

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

In the Matter of The Empire District Electric)
Company for Authority to File Tariffs Increasing)
Rates for Electric Service Provided to Customers) Case No. ER-2014-0351
in the Company's Missouri Service Area)

RESPONSE TO OBJECTION

COMES NOW the Midwest Energy Consumers Group (“MECG”), and for its Response to Objection respectfully states as follows:

1. On March 24, 2015, MECG filed the surrebuttal testimony of Kavita Maini. In that testimony, Ms. Maini expressed concerns with Empire’s proposal to include fixed transmission costs in the fuel adjustment clause and collect variances in those fixed costs through a variable (per kWh) fuel adjustment charge. As such, she proposed that the Commission allow recovery of such costs through a per kW charge.

Should the Commission allow the Company to include recovery of transmission costs through the FAC, I recommend that Empire establish a \$ / kW demand charge for recovery of fixed costs for demand metered customer classes to address the above mentioned concerns.¹

2. On April 17, the Commission held its evidentiary hearing in this matter. At that hearing, counsel for Empire objected to this portion of Ms. Maini’s surrebuttal testimony. Specifically, counsel objected on the basis that the information contained in the surrebuttal position was a “new position” that should have been introduced in direct testimony.

We object to page 6, lines 1 through 15 of Exhibit 702, which is the surrebuttal testimony. The information contained in those line numbers is inappropriate surrebuttal testimony as it contains what would be more appropriate for direct testimony. It is a new - - a new position.²

¹ Exhibit 702, pages 2-6.

² Tr. 204.

2. Contrary to Empire’s claims, however, this position was initially advanced in direct testimony. Specifically, in her direct testimony, Ms. Maini objects to the inclusion of fixed transmission costs in the Empire fuel adjustment clause and recovered through a per kWh charge.

Q. ASIDE FROM ISSUES IDENTIFIED BY WITNESS MANTLE, WHAT ARE YOU SPECIFIC CONCERNS ABOUT EMPIRE’S INCLUSION OF FIXED COST RECOVERY THROUGH THE FAC?

A. . . . Second, while Empire is making efforts to align recovery of fixed costs through fixed charges (see testimony of Overcast), the proposed changes to recover fixed costs associated with natural gas transportation and transmission through the FAC (collected on a per kWh basis) contradicts the Company’s rate design objectives.³

* * * * *

Q. YOU HAD INDICATED EARLIER THAT YOU WERE CONCERNED ABOUT RECOVERING FIXED COSTS THROUGH A VOLUMETRIC CHARGE. PLEASE EXPLAIN.

A. The Company’s witness Edwin Overcast has indicated concerns that Empire’s rates rely too heavily on the volumetric recovery of fixed costs. He indicates that volumetric recovery of fixed costs does not assign costs to cost causers and sends misleading pricing signals. I agree and share his concerns. Despite this stated concern, the Company’s proposal to include fixed costs such as fixed natural gas transportation costs and transmission costs in the FAC and recover them through a volumetric charge: a) will further exacerbate the issue of assigning costs to cost causers, b) will send flawed pricing signals and c) will result in economic inefficiency. Given this inconsistency and unintended consequences, it dictates that these fixed costs be recovered through base rates.⁴

Thus, concerns with Empire’s proposal to collect fixed costs through the variable charges in the fuel adjustment charge were clearly stated in direct testimony.

3. Empire is either unaware of the previously stated concerns contained in direct testimony or Empire is taking a hypercritical approach by faulting Ms. Maini for

³ Exhibit 700, page 8.

⁴ *Id.* at page 12.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by email, facsimile or First Class United States Mail to all parties by their attorneys of record as provided by the Secretary of the Commission.

A handwritten signature in black ink, appearing to read "David L. Woodsmall". The signature is written in a cursive style with a large initial "D".

David L. Woodsmall

Dated: April 30, 2015