BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of a Working Case to Address Legislative Concerns Regarding Proposals to Modify Ratemaking Procedures for Electric Utilities.	)))	File No. EW-2013-0425

COMMENTS OF THE EMPIRE DISTRICT ELECTRIC COMPANY

In response to a request from a member of the General Assembly, the Commission opened this proceeding to respond to the questions posed by the member of the General Assembly. In its order initiating this proceeding, the Commission solicited comments from interested stakeholders on a number of specific issues and, more generally, any other information that the Commission would find relevant to this legislation. The Empire District Electric Company ("Empire") appreciates the opportunity to provide responses to the questions posed by the Commission.

Commission Requests for Information

With regard to each of the specific issues that the Commission asked interested stakeholders to address, Empire provides the following comments:

A. The safety, adequacy and reliability of Missouri's current electric infrastructure.

Empire's current infrastructure is safe, adequate and reliable. But Empire's ability to continue to provide that level of service will be enhanced by the ISRS legislation as the facilities approaching the end of their useful life are replaced.

B. Identification of electric infrastructure problems, costs and needs.

Empire is facing significant infrastructure needs. Facilities that were installed in the 1950's and '60's and '70's to serve increases in air conditioning load, heating load and new customers are being replaced now and will continue to be replaced in the future, with no accompanying incremental revenue to offset the cost. Removing the existing regulatory disincentives to making these investments will insure that they can be made in a systematic, orderly and timely manner to the ultimate benefit of customers.

C. <u>Rate impact of the implementation of Senate Bill 207.</u>

The bills currently under consideration allow Empire to recover its costs on a more timely basis from the customers actually benefiting from the investment in electric facilities. Empire worked with the Commission's Staff to assess the impact of this cost recovery methodology on Empire's Missouri revenue requirement. The results of this analysis were provided in a February 25, 2013 letter from former Commission Chairman Kevin Gunn to Senator Mike Kehoe.

D. <u>Electric utilities' financial need for legislation.</u>

Empire's financial need for this legislation is directly related to the financial disincentives built into the current Missouri regulatory model. Under the current regulatory framework, electric utilities, as they invest in infrastructure for the benefit of customers, are denied full cost recovery until new base electric rates are established in a general rate case.

E. <u>Due process and appropriate procedure in respect to the new rate mechanisms proposed by Senate Bill 207.</u>

This question suggests that there are issues that in fact do not exist. Like the existing gas and water ISRS, the proposed electric ISRS and all of the costs associated with it are subject to full Commission review.

F. <u>Other information which the PSC finds relevant to this legislation.</u>

No comment at this time.

G. <u>A comparison of the provisions of Senate Bill 207 and House Bill 398, and the various versions thereof, including the provision of House Committee Substitute for House Bill 398 that allows for a 45-day prefiling requirement to allow additional time for review, and any other differences the commenter deems relevant.</u>

The only versions of the bill that Empire believes are being actively considered by the General Assembly are SB 207 and HB 398. The substantive differences between those bills appear to be as follows:

- As noted, HB 398 includes a 45 day pre-filing notice for projects over $5 million on upcoming ISRS filings; The SB 207 does not.
- HB 398 includes a 12-year sunset on the business expense tracker but no sunset on the ISRS; SB 207 includes a 20-year sunset on both the ISRS and the business expense tracker.
- HB 398 includes a customer charge allocator requirement for customers with a demand of five megawatts or greater; SB 207 does not include this provision.

H. <u>An evaluation of the cost-tracking mechanism contained in the proposed legislation that is not directly related to infrastructure investments.</u>

There is a relatively short list of expenses that are to be tracked, and they are generally related to infrastructure investment. Property taxes vary with investment. Labor and benefits costs can go up or down as a result of infrastructure investment and other economic drivers, depending on whether a new facility is added (requiring incremental maintenance) or an old facility is replaced, which would be expected to lower maintenance costs. In addition, the tracking of uncontrollable Regional Transmission Organization ("RTO") outside transmission costs that are not recovered through a fuel adjustment clause are directly related to the infrastructure investment being made by the various RTO members. Finally, similar cost trackers have been used by this Commission for many years to address specific costs on a case-by-case basis. There have not been significant problems with these existing cost tracking mechanisms, and Empire would not expect problems with the cost tracking proposed in this legislation.

In conclusion, Empire believes that the proposed legislation provides a constructive means to encourage needed investment in infrastructure to the ultimate long-term benefit of customers, utilities and the State of Missouri as a whole. Empire appreciates being afforded the opportunity to provide these comments.

Respectfully submitted,

_______/s/Kelly S. Walters________________________

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