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**Via: Federal Express - AM Delivery**

August 15, 2002

Mr. Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge  
Missouri Public Service Commission  
200 Madison Street, Suite 100  
Jefferson City, MO 65101

**FILED<sup>3</sup>**  
AUG 16 2002

**Re: The Empire District Electric Company,  
Missouri PSC Case No. ER-2002-424**

**Missouri Public  
Service Commission**

Dear Mr. Roberts:

Enclosed please find an original and fourteen (14) copies of the direct testimony and affidavit of Maurice Brubaker in the above matter for filing on behalf of Praxair, Inc.

Copies of this direct testimony have been served on all parties on the attached service list by expedited delivery.

Very truly yours,

BRUBAKER & ASSOCIATES, INC.

Maurice Brubaker

MEB:cs  
#7787/31271  
Enclosures

CC: All Parties on Service List

**Before the Public Service Commission  
of the State of Missouri**

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In the Matter of The Empire District Electric ) Company of Joplin, Missouri, for Authority ) to File Tariffs Increasing Rates for Electric ) Service to Customers in the Missouri ) Service Areas of the Company. )	)	Case No. ER-2002-424
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**SERVICE LIST**

Office of the Public Counsel  
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James C. Swearengen  
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312 East Capitol Avenue  
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General Counsel  
Missouri Public Service Commission  
Governor Office Building  
200 Madison Street, Suite 100  
Jefferson City, MO 65101

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the direct testimony of Maurice Brubaker on cost of service issues is being forwarded by expedited delivery for receipt on the 16<sup>th</sup> day of August 2002, to all parties on the above service list.

Henriette Besancenez

Exhibit No.	
Witness:	Maurice Brubaker
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Praxair, Inc.
Issue:	Revenue Requirement
Case No.	ER-2002-424

**Before the  
Missouri Public Service Commission**

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In the Matter of The Empire District	)	
Electric Company of Joplin, Missouri, for	)	
Authority to File Tariffs Increasing Rates	)	Case No. ER-2002-424
for Electric Service to Customers in the	)	
Missouri Service Areas of the Company.	)	

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Direct Testimony of

**Maurice Brubaker**

**FILED<sup>3</sup>**

**AUG 16 2002**

**Missouri Public  
Service Commission**

On Behalf of

**Praxair, Inc.**

August 15, 2002  
Project 7787



**BRUBAKER & ASSOCIATES, INC.**

ST. LOUIS, MO 63141-2000

**Before the Public Service Commission  
of the State of Missouri**

In the Matter of The Empire District Electric )  
Company of Joplin, Missouri, for Authority )  
to File Tariffs Increasing Rates for Electric )  
Service to Customers in the Missouri )  
Service Areas of the Company. )

Case No. ER-2002-424

STATE OF MISSOURI        )  
                                  )        SS  
COUNTY OF ST. LOUIS    )

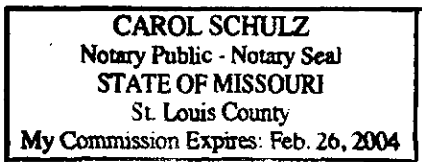
**Affidavit of Maurice Brubaker**


Maurice Brubaker, being first duly sworn, on his oath states:

1. My name is Maurice Brubaker. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 1215 Fern Ridge Parkway, Suite 208, St. Louis, Missouri 63141-2000. We have been retained by Praxair, Inc. in this proceeding on its behalf.
2. Attached hereto and made a part hereof for all purposes is my direct testimony which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2002-424.
3. I hereby swear and affirm that the direct testimony is true and correct and shows the matters and things it purports to show.

  
\_\_\_\_\_  
Maurice Brubaker

Subscribed and sworn to before this 15th day of August 2002.



  
\_\_\_\_\_  
Notary Public

My Commission Expires February 26, 2004.

**Before the  
Missouri Public Service Commission**

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<b>In the Matter of The Empire District</b>	)	
<b>Electric Company of Joplin, Missouri, for</b>	)	
<b>Authority to File Tariffs Increasing Rates</b>	)	<b>Case No. ER-2002-424</b>
<b>for Electric Service to Customers in the</b>	)	
<b>Missouri Service Areas of the Company.</b>	)	

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**Direct Testimony of Maurice Brubaker**

1    **Q    PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2    A    Maurice Brubaker. My business address is 1215 Fern Ridge Parkway, Suite 208,  
3        St. Louis, Missouri 63141-2000.

4    **Q    WHAT IS YOUR OCCUPATION?**

5    A    I am a consultant in the field of public utility regulation and president of Brubaker &  
6        Associates, Inc. (BAI), energy, economic and regulatory consultants.

7    **Q    PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

8    A    This information is included in Appendix A to my testimony.

9    **Q    ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

10   A    I am appearing on behalf of Praxair, Inc. (Praxair). Praxair is a large industrial  
11        customer that purchases electricity under Special Transmission Service Contract:

1 Praxair, identified in the tariffs as Schedule SC-P. Approximately 95% of Praxair's  
2 requirements are purchased on an interruptible basis. Only 5% is firm power.

3 **Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A The purpose of my testimony is to comment on certain revenue requirement issues  
5 addressed in the testimony of The Empire District Electric Company (Empire or  
6 Company).

7 **Q WHAT REVENUE REQUIREMENT ISSUES, IN PARTICULAR, WILL YOU**  
8 **ADDRESS?**

9 A I will address the level of fuel and purchased power costs to be included in base  
10 rates, and the level of interim energy charges (IEC), if any, which would be  
11 appropriate in the context of Empire's filing in this proceeding.

12 **Q WHAT LEVEL OF FUEL AND PURCHASED POWER COST DOES EMPIRE**  
13 **PROPOSE BE INCLUDED IN BASE RATES IN THIS PROCEEDING?**

14 A This is outlined in the testimony of Empire witness Brad Beecher. In particular, Mr.  
15 Beecher addresses this matter at Pages 2 and 3 of his March 26, 2002 Supplemental  
16 Direct Testimony. Mr. Beecher has calculated a pro forma fuel and purchased power  
17 cost that, on a total company basis, amounts to \$21.68 per megawatthour. This  
18 amount is stated on Page 3 of his testimony. He did not update his Schedule BPB-2  
19 from the February 19, 2002 filing. However, applying the jurisdictional factors from  
20 that schedule to the variable and fixed costs for fuel and purchased power recited in  
21 his testimony produces an average cost per kilowatthour at the Missouri jurisdictional

Maurice Brubaker  
Page 2

1 sales level of \$23.70 per megawatthour as the pro forma value. This is shown in  
2 Column 2 on Schedule 1 attached to this testimony.

3 **Q FOR COMPARISON, WHAT WERE THE ACTUAL CALENDAR YEAR 2001**  
4 **COSTS?**

5 A These are also shown on Schedule 1. Column 1 shows that the actual calendar year  
6 2001 costs (as reported on Schedule BPB-2) for the Missouri jurisdiction amounted to  
7 \$26.20 per megawatthour.

8 **Q HOW DO THE PROPOSED 2001 PRO FORMA AMOUNTS COMPARE TO**  
9 **EMPIRE'S BUDGET FIGURES FOR CALENDAR YEARS 2003 AND 2004?**

10 A This information was provided in response to Praxair Data Request No. 16, and is  
11 shown in Columns 3 and 4 of Schedule 1. The total company amounts were  
12 converted to Missouri jurisdictional values at the sales level by using the same  
13 relationships between the total Company and Missouri jurisdictional amounts that  
14 were embedded in the pro forma 2001 calculations.

15 Line 3 shows that as compared to the pro forma amounts for calendar year  
16 2001, the expected values for 2003 and 2004 are approximately \$1.00 per  
17 megawatthour higher.

18 **Q HOW DOES THIS COMPARE TO THE IEC WHICH MR. BEECHER PROPOSES?**

19 A At Page 5 of his March 26, 2002 testimony Mr. Beecher proposes a IEC value of  
20 \$2.48 per megawatthour. This is obtained by comparing the pro forma 2001 values  
21 to actual calendar year 2001 experience.

1   **Q    IF THERE IS TO BE AN IEC, DO YOU AGREE WITH MR. BEECHER'S**  
2   **PROPOSAL?**

3   **A    No.** The prices of fuel (especially natural gas) experienced in calendar year 2001  
4   were high both by historical standards and in comparison to Empire's budget for the  
5   next two calendar years. While I would agree with Mr. Beecher's proposal to reduce  
6   the level of fuel and purchased power cost included in base rates to reflect the pro  
7   forma 2001 numbers, I believe that his proposal to base the IEC on actual 2001  
8   experience would produce an excessive IEC. A more realistic amount would be the  
9   amounts derived by comparing the pro forma 2001 amounts to the calendar year  
10  2003 and 2004 budgeted amounts.

11  **Q    DO YOU BELIEVE THAT THESE DIFFERENCES ARE SUFFICIENTLY LARGE TO**  
12  **JUSTIFY AN IEC?**

13  **A    No.** The differences are about \$1.00 per megawatthour, which is certainly within the  
14  range of normal variations for fuel cost. In the last proceeding, we were faced with  
15  very dramatic increases in the price of natural gas, and the Company had not entered  
16  into any price risk management (hedging) programs. The Company has now done  
17  so, and has protected itself to a large degree from unanticipated increases in the  
18  market price of natural gas. Thus, the need for an IEC feature is significantly less  
19  now than it was in the last case.

20           Missouri traditionally has not allowed these kinds of special arrangements –  
21  except in extraordinary circumstances. While the circumstances in the prior case  
22  could be described as extraordinary, the circumstances faced by Empire currently  
23  cannot be so described. Accordingly, it is my recommendation that the base rates be



1 set to recover fuel and variable purchased power costs at the \$23.70 per  
2 megawatthour level, and that there be no IEC.

3 **Q WHAT DOES THIS IMPLY FOR THE IEC THAT WAS ESTABLISHED IN THE**  
4 **PRIOR CASE?**

5 A It would be my recommendation that at the conclusion of this current case the IEC be  
6 terminated and that the audit, true-up and any applicable refunds proceed  
7 expeditiously after the rates approved in this case go into effect.

8 **Q IF THE BASE RATES WERE REESTABLISHED TO REFLECT THE PRO FORMA**  
9 **YEAR 2001 FUEL COSTS, HOW MUCH WOULD BASE RATES CHANGE TO**  
10 **REFLECT THIS DIFFERENT LEVEL OF FUEL AND PURCHASED POWER COST?**

11 A As shown on Line 4 of Schedule 1, the base rates would decrease by approximately  
12 \$1.50 per megawatthour.

13 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 A Yes, it does.

### Qualifications of Maurice Brubaker

1    **Q    PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2    A    Maurice Brubaker. My business mailing address is P. O. Box 412000, 1215 Fern  
3    Ridge Parkway, Suite 208, St. Louis, Missouri 63141-2000.

4    **Q    PLEASE STATE YOUR OCCUPATION.**

5    A    I am a consultant in the field of public utility regulation and President of the firm of  
6    Brubaker & Associates, Inc., energy, economic and regulatory consultants.

7    **Q    PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERI-  
8    ENCE.**

9    A    I was graduated from the University of Missouri in 1965, with a Bachelor's Degree in  
10    Electrical Engineering. Subsequent to graduation I was employed by the Utilities  
11    Section of the Engineering and Technology Division of Esso Research and  
12    Engineering Corporation of Morristown, New Jersey, a subsidiary of Standard Oil of  
13    New Jersey.

14            In the Fall of 1965, I enrolled in the Graduate School of Business at  
15    Washington University in St. Louis, Missouri. I was graduated in June of 1967 with  
16    the Degree of Master of Business Administration. My major field was finance.

17            From March of 1966 until March of 1970, I was employed by Emerson Electric  
18    Company in St. Louis. During this time I pursued the Degree of Master of Science in  
19    Engineering at Washington University, which I received in June, 1970.

1 In March of 1970, I joined the firm of Drazen Associates, Inc., of St. Louis,  
2 Missouri. Since that time I have been engaged in the preparation of numerous  
3 studies relating to electric, gas, telephone and water utilities. These studies have  
4 included analyses of the cost to serve various types of customers, the design of rates  
5 for utility services, cost forecasts, cogeneration rates and determinations of rate base  
6 and operating income. I have also addressed utility resource planning principles and  
7 plans, reviewed capacity additions to determine whether or not they were used and  
8 useful, addressed demand-side management issues independently and as part of  
9 least cost planning, and have reviewed utility determinations of the need for capacity  
10 additions and/or purchased power to determine the consistency of such plans with  
11 least cost planning principles and the prudence of the actions undertaken.

12 I have testified before the Federal Energy Regulatory Commission (FERC),  
13 various courts and legislatures, and the state regulatory commissions of Alabama,  
14 Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia,  
15 Guam, Hawaii, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Missouri,  
16 Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania,  
17 Rhode Island, South Carolina, South Dakota, Texas, Utah, Virginia, West Virginia,  
18 Wisconsin and Wyoming.

19 The firm of Drazen-Brubaker & Associates, Inc. was incorporated in 1972 and  
20 assumed the utility rate and economic consulting activities of Drazen Associates, Inc.,  
21 founded in 1937. In April, 1995 the firm of Brubaker & Associates, Inc. was formed.  
22 It includes most of the former DBA principals and staff. Our staff includes consultants  
23 with backgrounds in accounting, engineering, economics, mathematics, computer  
24 science and business.

1           During the past ten years, Brubaker & Associates, Inc. and its predecessor  
2 firm has participated in over 700 major utility rate and other cases and statewide  
3 generic investigations before utility regulatory commissions in 40 states, involving  
4 electric, gas, water, and steam rates and other issues. Cases in which the firm has  
5 been involved have included more than 80 of the 100 largest electric utilities and over  
6 30 gas distribution companies and pipelines.

7           An increasing portion of the firm's activities is concentrated in the areas of  
8 competitive procurement. While the firm has always assisted its clients in negotiating  
9 contracts for utility services in the regulated environment, increasingly there are  
10 opportunities for certain customers to acquire power on a competitive basis from a  
11 supplier other than its traditional electric utility. The firm assists clients in identifying  
12 and evaluating purchased power options, conducts RFPs and negotiates with  
13 suppliers for the acquisition and delivery of supplies. We have prepared option  
14 studies and/or conducted RFPs for competitive acquisition of power supply for  
15 industrial and other end-use customers in more than a dozen states, involving total  
16 needs in excess of 2,500 megawatts.

17           In addition to our main office in St. Louis, the firm also has branch offices in  
18 Kerrville, Texas; Plano, Texas; Denver, Colorado; Asheville, NC; and Chicago,  
19 Illinois.

MEB:cs/7787/31270

## The Empire District Electric Company

### Comparison of Fuel and Purchased Power Costs for On-System Load (\$/MWh)

<u>Line</u>	<u>Description</u>	<u>Actual 2001 (1)</u>	<u>Pro Forma 2001 (2)</u>	<u>2003 Budget (3)</u>	<u>2004 Budget (4)</u>
1	Total Empire	\$24.16 <sup>(1)</sup>	\$21.68 <sup>(2)</sup>	\$22.57 <sup>(4)</sup>	\$22.64 <sup>(4)</sup>
2	Missouri Jurisdiction	\$26.20 <sup>(1)</sup>	\$23.70 <sup>(3)</sup>	\$24.67 <sup>(5)</sup>	\$24.75 <sup>(5)</sup>
3	Amount as Compared to Pro Forma 2001			\$ 0.97	\$ 1.05
4	Amount as Compared to \$25.20/MWh Included in Current Base Rates		\$(1.50)	\$(0.53)	\$(0.45)

<sup>(1)</sup> Schedule BPB-2

<sup>(2)</sup> Pages 2 and 3 of Brad Beechers' 3/26/02 testimony

<sup>(3)</sup> Calculated using jurisdictional ratios from Schedule BPB-2

<sup>(4)</sup> From Empire response to Praxair DR No. 16

<sup>(5)</sup>  $(23.70 \div 21.68) \times \text{number in Line 1}$