

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of a Working Case to Explore) File No. EW-2017-0245
Emerging Issues in Utility Regulation)

INITIAL COMMENTS OF THE EMPIRE DISTRICT ELECTRIC COMPANY

COMES NOW The Empire District Electric Company, a Liberty Utilities Company (“Empire” or “Company”), by and through the undersigned counsel, and respectfully provides these comments to the Missouri Public Service Commission (“Commission”) in response to ordered paragraph number four of the *Order Opening a Working Proceeding Regarding Emerging Issues, and Scheduling a Workshop Meeting* issued herein on April 6, 2017 –

BACKGROUND

Empire is engaged, generally, in the business of generating, purchasing, transmitting, distributing and selling electric energy in portions of Missouri, Arkansas, Oklahoma, and Kansas. Empire receives network transmission service through the Southwest Power Pool, Inc.

Empire also provides water service in Missouri and through a wholly-owned subsidiary, The Empire District Gas Company, Empire provides natural gas utility service throughout a number of Missouri counties subject to the jurisdiction of the Commission.

Empire thanks the Commission for the opportunity to participate in the discussion of the issues identified by the Staff. Thus far, Empire has been directly involved with some of these issues in various cases - but not all. However, its general experience has been that even within Missouri, the investor-owned electric utilities face sufficiently different circumstances in regard to service areas and customers that various specific proposals may be more or less efficient and cost effective among those electric utilities. Accordingly, the Commission must remember that its analysis must include the possibility that an approach may have to be modified from utility to utility.

With this in mind, Empire provides the following general comments. Empire further intends to participate in the scheduled Workshop, and any other proceedings that may be scheduled in this matter. As detail is added to the subjects identified by Staff for discussion, Empire may provide more detailed comments in the future.

COMMENTS

1. The Commission should have a pivotal role in defining the appropriate economic and societal value of a unit of energy at any given point in a day, season, or year. Many of the technologies and trends identified by the Staff may be grouped into one category: grid modernization. Grid modernization is expansive and complex and may be quite expensive. As such, the Commission should be a participant in order to protect and advance customer and societal interests.

In a dynamic, real-time energy market, the value of a unit of energy may vary dramatically based on the current consumption requirements and supply constraints. The Commission should have a pivotal role in defining the appropriate economic and societal value of a unit of energy at any given point in a day, season, or year, arbitrating economic challenges, technical constraints, and political ambitions.

2. Demand charges will need to be augmented to suit customer expectations of reliability and affordability. Customers require safe and reliable service. With grid modernization (solar, cogeneration, microgrid, etc.), the traditional generation sources must be on standby, ready to provide services at any time. There is a cost to maintaining this required hot standby, and the Commission (or the market) must provide sufficient economic benefit for generators to be on call. Otherwise, customers will face an erosion of service levels, and, when services are available, they will be provided at an increased cost.

3. Significant investments in technology are needed for investor owned utilities under grid modernization, and the Commission must have the authority to address cost sharing. In order to control the distribution system, balance loads, and adapt to dynamic generation, considerable technology and security investments (e.g., SCADA and DMS) will have to be made to plant and incorporated into rate base. This investment is not marginal, and it cannot be avoided with the incorporation of large scale solar and other non-traditional generating technologies. These investment costs may be borne by only those who have induced the need (i.e. solar customers), or the cost may be spread among all customers under the premise that society shares in the benefits and the fact that it may also support future emergent technologies.

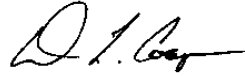
4. The Commission should use DSM funding to drive desirable market outcomes. There is a natural synergy between Demand Side Management (“DSM”) programs and select grid modernization initiatives. The Commission can and should utilize DSM funding to drive desirable market outcomes for customers and entire communities. DSM funding and recovery mechanisms (i.e. shared savings mechanisms or revenue recovery methods) may also be leveraged as incentives for investor owned utilities to accelerate adoption of grid modernization initiatives.

5. The Commission should consider its role in advancing AMI sharing. Advanced Metering Infrastructure (“AMI”) is a key component of grid modernization. All modes of energy distribution (water, electricity, gas) can benefit from the implementation of AMI. The benefits may vary, but the cost of entry is the same.

WHEREFORE, Empire respectfully submits these Initial Comments in response to ordered paragraph number four of the *Order Opening a Working Proceeding Regarding*

Emerging Issues, and Scheduling a Workshop Meeting issued herein on April 6, 2017.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail, on May 1, 2017, to the following:

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