

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

In the Matter of the Revenue Effects Upon)
Small Water and Sewer Utilities of the) File No. AW-2018-0237
Tax Cuts and Jobs Act of 2017)

RESPONSE TO ORDER

COMES NOW the small water utility operated by The Empire District Electric Company (the “Utility”) and, in response to the *Order Opening a Working Proceeding Regarding the Effects Upon Missouri Small Water and Sewer Utilities of the Tax Cuts of 2017 and Directing Response* (“Order Directing Response”) issued herein by the Missouri Public Service Commission (“Commission”) on March 7, 2018, respectfully states as follows:

On March 1, 2018, the Staff of the Commission (“Staff”) filed a motion asking the Commission to open a proceeding to investigate the effect recent federal tax cut legislation will have on the revenues of Missouri’s small water and sewer utilities and asked that the Commission direct the small utilities to respond in fifteen days to certain questions. The questions contained in Staff’s March 1 filing were incorporated into the Commission’s Order Directing Response. Those questions and the Utility’s responses are set forth below.

Question 1: For purposes of payment of income tax, is your company: (a) a C Corporation; (b) a Subchapter S Corporation; (c) a Limited Liability Corporation; (d) a Partnership; or (e) Other?

Utility’s Response:

The Utility is not a standalone entity of any kind. It is a division or department of The Empire District Electric Company, which is a C Corporation.

Question 2: If you know, does your company currently collect income tax expense in customer rates? If so, how much?

Utility’s Response:

Yes, the Utility does collect income tax expense in customer rates. Customer rates are currently based on Water Rate Case WR-2012-0300, which includes a revenue requirement component related to corporate federal income tax expense between 34% - 35%.

Question 3: Have you or your financial advisors or consultants performed any analysis of the likely impact of the Tax Cuts and Jobs Act of 2017 on your cost of service and customer rates? If so, please provide such analysis.

Utility's Response:

The Utility's affiliates participated in the working docket regarding "the effect on Missouri utilities and ratepayers of a tax reform now being enacted by the Congress of the United States," File No. AW-2018-0174, and those affiliates filed a Response to Order in File No. AW-2018-0174 on January 31, 2018. As stated therein, the companies believe cost savings from the Tax Cuts and Jobs Acts of 2017 (the "Act") should, and ultimately will, be passed on to utility customers.

Currently, the Utility's customers are paying the Commission-authorized and legally established rates – no more and no less. In order to effectuate a change (including a reduction) in the Utility's rates for every class and category of water service, there would need to be a rate case or a complaint case. *See* Sections 386.390 and 393.150, RSMo. In either a rate case or a complaint case, the Commission would be required to consider all relevant factors when effectuating a rate change based on the effect of tax reform.

Regarding the Utility's cost of service and customer rates, at this time, it is estimated that the reduction in federal income tax would represent an approximate 3% decrease in the annual revenue requirement. The Utility has the ability to evaluate, quantify, and calculate the impacts of the Act potentially affecting the Utility's cost of service. The Utility looks forward to participating in this new working docket to ensure that the Utility's customers receive the appropriate benefit of cost savings resulting from the Act.

Question 4: Generally speaking, when do you expect your company to seek a change in customer rates from the Commission?

Utility's Response:

The Utility is still in the process of evaluating when it will seek a change in customer rates.

WHEREFORE, The Empire District Electric Company respectfully submits these responses to the Commission's Order Directing Response and requests such relief as is just and proper under the circumstances.

Respectfully submitted,

BRYDON, SWEARENGEN & ENGLAND, P.C.

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CERTIFICATE OF SERVICE

I hereby certify that the above and foregoing document was filed in EFIS on this 22nd day of March, 2018, with notice of the same being sent to all counsel of record.

Diana C. Carter