

FILED

JUL 25 2018

Missouri Public
Service Commission

What Happens When A Utility Rate Case Is Filed

The Decision

The Missouri Public Service Commission will only authorize rate changes that are just and reasonable based on the evidence in the case.

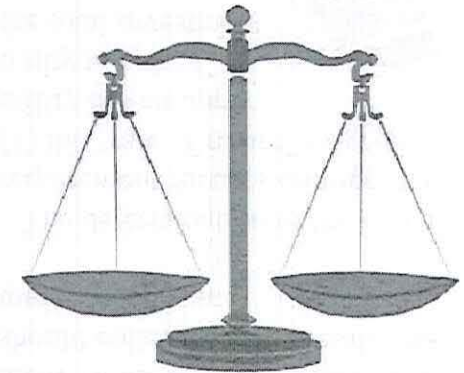
The company must be allowed the opportunity to make enough money to meet reasonable expenses, pay interest on debts, and provide a reasonable return to stockholders.

Once a decision has been reached, the Commission will announce that decision in a written report and order.

That order is subject to appeal to a court by any of the participants in the case, except the PSC staff.



Missouri Public
Service Commission
1-800-392-4211
www.psc.mo.gov



An Overview

Empire Exhibit No. 13
Date 7/23/18 Reporter L. Banks
File No. ER-2018-0366

Missouri Public Service Commission

The Rate Case Process

When a regulated Missouri utility files for a rate increase, the Commission typically has 11 months from the date the case is filed to make a decision on the proposal. Because the issues are complex, the Commission will suspend the proposed rates to allow for a thorough review. The Commission also hears rate decrease cases where it may consider lowering rates.

A Thorough Review

Prior to any hearings, the PSC staff -- a group of engineers, accountants and auditors -- will conduct an independent on-site, thorough review of the company's books and records. This can take several months to complete and permits the staff to provide the Commission with a recommendation in the case.

Other parties, such as the Office of Public Counsel (the ratepayers advocate), consumer groups or industrial customers may also submit recommendations as to what type of rate change, if any, should be granted.

Parties in a rate case meet in a pre-hearing conference to discuss issues in the case. This procedure may help parties reach agreements which settle all or some issues in the case. This frequently results in cases being concluded sooner than the 11-month time period provided by law. The Commission must approve any proposed settlement to ensure that the agreement is a reasonable resolution of the case and in the public interest.

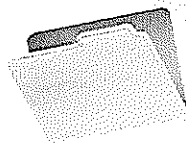


Local Public Hearings

In some cases, the Commission will hold local public hearings to give the public an opportunity to express its opinion. Local public hearings are generally held in communities affected by the proposal.

Hearing The Evidence

If an agreement in a rate case cannot be reached by the parties, formal evidentiary hearings are held. The utility company has the burden of proof to show its request is reasonable. Testimony is prepared, exhibits are marked, and a court reporter records all proceedings and live testimony. Testimony must address the issues in the case. The utility company will have an attorney and expert witnesses present to testify and answer questions. In most cases, the utility, the PSC staff, Office of Public Counsel and any intervenors will present testimony in writing, followed by cross-examination.

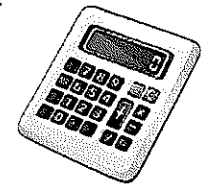


Ratemaking: A Two-Step Process

Ratemaking is a two-step process.

1. The first step is to determine the utility's "revenue requirement" -- the amount of money it should collect from its retail customers each year.

The determination of the revenue requirement focuses on four factors: (1) the "rate of return" or profit the utility has an opportunity to earn; (2) the total investment or "rate base" upon which a return may be earned; (3) the accumulated and on-going depreciation of plant and equipment; and (4) the company's reasonable and prudent operating expenses.



2. The second step is to design rates that will collect that revenue requirement from the utility's customer classes (i.e. residential, commercial, industrial).