

FILED

MAY 3 2007

Missouri Public
Service Commission

1 (EXHIBIT NO. 270 WAS MARKED FOR
2 IDENTIFICATION BY THE COURT REPORTER.)

3 JUDGE WOODRUFF: All right. Before
4 anyone leaves, did you wish to call Mr. Hill back up?

5 COMMISSIONER CLAYTON: Yeah. I mean, if
6 he's available -- if this is the only date he'll be
7 available --

8 MR. THOMPSON: That is correct.

9 JUDGE WOODRUFF: We'll bring Mr. Hill
10 back up again.

11 MR. THOMPSON: Judge, if I could, was
12 the chart received?

13 JUDGE WOODRUFF: It's been offered.
14 Anybody object to its receipt?

15 MR. CYNKAR: No objection.

16 JUDGE WOODRUFF: Hearing none, it will
17 be received.

18 (EXHIBIT NO. 270 WAS RECEIVED INTO
19 EVIDENCE AND MADE A PART OF THE RECORD.)

20 MR. THOMPSON: What's the number on
21 that?

22 JUDGE WOODRUFF: 270.

23 MR. THOMPSON: 270. Thank you.

24 JUDGE WOODRUFF: All right. Welcome
25 back, Mr. Hill.

OPC Exhibit No. 411
Case No(s). ER. 2007-0004
Date 4/6/07 Rptr MV

1 THE WITNESS: Thank you, sir.

2 JUDGE WOODRUFF: And we'll come straight
3 up to questions from the bench.

4 COMMISSIONER CLAYTON: Yeah, can I have
5 that chart back?

6 MR. THOMPSON: I'll put it right back up
7 here, your Honor. I do apologize.

8 COMMISSIONER CLAYTON: Very helpful and
9 you take it away.

10 THE WITNESS: Nice of my attorney to put
11 me out of the zone there.

12 QUESTIONS BY COMMISSIONER CLAYTON:

13 Q. Does that bother you to be out of the
14 zone?

15 A. Well, I don't think the zone is quite as
16 accurate as it ought to be, but no, it doesn't. I
17 believe my numbers are accurate.

18 Q. When you said the zone wasn't accurate,
19 what did you mean by that?

20 A. Well, the latest numbers are that the
21 average is about 10.3, the latest RRA number's now
22 10.5. The number that came out of my testimony is
23 just an approximation of what's been happening over
24 the past couple years. In 2006 it came down 20 basis
25 points, and if you take out two states, Wisconsin and

1 Missouri, the number drops to 10.2. So if you use
2 10.2 as a center point, then I'm still in the zone.

3 Q. If you take out Missouri and take out
4 Wisconsin?

5 A. Wisconsin. And Wisconsin has a policy
6 of awarding rates of return that exceed the cost of
7 capital.

8 Q. Why is that, do you know?

9 A. They've always done that. And I was
10 just in a rate case for a wind generating project up
11 there last month and had a discussion with the Staff
12 about that. It's been a policy for 20 years up
13 there. The Staff ROE recommendation in that case was
14 eight and a half and they recommended a 10.5 percent
15 ROE.

16 Q. Then the Commission ultimately ordered
17 how much?

18 A. They haven't made a decision yet.

19 Q. They haven't made a decision.

20 A. But their most recent order, I think,
21 for Wisconsin Power was 10.8, so they've come below --

22 Q. That's actually down from what was --

23 A. Yes.

24 Q. -- issued in the past?

25 A. Yes, sir, they've come below the 11 mark

1 for them.

2 Q. Wisconsin's been consistently above the
3 11.0 mark, hasn't it, for several years?

4 A. They've been the highest, yes, sir.

5 Q. They've been the highest in the country?

6 A. Yes, sir, for many years but they've
7 begun to change that. The Commissioners believed 20
8 years ago that if they awarded high returns and got
9 high bond ratings, they would be rewarded by lower
10 rates. That has turned out to be not the case, and
11 so they're reassessing their position on that.

12 Q. Has Wisconsin had any significant
13 capital projects going on? Have they been building
14 any power plants?

15 A. They are -- they've built this wind
16 generating project. It's only a \$150 million project
17 but they've got a large coal plant, probably a
18 billion dollar plant coming on the line that's gonna
19 start within the next couple years. So yes is the
20 short answer to that question.

21 Q. Okay. Your recommendation ultimately is
22 9.25; is that correct?

23 A. Yes, sir.

24 Q. And I apologize, I've got all kinds of
25 paper up here and the schedule's kind of thrown me