

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

In the Matter of a Working Case to Consider the)
Establishment of a Rate Stabilization Mechanism) File No. AW-2013-0110
To Reduce the Need for Frequent Rate Case Filings)

COMMENTS OF THE EMPIRE DISTRICT ELECTRIC COMPANY

COMES NOW The Empire District Electric Company (“Empire”), by and through counsel, and for its Comments in response to the *Order Opening an Investigation into the Establishment of a Rate Stabilization Mechanism to Reduce the Need for Frequent Rate Case Filings* and the *Order Extending Time to File Comments* issued herein by the Missouri Public Service Commission (“Commission”), respectfully states as follows:

1. Prior to opening this working docket, the Commission requested that certain investor-owned utilities, including Empire, submit testimony in their pending rate cases regarding the advisability of implementing a rate stabilization mechanism as discussed in decisions of the New York Public Service Commission. Thereafter, the Commission relieved the investor-owned utilities of the obligation to file rate stabilization testimony in their pending rate cases, opened this working docket, and directed that any interested utility, organization, person, or other stakeholder could file comments herein regarding proposals to stabilize utility rates.

2. It is Empire’s opinion that the frequency of rate case filings by Missouri investor-owned electric utilities is driven, in large part, by factors outside of the control of the utilities. For example, Empire is faced with numerous environmental mandates that require significant infrastructure investments. Under current regulatory procedures, the costs of these required investments may only be reflected in rates through the rate case process. Empire is also experiencing significant increases in Southwest Power Pool (“SPP”) transmission costs. These escalating transmission costs are the result of the SPP membership expanding the transmission

grid to accommodate additional renewable resources and make the transmission system more efficient. These new transmission investments result in increases in SPP fees – fees which are approved by the Federal Energy Regulatory Commission (“FERC”). Under current regulatory procedures, these increasing SPP fees may only be reflected in rates through the rate case process. A rate case processing period of up to eleven months, combined with the use of an historical test year, is another factor driving the frequency of rate case filings in Missouri.

3. Empire welcomes a discussion between the Commission and its interested stakeholders regarding possible mechanisms to minimize the frequency of rate case filings by Missouri’s investor-owned utilities, but Empire submits that the number of rate case filings likely cannot be reduced without the implementation of regulatory reforms to more accurately match the rates charged to the customers with the actual costs incurred by the utilities to provide service to its customers and to allow for the more timely implementation of revised rate schedules.

4. It is Empire’s opinion that the more accurate and more timely matching of rates with costs is the best tool available to the Commission to reduce the frequency of rate case filings. In this regard, Empire suggests that the Commission consider reducing the initial suspension period for tariffs, allowing for the implementation of “interim” tariffs with refund protections, the use of construction accounting for required capital expenditures between rate cases, and/or the more frequent use of cost trackers. Additionally, a legislative change to extend the use of Infrastructure Replacement Surcharges (ISRS) to electric utilities may reduce the need for frequent electric rate case filings.

WHEREFORE, Empire respectfully submits these initial comments for the Commission’s consideration. Empire requests such relief as is just and proper under the circumstances.

Respectfully submitted,

/s/ Diana C. Carter

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ATTORNEYS FOR THE EMPIRE
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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic transmission to all counsel of record on this 29th day of November, 2012.

/s/ Diana C. Carter