



September 7, 2012

Mr. Steven Reed
Secretary/General Counsel
Missouri Public Service Commission
P O Box 360
Jefferson City, MO 65102

Re: Case No. EW-2013-0045

Dear Mr. Reed:

The Empire District Electric Company ("Empire" or "Company") hereby submits its initial responses as required in Case No. EW-2013-0045.

Sincerely,

W. Scott Keith
Director Planning & Regulatory

Commission Questions:

1. the practicality of establishing such a class, including the effect on revenues and costs,

Empire Response: The establishment of such a rate class would involve a break with well-established Commission precedents in the areas of rate design, cost of service and non-discriminatory rates. Depending upon how such a rate is structured, it could be very costly for a utility to implement and maintain thus raising the overall cost of service. In addition, given the sensitive nature of the information involved it may not be practical for the utility to administer.

A tariff of this type would immediately cause a revenue shortfall if implemented outside of a general rate case unless other rates were increased to recover the costs associated with any discount and any incremental administrative costs. Absent an increase in rates to compensate the utility for the rate discount and increase in administrative costs, the utility's earnings would erode and the utility would be denied a reasonable opportunity to earn the rate of return authorized by the Commission.

2. proposed guidelines for inclusion in such a class,

Empire Response: Empire's only exposure to this type of rate is the recent Experimental Low Income Program or ELIP tariff that had an availability feature based upon a specified percentage of Federal Poverty Level. This program involved a two-tiered approach with different bill credits for qualifying Tier 1 and Tier 2 customers. Bill credits for Tier 1 customers were \$20 per month and \$50 for Tier 2 customers. Administrative costs were relatively low due to the fact that administrative functions were handled by participating CAP agencies.

3. proposed verification procedures for participants,

Empire Response: Empire has no specific verification procedures in place to administer a rate the availability of which may be determined by using multiple socio-economic factors, rather than the type of service being offered by the utility.

4. the effect on the company's bad debt expense,

Empire Response: The ultimate impact on bad debt is unknown. Assuming

the utility cost of service is driven higher due to the increase in administrative costs and a shift in revenue to other rate classes, overall bad debt expense may tend to increase, not decrease.

5. similar low-income rate-classes established in other states,

Empire Response: Empire has no direct knowledge of a discounted rate in other states where the availability is determined using socio-economic criteria. The Corporation Commission of the State of Kansas addressed this issue many years ago (1982) and determined that it did not have the statutory authority to authorize such a rate and was also prohibited from authorizing such a rate under its existing statutory ratemaking authority.

6. the legality of establishing a low-income rate-class and

Empire Response: Missouri law prohibits charging two different rates for the same service. *See*, 393.130.2 and .3, RSMo., 2000. In essence, Missouri law requires that a difference in rates charged for a similar service must be reasonably related to a difference in the conditions under which the service is provided. It would appear that authorizing legislation would be necessary in order to establish a special rate class for low-income electric, gas or water customers.

7. the appropriate rate or rate-formula for a low-income rate-class.

Empire Response: Empire has no specific rate or rate-formula to propose at this time. However, in the event that such a “discounted” rate structure based upon socio-economic factors is authorized by the Commission, Empire suggests that the additional administrative costs and revenue shortfall caused by such a rate when passed on to the remaining rate classes be billed as a separate line item on customers’ bills so that customer transparency in the process is maintained.