

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. EO-2016-0192 – In the Matter of The Empire District Electric Company’s Application for a Change of Supplier at an Existing Location in Monett, Missouri

FROM: Alan J. Bax – Operations Analysis Department /Engineering Analysis Unit

/s/ Daniel I. Beck 03/07/16 /s/ Hampton Williams 03/07/16
Manager, Engineering Analysis Staff Counsel’s Office / Date
Unit / Date

SUBJECT: Staff Memorandum to Recommend Approval of Joint Application

DATE: March 07, 2016

STAFF RECOMMENDATION

The Staff of the Missouri Public Service Commission (“Staff”) recommends that the Missouri Public Service Commission (“Commission”) approve the Joint Application (“Application”) of the Empire District Electric Company (“Empire”) and the City of Monett, Missouri (“City”), collectively referenced as the (“Applicants”), finding that the requested change in electric service providers for a well pump and storm siren located at the Monett Municipal Airport (“Airport”) from Empire to the City is in the public interest for reasons other than a rate differential, pursuant to Sections 393.106.2 and 91.025.2 RSMo (2000), 4 CSR 240-2.060, and 4 CSR 240-3.140, and order that the electric service to these structures be changed from Empire to the City.

OVERVIEW

On January 28, 2016, the Applicants filed their Application requesting approval of a change in electric service providers that would allow the City to provide electric service to a well pump and storm siren located at the Airport that are currently receiving electric service from Empire. The reasons cited for seeking a change in electric suppliers

for the well pump and storm sirens include that the City would like to integrate this well into their existing municipally owned water system, which currently consists of twelve wells. The City would prefer to be the electric service provider to every well used in their water system. Furthermore, the City is purportedly better equipped to respond in the event of outages or other emergencies should they occur.

On February 1, 2016, the Commission issued an *Order Directing Staff Status Report and Order Directing Filing* that directed Staff to specify a date by which it would file a recommendation as well as directing Staff to file such recommendation. Staff filed its response to this *Order* on February 15, 2016, indicating it would file its recommendation by March 14, 2016.

Empire is a Missouri corporation that provides electric, gas and water utility service to approximately 170,000 electric service customers in the states of Missouri, Kansas, Arkansas, and Oklahoma and approximately 48,000 gas service and water service customers in Missouri. Its principal office is located at 602 S. Joplin Street, Joplin, Missouri 64802. Empire is an electrical corporation, a gas corporation, a water corporation and a public utility as defined by Section 386.020, RSMo and therefore is subject to the general regulatory jurisdiction and supervision of the Commission, as provided by law.

Empire is current in its required filings of annual reports and its payment of assessment fees to the Commission. Staff is not aware of pending or final unsatisfied judgments against Empire from any state or federal court involving customer service or rates within three years of the date of filing this Application, with the exception of Empire's current request for a rate increase (ER-2016-0023).

The City is a municipal electric utility authorized to provide electric service to customers that lie primarily within its corporate limits as well as, in certain circumstances, structures outside these boundaries per Section 91.025, RSMo (2000). While the Commission's authority over the City is limited, the City is subject to the jurisdiction of the Commission for the purpose of seeking approval of requests to change electric service providers per Section 91.025.2, RSMo (2000)¹.

The City is not required to file annual reports or pay assessment fees to the Commission. Further, the Staff is not aware of any pending or final unsatisfied judgments against the City from any state or federal court involving customer service or rates within three years of the date of filing this Application.

DISCUSSION

The City acquired the land on which the Airport was built in 1981. The Airport was built in 1989, approximately five miles west of downtown. The Airport was administratively annexed into the city limits in 2002, despite it being discontinuous from the rest of the city of Monett, as illustrated in Schedule AJB-1. The well that is the subject of the Application was installed in 2000, with sufficient capacity to serve an eventual anticipated development of an industrial park. Empire has long been the primary provider of retail electric service to the Airport, which includes the existing 15 HP well pump and the adjacent storm siren.

Empire is the wholesale provider of electric service to the City. The City receives wholesale service from Empire at six locations, primarily at 12 kV, including a service

¹ Section 91.025.2 states, in relevant part, that "...The public service commission, upon application made by a customer, may order a change of suppliers on the basis that it is in the public interest for a reason other than a rate differential, and the commission is hereby given jurisdiction over municipally owned or operated electric systems to accomplish the purpose of this section...."

point at the Airport, the location of which is indicated in the illustration attached as Schedule AJB-2. Although Empire is also primarily the retail provider of electric service to the Airport, the City has provided retail service to one structure located at the far southern end of the Airport since 2006. The City installed an electrical circuit, beginning at the aforementioned service point in which it receives its wholesale service from Empire, and extending south to the structure, as depicted on Schedule AJB-2.

As mentioned previously, a well was installed with the intention to provide service to an industrial park and not just to the Airport. The City now desires to replace the existing 15 HP well pump with a 125 HP pump. The well is reported to have a capacity in excess of 600 GPM, and the City plans to install a 12 inch conduit out to the Airport and connect this well to the existing infrastructure, consisting of twelve wells, located within city limits five miles to the east. The City has reportedly obtained the necessary easements along the entire five miles to extend its water system and connect with the well at the Airport.

In order to provide electric service to the new water pump and the adjacent storm siren as desired, the City plans to install an approximate 1250 ft. circuit, extending north from the metering point in which the City receives Empire's wholesale service and convert Empire's existing overhead service to the well pump and storm siren to underground, as shown on Schedule AJB-2. The Applicants assert that providing an underground service will result in greater reliability. Furthermore, the City is thought to be better situated to respond to any outages or emergencies that may occur given the City is ten minutes away from the Airport as compared to Empire, whose response time is said to be at least thirty minutes.

Terms of the agreement included in the Application would have the City make a payment to Empire equivalent to four years of lost revenue associated with Empire's current provision of retail service to the Airport well and storm siren. In its Response to Staff Data Request No. 4, Empire estimated this payment would be **_____**. This is a calculation of the difference between the associated wholesale and retail service provided by Empire. If the Application is approved and this payment provided within the true-up period of the current rate case, this payment should be considered as a true-up adjustment in the current rate case. Otherwise, this payment will be considered within the context of Empire's next general rate case proceeding.

CONCLUSION

For the reasons stated above, Staff is of the opinion that changing the electric service provider to the well pump and storm siren located at the Monett Municipal Airport from Empire to the City, as requested in the Application, is in the public interest for reasons other than a rate differential, pursuant to Section 393.106.2 and 91.025.2 RSMo (2000), 4 CSR 240-2.060, and 4 CSR 240-3.140. Therefore, Staff recommends that the Commission order that the electric service provider to the well pump and adjacent storm siren located at the Airport be changed from Empire to the City. The City is able to provide electric service to these structures, effectively and efficiently, which should not only improve the reliability of service to these existing structures, but also increase the capacity of the City's water system and allows the City to be the sole provider of electric service to all associated equipment in its municipal water system. Empire is to receive the equivalent of four years of lost revenues upon gaining approval of the Application. Should this payment be made by the City within the true-up period of

the current rate case, the Commission may order Staff to include this payment in Staff's true-up analysis of this case.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric)
Company's Application for a Change of)
Supplier at an Existing Location in Monett,)
Missouri)

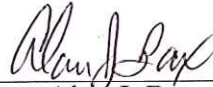
Case No. EO-2016-0192

AFFIDAVIT OF ALAN J. BAX

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

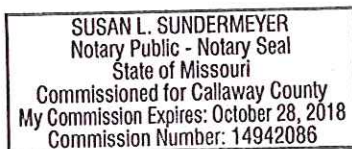
COMES NOW Alan J. Bax and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.



Alan J. Bax

Subscribed and sworn to before me this 7th day of March, 2016.





Notary Public



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Imagery Date: 1/25/2014 36°54'31.74" N 94°00'49.84" W elev 1298 ft eye alt 10915 ft



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