March 17, 2008

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Missouri Public Service Commission
Attention: Colleen M. Dale,
Secretary of the Commission
P.O. Box 360
Jefferson City, MO 65102

RE: PSC Case No. EX-2008-0230

Ms. Dale:

Please accept this letter as the comments of The Empire District Electric Company (Empire) concerning the proposed Electric Utility System Reliability Monitoring and Reporting Submission Requirements rule (4 CSR 240-23.010) as published in the *Missouri Register,* dated February 15, 2008.

The Missouri Public Service Commission (Commission), Missouri public utilities and Missouri's citizens all have a vested interest in the provision of safe, reliable, and economical power. Empire believes that an appropriately crafted reliability rule will have a positive influence on furthering this interest for all concerned.

Empire believes that the rule as proposed along with the recently adopted Electrical Corporation Vegetation Management Standards and Reporting Requirements rule (4 CSR 240-23.030) and the Electrical Corporation Infrastructure Standards rule (4CSR 240-23.020), will enhance the reliability of Empire's electrical system. The rules, however, will likely have significant monetary impacts to Empire and all other Missouri electrical utilities and their customers. Therefore, adopting a rule which requires a uniform method of calculating and reporting reliability should allow the benefits which result from this additional expense to be accurately tracked.

According to the proposed rule, Empire will be required to develop a plan to improve the performance of the top five percent (5%) of its worst performing circuits. While Empire always strives to improve the performance of its circuits, due to the variations of circuits, there may not be a cost effective solution to improve circuits that are repeat offenders due to the substantial length (exposure) of the circuit. Therefore, it is possible that even though a circuit is consistently a worst performer, it would be considered "adequate" from a reliability standpoint.

Currently, Empire allows developers to determine whether the installation of electrical facilities in new subdivisions will be overhead or underground. The costs of new installations are borne by the developer until services are installed at which time refunds are given for each new service. Many developers select underground facilities for their subdivisions; however, some developers do select overhead. While Empire is supportive of the effort to promote the installation of underground facilities in new subdivisions, Empire's tariff allows the developer to determine whether the facilities will be underground or overhead.

Underground facilities are typically unaffected by wind and ice storms; however, they may not withstand flooding and excavation. Therefore, Empire concurs with the provision which allows the installation of overhead facilities where the installation of underground facilities would not be prudent.

Empire does have concerns about the dissenting opinion published in the Missouri Register which advocates modifications to the proposed rule which have much broader impacts. The dissenting opinion acknowledges that Missouri currently has no standard method of calculating reliability data. Therefore, there is no data available which accurately reflects Missouri's current reliability of the electrical system. If Missouri does not have a consistent method of calculating reliability statistics, it is likely that other states are also inconsistent. Missouri's system reliability should not be compared with statistics from a national benchmark composed of inconsistent calculations.

The dissenting opinion also recommends additional metrics for measuring reliability. Currently, Empire and the other Missouri utilities do not have the technology installed to provide accurate data for calculating these metrics. The installation of equipment to provide this information would be a tremendous cost to the utilities and ultimately the customer. Installing equipment for no other reason than to gather data to measure a reliability metric could deprive the availability of funds which could be used for capital improvements which would improve service reliability.

The dissenting opinion also mentions that customers should be provided a credit when they face long periods of outages. Considering that unforeseen events will continue to occur which typically require utilities to expend significant amounts of money to restore the system quickly, it seems unreasonable to punish the utility by assessing a penalty.

In summary, Empire supports the proposed rule as published in the Missouri Register as it will provide a consistent method of calculating reliability metrics. This will provide an inherit desire to economically mitigate substantial deviations in reliability. Empire strongly cautions against modifying the rule as proposed by the dissenting opinion as Empire anticipates it will only increase the cost of electrical service to Missouri customers with no recognizable benefit.