

Exhibit No.:
Witness: Maurice Brubaker
Type of Exhibit: True-Up Direct Testimony
Issue: Fuel Expense
Sponsoring Parties: Explorer Pipeline Company
and Praxair, Inc.
Case No.: ER-2006-0315

**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) **Case No. ER-2006-0315**
increasing rates for electric)
service provided to customers)
in the Missouri service area of the)
Company)

Direct Testimony and Schedules of

**Maurice Brubaker
on True-Up**

On Behalf of

**Explorer Pipeline Company
and
Praxair, Inc.**

September 27, 2006



BRUBAKER & ASSOCIATES, INC.
ST. LOUIS, MO 63141-2000

Project 8531

**"NON-PROPRIETARY"
Version**

**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 provided to customers
in the Missouri service area of the
Company

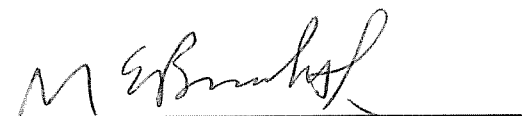
Case No. ER-2006-0315

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

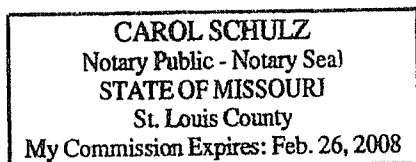
Affidavit of Maurice Brubaker

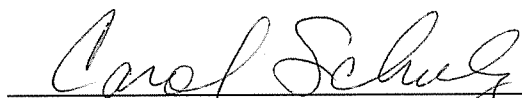
Maurice Brubaker, being first duly sworn, on his oath states:

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 Explorer Pipeline Company and Praxair, Inc. in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes is my direct testimony on true-up which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2006-0315.
3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things it purports to show.


Maurice Brubaker

Subscribed and sworn to before this 26th day of September 2006.




Notary Public

My Commission Expires February 26, 2008.

In the matter of The Empire District
Electric Company of Joplin,
Missouri for authority to file tariffs
increasing rates for electric
service provided to customers
in the Missouri service area of the
Company

)
)
)
)
)
)
)

Case No. ER-2006-0315

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 HAVE YOU SUBMITTED OTHER TESTIMONY IN THIS PROCEEDING?

5 A Yes. On June 23, 2006 I submitted direct testimony on revenue requirement issues,
6 on June 30, 2006 I submitted direct testimony addressing the issue of rate design, on
7 July 28, 2006 I submitted rebuttal testimony on the subjects of rate design, fuel and
8 purchased power expense, and on August 18, 2006 I submitted surrebuttal and
9 cross-surrebuttal testimony on the subjects of rate design, fuel and purchased power
0 expense.

1 Q ARE YOUR QUALIFICATIONS SET FORTH IN YOUR JUNE 23 TESTIMONY?

2 A Yes.

1 **Q WHAT IS THE PURPOSE OF THIS TESTIMONY?**

2 A In accordance with the Commission's Procedural Order of April 11, 2006, I am
3 submitting testimony to true-up the natural gas prices and cost calculations previously
4 submitted in my surrebuttal testimony.

5 **Q WHAT IS TRUE-UP SCHEDULE 1?**

6 A True-up Schedule 1 is an update of Schedule 3 from my surrebuttal testimony. The
7 only difference between true-up Schedule 1 and surrebuttal Schedule 3 is that I have
8 incorporated the actual prices for September 2006, and the September 25, 2006
9 futures prices for the months of October through December 2006. This updated
10 Schedule 3 reflects the Industrials' view that Empire's unhedged gas prices should be
11 based upon known prices to the extent available. As such, and as explained earlier,
12 this revised Schedule utilizes known gas prices through September 2006. Only
13 where known prices are not available, have I used futures prices. Therefore, for the
14 remaining months of 2006, I have used futures prices.

15 **Q FOR CONTEXT, PLEASE EXPLAIN AGAIN THE INDUSTRIALS' OPPOSITION TO**
16 **USING FUTURES PRICES FOR 2007 FOR DETERMINING EMPIRE'S UNHEDGED**
17 **GAS PRICE.**

18 A As explained in my surrebuttal testimony, the use of forecasted 2007 gas prices is
19 inappropriate because those forecasted prices reflect a large "fear factor." This fear
20 factor is based upon the memory of recent hurricanes in the Gulf as well as instability
21 in oil-producing regions in the Middle East. Nevertheless, recent experience has
22 suggested that this "fear factor" is misplaced. The actual price of natural gas has
23 been considerably lower than the observed futures prices at various reference dates.
24 In other words, the futures price for a particular time period has routinely been

1 significantly higher than the price available in the market when that time period
2 actually rolls around. As such, the use of futures prices would lead to an inflated level
3 of fuel and purchased power. For this reason, my position, as expressed throughout
4 my testimony, of using actual gas prices where available, is most appropriate.

5 **Q WHAT IS TRUE-UP SCHEDULE 2?**

6 A True-up Schedule 2 is an update to Schedule 4 attached to my surrebuttal testimony.
7 It incorporates the revised gas cost numbers from true-up Schedule 1 and shows the
8 adjustments that should be made to Empire's claimed fuel and purchased power
9 costs.

10 **Q BY PROVIDING THESE UPDATES, ARE INDUSTRIAL CUSTOMERS**
11 **SUGGESTING THAT IT WOULD BE APPROPRIATE FOR THE COMMISSION TO**
12 **ALLOW EMPIRE TO ABANDON THE EXISTING IEC?**

13 A No. As before, industrials maintain their position that the existing IEC should
14 continue in effect until the end of its three-year term. It was inevitable that one side,
15 either Empire or the customers, would initially see benefits under the IEC. Much like
16 a football game, however, it is inappropriate to call off the game because one side is
17 leading after the first half. The game must be allowed to play itself out. Similarly, the
18 successfulness of the three-year IEC should not be reviewed after only 18 months.
19 Rather, the IEC may only be judged after the entire three-year term has passed. As
20 demonstrated in this true-up testimony, gas prices have decreased dramatically.
21 Combined with the low cost energy from Empire's wind resources, the success or
22 failure is still up for debate. Ultimately, these updates attached hereto are presented
23 to provide the Commission with an accurate context in which to evaluate the IEC as
24 well as necessary information concerning gas prices in the event that the Commission

1 should decide, over the objection of the industrials, to permit Empire to withdraw from
2 the existing IEC.

3 **Q WHAT IS TRUE-UP DIRECT SCHEDULE 3?**

4 A This is an update of the information presented in Schedule 5 of my surrebuttal
5 testimony. Page 1 of Schedule 3 updates the 2007 NYMEX futures prices from
6 July 10, 2006 to September 25, 2006, and shows a dramatic decrease in the level of
7 future prices for 2007. Page 2 of true-up Schedule 3 also updates the EIA Short
8 Term Energy Outlook (STEO) for 2007 NYMEX prices as of the most recent
9 publication.

10 **Q DOES THIS CONCLUDE YOUR TRUE-UP DIRECT TESTIMONY?**

11 A Yes, it does.

\\Huey\Shares\PLDocs\TSK\8531\Testimony\100298.doc

The Information on This Sheet is Highly Confidential

THE EMPIRE DISTRICT ELECTRIC COMPANY

UPDATED NATURAL GAS PRICING ANALYSIS

The Information on This Sheet is Highly Confidential

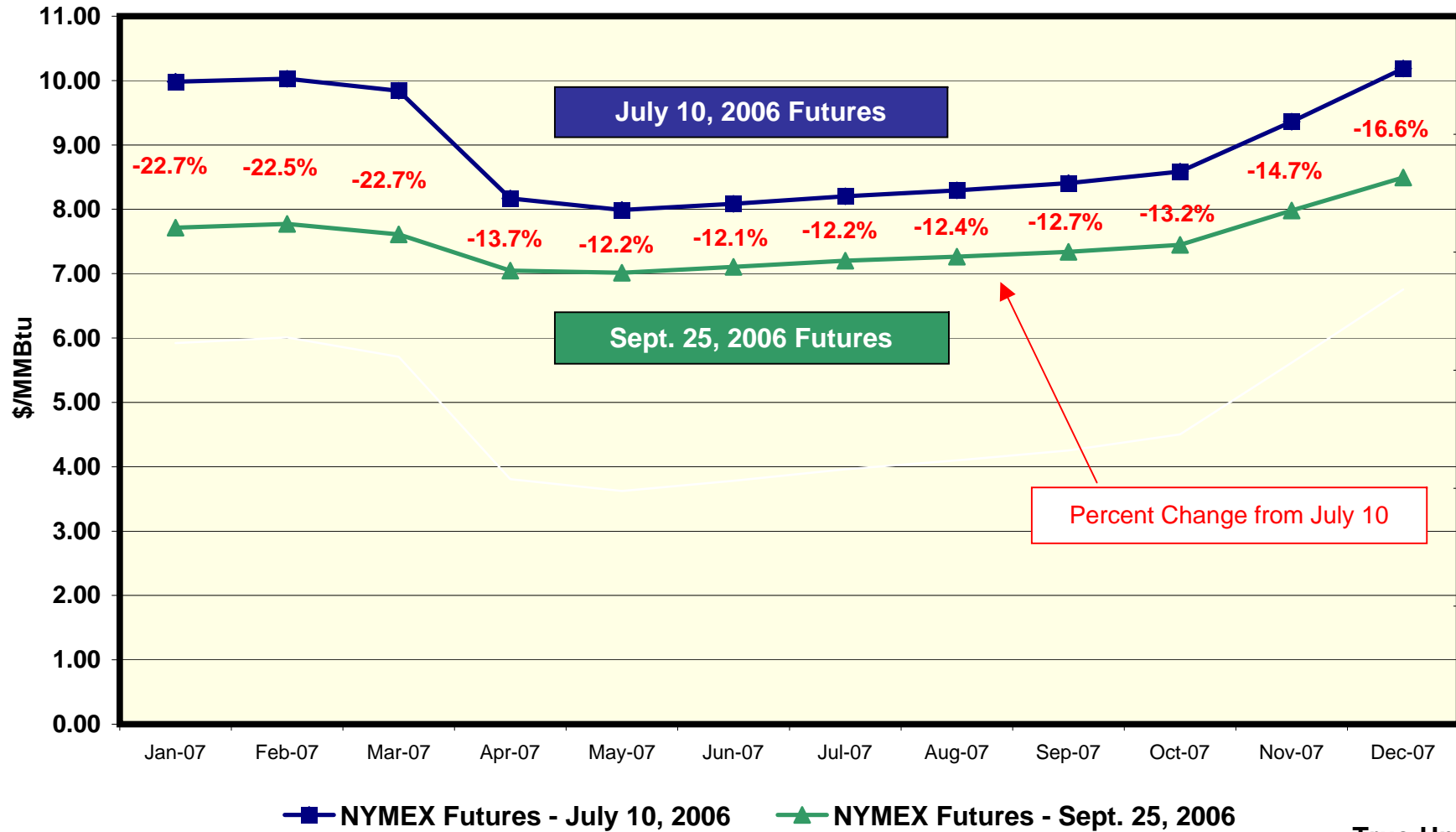
**True-Up Direct
Schedule 1**

EMPIRE DISTRICT ELECTRIC COMPANY

**Adjustments to Claimed Fuel & Variable Purchased
Power Costs if Empire is Permitted to Abandon
its Current 3-Year Interim Energy Charge**

THE EMPIRE DISTRICT ELECTRIC COMPANY

Comparison of July 10, 2006 NYMEX Natural Gas 2007 Futures Prices with September 25, 2006 NYMEX Natural Gas 2007 Futures Prices



THE EMPIRE DISTRICT ELECTRIC COMPANY

COMPARISON OF NYMEX NATURAL GAS FUTURES PRICES FOR 2007 AND EIA'S SHORT-TERM ENERGY OUTLOOK (STEO) NATURAL GAS PRICE FORECAST FOR 2007

