

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of The Empire District Electric)
Company's tariff revisions designed to increase) CASE NO. ER-95-279
rates for electric service provided to customers)
in the Missouri service area of the Company.)

REPORT AND ORDER

Issue Date: November 3, 1995

Effective Date: November 15, 1995

suspended the revised rate schedules until February 14, 1996, and established an intervention date of April 28, 1995, and a hearing date of October 30 through November 3, 1995. The Suspension Order and Notice directed the filing of testimony and recommendations regarding test year and true-up, as well as a proposed procedural schedule. On June 16, 1995, the Commission adopted as the test year the twelve months ending March 31, 1995, updated to June 30, 1995.

ICI Explosives USA, Inc. and Praxair, Inc. filed an Application to Intervene on April 13, 1995, which was granted on May 3, 1995. Missouri Gas Energy filed an Application to Intervene out of time on June 12, 1995, which was denied on June 23, 1995.

The parties filed direct testimony and met in prehearing conference beginning on September 25, 1995. The parties filed a Stipulation and Agreement on October 19, 1995, signed by all parties and purporting to resolve all the issues in the case. The Commission conducted a hearing on October 26, 1995, at which the parties presented the Stipulation and Agreement to the Commission and requested that it be approved. In addition, the prefiled testimony and schedules of all parties were received into the record for purposes of the stipulation hearing.

The Office of the Public Counsel (OPC) filed a Motion to Compel and for Expeditious Treatment on October 16, 1995, regarding certain Data Requests OPC had submitted to intervenors ICI and Praxair, Inc. The intervenors responded by filing a Response to Motion to Compel, Motion to Suspend Procedural Schedule as to Data Requests Pending Commission Ruling on Settlement Stipulation, and Motion to Modify Protective Order on October 23, 1995. The Commission took all the motions under advisement pending its ruling on the Stipulation and Agreement.

ICI and Praxair, Inc. filed a responsive pleading pursuant to paragraph 3 of the Stipulation and Agreement on October 26, 1995.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact:

E.D.E. is a public utility engaged in providing electric service to the public in the State of Missouri, subject to the jurisdiction of the Commission. In March of 1995, E.D.E. filed tariff sheets designed to produce an increase in annual gross revenues of approximately \$8,543,910. The parties entered into a Stipulation and Agreement which is Attachment A to this Report and Order (minus Appendices A & B) and incorporated herein by reference. The Stipulation and Agreement would permit E.D.E. to file revised tariff sheets which would produce an increase in annual gross revenues of approximately \$1,400,000 exclusive of any applicable license, occupation, franchise, gross receipts, or other similar fees or taxes. Implementation of the agreed class revenue shifts and rate increases would result in overall class revenue changes approximately equal to:

<u>Class</u>	<u>Change in rates</u>	<u>Dollar amount</u>
Residential service	+ 1.91%	\$1,298,870.66
Small general service	- 0.08%	(16,883.33)
Large general service	- 0.21%	(79,202.86)
Large power service	+ 1.03%	164,806.50
Lighting service	+ 1.02%	<u>30,551.86</u>
TOTAL	+ 0.93%	\$1,398,142.83

The parties stated at the hearing that the Commission Staff, OPC and the company all completed independent cost of service analyses before agreeing to the revenue shifts and rate increases set out in the Stipulation and

Agreement. Staff stated at the hearing that the average residential customer would experience a total increase of approximately a dollar per month. The parties attached to their agreement (Appendix A) illustrative rate schedules to implement the revenue increase, as well as the rate design and other rate schedule matters to which the parties had agreed. Because of the number of sheets, and the fact that the company will be filing virtually identical revised sheets, Appendix A has not been attached to this Report and Order. The company agreed to file rate schedules identical to those in Appendix A with the exception of issue and filing dates. The parties agreed that the revised tariff sheets should carry an effective date of November 15, 1995, with the exception of Rider XC which will carry a 30-day effective date.

The parties agreed that E.D.E. should be authorized to use the depreciation rates set out in Appendix C to the Stipulation and Agreement. E.D.E. agreed to use a five year amortization in calculating FAS 87 and FAS 106 gains and losses for ratemaking and financial accounting purposes.

The parties agreed to a reduction in the rate on Rider XC to 1.25% of the company's investment per month for all current and future contracts, with the rate to be specified in each customer contract and tied to the Rider XC rate. E.D.E. agreed to provide Staff with its standard contract form before October 26, 1995.

E.D.E. agreed that, on a prospective basis, it will maintain subaccounts on, or otherwise identify, excess facilities, by appropriate distribution accounts provided under Special or Excess Facilities Rider XC. The initial excess facilities subaccount values are attached to the Stipulation and Agreement as Appendix D.

E.D.E. agreed to propose the elimination of the $\frac{1}{2}$ percent discount currently provided in the Municipal Street Lighting Service Schedule SPL in its next general rate case.

E.D.E. agreed to cooperate with interested parties beginning in January of 1996 to develop the scope of a special lighting study which it will submit to the Staff and to the Office of the Public Counsel. E.D.E. agreed to submit the study no later than the filing date for its direct testimony in E.D.E.'s next general rate case.

E.D.E., ICI, and Praxair agreed to continue discussions regarding real time pricing. The parties' objective is for E.D.E. to file a real time pricing rate schedule with the Commission by the end of the first calendar quarter of 1996. E.D.E. agreed not to propose a change to the structure of the rate presently applicable to ICI and Praxair before January 1, 1996.

The parties agreed to the admission of the prefiled minimum filing requirements, direct testimony and schedules, and true-up testimony and schedules, without the necessity of witnesses taking the stand. Conditioned upon the Commission's approval of the Stipulation and Agreement, the parties waived their rights to cross-examination, oral argument, the submission of briefs, the reading of the transcript by the Commission, and judicial review.

The Commission, after considering the Stipulation and Agreement, the testimony and schedules admitted into evidence, the presentations made by the parties, and the parties' responses to Commission questions at the hearing, finds that the rates established by the Stipulation and Agreement are just and reasonable. The Commission finds that the parties resolution of the rate design, depreciation rate, rate reduction for Rider XC, and all other agreed-upon terms and conditions are

reasonable and in the public interest. The Commission finds that settlement of this matter is in the public interest in that it results in a relatively small rate increase and avoids the expense and delay of a full hearing and briefing. The Stipulation and Agreement meets the needs of E.D.E. in permitting increased rates to go into effect quickly, in time for the winter heating season. The Commission is satisfied that the negotiated settlement represents a reasoned and fair resolution of the issues in this case. Therefore, the Commission will adopt the Stipulation and Agreement filed on October 19, 1995.

Since the Commission will adopt the Stipulation and Agreement in resolution of all issues in this case, the Commission further finds that the issues raised by the Motion to Compel filed by OPC and the responsive motions filed by ICI and Praxair, Inc. are moot. The sealed envelope and its contents, which were the subject of the dispute, will be returned to counsel for Praxair, Inc.

Conclusions of Law

The Missouri Public Service Commission has reached the following conclusions of law:

The Missouri Public Service Commission has jurisdiction over the services, activities, and rates of The Empire District Electric Company pursuant to § 386.250 and Chapter 393 RSMo 1994. The Commission must ensure that E.D.E.'s rates are just and reasonable, that E.D.E. provides safe and adequate service, and that any changes proposed in E.D.E.'s rates are in the public interest. The Commission has reviewed the Stipulation and Agreement presented to it by the parties in light of these responsibilities.

The Commission concludes that it has the legal authority to accept a unanimous Stipulation and Agreement as offered by the parties as a resolution of the issues raised in this case, pursuant to § 536.060 RSMo 1994. Based on its findings of fact made upon review of the record, the Commission concludes the rates established by that agreement are just and reasonable and in the public interest and should be approved.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement, Attachment A to this Report and Order, is adopted.

2. That The Empire District Electric Company is authorized to file tariffs consistent with the Stipulation and Agreement adopted in Ordered Paragraph 1 for service on and after November 15, 1995.

3. That The Empire District Electric Company is authorized to use the depreciation rates set out in Appendix C to the Stipulation and Agreement approved in Ordered Paragraph 1.

4. That The Empire District Electric Company shall use a five-year amortization in calculating FAS 87 and FAS 106 gains and losses for ratemaking and financial accounting purposes.

5. That all pending motions are denied as moot.

6. That all parties shall comply in full with the terms and conditions of the Stipulation and Agreement approved in Ordered Paragraph 1 and with this Report and Order.

7. That this Report and Order shall become effective on
November 15, 1995.

BY THE COMMISSION

A handwritten signature in cursive script, reading "David L. Rauch".

David L. Rauch
Executive Secretary

(S E A L)

Mueller, Chm., McClure, Kincheloe,
Crompton and Drainer, CC., Concur.

Dated at Jefferson City, Missouri,
on this 3rd day of November, 1995.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of The Empire District	)	
Electric Company's tariff revisions	)	
designed to increase rates for	)	Case No. ER-95-279
electric service provided to its	)	
customers in the Missouri service	)	
area of the company.	)	

FILED

STIPULATION AND AGREEMENT

OCT 19 1995

PUBLIC SERVICE COMMISSION

PROCEDURAL HISTORY

On March 17, 1995, The Empire District Electric Company ("Empire" or the "Company") filed with the Missouri Public Service Commission (the "Commission") revised rate schedules, including special contract rate schedules, reflecting increased rates for electric service provided to customers in its Missouri service area. The proposed rate schedules bore a requested effective date of April 16, 1995 and were designed to produce an annual increase of \$8,543,910 in the Company's gross annual Missouri electric revenues, exclusive of applicable license, occupation, franchise, gross receipts or other similar fees or taxes.

By its Suspension Order and Notice issued March 28, 1995, the Commission suspended the revised rate schedules to February 14, 1996, established an intervention date and directed Empire to file direct testimony, schedules and minimum filing requirements on or before May 3, 1995. In addition, the Commission directed Empire to include in its direct testimony its position with regard to the test year to be adopted in this case and to file any request for a true-up audit and hearing. The Commission Staff (the "Staff") and the Office of the Public Counsel (the "Public Counsel") were

directed to respond to the Company's test year recommendation. The Staff was also directed to propose a procedural schedule. The order also established dates for an evidentiary hearing and directed Empire to notify its customers of the hearing.

On April 12, 1995, an Application to Intervene was filed with the Commission by ICI Explosives USA, Inc. and Praxair, Inc. (collectively "ICI and Praxair"), which application was granted.

On May 3, 1995, Empire filed the direct testimony and schedules of five witnesses and recommended that calendar year 1994, with adjustments for known and measurable changes, be adopted as the test year. Also on that date, Empire filed its motion regarding true-up and a motion for protective order and a proposed procedural schedule was submitted by the parties.

On May 15, 1995, the Commission issued its Order Granting Protective Order and Establishing a Procedural Schedule. The procedural schedule was later modified.

On May 31, 1995, the Staff, Public Counsel, ICI and Praxair filed their test year recommendation. Also on May 31, 1995, an Application to Intervene was filed with the Commission on behalf of Missouri Gas Energy.

By its order issued June 16, 1995, the Commission adopted as a test year in this case the twelve (12) months ending March 31, 1995, updated to June 30, 1995.

On June 23, 1995, the Commission issued its order denying the application to intervene filed by Missouri Gas Energy.

On August 9, 1995, Empire and the Staff filed a motion to change procedural schedule and to order a true-up of certain items through August 31, 1995.

On September 1, 1995, the Staff filed the prepared direct testimony and schedules of twenty-two witnesses and the Public Counsel filed the direct testimony and schedules of two witnesses. On September 7, 1995, ICI and Praxair filed the direct testimony and schedules of three witnesses addressing class cost-of-service and rate design. On September 8, 1995, the Staff filed the direct testimony and schedules of four witnesses and the Public Counsel filed the direct testimony of two witnesses addressing class cost-of-service and rate design.

On September 25, 1995, a prehearing conference convened as scheduled and the parties discussed outstanding issues and engaged in settlement negotiations.

STIPULATION AND AGREEMENT

As a result of the prehearing conference, the undersigned parties stipulate and agree as follows:

1. All parties agree that Empire shall be authorized to file revised rate schedules designed to produce an increase in the Company's overall Missouri jurisdictional gross annual electric revenues in the amount of \$1,400,000 (One Million, Four Hundred Thousand Dollars), exclusive of any applicable license, occupation, franchise, gross receipts or other similar fees or taxes. Said revised rates schedules shall be effective for service rendered on

and after a date no later than November 15, 1995, except Rider XC which shall become effective thirty (30) days later.

2. All parties agree that illustrative rate schedules necessary to implement both the revenue increase provided for herein as well as the rate design and other rate schedule matters agreed to in this proceeding are attached hereto as Appendix A and made a part hereof for all purposes. All parties further agree that if this Stipulation and Agreement is approved by the Commission, rate schedules identical to those set out in Appendix A, but bearing issue and effective dates consistent with this Stipulation and Agreement, shall be filed with the Commission in compliance with the Commission's order approving this Stipulation and Agreement.

3. Attached hereto as Appendix B and made a part hereof for all purposes is a Staff-sponsored document which provides details concerning the rate schedules set out in Appendix A. Appendix B represents only the Staff's views and binds no other signatory. Any signatory may provide its own response to Appendix B no later than October 27, 1995.

4. All parties agree that Empire is authorized to utilize the depreciation rates which are attached hereto as Appendix C and made a part hereof for all purposes.

5. Empire agrees that it will use a five (5) year amortization in the calculation of FAS 87 and FAS 106 gains and losses for ratemaking and financial accounting purposes.

6. Empire agrees that in its next general electric rate case filing it will propose the complete elimination of the 1/2% discount as provided by Municipal Street Lighting Service Schedule SPL.

7. Empire agrees that it will perform a special lighting study to be submitted to the Staff and the Public Counsel no later than the filing date for its direct testimony in the Company's next general electric rate case and it will work with parties interested in doing so to develop the scope of that study.

8. Empire agrees that it will maintain, on a prospective basis, sub-accounts for or otherwise identify excess facilities, by appropriate distribution accounts, provided under Special or Excess Facilities Rider XC. The initial excess facilities subaccount values are attached hereto as Appendix D and made a part hereof for all purposes.

9. All parties agree that Appendix A reduces the rate on Rider XC to 1.25% of the Company's investment per month for all current and future contracts with the rate to be specified in each customer's contract and tied to the Rider XC rate, and any changes authorized from time to time. Empire will provide the Staff with its standard contract form prior to October 26, 1995. All parties agree that because Empire's existing contracts must be conformed to this reduced rate, the change contemplated by this paragraph and as set out on Rider XC shall not take effect until 30 days after the effective date of the balance of the rate schedules which are the subject of this case.

10. Empire, ICI and Praxair agree that discussions between these parties concerning a real time pricing rate have taken place and that said discussions will continue with the present intent to file a real time pricing rate schedule with the Commission by the end of the first calendar quarter of 1996. Empire, ICI and Praxair make no representation that any particular agreement leading to the filing of such a schedule can or will be reached as a result of any such discussions. Empire agrees not to propose a change to the structure of the rate presently applicable to ICI and Praxair prior to January 1, 1996.

11. All parties agree that the minimum filing requirements, direct testimony and schedules, and true-up testimony and schedules prefiled by the parties in this case shall be received into evidence without the necessity of the respective witnesses taking the witness stand.

12. All parties agree that, except to the extent specified in paragraphs 4 through 10, none of the signatories hereof shall be deemed to have approved or acquiesced in any ratemaking principle or any method of cost determination or cost allocation underlying or allegedly underlying the Stipulation and Agreement and the revised rate schedules provided for herein. All parties further agree that the result of this case represents a settlement of disputed issues and that the Commission's approval of this Stipulation and Agreement shall not constitute precedent or evidence of concession of principle by any party regarding any

disputed issue in any subsequent proceeding except regarding the matters set forth in paragraphs 4 through 10.

13. All parties agree that this Stipulation and Agreement has resulted from extensive negotiations among the Signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement in total, or in the event revised electric rate schedules conforming to those agreed to herein, which are attached as Appendix A, do not become effective in accordance with the provisions contained herein, this Stipulation and Agreement shall be void and no signatory shall be bound by any of the Agreements or provisions.

14. All parties agree that in the event the Commission accepts the specific terms of this Stipulation and Agreement, the signatories waive their respective rights to cross-examine witnesses and to present oral arguments and written briefs pursuant to Section 536.080.1 RSMo 1994; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 1994; and their respective rights to judicial review pursuant to Section 386.510 RSMo 1994.

15. All parties agree that this Stipulation and Agreement represents a negotiated dollar settlement for the sole purpose of disposing of this case, and none of the signatories to this Stipulation and Agreement shall be prejudiced or bound in any manner by the terms of the Stipulation and Agreement in any other proceeding, except as otherwise specified herein.

16. At the Commission's request, the Staff may give the Commission a written explanation of its rationale for entering into this Stipulation and Agreement, if the Staff also gives a copy of its explanation to each signatory to this Stipulation and Agreement. In that event, each signatory may give the Commission a responsive written explanation within five (5) business days of receipt of the Staff's explanation, if the responding signatory contemporaneously gives a copy of such responsive written explanation to all other signatories. Each signatory agrees to keep the Staff's and other signatories' explanations confidential, and to treat them as privileged to the same extent as settlement negotiations. No signatory acquiesces in or adopts the explanation of another signatory. Such explanations shall not become a part of this proceedings' record, nor bind or prejudice any signatory in any proceeding.

17. The Staff may provide whatever oral explanation the Commission requests at any agenda meeting, if the Commission has given reasonable notice to each party that it may consider this Stipulation and Agreement at the meeting. The Staff shall inform the other signatories as soon as practicable when the Staff learns that the Commission will request such explanation. The Staff's explanation in agenda shall be subject to public disclosure, except to the extent it pertains to matters protected from disclosure.

Respectfully submitted,



Robert J. Hack, General Counsel
Eric Witte, Asst. General Counsel
Missouri Public Service Commission
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Jefferson City, Missouri 65102

Attorneys for the Staff of the
Missouri Public Service Commission



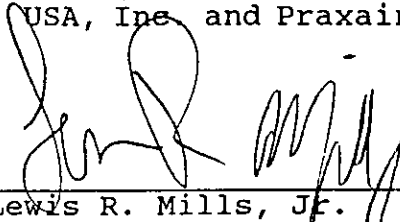
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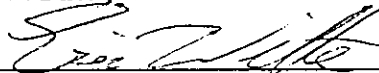


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Attorneys for the Office of
the Public Counsel

Certificate of Service

The undersigned hereby certifies that a true and correct copy of the foregoing document was served on all parties of record in this proceeding this 19th day of October, 1995, by placing a copy of same in the United States Mail, first class postage prepaid and properly addressed, or hand delivering same.



Eric Witte

The Empire District Electric Company
Depreciation Rates
Case No. ER-95-279

<u>Account</u>	<u>Acct No.</u>	<u>Depreciation Rate</u>
<u>Steam Production - Riverton</u>		
Structures & Improvements	311.2	2.05%
Boiler Plant Equipment	312.2	2.77%
Turbogenerator Units	314.2	1.79%
Accessory Electric Equipment	315.2	1.98%
Miscellaneous Power Plant Equipment	316.2	2.02%
<u>Steam Production - Asbury</u>		
Structures & Improvements	311.3	2.15%
Boiler Plant Equipment	312.3	2.91%
Unit Trains	312.7	5.67%
Turbogenerator Units	314.3	2.60%
Accessory Electric Equipment	315.3	2.10%
Miscellaneous Power Plant Equipment	316.3	2.10%
<u>Steam Production - Iatan</u>		
Structures & Improvements	311.6	3.35%
Unit Train	312.5	4.19%
Boiler Plant Equipment	312.6	5.67%
Turbogenerator Units	314.6	3.00%
Accessory Electric Equipment	315.6	3.18%
Miscellaneous Power Plant Equipment	316.6	2.94%
<u>Hydro</u>		
Structures & Improvements	331.3	1.98%
Reservoirs, Dams & Gateways	332.3	1.90%
Miscellaneous Power Plant Equipment	335.3	2.10%
<u>Combustion Turbines - Riverton</u>		
Structures & Improvements	341.2	3.02%
Fuel Holders, Producers & Accessories	342.2	3.71%
Prime Movers	343.2	3.40%
Generators	344.2	3.10%
Accessory Electric Equipment	345.2	3.44%
Miscellaneous Power Plant Equipment	346.2	3.86%
<u>Combustion Turbines - Energy Center</u>		
Structures & Improvements	341.3	3.16%
Fuel Holders, Producers & Accessories	342.3	3.71%
Prime Movers	343.3	3.44%
Generators	344.3	3.16%
Accessory Electric Equipment	345.3	3.44%
Miscellaneous Power Plant Equipment	346.3	3.86%

<u>Account</u>	<u>Acct No.</u>	<u>Depreciation Rate</u>
<u>Combustion Turbines - State Line</u>		
Structures & Improvements	341.8	3.16%
Fuel Holders, Producers & Accessories	342.8	3.71%
Prime Movers	343.8	3.44%
Generators	344.8	3.16%
Accessory Electric Equipment	345.8	3.44%
Misc Power Plant Equipment	346.8	3.88%
<u>Transmission</u>		
Structures & Improvements	352.3	1.58%
Station Equipment	353.3	2.57%
Towers & Fixtures	354.3	1.56%
Poles & Fixtures	355.3	2.71%
Overhead Conductor & Devices	356.3	2.25%
<u>Distribution</u>		
Structures & Improvements	361.3	2.25%
Station Equipment	362.3	3.00%
Poles, Towers & Fixtures	364.3	4.25%
Overhead Conductor & Devices	365.3	2.87%
Underground Conduit	366.3	3.96%
Underground Conductor & Devices	367.3	4.19%
Line Transformers	368.3	2.82%
Services	369.3	4.19%
Meters	370.3	2.63%
Installation on Customer Premises	371.3	5.82%
Street Lighting & Signal Systems	373.3	2.48%
<u>General</u>		
Structures & Improvements	390.3	4.68%
Office Furniture & Equipment	391.3	4.67%
Transportation Equipment	392.3	9.00%
Stores Equipment	393.3	4.57%
Tools, Shop & Garage Equipment	394.3	3.67%
Lab Equipment	395.3	3.00%
Power Operated Equipment	396.3	6.71%
Communication Equipment	397.3	4.76%
Miscellaneous Equipment	398.3	3.88%

Note: Bolded accounts are subject of Birenbaum ER-96-279 Direct Testimony.
All other rates were ordered in ER-94-174.

EMPIRE DISTRICT ELECTRIC CO - CASE NO ER-95-279
BEGINNING BALANCES OF EXCESS FACILITIES INVESTMENT

FERC Account	Plant Investment
364	\$255,487
365	\$372,124
366	\$129,436
367	\$507,999
368	\$2,002,899
369	\$181,230
370	\$98,803
371	\$250,513
Total	\$3,798,491