

## **Settlement cuts Empire rate increase by 46%**

TOPEKA, Kansas; May 13, 2010 — On May 12, 2010, representatives of Empire District Electric Company, the Staff of the Kansas Corporation Commission and the Citizens' Utility Ratepayer Board (CURB) argued their case for a settlement agreement that, if approved by the KCC, will cut Empire's requested base rate increase by 46%.

Empire had originally requested an increase to base rates of \$5.2 million—an increase of 40%. The settlement will allow Empire to raise rates by \$2.79 million, which is an increase of about 21%. Additionally, Empire will be allowed to defer operation and maintenance costs it incurs during the pre-operational phase of two new coal plants under construction that are slated to begin generating by the end of the year. The costs of consumables that are used in environmental equipment will be removed from base rates and recovered instead through the energy charge adjustment.

With the deferred costs, the actual increase will be higher, but will be recovered over several years, and won't be placed into rates until Empire files a follow-up rate case after the plants are in service, which is anticipated to be within the next year to eighteen months. Additionally, the parties anticipate that the KCC will order a complete overhaul of the company's rate design in the next case to encourage conservation and energy-efficiency by redesigning rates to allocate the high costs of meeting demand to the customers who contribute most to those costs.

For now, more modest changes were made to Empire's rate schedules. Customer charges were increased by \$3.00 for residential customers. Residential non-heating customers who keep their consumption under 1500 kWh a month will see smaller increases, and the discount for consumers who heat with electricity has been scaled back. Small commercial customers will see their customer charges rise by \$5.00, but per kWh rates will rise slightly less than 20%, depending on volumes used.

CURB Consumer Counsel David Springe said he was pleased with the settlement. "We all felt pressure to cut as much as we could out of this increase because of the depressed economy in southeast Kansas. Empire's customers were facing a 40% increase. To be able to come to an agreement that cut the increase almost in half was an unexpected relief. The parties worked very hard to make an agreement that we could all live with," he said.

This settlement marks the first time in years—perhaps ever—that CURB was able to reach a settlement with a utility on the revenue requirement that was actually lower than CURB's recommendation. "The concessions we had to make to reach settlement with the company actually result in Empire receiving more than the revenue requirement numbers indicate, but we still believe that being able to defer some of the increase until the next rate case will help Empire's customers adjust to the higher rates," said Springe.

The Commission must make its decision on whether to approve the settlement by July 2, 2010.