

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Hearing

June 29, 2016

Jefferson City, Missouri  
Volume 7

In the Matter of The )  
Empire District Electric )  
Company for Authority to )  
File Tariffs Increasing ) Case No. ER-2016-0023  
Rates for Electric Service )  
Provided to Customers in )  
The Company's Missouri )  
Service Area )

KIM S. BURTON, Presiding,  
REGULATORY LAW JUDGE.

DANIEL Y HALL, Chairman  
STEPHEN M. STOLL,  
WILLIAM P. KENNEY,  
SCOTT T. RUPP,  
COMMISSIONERS.

REPORTED BY:

KELLENE K. FEDDERSEN, CSR, RPR, CCR NO. 838  
MIDWEST LITIGATION SERVICES

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APPEARANCES:

DIANA C. CARTER, Attorney at Law  
Brydon, Swearngen & England, P.C.  
312 East Capitol  
P.O. Box 456  
Jefferson City, MO 65102-0456  
(573)635-7166  
paulb@brydonlaw.com  
rmitten@brydonlaw.com

FOR: The Empire District Electric  
Company.

STUART CONRAD, Attorney at Law  
3100 Broadway  
1209 Penntower Officer Center  
Kansas City, MO 64111  
(816)753-1122  
stucon@swclaw.net

FOR: Midwest Energy Users  
Association.

DAVID WOODSMALL, Attorney at Law  
Woodsmall Law Office  
807 Winston Court  
Jefferson City, MO 65101  
(573)797-0005  
david.woodsmall@woodsmallllaw.com

FOR: MEEG.

MARC ELLINGER, Attorney at Law  
Blitz, Bardgett & Deutsch  
308 East High Street, Suite 301  
Jefferson City, MO 65101-3237  
(573)634-2500  
Sbell@bbdlc.com

FOR: City of Joplin.

ALEXANDER ANTAL, Attorney At Law  
Missouri Division of Energy  
P.O. Box 1157  
Jefferson City, MO 65102

FOR: Division of Energy

1 CYDNEY MAYFIELD, Deputy Public Counsel  
Office of the Public Counsel  
2 P.O. Box 2230  
200 Madison Street, Suite 650  
3 Jefferson City, MO 65102-2230  
(573)751-4857  
4

FOR: Office of the Public Counsel  
and the Public.

6 KEVIN A. THOMPSON, Chief Staff Counsel  
JAMIE MYERS, Legal Counsel  
7 Missouri Public Service Commission  
P.O. Box 360  
8 200 Madison Street  
Jefferson City, MO 65102  
9 (573)751-3234

FOR: Staff of the Missouri Public  
Service Commission.

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1 PROCEEDINGS

2 (WHEREUPON, the on-the-record  
3 presentation began at 9:18 a.m.)

4 JUDGE BURTON: Let's go on the record  
5 in the matter of the Empire District Electric  
6 Company's request for authority to implement a  
7 general rate increase for electric service. This  
8 is File No. ER-2016-0023. I believe we already  
9 have all the parties' appearances on record at this  
10 time.

11 The Commission has set this date, and  
12 it is currently 9:18 on June 29th, 2016, for an  
13 on-the-record presentation by the parties on the  
14 proposed Stipulation & Agreement, and I believe,  
15 with the joinder by MEUA, this is a Unanimous  
16 Stipulation & Agreement that has been submitted by  
17 the parties; is that correct?

18 Now, I believe that the parties have  
19 indicated that their counsels will be available to  
20 answer any questions from the Commission, and that  
21 if the Commissioners should request a specific  
22 attorney appear and answer questions or present a  
23 specific issue, that they'd be happy to do so.

24 So at this time I will turn it over  
25 to the Chairman and see if he has any questions.

1 CHAIRMAN HALL: Are there any opening  
2 remarks?

3 MR. ELLINGER: No.

4 CHAIRMAN HALL: Good morning. Let me  
5 start with a couple of questions, and I guess -- I  
6 guess I'll direct these at you, Mr. Thompson, and  
7 others can --

8 (Laughter.)

9 MR. WOODSMALL: We previously agreed  
10 that all questions go to Kevin.

11 CHAIRMAN HALL: Okay. Page 3 of the  
12 stipulation concerning rate case expense, noting  
13 that the parties agreed to the same mechanism that  
14 was used in 2014-0370, recovery of rate case --  
15 linking the recovery of rate case expense to the  
16 percentage of its rate increase request found or  
17 agreed to be just and reasonable.

18 So the amount that the parties agreed  
19 to as a revenue requirement increase was 20,000 --  
20 excuse me -- 20.39 million; is that correct?

21 MR. THOMPSON: That is correct.

22 CHAIRMAN HALL: Okay. What was the  
23 initial request?

24 MR. THOMPSON: I don't have that with  
25 me, sir.

1 MR. WOODSMALL: I believe it was  
2 32.3.

3 CHAIRMAN HALL: 32.3?

4 MR. WOODSMALL: So it's about  
5 67 percent, two-thirds of the initial request.

6 CHAIRMAN HALL: Okay. And I find  
7 that quite reasonable.

8 Okay. Moving down to page 3 --  
9 moving down on page 3 concerning discontinued  
10 trackers, the vegetation/infrastructure tracker,  
11 could you or someone explain, going forward, what  
12 will be the amount in rates to cover that  
13 particular line item expense?

14 MR. THOMPSON: Well, the settlement  
15 stipulates to a particular amount of revenue  
16 requirement, and within that amount of revenue  
17 requirement there was not a particular amount  
18 designated as vegetation or infrastructure.

19 COMMISSIONER KENNEY: Don't you have  
20 on page 3 of your stip and it says \$436,481 shall  
21 be amortized annually over a period of five years?

22 MR. THOMPSON: That's going to be  
23 amortized out of the balance of the tracker that's  
24 being discontinued.

25 COMMISSIONER KENNEY: Because that's

1 not going -- okay.

2 MR. THOMPSON: That's different from  
3 whatever amount might be available to pay ongoing  
4 expenses in that area.

5 MR. WOODSMALL: The vegetation  
6 management tracker was discontinued in the last  
7 case, but there was still a balance that was  
8 tracked that needed to be recovered. The  
9 unamortized amount of that tracker is now  
10 2.18 million and will be amortized over an  
11 additional five years. So the tracker was  
12 discontinued last case, and this is just kind of a  
13 catchup.

14 CHAIRMAN HALL: So is that on top of  
15 the revenue requirement?

16 MR. WOODSMALL: There is an amount in  
17 the revenue requirement, not a specified amount,  
18 for vegetation management as well as all other  
19 expenses, and this is an amount from previous  
20 periods that's over and above that.

21 MS. CARTER: These numbers do not  
22 increase the revenue requirement, if that was the  
23 question.

24 CHAIRMAN HALL: Moving to page 5, the  
25 disclaimer language that's related to the solar

1 rebates, who was advocating for this disclaimer?

2 MS. MAYFIELD: Chairman Hall, that  
3 would be Office of Public Counsel.

4 CHAIRMAN HALL: Why was OPC  
5 advocating for that disclaimer?

6 MS. MAYFIELD: That was proposed by  
7 Dr. Geoff Marke. He is in the room if you have a  
8 specific question about it. But I believe there  
9 are other jurisdictions in the United States that  
10 have this particular disclaimer. So it puts  
11 individuals who have these PV systems on notice  
12 that even though there was a fixed investment up  
13 front and this is the way this investment is  
14 currently treated, that future rate cases and  
15 changes may impact the overall cost of that PV  
16 system.

17 CHAIRMAN HALL: Do you know whether  
18 or not that disclaimer or language similar to this  
19 disclaimer is included in tariffs for any other  
20 utility?

21 DR. MARKE: Chairman Hall, we  
22 borrowed the language from Arizona.

23 CHAIRMAN HALL: I meant in Missouri.

24 DR. MARKE: No.

25 CHAIRMAN HALL: Is there any concern



1 that this language might disincentivize potential  
2 ratepayers from attempting to utilize such a  
3 system?

4 MS. MAYFIELD: To my knowledge, I  
5 don't believe that is the case. I think we -- the  
6 intention behind the notice is to just put them on  
7 notice that --

8 CHAIRMAN HALL: I know that's the  
9 intention, but I'm just wondering if that might  
10 serve to dis-- I guess I might look at the Division  
11 of Energy for whether they believe that that could  
12 disincentivize a ratepayer from putting in such a  
13 system.

14 MR. ANTAL: I think theoretically it  
15 possibly could. I don't have any analytical data  
16 to show that such notices have. In the grand  
17 scheme of things, this is something that we could  
18 live with.

19 CHAIRMAN HALL: This is a general  
20 question, and it may illustrate some ignorance on  
21 my part, but I don't remember as much MEEIA issues  
22 in other rate cases, and I'm wondering why in this  
23 rate case we're setting forth what the MEEIA  
24 programs are to be, costs, how to be treated,  
25 et cetera, and why this is different than other

1 rate cases.

2 MS. CARTER: Empire does not have a  
3 MEEIA program in place.

4 CHAIRMAN HALL: So this is in lieu of  
5 having a separate MEEIA program?

6 MS. CARTER: Yes. These aren't  
7 actually MEEIA programs. They're DSM programs.

8 CHAIRMAN HALL: Got you. That makes  
9 complete sense. Okay. So turning to page 7,  
10 paragraph F of 13, all the parties here agree that  
11 all these programs will have a term of not less  
12 than two years so they can't be discontinued  
13 unilaterally by the utility, unlike other utilities  
14 within the MEEIA programs, correct?

15 MR. THOMPSON: Yes, sir.

16 MS. CARTER: Correct.

17 CHAIRMAN HALL: That makes sense.  
18 Okay. Turning to the FAC on page 8 and 9. I'm  
19 wondering how -- how this FAC treats transmission  
20 compared to Ameren and KCP&L.

21 MR. WOODSMALL: It's the same  
22 mechanism. It's the same mechanism in that it  
23 looks at the percent of transmission used for  
24 off-system sales versus native load. The  
25 percentages are different, but it's the same

1 formula.

2 CHAIRMAN HALL: Where does it say  
3 that? How is that to be extrapolated from?

4 MR. WOODSMALL: Well, it --

5 MS. CARTER: It's the top of page 9.

6 MR. WOODSMALL: Right. The sentence  
7 going from the bottom of page 8 to the top of  
8 page 9 talks about the percentage of the MISO  
9 transmission versus the SPP transmission costs.

10 CHAIRMAN HALL: And so those  
11 particular percentages, 50 and 34, correlate to the  
12 same formula that we used in Ameren and KCP&L?

13 MR. WOODSMALL: Correct.

14 CHAIRMAN HALL: So we are going to  
15 allow transmission costs to flow through the FAC if  
16 they are purchased power to serve native load and  
17 true off-system sales; is that correct?

18 MS. CARTER: That is the intent.

19 MR. WOODSMALL: The percentages are  
20 the same as in the last case because the numbers  
21 haven't changed much, but it is the same formula.

22 CHAIRMAN HALL: Turning to rate  
23 design, there's two provisions here that I'm  
24 wondering how they are to be reconciled. One says  
25 for the LP class, the volumetric energy charges

1 shall not be increased as part of this case. And  
2 then a couple of paragraphs later on page 10 it  
3 says, after these adjustments, including setting  
4 the residential customer charge, all remaining  
5 rates within each class shall be increased by the  
6 same percentage. How are those -- how are those  
7 reconciled?

8 MR. WOODSMALL: I can see a little  
9 bit of confusion, discrepancy there. I can tell  
10 you the way that it has been handled within the  
11 tariffs, if you look at the tariffs that were filed  
12 yesterday -- or was that Monday? Anyway, the  
13 tariffs that were filed for the LP class, the  
14 energy charges remain the same, and the entirety of  
15 the rate increase is on the other components.

16 CHAIRMAN HALL: And I've not reviewed  
17 those tariffs, but I assume that those tariffs  
18 would show and this agreement contemplates  
19 declining block rates in the -- in the winter  
20 season for residential; is that correct?

21 MR. WOODSMALL: I don't know what the  
22 numbers are, but it maintains the current rate  
23 design and says that the parties will study it.

24 CHAIRMAN HALL: Which is?

25 MS. CARTER: It maintains the same

1 one step down that we discussed last time we were  
2 before you, 2 to 3 cents.

3 CHAIRMAN HALL: Okay. But the  
4 parties have agreed for the next rate case to study  
5 the issue and develop an analysis regarding  
6 responsible energy use as related to residential  
7 block rates? I assume that's what the parties are  
8 focused on there. So there's at least an  
9 acknowledgement by the parties to consider some  
10 kind of level or possible declining block rates in  
11 order to promote conservation. Is that how --

12 MR. THOMPSON: Yes, sir.

13 MS. MAYFIELD: Correct.

14 MR. ANTAL: That's our understanding.

15 CHAIRMAN HALL: Good. One more thing  
16 I like. Okay. I do have another question about on  
17 page 7, paragraph 13H, it says, If the Commission  
18 orders a low-income rate pilot program in this  
19 case, the cost of the program will receive  
20 regulatory asset rate case treatment as specified  
21 in paragraph 15.

22 To me, that looks like -- well, it's  
23 an agreement by the parties as to how to fund a  
24 program if the Commission so orders one, correct?

25 MR. THOMPSON: Yes, sir.

1                   CHAIRMAN HALL: Is it realistic --  
2 and maybe I need to -- I'll start with Mr. Thompson  
3 and then go to Ms. Carter and go from there. But  
4 is it possible that, should the Commission order a  
5 low-income rate pilot program, that the parties  
6 could put one together in time for us to approve it  
7 when we approve the stipulation?

8                   MR. THOMPSON: I believe the parties  
9 probably could.

10                  MS. CARTER: I think it would be hard  
11 to get it ready in time to approve this stip. We  
12 were discussing before we went on the record,  
13 because if you don't approve this stip, then we  
14 have to have a hearing. But I think we could put  
15 something together before you need to approve the  
16 tariffs.

17                  If you could approve the stipulation  
18 and direct us to create a low-income pilot tariff  
19 program, we then would have time before compliance  
20 tariffs would need to be approved.

21                  CHAIRMAN HALL: Judge, does that make  
22 sense?

23                  JUDGE BURTON: Yes.

24                  MR. WOODSMALL: The only thing I'd  
25 add is, as far as doing a low-income pilot, I think

1 that can be done. As you heard in the last  
2 hearing, the problem is, would it be an efficient  
3 low-income pilot? That's the problem we have is  
4 how to structure it so that it's efficient, so that  
5 it meets whatever goals it's designed to do.

6 Empire was saying the last hearing  
7 that we previously had a low-income pilot and it  
8 was terminated because it wasn't efficient. And I  
9 don't know how you measure efficiencies. But the  
10 problem is structuring one to meet whatever goals,  
11 policies you may set forth.

12 CHAIRMAN HALL: Well, if the -- if  
13 the goal is affordability, which I -- I mean, I  
14 think that is the overall goal of a low-income  
15 tariff. If that's the goal and we let the parties  
16 try to work one out, then we see if it works and  
17 that's the definition of a pilot.

18 I mean, speaking for myself, I would  
19 not want to require a low-income pilot if the  
20 parties could not agree to one.

21 MR. WOODSMALL: At this point we  
22 haven't agreed to one, just because we are  
23 uncertain -- I can't say just because, but I think  
24 in part because we are uncertain as to what the  
25 Commission wants policy-wise with a low-income

1 program. There was talk, I believe Dr. Marke was  
2 talking in the last case, and it might have been  
3 Empire was talking in the last case that there were  
4 problems when people exited the low-income pilot  
5 being less able to pay their bills.

6 So, I mean, what are we trying to  
7 accomplish here? If we're trying to accomplish  
8 just throwing money at it and make rates more  
9 affordable for some people, that's easy to do. If  
10 we're trying to accomplish more help them through a  
11 rough time, make them better able going forward to  
12 pay these rates, that takes something more.

13 CHAIRMAN HALL: Yeah. It's the  
14 first. It's not the second from my perspective. I  
15 don't know -- I don't think it's possible to  
16 formulate one that accomplishes your second goal  
17 there.

18 MR. WOODSMALL: And I don't have any  
19 thoughts on that either. I don't know.

20 CHAIRMAN HALL: Well, we don't need  
21 to resolve the issue here if the -- if the  
22 Commission were to decide to ask the parties to put  
23 one together, then we could see what comes out of  
24 that and then make a decision.

25 MR. WOODSMALL: When you say see what



1 comes out of that, that's a problem. What are we  
2 trying to measure? If the goal is solely  
3 affordability, why measure anything? I mean, by  
4 its very nature, you give someone money, you're  
5 making it easier for them to pay their bills. When  
6 you say see what comes out of that, what do you  
7 want us to measure?

8 CHAIRMAN HALL: Similar to what we  
9 ordered in the Missouri American case, I think we  
10 would be looking to see how many -- how many  
11 ratepayers participated, what the cost of the  
12 program was, what the impact was on bad debt, and  
13 then also an understanding -- well, and then also  
14 looking at how many people had their service cut  
15 off, what the costs were related to that. I mean,  
16 think there's a whole host of things that we could  
17 learn from it that would be a value.

18 COMMISSIONER KENNEY: Mr. Chairman,  
19 can I --

20 CHAIRMAN HALL: Absolutely.

21 COMMISSIONER KENNEY: We discussed  
22 this earlier, the questions that the Chairman just  
23 had. Didn't Empire say that they -- that their  
24 findings when they did their pilot program, that  
25 when those that were on the program got back off

1 the program, that their bad debt situations  
2 increased? I mean, you had more -- so the  
3 determination was there was no cause and effect.

4 MS. CARTER: It was say you take a  
5 person here, their situation in terms of paying  
6 their bills improves while they're on the program,  
7 but then after the program, they drop to below  
8 their starting point on ability to pay.

9 COMMISSIONER KENNEY: There was no --

10 MR. WOODSMALL: There's no going-  
11 forward benefit for the other ratepayers.

12 COMMISSIONER KENNEY: Just used the  
13 money somewhere else. So when the money wasn't  
14 there, they'd gotten established in using that  
15 money elsewhere, so they didn't pay their bills?

16 MS. CARTER: From Empire's  
17 standpoint, I would say what we would be looking  
18 for, since there wasn't consensus, and we spent a  
19 lot of time trying for consensus on this issue so  
20 we could put something forward. All the parties  
21 worked very hard to find that, and we didn't reach  
22 it. What we would be looking for from the  
23 Commission is an order, a directive to do and  
24 possibly a certain amount of money, and then  
25 possibly put it to us to design how it works within

1 those directives. If you were to give us, you have  
2 to do this with this dollar amount, then I think  
3 the parties could work together on how to design  
4 that.

5 COMMISSIONER KENNEY: Dr. Marke, was  
6 it your testimony that we shouldn't jump into  
7 something like this? I can't recall what you had  
8 talked about. I know in past cases you had some  
9 testimony.

10 DR. MARKE: Yes, Commissioner, that  
11 was my general sentiment. If I may, we have been  
12 in discussions based off of the feedback that we  
13 received from the last on-the-record from  
14 Commissioner Rupp about the low-income on-bill  
15 financing program. We're actually set to meet as a  
16 collaborative on July 5th to discuss that program  
17 going forward. And we received interest from the  
18 Federal Government as well, the Federal Department  
19 of Energy, as far as possible assistance in that.

20 So I would offer that there is being  
21 -- there is work being done on our side  
22 collectively to at least address part of the  
23 low-income.

24 MS. CARTER: And that's in our DSM  
25 section, that's one of the new pro-- possible new

1 programs to begin on January 1st.

2 COMMISSIONER RUPP: So what I'm  
3 hearing is you can't come to an agreement, you want  
4 an order from us that says go do this and this is  
5 what it should look like or here's the parameters,  
6 and then you think you can come to an agreement or  
7 we tell you, here's what it should look like, go do  
8 it?

9 MS. CARTER: If the Commission wants  
10 us to do something beyond what we've already agreed  
11 to do, which is what Dr. Marke was explaining that  
12 we already have put in place in response to our  
13 last time appearing before you. To try and have  
14 the time to work it out, that's how we have it  
15 structured on the new DSM programs is to give us  
16 until January 1st, 2017 to craft the new programs  
17 so we don't have to come back in for another case.

18 COMMISSIONER RUPP: So can you just  
19 give me a shorter answer here? Are you going to  
20 come up with a program?

21 MS. CARTER: That is the goal.

22 COMMISSIONER RUPP: That's a nice  
23 goal, but the way I read the stip, it says if the  
24 Commission, and then your comments earlier were  
25 that we cannot come up with an agreement and we're

1 looking for you to tell us to do this.

2 MS. CARTER: Two separate parts. We  
3 responded to your particular questions last time we  
4 were before you with regard to the PAYS program,  
5 and so that is already in the works. And assuming  
6 it works for Empire, and that's why we're having  
7 the meetings, and works for everyone else, then  
8 that would be put in place on January 1st, 2017.  
9 That is not a straight low-income pilot program.

10 If the Commission is also wanting  
11 more like what happened in Missouri American Water  
12 Company's case where it's more just a straight  
13 discount for people who qualify for that based on  
14 income, that is something we would need you to  
15 order the parties to do.

16 COMMISSIONER RUPP: So in the absence  
17 of us issuing an order ordering you to do PAYS, are  
18 you going to do something of that nature if it  
19 actually works for everyone?

20 MS. VUYLSTEKE: Yes.

21 COMMISSIONER RUPP: So you will be  
22 doing something of that nature?

23 MS. CARTER: It is already in motion  
24 to see what exactly will work for Empire and  
25 Empire's customers.

1                   COMMISSIONER RUPP: And you're  
2 confident that you can get an agreement on that  
3 program to move forward?

4                   MS. CARTER: Yes. We already have  
5 that agreement.

6                   CHAIRMAN HALL: Commissioner Stoll?

7                   COMMISSIONER STOLL: Not on this  
8 issue specifically.

9                   CHAIRMAN HALL: If we were to  
10 instruct the parties to put together a low-income  
11 pilot, what is a dollar amount that the company  
12 believes is reasonable?

13                  MS. CARTER: I do not have that. The  
14 company did not give me a number that they thought  
15 was reasonable in order for me to answer that  
16 question right now. That is something certainly we  
17 could look into and I could do some sort of  
18 pleading to answer that.

19                  CHAIRMAN HALL: Why do you believe  
20 that it's necessary for us, for the Commission to  
21 set that dollar amount? Why couldn't that dollar  
22 amount also be subject to the negotiation of the  
23 parties?

24                  MS. CARTER: We certainly could do  
25 that. Just based on the discussions we had,

1 agreement wasn't reached. Different interests from  
2 different parties, and it seemed like this was  
3 something that was going to need to come from the  
4 Commission.

5 CHAIRMAN HALL: Is there any -- does  
6 any lawyer in the room believe that if the  
7 Commission were to order the parties to put  
8 together a low-income tariff, that that is in any  
9 way inconsistent with the stipulation, the  
10 agreement amongst all the parties set forth in this  
11 agreement?

12 MR. WOODSMALL: I wouldn't say it's  
13 inconsistent. If the Commission came out and said  
14 we want a low-income program that costs  
15 \$20 million, we might have some pushback then, but  
16 reasonable numbers, I don't think it would be  
17 inconsistent.

18 I know your next question's going to  
19 be, well, what is a reasonable number? I don't  
20 know. I'll know it when I see it. But I think if  
21 it's consistent in magnitude with what was done in  
22 previous cases, which we agreed to, I think it  
23 would be consistent with the spirit of this  
24 stipulation.

25 MR. ELLINGER: Unless there was some

1 provision in the low-income program would violate  
2 some other provision in the stipulation, such as  
3 maybe it would have an impact upon weatherization,  
4 on energy efficiency, things of that type, because  
5 those programs can inherently have a negative  
6 impact on some of those provisions.

7 COMMISSIONER KENNEY: When we ordered  
8 that in the Ameren case, I think the testimony was  
9 based off of LIHEAP, and I think they said they had  
10 about 17,000 individuals encompassing their entire  
11 service territory. And I know we set it up, for  
12 instance, to come up with a certain area.

13 Now, does Empire have an idea of, in  
14 some of your communities that have a higher  
15 percentage of LIHEAP individuals, what that might  
16 be numbers in certain areas?

17 MS. CARTER: Empire is a little  
18 different than Missouri American Water Company  
19 because Empire doesn't have so many different  
20 service areas. It would be a little harder to pick  
21 out a particular community, unless you went with,  
22 for example, Reed Spring or Joplin. It would  
23 probably be more of their customers involved. They  
24 do LIHEAP obviously, and I think the last time we  
25 were here Division of Energy had those numbers



1 perhaps.

2 MR. ANTAL: So the poverty rates for  
3 the counties that Empire serves are in the  
4 testimony of DE witness Sharlet Kroll, the average  
5 for those counties is just over 19 percent, which  
6 is higher than the state average, which is 15.4, I  
7 believe, maybe 15.5.

8 COMMISSIONER STOLL: I just have a  
9 couple questions. First of all, on page 7D on the  
10 PAYS program, is legislation needed in Missouri for  
11 this to go forward or has that legislation already  
12 been passed? Is there some -- is legislation  
13 needed to adopt a PAYS program? If I had thought  
14 of this earlier, I would have looked it up. Does  
15 anybody know? Maybe not. I mean --

16 MR. WOODSMALL: I don't think so.

17 COMMISSIONER STOLL: You don't think  
18 so?

19 MR. WOODSMALL: Especially if the  
20 parties all agree to it in this case. I don't  
21 think it's necessary.

22 COMMISSIONER STOLL: Okay. Because I  
23 recall we had a -- our Mid America Regulatory  
24 meeting a couple weeks ago in Bismarck, and there  
25 was a presentation made about the PAYS program, and

1 I -- I recall that there were certain states that  
2 had authorized, maybe set up this program, but I --  
3 it was just general question and I'll look it up  
4 myself and see if it is required. So to your  
5 knowledge, Commissioner Kenney, are you aware of  
6 that?

7 COMMISSIONER KENNEY: I'm aware. I'm  
8 trying to think about what was in my packet of  
9 information that I put together.

10 MR. WOODSMALL: I'm 99 percent  
11 certain there is no legislation that deals with  
12 PAYS currently in Missouri. The question then  
13 becomes whether we need that legislation. To  
14 implement what we're doing here, I don't think so.

15 COMMISSIONER STOLL: Okay. Well,  
16 when you do make that presentation, I like the  
17 idea. The presentation that we had at our MARC  
18 meeting was very good, and it seems like the  
19 program will accomplish a number of things in  
20 demand side management. So I'll look forward to  
21 hearing about that when you -- when a presentation  
22 is made at a Commission agenda.

23 The other question I have would be,  
24 on page 3, under depreciation, it says Empire -- in  
25 the last sentence, Empire will no longer engage in

1 the process of discontinuing depreciation on assets  
2 when reserves are equal to or higher than original  
3 costs. I think I know what that means, but could  
4 somebody explain that to me? Anyone.

5 MR. WOODSMALL: I'll take a shot at  
6 it. I'm no depreciation expert, that's for sure.

7 COMMISSIONER STOLL: I'm always glad  
8 to hear that, that people that I think know an  
9 awful lot have difficulty with these.

10 MR. WOODSMALL: Well, I don't even  
11 know an awful lot.

12

13 COMMISSIONER STOLL: Go right ahead.

14 MR. WOODSMALL: So what happens is,  
15 let's say you have an asset that is \$100 when it's  
16 originally constructed, and you depreciate it over  
17 ten years. The company receives depreciation  
18 expense of \$10 a year. Well, what happens then in  
19 the 11th year if that asset is still around? You  
20 have \$10. Do you stop depreciating it at the --  
21 when it gets to zero?

22 What was happening before, as I  
23 understand it, was Empire would stop depreciation  
24 on that asset when it reached the initial plant in  
25 service amount. What this -- and if you stop

1 depreciation, you have a lesser expense, you have  
2 profits go up.

3                   So what this says is that the company  
4 will no longer stop depreciation. The reserve will  
5 continue to grow so that the reserve is greater  
6 than the original plant in service amount. That  
7 leads to questions. What do you do with that  
8 excess reserve in future cases? Do you apply it to  
9 other accounts?

10                   Those questions aren't addressed  
11 here. It just says that they will continue  
12 depreciation on that asset until the Commission  
13 does something.

14                   COMMISSIONER STOLL: Okay. Thanks  
15 for that explanation.

16                   COMMISSIONER KENNEY: That's an  
17 approved accounting method? Looking back there at  
18 the --

19                   MR. WOODSMALL: I'm going to need  
20 some help on that one.

21                   COMMISSIONER KENNEY: Yeah. That's  
22 why I'm looking --

23                   MR. OLIGSCHLAEGER: Yes. The  
24 standard depreciation accounting followed by most  
25 utilities in the state is they keep on booking

1 amounts to depreciation even if the account it  
2 question or the category of -- broad category of  
3 accounts in question is fully depreciated. And  
4 that is necessary to make sure customers get the  
5 benefit of all amounts they pay in to the company  
6 in the form of depreciation expense. Just because  
7 an asset may be fully depreciated on its books  
8 doesn't mean the customers stop paying depreciation  
9 on it at that exact time. Basically it would have  
10 to wait until the next rate case to reflect that  
11 change.

12 COMMISSIONER KENNEY: Thank you.

13 COMMISSIONER STOLL: I failed to look  
14 over to the left and realize that we do have a  
15 depreciation expert in the room, Mr. Oligschlaeger.

16 MR. OLIGSCHLAEGER: There's  
17 Mr. Robinett here, too.

18 COMMISSIONER STOLL: Okay. Thank you  
19 very much. I have no additional questions.

20 JUDGE BURTON: I just had a few  
21 follow-up questions. It looks as if all the  
22 parties agree to the admission of prefiled  
23 testimony. Nothing was excluded, correct?

24 MR. WOODSMALL: And that's contingent  
25 on approval of the stipulation. If we have to go

1 to hearing, then that will all happen later.

2 And this may be a good time. As I  
3 understand it, the Commission set aside next  
4 Tuesday for a hearing. So we need to know quickly  
5 if the Commission has problems with the  
6 stipulation.

7 JUDGE BURTON: Thank you,  
8 Mr. Woodsmall. As a follow-up for the potential  
9 for a pilot program for low-income, could someone  
10 identify what the amount was that was set aside in  
11 the prior Empire pilot program for low-income?

12 DR. MARKE: Your Honor, it's in the  
13 report. I want to say it's in the annual budget of  
14 roughly half a million. It never got close to that  
15 amount in any given year. So that money just  
16 rolled over each successive year.

17 JUDGE BURTON: Thank you, Dr. Marke.  
18 And there was obviously discussion about --

19 DR. MARKE: And -- I'm sorry. That  
20 money there, just to be clear for some of the other  
21 programs, that was half ratepayer dollars and half  
22 shareholder dollars.

23 JUDGE BURTON: Thank you for that  
24 clarification. And there was discussion about the  
25 potential in the settlement agreement for a

1 presentation in the future to the Commission on the  
2 PAYS program. It's indicated that this would be  
3 part of any program that would be implemented to go  
4 into effect on January 1st, 2017.

5 If the PAYS or any other comparable  
6 program is submitted by the company, when is the  
7 company projecting to actually have a presentation  
8 on this?

9 MS. CARTER: We have not gotten that  
10 far.

11 JUDGE BURTON: So it would probably  
12 be in the fall?

13 MS. CARTER: Yes. The idea would be  
14 for 30-day tariff filings for the new DSM programs,  
15 with the hope that those would just go into effect  
16 then in 30 days, and we would have a presentation  
17 to the Commission around that same time period.

18 JUDGE BURTON: Okay. Thank you. Are  
19 there any further questions from the Commission?  
20 Would the parties like to add any final comments?  
21 All right. Seeing none.

22 Then I will just go ahead and say, I  
23 know that next Monday is the 4th of July, and as  
24 you were discussing, Mr. Woodsmall, we actually  
25 have July 5th as a potential date. I believe there

1 will be some discussion with the Commissioners, and  
2 the next agenda is the 6th, I believe. So we'll go  
3 ahead, and I'll issue a notice on this, cancel the  
4 5th for any potential hearing date, and we'll make  
5 sure that the parties are notified if there is any  
6 need for an evidentiary hearing after this.

7 Are there any additional matters that  
8 we need to address while we are on the record? All  
9 right. Then that concludes today's hearing, and I  
10 think everyone for their appearance, and I hope you  
11 have a very lovely holiday. Off the record.

12 (WHEREUPON, the on-the-record  
13 presentation concluded at 9:57 a.m.)

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C E R T I F I C A T E

STATE OF MISSOURI) ) ss.  
COUNTY OF COLE )

I, Kellene K. Feddersen, Certified Shorthand Reporter with the firm of Midwest Litigation Services, do hereby certify that I was personally present at the proceedings had in the above-entitled cause at the time and place set forth in the caption sheet thereof; that I then and there took down in Stenotype the proceedings had; and that the foregoing is a full, true and correct transcript of such Stenotype notes so made at such time and place.

Given at my office in the City of Jefferson, County of Cole, State of Missouri.

\_\_\_\_\_  
Kellene K. Feddersen, RPR, CSR, CCR

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