

OF THE STATE OF MISSOURI

In the Matter of Tariffs Filed by Citizens)
Electric Corporation to Effect a Reduction in) Case No. ER-97-286
Annual Retail Electric Revenues, and Other)
Tariff Modifications.)
)

REPORT AND ORDER

Issue Date: March 18, 1997

Effective Date: March 28, 1997

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Tariffs Filed by Citizens)
Electric Corporation to Effect a Reduction in) Case No. ER-97-286
Annual Retail Electric Revenues, and Other)
Tariff Modifications.)
)

APPEARANCES

Patrick A. Baumhoer, Andereck, Evans, Milne, Peace & Baumhoer, L.L.C., Post Office Box 1438, Jefferson City, Missouri 65102-1438, for Citizens Electric Corporation.

Lewis R. Mills, Jr., Deputy Public Counsel, Office of the Public Counsel,
Post Office Box 7800, Jefferson City, Missouri 65102, for the Office of the
Public Counsel and the public.

Cherlyn D. McGowan, Assistant General Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the staff of the Missouri Public Service Commission.

ADMINISTRATIVE

LAW JUDGES: Joyce Hainen and Thomas H. Luckenbill, Deputy Chief.

REPORT AND ORDER

Procedural History

On January 24, 1997, Citizens Electric Corporation (Citizens) filed with the Missouri Public Service Commission tariff sheets designed to reduce its annual retail electric revenues by approximately \$727,000, which represents an overall system decrease of approximately two percent and implements other tariff modifications. On January 27, a Stipulation and Agreement signed by Citizens, the Staff of the Missouri Public Service Commission (Staff) and the Office of the Public Counsel (Public Counsel) was filed with the proposed tariff sheets attached as Appendix A. The

Stipulation and Agreement outlined the proposed rate reduction and other modifications contained in the tariff sheets and recommended that the Commission allow the tariff sheets to go into effect on March 28, 1997. On February 7, Staff filed Suggestions in Support of the Stipulation and Agreement. Staff's suggestions included testimony by Staff members Watkins and Straub.

On February 13, the Commission issued an Order Setting Presentation Of Settlement Agreement. The Commission conducted an on-the-record presentation on March 3. At the presentation, the parties made statements in support of the stipulation and were available for questions from the bench.

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.

Citizens is a Missouri corporation certificated by the Commission to provide retail electric energy services in the Missouri counties of Ste. Genevieve, Perry, and North Cape Girardeau, including the cities of Ste. Genevieve, Perryville, St. Marys, Frohna, Altenburg, and Bloomsdale. Citizens is organized and operates on a not-for-profit basis. Citizens is accountable to its customers for all revenues received and receivable from providing electric energy in excess of its operating costs and expenses, with annual operations margins allocated to its customers/owners. These allocated margins are to be refunded in instances when the financial condition of Citizens would not be impaired.

The Commission finds that the rate reduction and rate design proposed in Citizens' tariff sheets are just and reasonable. In recent

years Citizens has experienced operational efficiencies and reduced power supply costs. The primary purpose of the Stipulation and Agreement is to pass these reduced costs through to Citizens' customers in a designed rate reduction. It is Citizens' desire to effect this rate reduction without the time and expense associated with a contested case proceeding. It is Citizens' belief that the immediate rate reduction set forth in the tariff sheets attached to the Stipulation and Agreement is preferable to returning excess revenues through capital credit allocations and refunds.

The rate reduction set forth in the tariff sheets is supported by a professional cost study based upon 1995 as the base year. The proposed rates reflected in the tariff sheets are designed to decrease revenue from sales in the amount of \$726,880, which represents an overall system decrease of two percent below adjusted test year revenues of \$36,198,196. Under the proposed Stipulation and Agreement there is a nine percent reduction in Small General Service rates and a 3.5 percent reduction for Residential rates. The rates for the other customer classes are not affected by the Stipulation and Agreement.

The Commission finds that the Stipulation and Agreement was a negotiated settlement of rate reductions and service changes initiated by Citizens. Based on the exhibits presented and the terms of the Stipulation and Agreement, the Commission finds that the proposed Stipulation and Agreement is reasonable and should be approved. Thus, the Commission will approve the Stipulation and Agreement and authorize implementation of the tariff sheets which reflect the terms of the Stipulation and Agreement. The Stipulation and Agreement is attached to this Report And Order (Attachment A). The numerous tariff sheets that were attached to the Stipulation and Agreement are not included with this Report And Order

although those tariff sheets are approved for service on and after March 28, 1997.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law.

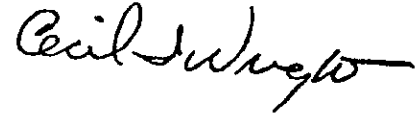
The parties have waived their rights to cross-examine witnesses and the Commission may use the verified statements of witnesses as a basis to approve the proposed Stipulation and Agreement. *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Comm'n*, 776 S.W.2d 494, 496(Mo. App. 1989). The Commission may accept the Stipulation and Agreement to resolve this matter. (Section 536.060, RSMo Supp. 1994).

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement signed by the parties and filed with this Commission on January 27, 1997 is hereby approved.
2. That the tariff sheets issued on January 24, 1997, which tariff sheets are attached to the Stipulation and Agreement, are approved to be effective March 28, 1997.
3. That late-filed Exhibit 5 is received into the record.

4. That this Report And Order shall become effective on the 28th day of March, 1997.

BY THE COMMISSION

A handwritten signature in cursive script, appearing to read "Cecil I. Wright".

**Cecil I. Wright
Executive Secretary**

(S E A L)

Zobrist, Chm., McClure, Crumpton
and Drainer, CC., concur.

Dated at Jefferson City, Missouri,
on this 18th day of March, 1997.

The primary purpose of this Stipulation and Agreement is to pass these reduced costs through to Citizens' customer/owners in a designed rate reduction. It is Citizens strong preference to effect this rate reduction without the necessity, time, and expense of a contested case proceeding. It is Citizens belief that the immediate rate reduction set forth in the tariff sheets assigned number 9700497, filed on January 24, 1997 (Tariff Sheets) is preferable to returning excess revenues through capital credit allocations and refunds. The Tariff Sheets are attached hereto as Appendix A.

The rate reduction set forth in the attached Tariff Sheets is supported by a professional cost study based upon 1995 as the base year. The proposed rates are designed to decrease revenue from sales by \$ 726,880, which represents an overall system decrease of 2.0 % below adjusted test year revenues of \$ 36,198,196. The revenue reduction and percent decrease for each rate class is as follows:

Rate	Revenue Decrease	Percent Change
Residential	\$ 539,986	(3.5 %)
General	\$ 154,247	(9.0 %)
Demand over 25 kW	0	0
Demand-Optional	\$ 32,647	(9.0 %)
Lighting	0	0
Mississippi Lime	0	0
Proctor & Gamble	0	0
Total	\$ 726,880	(2.0 %)

Electric costs and rate base are allocated to rate groups for purposes of calculating rate of return on rate base assets. Summarized below is a comparison of existing to proposed rate of

return on assets by rate group categories:

Rate Group	Existing ROR	Proposed ROR	Revenue Change
Residential	9.4 %	6.9 %	(3.5 %)
General	22.9 %	15.4 %	(9.0 %)
Demand over 25kW	5.5 %	5.5 %	0
Demand optional	23.9 %	15.7 %	(9.0 %)
Lighting	7.2 %	7.2 %	0
Miss Lime/ Proc & Gamble	15.2 %	15.2 %	0

Attached as Appendix B is a schedule summarizing Citizens' cost of service under existing and proposed rates.

3. **Typical customer savings.** Total residential kilowatt hour usage in 1995 was 220,869,762. Total meters numbered 19,369, producing an average monthly residential usage of 950 Kwhs per month. Under existing rates the typical or average residential customer purchasing 950 Kwhs would pay \$ 74.57. Under the proposed rates this customer would pay \$ 70.80, for a savings of \$ 3.77 (before taxes).

Total general service non-demand Kwh usage in 1995 was 25,672,646. Total meters numbered 1,732, producing an average monthly small business usage of 1,235 Kwhs per month. Under existing rates the typical or average small business customer purchasing 1,235 Kwhs would pay \$ 111.93. Under the proposed rates this customer would pay \$ 101.10, for a savings of \$ 10.83 (before taxes).

There are also 70 customers on the optional rate. These customers use a total of 2,655,982 Kwhs, which produces an average usage of 3,161 Kwhs per month. Under existing rates the average

optional customer purchasing 3,161 Kwhs would pay \$ 267.84. Under the proposed rates this customer would pay \$ 245.71, for a savings of \$ 22.13 (before taxes).

4. Tariff Sheets, customer notification. Tariff Sheets have been filed to effectuate this rate reduction, and to effectuate the incidental tariff changes summarized below. The proposed effective date of the rate reduction and Tariff Sheets is March 28, 1997.

The following notice to customers explaining the rate reduction will accompany customers' bills in which the rate reduction will first appear:

"Due to lower power costs and improved operating efficiencies, we are lowering residential rates by 3.5%, and general service rates by 9.0%. Your savings will vary depending on your individual usage pattern."

5. Incidental tariff changes. The Tariff Sheets are also designed to make the following incidental operational changes, in addition to the rate reduction described above:

a) The separate rate for religious establishments is being eliminated and combined with residential rates;

b) Character of electrical service is being changed from 115 nominal voltage to 120, and 115/230 nominal voltage is being changed to 120/240;

c) Establishing a charge of \$ 11.00 per month for three-phase customers in addition to the existing single-phase customer charge of \$ 5.59 per month;

d) The water heating service credit is being eliminated;

e) Terms of payment are being revised to reflect that all

bills are payable within twenty-one days of the date of the bill, and are subject to discontinuance of service for nonpayment within six days thereafter;

f) General Service Demand minimum is raised from 10 kWD to 25 kWD.

g) For optional demand class customers, the charge was left at \$ 48.06 per month for three phase customers, and reduced to \$ 40.00 per month for single phase customers;

h) With respect to purchases from qualifying facilities pursuant to 4 CSR 240.20-060, the rate for payments to customers for energy is being reduced from 1.65 cents per kWH to 1.60 cents per kWH. Citizens has no small cogenerators, and this filing will satisfy the requirements of 4 CSR 240-20.060(3);

i) Outdoor lighting service tariffs are being combined, separately listing charges for 100 and 250 high pressure sodium lights only, and limiting Citizens replacement responsibilities to lamp renewals only, and not for outdated fixtures;

j) Inspection obligations are being limited to the service entrance only;

k) Seasonal service reconnection fees are being modified to provide for a reconnect fee of \$ 45.00 to cover the cost of facilities;

l) Reconnections performed after regular working hours at the customer's request will incur a \$ 45.00 reconnection charge;

m) In the event payment by check is returned or dishonored, a charge of \$ 10.00 shall be assessed the customer;

n) Provisions regarding the calculation and return of deposits for new services and extensions are being modified to accelerate the return of customer deposits;

o) Facility charges for materials and services required for underground facilities are being modified to reflect increased charges for uniform conduit/materials and construction practices;

p) Capital credit allocation and retirement provisions are being modified to be consistent with member approved bylaw provisions;

q) Budget billing calculation procedures are being modified to incorporate a single "adjustment" month.

6. Procedural Schedule. The parties recommend and agree to the following procedural schedule for purposes of this docket:

February 7, 1997	Supporting Suggestions and Testimony of Staff
February 27, 1997	Intervention Deadline
March 7, 1997	Hearing on Stipulation, if required.

The prepared testimony of Staff witnesses Mr. Mike Straub and Mr. James Watkins will be filed in support of the Stipulation and Agreement. If neither Citizens nor the Office of the Public Counsel file a document within ten (10) business days of receipt of such testimony containing rebuttal testimony or requesting the opportunity to cross-examine either Mr. Straub or Mr. Watkins, their prepared testimony shall be received into evidence without objection.

7. The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the

Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from public disclosure.

8. To the extent that the Commission believes that an on-the-record formal presentation of this Stipulation and Agreement is necessary, the parties agree to make themselves available at the Commission's convenience to answer any questions the Commission might have during the formal hearing scheduled in this docket or any agenda meeting.

9. **No Acquiescence.** None of the parties to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any question of Commission authority, accounting authority order principle, cost of capital methodology, capital structure, decommissioning methodology, ratemaking principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design methodology, cost allocation, cost recovery, or prudence, that may underlie this Stipulation and Agreement, or for which provision is made in this Stipulation and Agreement.

10. **Negotiated Settlement.** This Stipulation and Agreement represents a negotiated settlement of rate reductions and service changes initiated by Citizens. Except as specified herein, the

signatories to this Stipulation and Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Stipulation and Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Stipulation and Agreement in the instant proceeding, or in any way condition its approval of same.

11. Provisions Are Interdependent The provisions of this Stipulation and Agreement have resulted from negotiations among the signatories and are interdependent. In the event that the Commission does not approve and adopt the terms of this Stipulation and Agreement in total, it shall be void and no party hereto shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof.

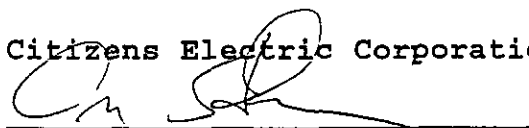
12. Waiver of Rights to Cross Examination, etc. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the signatories waive their respective rights to cross-examine witnesses; their respective rights to present oral argument and written briefs pursuant to Section 536.080.1 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. This waiver applies only to a Commission Report and Order issued in this proceeding, and does not apply to any matters raised in any subsequent Commission proceeding, or any matters not explicitly addressed by this Stipulation and Agreement.

13. **Good Cause.** Pursuant to Section 393.140(11) RSMo 1994, the Commission for good cause shown may allow changes in Citizens' rates or charges without requiring thirty days' notice. Good cause exists for allowing changes in Citizens' retail electric rates or charges without requiring thirty days' notice in that the tariff sheets proposed by the signatories result in a reduction of Citizens' rates for most customers.

14. **Tariff Sheets.** The parties recommend approval of the Tariff Sheets to effectuate this Stipulation and Agreement, to become effective for service rendered on and after March 28, 1997, the requested effective date.


Respectfully Submitted,

Citizens Electric Corporation



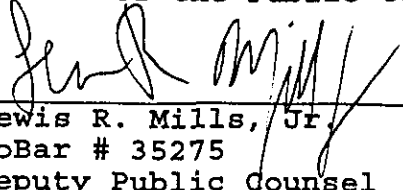
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