



Frisco Line News

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City of Monett Intervenes in Empire Wholesale Rate Case

The City of Monett buys its electricity from Empire District Electric (EDE) and serves approximately 4,400 meters in Monett. This energy has been supplied under a 20-year, full-requirements contract meaning that Empire was obligated to serve all of the City's electricity demand at an agreed price, and the City didn't have to pay for any electricity it didn't take. Empire has similar agreements with three other cities--Mt. Vernon, Lockwood, and Cheytopa, KS. Since Empire provides these wholesale services to the cities and the cities then re-sell this energy to their residents, the contracts fall under the authority of the Federal Energy Regulatory Commission (FERC) in Washington, D.C., instead of the Missouri Public Service Commission.

Empire had delayed offering terms for a new contract to the cities because they were preparing a new rate schedule for their wholesale customers. This new rate schedule, referred to as a tariff, would need to be reviewed and approved by FERC. Monett and the other cities continued to receive service from Empire under the terms of the old tariff until a new tariff could be filed. On March 12, 2010, Empire filed a proposed new wholesale electric service rate for the Missouri cities and required a minimum term of 10

years. It's important to note that the new rates would change each year based on Empire's cost to provide service.

On May 28, 2010, Empire filed notice with FERC that on July 31st it would be terminating the service agreements under the old tariff and implementing a new cost-based tariff effective August 1, 2010. The cities based in Missouri (Monett, Mt. Vernon, Lockwood) combined their resources and, through the Missouri Public Utility Alliance, filed an intervention in the rate case that sought to postpone the implementation of these new rates until FERC could hear our arguments in opposition to them. Our position was that it was unreasonable for Empire to require the cities to commit to service agreements for 10 years when the terms and rates had not yet been established. The cities also believed that the 60-day termination notice did not offer adequate time for the cities to obtain service from an alternative supplier.

On July 28, 2010, FERC issued an order permitting Empire to implement the new tariff on August 1st but make it subject to refund if FERC later approves a reduced tariff. At this point, the Missouri cities have identified a number of potential problems with the service agreements

Empire has filed with FERC and would like to have these resolved prior to the new tariff being charged to our customers.

However, since Empire has elected to implement the new tariff prior to final approval from FERC, this month's utility bill to our customers reflects these new charges. Rather than increase our electric rates to adjust to the new tariff with the possibility of having to adjust the rates again when a final FERC order is issued, we have chosen to adjust the rates on a month-by-month basis using the fuel adjustment line on your bill. If the final judgment reduces Empire's tariff, we will refund the judgment amount back to our customers. The bill you are now receiving is for power consumed primarily during the month of August. For the month of August, the fuel adjustment under the previous wholesale tariff was 2.1614¢ per kilowatt hour. The additional cost of wholesale power based on the new tariff, and subject to refund, is 0.3837¢ per kwh. Adding those two components together results in a charge of 2.5451¢ per kwh, and the total additional charge is shown on Line 12 of your utility bill.

What options are available to the cities that purchase power from Empire? We have reviewed alternative sources for our wholesale power supply, and one option would be to join a large pool of

JAMES ORR, MAYOR

JERRY DIERKER
COMMISSIONER

MIKE BROWNSBERGER
COMMISSIONER

DENNIS PYLE
CITY ADMINISTRATOR

City Administrator
235-3355

City Clerk
235-3763

Street/Sanitation
235-3495

Golf Course
235-6076

Utilities Dept
235-3300

Municipal Airport
476-5112

Police
Non-emergency
235-4241

Municipal Court
235-4677

Building

Fire Non-
emergency
235-7799

Casino
Reservations
235-3763

Cemetery
235-3495

Waste Treatment Plant
235-7455

Human Resources
235-3763

JAMES ORR, MAYOR

JERRY DIERKER
COMMISSIONER

MIKE BROWNSBERGER
COMMISSIONER

DENNIS PYLE
CITY ADMINISTRATOR

217 5th Street
PO Box 110
Monett, MO 65708

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www.cityofmonett.com




City of Monett

other Missouri cities that jointly purchase their power. A new contract with Empire would likely be for a period of 10 years. If we were to join the Missouri cities purchasing pool, it would be a long-term commitment (30 to 40 years) due to their ownership position in several coal-fired generating plants. The advantage of this option is the expectation of stable long-term electric rates.

Another option available to the cities would be the possibility of entering into short-term energy contracts, but the exposure of our customers to the risk of the energy markets and the likelihood of greater rate volatility are primary concerns. The cost of wholesale energy fluctuates each hour of every day, and the cost of energy can change significantly over a short period. We've seen this scenario occur with other cities that have chosen to employ a short-term energy contract strategy, and it has had mixed results. One city experienced a 38% increase in rates in one year with the start of a new contract.

The three most feasible options available to the City appear to be:

Continue our intervention in the Empire rate case with FERC in hopes of gaining a more equitable, cost-based formula that will lessen the impact of rate increases on our customers;

Join the power purchasing pool of Missouri cities that could lead to more stable, long-term rates but be bound to 30-year to 40-year purchased power agreements or partial ownership of coal-fired generating plants. This strategy would expose us to longer-term, regulatory risks related to carbon emission standards for coal-based energy.

Negotiate short-term contracts on a one-year to three-year basis and take advantage of a current favorable market but expose our customers to more short-term risk and rate volatility with each new contract.

Monett is a municipal utility and our stockholders are the citizens of Monett. Our objective is to continue working towards an equitable resolution with Empire that protects our customers while exploring other options in the energy markets.

If you have questions about these issues, please feel free to contact us at 235-3300. If you have comments you'd like to share with your elected officials, we'd like to hear from you. You may contact the Mayor and City Commissioners at 235-3763 or 235-3355.

VISION 2030 — DOWNTOWN REVITALIZATION

The Monett Downtown Betterment Group, Monett Chamber of Commerce, and the City of Monett have combined their resources and formed the Monett Main Street Committee. The group's focus is on downtown revitalization using the community's Vision 2030 Plan as a guideline. The Vision 2030 Plan can be read on the City's website at www.cityofmonett.com.

The Main Street Committee has hired a Downtown Coordinator, D.J. Miller, who has scheduled a meeting of the Vision 2030 working groups for 5:45 p.m., Thursday, September 23rd, at the Monett Chamber office.

Anyone interested in Monett community betterment and the future of downtown is invited to attend and get involved in this exciting effort.