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June 4, 2001

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ROBERT SCHALLENBERG  
Director, Utility Services

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Director, Administration

DALE HARDY ROBERTS  
Secretary/Chief Regulatory Law Judge

DANA K. JOYCE  
General Counsel

FILED

JUN 4 2001

Missouri Public  
Service Commission

Mr. Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

**RE: Case No. ER-2001-299**

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **REVISED LIST OF ISSUES, LIST OF WITNESSES AND ORDER OF CROSS-EXAMINATION.**

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Dennis L. Frey  
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(573) 751-9285 (Fax)  
[dfrey03@mail.state.mo.us](mailto:dfrey03@mail.state.mo.us)

DLF:ccl  
Enclosure  
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED

JUN 4 2001

Missouri Public  
Service Commission

In the Matter of The Empire District )  
Electric Company's Tariff Sheets )  
Designed to Implement a General Rate )  
Increase for Retail Electric Service )  
Provided to Customers in the Missouri )  
Service Area of the Company )

Case No. ER-2001-299

**REVISED LIST OF ISSUES, LIST OF WITNESSES**  
**AND ORDER OF CROSS-EXAMINATION**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), on its own behalf and on behalf of The Empire District Electric Company ("Empire" or "Company"), the Office of the Public Counsel "(Public Counsel)", and Praxair, Inc ("Praxair"), and respectfully states:

Pursuant to the instructions of the presiding Regulatory Law Judge, promulgated on May 31, 2001 during the evidentiary hearing in this case, the above-listed parties have assembled the following Revised List of Issues, List of Witnesses, and Order of Cross-Examination. The listing of issues below is not to be considered as an agreement by any party that any particular listed issue is, in fact, a valid or relevant issue. Indeed, in the subsequent filing of position statements, some parties may state that they consider a particular listed issue to not be a valid issue. This "non-binding" listing of issues is not to be construed as impairing any party's ability to argue about any of these issues or related matters, or to restrict the scope of its response to arguments made by other parties.

## LIST OF ISSUES

The parties have agreed upon the following list of contested issues<sup>1</sup>:

### 1. Cost of Service - Depreciation

#### A. Should Empire's test year depreciation expense be adjusted?

(1) What are the appropriate average service lives for plant in service other than at State Line Power Plant?

(2) How shall the net salvage component be treated?

#### B. How shall the depreciation for plant and facilities at State Line Power Plant be calculated?

(1) Should future additional plant investments be recognized?

(2) What are the appropriate average service lives for plant investment?

(3) How shall the net salvage component be treated?

### 2. Cost of Service - Bad Debt

Shall the Empire's Bad Debt expense be allowed to follow changes in Missouri jurisdictional revenues?

### 3. Payroll - Incentive Pay

Shall discretionary, performance based, incentive pay for employees be allowed?

### 4. Class Cost of Service/Rate Design

(a) What should be the appropriate method of class cost of service allocation in this case?

(b) What is the appropriate allocation of any increase in revenues to customer classes?

(c) What are the appropriate adjustments to rates for the various customer classes?

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<sup>1</sup> There may be other possible issues, depending on the disposition of the stipulation and agreements being submitted in this case.

(d) What is the appropriate rate design treatment of the "interim energy charge," if it is approved?

(NOTE: The parties have reached an agreement in principle on the issue of Class Cost of Service/Rate Design.)

5. Capital Structure/Rate of Return

(a) What capital structure is appropriate for Empire?

(b) What return on common equity is appropriate for Empire?

6. State Line Power Plant and Energy Center

(a) What are the appropriate capital costs for inclusion in rate base for the State Line Combined Cycle Unit? (NOTE: This issue has been resolved by the Unanimous Stipulation and Agreement Regarding State Line Combined Cycle Capital Costs, filed May 25, 2001.)

(b) What are the appropriate expenses for Operation and Maintenance at the State Line Power Plant and the Empire Energy Center?

(c) What are the appropriate in-service criteria for determining whether the new State Line Combined Cycle Unit should be included in rate base? (NOTE: This issue has been resolved by the Stipulation and Agreement Regarding In-Service Criteria, filed May 14, 2001, since the non-signatory party waived its right to a hearing on the issue.)

7. What methodology for the recovery of fuel and purchased power expense should be adopted by the Commission in this case and what level(s) of fuel and purchased power expense should the Commission approve?

A. Methodology.

(1) Should the proposed refundable "interim energy charge" mechanism, based on a "base" and a "forecast" value, as has been urged in the supplemental testimony of selected parties, be approved as the appropriate mechanism for recovering fuel and purchased power expense in this case, or

(2) Should an appropriate level of fuel and purchased power expense be recovered using the traditional mechanism of including the appropriately determined costs in the Company's permanent rates?

B. What is the appropriate level of cost recovery that should be authorized if the "interim energy charge" approach is not acceptable, or if the Commission prefers

the traditional approach, and what are the appropriate levels of the "base" and "forecast" values if the "interim energy charge" approach is accepted?

- (1) What amount and price of off-system sales should be included as an offset to fuel and purchased power expense?
- (2) What amount and price of natural gas should be included in fuel and purchased power expense?
- (3) What amount and price of off-system purchases should be included in fuel and purchased power expense?
- (4) What amount and price of coal should be included in fuel and purchased power expense?
- (5) What amount and price of oil should be included in fuel and purchased power expense?
- (6) What amount and price of any other fuel or purchased power components should be included in fuel and purchased power expense?
- (7) Should the costs of natural gas transportation be included in test year expenses, and, if so, at what level or amount?
- (8) What amount of capacity release revenues should be recognized as an offset to fuel and purchased power expense?
- (9) What is the appropriate fuel (or production simulation) model to use to calculate fuel and purchased power costs in this case?

(NOTE: The parties have reached an agreement in principle on the issue of Fuel and Purchased Power.)

8. True-Up Issues: The list above represents the issues that the parties believe are appropriate to present to the Commission during the hearings scheduled in May and June 2001, and thus represent issues where there is a present controversy. The parties have not included in that list (and have not scheduled for hearing at this time) issues that the parties believe are more appropriate to the true-up portion of the case, thus, the list presented above is not intended to be a complete list of all possible issues which may arise during the course of this proceeding. It is to be noted that in its January 4, 2001 Order Setting Test Year, Setting True-Up Hearing and Adopting Procedural Schedule, the Commission adopted the list of true-up items set forth in a Staff recommendation filed on December 15, 2000. The list included the following items: a) Rate Base---plant in service, depreciation reserve, deferred taxes, fuel inventories for oil and coal – prices, related cash working capital; b) Capital Structure---rate of return (embedded cost of long-term debt, short-term debt and preferred stock) and capital structure; c) Income Statement--revenues and customer sales to account for growth, payroll (employee levels, current wage

rates, payroll-related benefits, and payroll taxes), fuel prices for gas, oil and freight, purchased power prices, system loads, fuel and purchased power expense, rate case expense, property insurance, depreciation expense, property taxes, and income tax effects; d) invoices associated with the new State Line Combined Cycle Unit (through July 31, 2001) and e) jurisdictional allocation factors.

#### CALENDAR OF ISSUES; ORDER OF WITNESSES

Tuesday, May 29, 2001

8:30 a.m. Entries of Appearance and Marking of Exhibits

Wednesday, May 30, 2001

8:30 a.m. Opening Statements

10:00 a.m. Depreciation

A. Test Year Depreciation Expense

B. State Line Depreciation Issues

Witnesses: Empire: Loos, Lyons\*  
Staff: Adam  
Public Counsel:

\* scheduled to testify out of order on Friday June 1, 2001

Thursday, May 31, 2001

8:30 a.m. Bad Debt Expense

Witnesses: Empire: Gipson  
Staff: Boltz

Friday, June 1, 2001

8:30 a.m. Depreciation – Empire witness Lyons (out of order)

Capital Structure/Rate of Return

Witnesses: Empire: Murry, McKinney, Gibson  
Staff: McKiddy  
Public Counsel: Burdette

Monday, June 4, 2001

8:30 a.m. State Line Power Plant and Energy Center

A. Capital Costs

Witnesses: Empire: Rolph, Wilson, Beecher (who will adopt Brill Direct)  
Staff: Featherstone, Oligschlaeger, Elliott

B. Operating and Maintenance Expense

Witnesses: Empire: Groninger, Beecher  
Staff: Featherstone, Elliott, P. Williams

Tuesday, June 5, 2001

8:30 a.m. Class Cost of Service/Rate Design

Witnesses: Empire: Gibson  
Staff: Watkins, Pyatte, Ross, Boltz,  
Bax (who will adopt Lissik Direct)  
Public Counsel: Hu  
Praxair: Brubaker

Payroll - Incentive Pay

Witnesses: Empire: McKinney  
Staff: Fischer

Wednesday, June 6, 2001

8:30 a.m. Fuel and Purchased Power

Witnesses: Empire: Kaplan, Sweet, Beecher  
Staff: Featherstone, Watkins, Choe, Harris, Bender  
Public Counsel: Busch, Trippensee

Thursday, June 7, 2001

8:30 a.m. Fuel and Purchased Power (continued, if necessary)

Payroll - Incentive Pay (if not completed on 6/5)

Witnesses: Empire: McKinney  
Staff: Fischer

Friday, June 8, 2001

8:30 a.m. Fuel and Purchased Power (continued, if necessary)

Order of Cross-Examination (Class Cost of Service/Rate Design):

For Empire witnesses, cross will be by Staff, Praxair, then Public Counsel  
For Staff witnesses, cross will be by Public Counsel, Empire, then Praxair  
For Public Counsel witnesses, cross will be by Staff, Empire, then Praxair  
For Praxair witness, cross will be by Empire, Public Counsel, then Staff

**Order of Cross-Examination (Fuel and Purchased Power):**

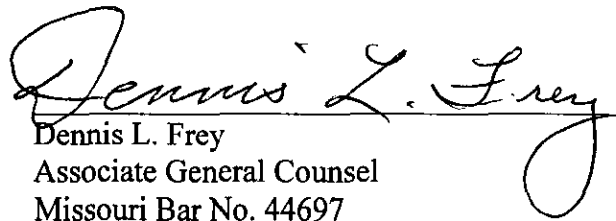
For Empire witnesses, cross will be by Staff, Public Counsel, then Praxair  
For Staff witnesses, cross will be by Public Counsel, Empire, then Praxair  
For Public Counsel witnesses, cross will be by Staff, Empire, then Praxair

**Order of Cross-Examination (all other issues):**

For Empire witnesses, cross will be by Praxair, Public Counsel, then Staff.  
For Staff witnesses, cross will be by Praxair, Public Counsel, then Empire  
For Public Counsel witnesses, cross will be by Staff, Praxair, then Empire

Respectfully submitted,

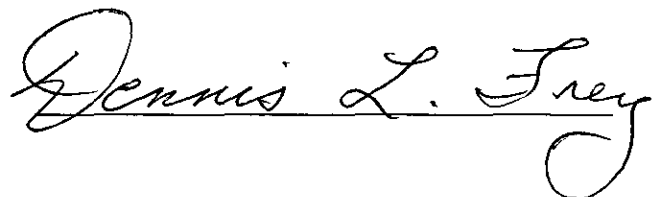
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**Certificate of Service**

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 4th day of June 2001.





**Service List for**  
**Case No. ER-2001-299**  
**Verified: June 4, 2001 (ccl)**

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