

History of Rate Design Changes to EDE Missouri Rate Schedules

EDE's last rate design case, Case No. EO-91-74 Investigation of the Cost of Service and Rate Design [of] The Empire District Electric Company (later consolidated with Case No. ER-94-174), was the genesis of the rate design contained in the Company's current Missouri rate schedules. Major decisions made in that case, such as what rate schedules would exist and what rate structures would be used to recover costs from individual customers, are still in existence today. In addition, in that case, rate design areas requiring further study and action were identified.

Many of the specific rate design problems identified in Case No. EO-91-74 as requiring further study and action were implemented in two subsequent cases (Case Nos. ER-95-279 and ER-97-81). Rates were changed in ways that narrowed, but did not eliminate, the imbalance between class revenues and class responsibility for costs. All of the planned "phase-outs" agreed to in these cases have been accomplished.

The major rate design focus in the past two EDE rate increase cases (Case Nos. ER-2001-299 and ER-2002-424) has been on the interim energy charge (IEC). No further movements to align class revenues with class cost responsibility were made in these two rate increase cases.

Case No. ER-95-279

In Case No. ER-95-279, the approved rate design changes were to: (i) create and maintain a separate, on-going tracking system of Company investments in special/excess facilities for the dedicated use by individual customers; (ii) charge all customers with special/excess facilities a uniform rate of 1.25% of total investment per month; (iii) change the primary discount/secondary adder on the General Power and Large Power rate schedules to reflect "typical" facilities; (iv) order EDE to perform a special lighting study; and (v) reduce rate levels and eliminate special discounts on the Municipal Street Lighting rate schedule. In addition, in Case No. ER-95-279 a movement was made to narrow the imbalance between class revenues and class cost responsibility, as measured by class cost-of-service studies.

Case No. ER-97-81

In Case No. ER-97-81, the approved rate design changes were to: (i) begin the phase-out of the special discounts on the Municipal Street Lighting rate schedule; (ii) eliminate the School and Church rider; and (iii) file a thermal energy storage rider. Class revenues were not adjusted towards class cost responsibility in Case No. ER-97-81. An overall rate increase of 8.25% was applied as an equal percentage increase to all customer classes and to each rate component.

Case No. ER-2001-299

The major rate design focus in EDE Case No. ER-2001-299 was the establishment of an interim energy charge (IEC) that was recovered from customers on an equal cents per hour basis. All permanent rate levels were increased by a uniform 8.40%.

Case No. ER-2002-424

Elimination of the IEC and the refund of all of the money collected by that surcharge dominated the rate design in Case No. ER-2002-424. No movement was made towards a class revenue distribution consistent with class cost-of-service study results (each class' total revenues were increased by 4.97%). Both a modest decrease in the seasonal (summer/winter) differential and a disproportionately higher increase in the customer charge were made in the residential rate schedule.

Regulatory Process Used to Create Rate Design Changes

Historically, major re-designs of electricity rate schedules have been handled in dockets that: (i) exclusively address class cost of service and rate design issues; (ii) have no influence on the utility's overall revenues; and (iii) have no statutory time limit for completion. These "EO" dockets, or rate design cases as they are usually called, have generally been established through a Report and Order in an "ER", or rate increase case. For example, EDE's last rate design case, Case No. EO-91-74 Investigation of the Cost of Service and Rate Design [of] The Empire District Electric Company, was initiated in the Report and Order in Case No. ER-90-138.

The focus of rate design cases has been class cost responsibility, as measured by class cost-of-service studies, and the structure/design of the rates to recover costs from individual customers. It is not uncommon for a rate design case to result in the complete

elimination of many rate schedules and the implementation of a number of entirely new rate schedules.

Proposals to “shift” (on a revenue neutral basis) revenues between customer classes and to change rate structures in major electric rate design cases have been implemented either within the context of the “EO” docket itself or within the context of the next (or a concurrent) rate increase case. For The Empire District Electric Company, the rate design changes from Case No. EO-91-74 (a rate design case) were implemented as part of the outcome of Case No. ER-94-174 (a rate increase case), as well as two subsequent rate increase cases.

The rate schedules created within a rate design case are always modified in a rate increase (“ER”) case to reflect an overall change in allowable revenues. Changes in rates that narrow any imbalances between class revenues and class cost responsibility can also be made within an “ER” case but, in many instances, are not. In Empire’s rate design history (described above), only one of the four “ER” cases since the last “EO” case resulted in modifications to the distribution of class revenues in addition to changes in overall revenue. None of them resulted in rate structure changes.