item H, Changes to General and Large Power rate elements.

MEUA position:

MEUA continues to support the proposal of Empire to assign the increase to the demand charges and to hold the energy charges at no change.

Re Items A, B, F, class cost of service and spread of the increase.

MEUA position:

MEUA supports class cost of service as an appropriate and primary basis for rates. MEUA also supports a continuing consistent movement of rates towards costs, with a case in point being the gradual approach ordered by the Commission in Empire’s most recent rate case.

While the Commission found favor with Staff’s BIP method in the last case, in this case there are notable problems. The first arises from the detailed results of Staff’s production model. While the result of the production model overall may or may not be reasonable, rate design Staff relies on plant level detail that is at odds with reality. Peaking generation was not run by the model, inconsistent with all recent history. Also, the production model, and in turn the class cost of service model, ignore the hourly sales of all of Empire’s generation into the SPP integrated marketplace - and the hourly purchases of all energy used to supply load from the same integrated marketplace. The "detailed" BIP model in this case is at odds with real world "details" and is at best hostage to its flawed inputs. In the vernacular, garbage in, garbage out.

The Staff class cost-of-service study also takes a turn away from accepted practice in the allocation of demand related distribution costs. The substitution of coincident peaks for the non-coincident peaks used in the past also undermines the study. At the far reaches of the distribution system capacity must be adequate to serve the loads as they come - without the benefit of diversity that redounds only to loads in the aggregate. Coincident peaks are not an appropriate allocation basis for distribution costs.

MECG also raises a variety of criticisms of Staff’s "detailed" BIP model and the result. These criticisms also must receive due consideration.

In this case the MECG class cost-of-service study provides the better guidance for adjustments to class revenue responsibility.

MEUA endorses and encourages a gradual approach to the needed rate adjustments and in this case recommends another step towards cost-based rates. MEUA recommends a revenue neutral adjustment limited to roughly 25% of the residential variation from cost. For customers paying rates above cost MEUA recommends another reduction of roughly 25% of the excess revenue collections.

MEUA also agrees with the latter adjustment being limited to an amount that will offset the increase for the feed mill and lighting customers, such limitation being even with the Commission’s decision in the last case and even with such proposal by Empire, Staff, and MECG in this case.

Respectfully submitted,

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ATTORNEY FOR MIDWEST ENERGY USERS' ASSOCIATION

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.

Stuart W. Conrad

Dated: May 23, 2016