

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

In the Matter of the Small Company Rate)	<u>Case No. WR-2006-0215</u>
Increase Request of The Empire District)	Tariff Work ID No. YW-2006-0387
Electric Company of Joplin, Missouri)	

**RECOMMENDATION REGARDING DISPOSITION OF
SMALL WATER COMPANY RATE INCREASE REQUEST**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through Counsel, and for its Recommendation Regarding Disposition of Small Water Company Rate Increase Request ("Recommendation") states the following to the Missouri Public Service Commission ("Commission").

1. On November 21, 2005, The Empire District Electric Company of Joplin, Missouri ("Company") filed proposed tariff revisions with the Commission for the purpose of implementing the provisions of a *Company/Staff Agreement Regarding Disposition of Small Water Company Rate Increase Request* ("Disposition Agreement"), and the instant case was established.

2. The Company and the Staff executed the above-referenced Disposition Agreement, which the Staff filed in this case on November 30, 2005, as a resolution of the Company's small company rate increase request ("Request") that was received at the Commission's offices on June 24, 2005. The Company submitted its Request under the provisions of Commission Rule 4 CSR 240-3.635, Water Utility Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure"). Initially, the Company's Request was assigned Tracking No. QW-2005-0012.

3. On December 12, 2005, the Office of the Public Counsel ("OPC") filed a pleading in this case entitled "Request for Local Public Hearing." In that pleading, the OPC stated that: "This request is made for the reason that Public Counsel has received numerous letters, emails and telephone calls from Empire District Electric Company of Joplin, Missouri, customers protesting the proposed increase water service rates."

4. On December 23, 2005, the Commission issued an order setting a Local Public Hearing on January 11, 2006, in Aurora, Missouri.

5. The Staff's recommendations to the Commission regarding this case are set out on page 6 of the Staff's Official Case File Memorandum ("Memorandum") that is included in the document that is attached hereto and labeled as Appendix A.

6. Included with the Staff's Memorandum are various documents regarding the Company's Request and the Staff's investigation of the Request that have not previously been filed in the case.

7. The Commission has the authority to approve the subject proposed tariff revisions in accordance with Sections 393.140(11) and 393.150, RSMo 2000. In addition, Section 393.130.1, RSMo 2000 provides that all charges made by any water corporation for water service rendered or to be rendered shall be "just and reasonable." The Staff's agreement with the proposed tariff revisions is evidence that the rates and charges contained in the tariff revisions are just and reasonable, as that statute requires.

8. The procedure followed in this case complies with the requirements of the Small Company Rate Increase Procedure in general, and with 4 CSR 240-3.635(1)(D) in particular.

WHEREFORE, the Staff respectfully requests that the Commission issue an order consistent with the recommendations set out on page 6 of the Staff's Memorandum.

Respectfully Submitted,

/s/ Robert V. Franson

Robert V. Franson
Senior Counsel
Missouri Bar No. 34643

Attorney for the Staff of the
Missouri Public Service Commission

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(573) 751-6651 (telephone)
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robert.franson@psc.mo.gov (e-mail)

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 24th day of January 2006.

/s/ Robert V. Franson

AFFIDAVIT OF DALE W. JOHANSEN

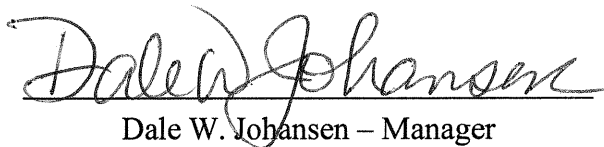
STATE OF MISSOURI)

) ss

Case No. WR-2006-0215

COUNTY OF COLE)

Dale W. Johansen, of lawful age, on his oath states: (1) that he is a member of the Staff of the Missouri Public Service Commission; (2) that he participated in the preparation of this Recommendation Regarding Disposition of Small Water Company Rate Increase Request ("Recommendation") and the attached appendix; (3) that he has knowledge of the matters set forth in this Recommendation and the documents included in the attached appendix; and (4) that the matters set forth in this Recommendation and the documents included in the attached appendix are true and correct to the best of his knowledge, information and belief.

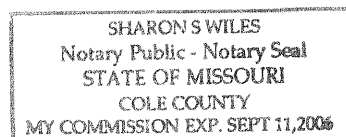


Dale W. Johansen – Manager
Water & Sewer Department
Utility Operations Division

Subscribed and sworn to before me this 24th day of January 2006.



Notary Public



My Commission Expires: _____

APPENDIX A

STAFF MEMORANDUM & ATTACHMENTS

CASE NO. WR-2006-0215

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Official Case File Memorandum

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. WR-2006-0215
The Empire District Electric Company of Joplin, Missouri

FROM: Dale W. Johansen – Project Coordinator
Water & Sewer Department
Dana Eaves – Auditing Department
Mark Oligschlaeger – Auditing Department
Rosella Schad – Engineering & Management Services Department
John Kiebel – Engineering & Management Services Department
Matthew Barnes – Financial Analysis Department
Jim Russo – Water & Sewer Department
Bill Nickle – Water & Sewer Department

<u>/s/ Dale W. Johansen</u>	<u>01/24/06</u>
Project Coordinator	Date
<u>/s/ Robert V. Franson</u>	<u>01/24/06</u>
General Counsel's Office	Date

SUBJECT: Staff Recommendation for Approval of Tariff Revisions and Agreement
Regarding Disposition of Small Company Rate Increase Request

DATE: January 24, 2006

BACKGROUND

The Empire District Electric Company of Joplin, Missouri ("Company") initiated the subject small company rate increase request ("Request") by submitting a letter to the Secretary of the Commission, which was received at the Commission's offices on June 24, 2005 (hereafter, all dates refer to the year 2005 unless otherwise noted). The Company submitted its Request under the provisions of Commission Rule 4 CSR 240-3.635, Water Utility Small Company Rate Increase Procedure ("Small Company Rate Increase Procedure").

By its Request, the Company was seeking Commission approval of customer rates intended to generate an increase of \$522,835 in its total annual water service operating revenues. As stated by the Company in its Request letter, the reasons for the requested increase in its water service operating revenues are: increased operating expenses and investing approximately \$1.4 million in improvements, upgrades and additional extensions to meet the growing needs of their customers.

The Company provides water service to approximately 4,600 customers, the vast majority of which are residential customers. The Company's current rates (those resulting from the Company's last rate case) went into effect on December 23, 2002.

Upon receipt of the Company's letter that initiated the Request, personnel in the Commission's Data Center scanned the letter and entered it into the Commission's electronic filing and information system ("EFIS") and the system assigned Tracking No. QW-2005-0012 to the Request. The Company's Request was then routed to the Commission's Water & Sewer Department ("W/S Dept") for processing under the Small Company Rate Increase Procedure. A copy of the Company's request letter is identified as item number 1 in the EFIS tracking file for the Request.

By a letter dated July 14, which Staff members in the W/S Dept had previously approved, the Company notified its customers of the Request. As a part of this initial customer notice, the Company requested that its customers' questions or comments be directed to the Commission Staff and/or the Office of the Public Counsel ("OPC"). A copy of the initial customer notice is identified as item number 2 in the EFIS tracking file for the Request.

STAFF'S INVESTIGATION AND CONCLUSIONS

As noted at the beginning of this Memorandum, Staff members from the Accounting, Engineering & Management Services, Financial Analysis and Water & Sewer Departments participated in the Staff's investigation of the Company's Request. All Staff participants, and all of their respective up-line supervisors, and the Staff attorney assigned to the case were provided the opportunity to review and comment on this Memorandum prior to it being filed. Jim Russo of the W/S Dept created the initial draft of this Memorandum and comments received from the reviewers were incorporated therein to create this final version of the Memorandum.

In response to the Company's initial customer notice, the W/S Dept Staff received 5 letters, 8 e-mails and 18 EFIS public comment forms regarding the proposed increase. These customer responses addressed the level of the proposed increase and service-related matters. Copies of the customers' letters and EFIS public comments forms, the Staff's correspondence to customers, if any, and the W/S Dept's customer contact log are included in item number 4 in the EFIS tracking file for the Request. Consistent with established practice, the W/S Dept Staff conducted investigations of the customer responses that addressed service-related matters, and the results of those investigations are also included in item number 4 in the EFIS tracking file. The W/S Dept provided copies of the customers' letters, e-mails and EFIS public comment forms, and its customer contact log, to the OPC and the Company shortly after the customer comment period ended.

Based upon an audit of the Company's books and records, a determination of the Company's rate base investments and necessary operating expenses, an evaluation of the Company's depreciation rates and an analysis of the Company's capital structure and cost of capital, and an investigation of the Company's business and system operations, the Staff concluded that an increase of \$469,138 in the Company's annual water service operating revenues is warranted.

In addition to its conclusion regarding the increase in the Company's annual operating revenues, the Staff concluded that new/modified depreciation rates need to be prescribed for the Company, and that certain changes in the Company's miscellaneous service charges, connection fees, business operations and system operations are warranted.

On November 1, the Staff forwarded information regarding the above items to representatives of the Company and the OPC for their review and response.

RESPONSES TO STAFF'S FINDINGS AND SUBSEQUENT ACTIONS

Pursuant to negotiations held subsequent to the Company's and the OPC's receipt of the above-referenced information regarding the results of the Staff's investigation of the Company's Request, a written *Company/Staff Agreement Regarding Disposition of Small Water Company Rate Increase Request* ("Disposition Agreement") was reached between the Staff and the Company. The Staff and the Company also reached an agreement regarding the tariff revisions needed to implement the terms of the Disposition Agreement.

The Disposition Agreement reflects the following agreements: (1) that an increase of \$469,138 in the Company's water annual operating revenues is necessary; (2) that certain changes to the Company's service charges are appropriate; (3) that new/modified depreciation rates need to be prescribed for the Company; (4) that the rates included in the above-referenced agreed-upon tariff revisions are designed to generate revenues sufficient to recover the Company's total annualized cost of service; and (5) that the rates included in the above-referenced agreed-upon tariff revisions are just and reasonable. (The specific agreements between the Company and the Staff are set out on pages 2 & 3 of the Disposition Agreement, which the Staff filed in this case on November 30 and which can be found in the EFIS case file in item number 2.)

Since the above-referenced Disposition Agreement was only between the Company and the Staff, the Company was required to send a notice to its customers regarding the proposed tariff revisions resulting from the Disposition Agreement. By a letter dated December 2, which Staff members in the W/S Dept had previously approved, the Company sent its customers a corrected second notice (the Company mailed an undated second notice in late November) of its proposed tariff revisions. In response to this corrected second customer notice, which was filed in the case papers on December 5, and which can be found in the EFIS case file as item number 4, the W/S Dept Staff received 2 emails, 2 letters, 2 faxes and 16 EFIS public comment forms. These customer responses addressed the size of the proposed increase and the quality of the water. Copies of the customers' emails, faxes, letters and EFIS public comment forms, and the Staff's responses thereto, if any, have been submitted to the case papers by the Staff and can be found in the EFIS case file in item number 13.

By a letter that was stamped received by personnel in the Commission's Data Center on November 21, the Company submitted revised tariff sheets including the agreed-upon tariff revisions that are necessary to implement the terms of the Disposition Agreement. Upon receipt of that tariff filing, Data Center personnel entered it into EFIS, and the instant case was created (the transmittal letter and revised tariff sheets are included in item number 1 in the EFIS case file). As required by the

Small Company Rate Increase Procedure, the subject revised tariff sheets bore an effective date that was more than 45 days past the issue date. As is also required by the Small Company Rate Increase Procedure, the above-referenced Disposition Agreement has been filed in the case papers. (As noted previously, the Staff filed the Disposition Agreement on November 30.)

On December 12, the OPC filed a pleading in this case in this case entitled "Request for Local Public Hearing". In that pleading (item number 7 in the EFIS case file), the OPC stated that "This request is made for the reason that Public Counsel has received numerous letters, emails and telephone calls from Empire District Electric Company of Joplin, Missouri, customers protesting the proposed increase water service rates."

On December 23, the Commission issued its **Order Scheduling Local Public Hearing**, wherein it ordered that a Local Public Hearing would be held on January 11, 2006, at the Aurora City Hall, Aurora, Missouri. Subsequent to that hearing, the Staff has received three additional public comments via email.

On January 6, 2006, the Staff filed its Pre-Local Public Hearing Informational Filing Regarding Small Company Rate Increase Request, with which it included the following documents:

- 1) Summary of Company's Annual Operating Revenues at Current Rates
- 2) Ratemaking Income Statement
- 3) Rate Design Worksheet
- 4) Summary of Company's Annual Operating Revenues at Proposed Rates
- 5) Residential Customer Billing Comparison
- 6) Revenue Requirement Audit Workpapers
- 7) Summary of Customer Responses to Notice of Company/Staff Disposition Agreement
- 8) Copies of Customer Correspondence re: Notice of Company/Staff Disposition Agreement

ADDITIONAL INFORMATION

In addition to the above-noted documents that are in the EFIS tracking file and EFIS case file, the following documents are included with this Memorandum: (1) the additional public comments received by Staff after the Local Public Hearing are included as Attachment A; and (2) the Staff's overview of the Company and its customer service procedures and practices is included in Attachment B.

Pursuant to a review of available electronic information maintained by the Commission's Budget & Fiscal Services Department and Data Center, and in EFIS, the Staff notes that the Company was current on the payment of its Commission assessments and on the filing of its Commission annual reports when it submitted its Request, as is required by the Small Company Rate Case Procedure. The Staff also notes that the Company remains current on those matters as of the writing of this Memorandum. The assessment information reviewed covers fiscal years 2001 through 2006 (the Company is paying its FY2006 assessment on a quarterly basis), and the annual report information reviewed covers calendar years 1997 through 2004.

Additionally, the Staff notes that the Company currently has no other matters pending before the Commission, and that approval of the subject tariff revisions will thus not affect any other matter before the Commission with regard to the Company.

Lastly, the Staff notes that the Company received no "notices of violations" from the Missouri Department of Natural Resources during the test year used for the Request and has also not received any since the end of the test year to date. With further regard to this matter, the Staff notes that on December 5 the Missouri Department of Natural Resources, in compliance with a Commission order issued on December 1, filed its "Statement of Compliance for Empire District Electric Company of Joplin, Missouri" in which it stated the following:

"The Department does not currently have any enforcement or compliance actions against the Empire District Electric Company of Joplin, Missouri. Further, the Department does not consider the water supply to be in significant non-compliance or a threat to public health or the environment at this time."

STAFF'S RECOMMENDATIONS

Based upon the above, the Staff recommends that the Commission issue an order in this case that:

- * Approves the revised tariff sheets that the Company filed on November 21, 2005, to be effective for service rendered on and after February 4, 2006;
- * Approves the Disposition Agreement submitted in this case;
- * Directs the Company to comply with the terms of the Disposition Agreement; and
- * Prescribes the depreciation rates set out on Attachment D to the Disposition Agreement submitted in this case as the depreciation rates authorized for the Company's use.

List of Attachments

- Attachment A: Customer Comments Received after Local Public Hearing
Attachment B: Overview of Company and Customer Service Operations

Memo Attachment A

Customer Comments after
Local Public Hearing

Russo, Jim

From: Ray Benton [rbentonmo@cox.net]
Sent: Saturday, January 14, 2006 11:45 AM
To: Water.Sewer
Cc: mopco@ded.mo.gov
Subject: request QW -2005-0012

Saturday, January 16th, 2006

Commissioners,

We reference you to our attached previous transmittal on Empire's request QW-2005-0012.
We are in receipt of US Postal service written responses.

We regret that we were unable to attend the Public hearing concerning the Empire District Electric Company's proposed 38% increase in Aurora's citizen's water rates!

We could not believe our senses when reading the article concerning this matter in the Aurora Advertiser! The writer of the article, Melissa Briggs, has our respect and also any such support as we may be able to lend to the opposition of this outrageously large water rate increase request. We find it unbelievable that such an increase would seriously be considered and a public hearing to act upon it was attend only by Melissa Briggs, she being about a half our late!

We believe the citizens would more likely attend rate increase request hearings if Utilities supplied each customer a copy of their highest bill from last year and a complementary issue of what the monetary amount of that bill would be under a requested rate increase! Such a gesture/action/proposal is far easier to relate to in terms of added expense to persons who must budget. That, I think, includes the majority in Aurora! I know it includes us!

We request: Please do not approve the excessive rate increase amount of this request!
It seems improbable that maintenance and repairs of our existing Aurora water utility could warrant the requested rate increase.

Such a large increase appears to be an attempt to have the citizens at large pay for new projects or a few developers projects from which the majority receive little or no benefit. Expenses for new and expanded services should be born by those requesting or needing those services.
May I suggest that Empire increase new services fees and rates to cover their expansion and operating costs as required? For the majority remaining on existing services the rate increase should cover only maintenance/repairs and inflationary increases! To do otherwise is not democratic!

Respectfully Submitted,

Raymond and Donna Benton
621 West Elm Street
Aurora MO 65605
Phone: 417-678-7766
E-mail: rbentonmo@cox.net

----- Original Message -----

From: Ray Benton
To: water.sewer@psc.mo.gov
Cc: mopco@ded.mo.gov

1/19/2006

Russo, Jim

From: Melissa Briggs [ayarep@yahoo.com]
Sent: Wednesday, January 11, 2006 7:34 PM
To: Water.Sewer; mopco@ded.mo.gov
Subject: Aurora Meeting

Hi,

I attempted to go to the public hearing in Aurora this evening regarding Empire's proposal to increase our water rates. The meeting was to begin at 6 p.m. Due to my work schedule I could not get there until 6:37 p.m. Upon arrival I discovered that all representatives had already vacated the premises. I realize there may not have been any people in attendance exactly at 6 p.m. however, I hardly find that this excuses representatives from leaving this early.

I am really not happy.

Could I please be advised via e-mail of future hearing regarding this?

Melissa Briggs

Yahoo! Photos

Ring in the New Year with [Photo Calendars](#). Add photos, events, holidays, whatever.

Russo, Jim

From: j d pilkenton [jdpilk@cox.net]
Sent: Saturday, January 14, 2006 12:50 PM
To: Water.Sewer
Subject: Empire District increase in water rates

I am a shareholder of Empire District and I suppose it would be to my advantage for the 38% water hike to go through. However, I think it is entirely too high an increase when so many people are struggling to pay their bills today. We have many low income families in Aurora. Thanks for listening. C Pilkenton

1/19/2006

Sent: Monday, July 25, 2005 9:09 PM
Subject: request QW -2005-0012

Public Service Commission
Attention Water/Sewer Dept.
P.O. Box 360
Jefferson City, MO 65102
Phone: 800-392-4211
Fax: 573-751-1847

Commissioners,

The Empire District Electric Company has requested a 38% annual increase in their water rates! Such a large increase, to us, seems to defy good reasoning! Empire justifies their request in various ways and I am sure they have need of a rate increase. Empire can not continue to provide their fine services if they can not periodically adjust their rates but such a large increase request must surely be disapproved!

While Empire and the public desire a well maintained and up to date first class water system we believe that such a drastic increase in water rates is of the excess and will cause hardships to the majority of Empire's customers. This is especially true for those of us who are fixed rate seniors who can only expect an annual cost of living increase of less than 3%. Most or all of that 3% annual Social Security increase is reclaimed by various Federal rate increases so we end up paying any water rate increase no matter it's size, out of an already stressed budget. Percentage wise Empires increase request is about 12.67% times my wife and my annual Social Security increase. That says a lot!

We find it necessary to have a garden and to put it by in order to make ends meet. We use a lot of water in dry years like this one! Increases in water rates will impact us greatly! We Would like to request, for comparison, a bill using last month's or this month's water usage recalculated under the requested rate increase specifics! This is the only way we can judge the true impact on us! I believe such a comparison should have been included with the letters sent out to all of Empire's customers, in addition to the specifics provided!

I am suggesting that a cost plus basis might be a fair yard stick in determining a reasonable and practical method in determining Empire's annual granted rate increases. The Small Business Steel Fabricating Companies I used to work for were delighted to get jobs on a Cost Plus 3% basis. Those 3% over cost projects were contracted back in the sixties. If you figure inflation is now 5 times what it was back then perhaps a maximum rate increase percentage would be 15%?

Respectfully Submitted,

Raymond and Donna Benton
621 West Elm Street
Aurora MO 65605
Phone: 417-678-7766
E-mail: rbentonmo@cox.net

The following contact information included for my records:
Cc: Office of Public Counsel
Attn: M. Ruth O'Neill
P.O. Box 2230
Jefferson City, MO 65102
Phone: 573-751-4857
Fax: 573-751-5562

1/19/2006

Memo Attachment B

Overview of Company and Customer Service Operations

**EMSD Status Report:
Review of Empire District Electric Water
Customer Service Operations**

Empire District Electric Company (Empire or Company) serves approximately 4,500 water customers in three rural communities southwest of Springfield. The EMSD staff completed a review of the Company's customer service processes, procedures and practices in the fall of 2002.

The Company stated that they have completed action on all four of the EMSD staff recommendations. Below are the specific recommendations and a discussion of the Company's implementation of each.

Determine the appropriate cost to charge for performing service disconnections and reconnections during and after regular business hours.

File a tariff with the PSC to recover the appropriate costs associated with performing service disconnections and reconnections during and after regular business hours.

Changes to the Company's tariff were approved by the PSC in November 2002 that allows Empire to collect a door collection charge of \$15. This charge will be applicable when a customer pays the serviceman at the time of a scheduled disconnection (turn-off) of service to prevent such disconnection.

The Company's tariff also allows for a \$30 reconnection charge (after the Company discontinues service) and a \$25 temporary turn-off charge (at the meter for the customer's convenience).

Determine the appropriate cost to charge for processing returned checks.

File a tariff with the PSC to recover the appropriate costs associated with for processing returned checks.

Changes to the Company's tariff were approved by the PSC in November 2002 that allows Empire to collect a bad check charge of \$20. This charge will be applicable on all checks returned from the bank for insufficient funds.

The EMSD staff believes that each of the changes in the tariff referenced above more accurately reflects Empire's cost to provide these services.