

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF AQUILA, INC., D/B/A AQUILA
NETWORKS - MPS AND AQUILA NETWORKS - L&P
NATURAL GAS GENERAL RATE INCREAS**

Case No. GR-2004-0072

On-the-Record Presentation - Volume 10

March 30, 2004

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***Missouri
Public Service Commission***

ASSOCIATED COURT REPORTERS

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1 STATE OF MISSOURI
2 PUBLIC SERVICE COMMISSION

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6 TRANSCRIPT OF PROCEEDINGS
7 On-The-Record Presentation
8 March 30, 2004
9 Jefferson City, Missouri
10 Volume 10

11
12 In the Matter of Aquila, Inc.,)
13 d/b/a Aquila Networks - MPS) Case No. GR-2004-0072
14 and Aquila Networks - L&P,)
15 Natural Gas General Rate)
16 Increase.)

17 VICKY RUTH, Presiding,
18 SENIOR REGULATORY LAW
19 JUDGE.

20 STEVE GAW, Chairman,
21 CONNIE MURRAY,
22 ROBERT M. CLAYTON III,
23 COMMISSIONERS.

24 REPORTED BY:
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1 P R O C E E D I N G S

2 JUDGE RUTH: Good afternoon. My name is
3 Vicky Ruth, and I'm the Regulatory Law Judge assigned to
4 this case. It is Tuesday, March 30th, 1:35, and we are
5 here for an on-the-record presentation regarding the
6 Unanimous Stipulation & Agreement in Case No.
7 GR-2004-0072, in the matter of Aquila, Inc., d/b/a Aquila
8 Networks - L&P and Aquila Networks - MPS to implement a
9 general rate increase in natural gas rates.

10 I'd like to start with entries of
11 appearance. Aquila?

12 MR. COOPER: Dean L. Cooper for the law
13 firm of Brydon, Swearngen & England, P.C., P.O. Box 456,
14 Jefferson City, Missouri 65102, appearing on behalf of
15 Aquila, Inc., doing business as Aquila Networks - MPS and
16 Aquila Networks - L&P.

17 JUDGE RUTH: Thank you. Staff?

18 MR. SCHWARZ: Tim Schwarz, P.O. Box 360,
19 Jefferson City, Missouri 65102, appearing for Staff of the
20 Commission.

21 JUDGE RUTH: Thank you. Public Counsel?

22 MR. MICHEEL: Douglas E. Micheel, appearing
23 on behalf of Office of the Public Counsel and the Public,
24 P.O. Box -- I think it's 2230, but I could be wrong --
25 Jefferson City, Missouri 65102-2230. I'm sure Kellene

1 will help me out with that.

2 JUDGE RUTH: And Sedalia Industrial Energy
3 Users Association?

4 MR. CONRAD: Stuart W. Conrad of the law
5 firm of Finnegan, Conrad and Peterson, currently at
6 1209 Penntower Center, 3100 Broadway, Kansas City,
7 Missouri 64111, appearing on behalf of Sedalia Industrial
8 Energy Users Association. I didn't mean to suggest we
9 were contemplating a move, but I just thought since there
10 seemed to be questions about where we were, I'll leave the
11 door open.

12 JUDGE RUTH: Thank you. Department of
13 Natural Resources?

14 MS. RANGLES: Amy Randles, appearing on
15 behalf of the Missouri Department of Natural Resources,
16 P.O. Box 899, Jefferson City, Missouri 65102.

17 JUDGE RUTH: City of Kansas City?

18 MR. COMLEY: Mark W. Comley, Newman,
19 Comley & Ruth, 601 Monroe, Jefferson City, Missouri
20 appearing on behalf of the City of Kansas City.

21 JUDGE RUTH: And is there anyone here for
22 Cornerstone Energy?

23 (No response.)

24 JUDGE RUTH: Okay. It appears that
25 Cornerstone Energy has not shown. If anyone notices that

1 they arrive later, I'd appreciate it if you'd get my
2 attention so that I can make a note of that.

3 I have a few preliminary matters to discuss
4 quickly. And the first one actually has to do with an old
5 substitution of counsel that Ms. Randles filed that was
6 never officially ruled on, and I want to make it clear for
7 the record that the leave to withdraw filed by Assistant
8 Attorney General Shelley Woods is granted and Ms. Randles
9 is substituted in her place as requested.

10 Okay. Before the hearing started, I handed
11 out a draft of an exhibit list, a schedule of exhibits. I
12 believe all the counsel have a copy of that, and so does
13 the court reporter. I would like to at this time look at
14 Aquila's prefiled testimony, which has been marked as
15 Exhibits 1 through 28. Do the parties have any objections
16 to these exhibits being admitted into the record?

17 I'll start here with Staff.

18 MR. SCHWARZ: Staff has none.

19 JUDGE RUTH: Public Counsel?

20 MR. MICHEEL: No.

21 JUDGE RUTH: Mr. Conrad?

22 MR. CONRAD: We have none, pursuant to the
23 stipulation.

24 JUDGE RUTH: I knew that was coming.

25 Ms. Randles?

1 MS. RANGLES: None.

2 JUDGE RUTH: Mr. Comley?

3 MR. COMLEY: No objection.

4 JUDGE RUTH: Okay. Exhibits 1 through 28
5 are admitted into the record, and Mr. Conrad's comment is
6 noted for the record.

7 (EXHIBIT NOS. 1 THROUGH 28 WERE RECEIVED
8 INTO EVIDENCE.)

9 JUDGE RUTH: Next we have the prefiled
10 testimony from Staff, which has been marked as Exhibits 29
11 through 61. Are there any objections to these exhibits
12 being admitted into the record?

13 Aquila?

14 MR. COOPER: No, your Honor.

15 JUDGE RUTH: Public Counsel?

16 MR. MICHEEL: No.

17 JUDGE RUTH: Mr. Conrad?

18 MR. CONRAD: Subject to the stipulation, no
19 objection.

20 JUDGE RUTH: Ms. Randles?

21 MS. RANGLES: Same reaction as Mr. Conrad.

22 JUDGE RUTH: Okay. And Mr. Comley?

23 MR. COMLEY: No objection.

24 JUDGE RUTH: Okay. Exhibits 29 through 61
25 are admitted into the record, and those comments are also

1 noted.

2 (EXHIBIT NOS. 29 THROUGH 61 WERE RECEIVED
3 INTO EVIDENCE.)

4 JUDGE RUTH: Public Counsel's prefiled
5 testimony has been marked as Exhibits 62 through 72, and
6 then we are also adding as Exhibit 77, Public Counsel had
7 prefiled a correction to Ms. Meisenheimer's rebuttal
8 testimony. That was prefiled. I just neglected to put it
9 on my list. That one's being marked as Exhibit 77, so
10 you'll have to add that to your sheet.

11 Are there any objections to Public
12 Counsel's documents being admitted to the record?

13 MR. SCHWARZ: None for Staff.

14 JUDGE RUTH: Okay.

15 MR. COOPER: None for company.

16 JUDGE RUTH: Mr. Conrad?

17 MR. CONRAD: As stated before, no
18 objection.

19 JUDGE RUTH: Got it. Ms. Randles?

20 MS. RANGLES: No objection based on the
21 stipulation.

22 JUDGE RUTH: And Mr. Comley?

23 MR. COMLEY: No objection.

24 JUDGE RUTH: Okay. Then Public Counsel's
25 exhibits, which are 62 through 72 and No. 77, are admitted

1 into the record.

2 (EXHIBIT NOS. 62 THROUGH 72 AND 77 WERE
3 RECEIVED INTO EVIDENCE.)

4 JUDGE RUTH: For Sedalia Industrial Energy
5 Users Association, I have marked Exhibits 73 and 74. Are
6 there any objections to these two documents being admitted
7 to the record?

8 MR. SCHWARZ: None from Staff.

9 JUDGE RUTH: Public Counsel?

10 MR. MICHEEL: No.

11 JUDGE RUTH: Aquila?

12 MR. COOPER: None.

13 JUDGE RUTH: Mr. Conrad? I'm sorry.

14 MR. CONRAD: I found it a good course not
15 to objection to my own.

16 JUDGE RUTH: I'll skip you. Ms. Randles?

17 MS. RANGLES: No objection based on the
18 stipulation.

19 JUDGE RUTH: And Mr. Comley?

20 MR. COMLEY: No objection.

21 JUDGE RUTH: Okay. And Sedalia Industrial
22 Energy Users Association Exhibits 73 and 74 will be
23 admitted.

24 (EXHIBIT NOS. 73 AND 74 WERE RECEIVED INTO
25 EVIDENCE.)

1 JUDGE RUTH: Ms. Randolph, it's my
2 understanding your only exhibit is 75, correct?

3 MS. RANGLES: Actually, there were
4 schedules attached to Ms. Randolph's direct testimony.

5 JUDGE RUTH: I'll note that there were
6 schedules also, yes. Lots of schedules.

7 Are there any objections to Exhibit 75
8 coming into the record?

9 Aquila?

10 MR. COOPER: No.

11 JUDGE RUTH: Staff?

12 MR. SCHWARZ: No.

13 JUDGE RUTH: Public Counsel?

14 MR. MICHEEL: No.

15 JUDGE RUTH: Mr. Conrad?

16 MR. CONRAD: Same set of flags, but no
17 objection.

18 JUDGE RUTH: And Mr. Comley?

19 MR. COMLEY: No objection.

20 JUDGE RUTH: Okay.

21 (EXHIBIT NO. 75 WAS RECEIVED INTO
22 EVIDENCE.)

23 JUDGE RUTH: And then I have for the City
24 of Kansas City Exhibit No. 76. Any objections to this
25 document being admitted to the record?

1 Aquila?

2 MR. COOPER: No, your Honor.

3 JUDGE RUTH: And Staff?

4 MR. SCHWARZ: No.

5 JUDGE RUTH: Public Counsel?

6 MR. MICHEEL: No.

7 JUDGE RUTH: Mr. Conrad?

8 MR. CONRAD: Usual subject to, no
9 objection.

10 JUDGE RUTH: And Ms. Randles?

11 MS. RANGLES: No objection.

12 JUDGE RUTH: Then Exhibits 1 through 77 are
13 admitted into the record.

14 (EXHIBIT NO. 76 WAS RECEIVED INTO
15 EVIDENCE.)

16 JUDGE RUTH: Okay. As you know, today's
17 on-the-record presentation was scheduled to give the
18 Commissioners an opportunity to ask questions about the
19 Stipulation & Agreement that was filed last week. We are
20 going to start by offering the parties an opportunity to
21 make brief opening statements or presentations. Include
22 in your opening statement why your party feels that the
23 agreement should be approved. Basically it would be
24 something similar to Staff's suggestions that they filed
25 yesterday.

1 It would also be helpful if counsel would
2 address a timing matter. It appears that the parties have
3 put the Commission in a bit of a bind as far as deadlines
4 go. As part of the Stipulation & Agreement, the parties
5 ask that the Commission approve this agreement by April
6 15th. However, another condition of the agreement is that
7 it is -- approval of the agreement is contingent upon the
8 Commission approving certain transfers that are part of
9 GM-2004-0244. However, in that case the transfers have
10 not yet been ruled upon.

11 It's my understanding that a Stipulation &
12 Agreement is due April 2nd; is that correct?

13 MR. COOPER: I think actually it was filed
14 this morning.

15 JUDGE RUTH: That's good. Every day helps.
16 The problem the Commission has is, after it reviews the
17 Stipulation & Agreement in that case, if it wants to hold
18 an on-the-record presentation, there aren't many
19 opportunities between now and April 15th for them to hold
20 the hearing or on-the-record presentation and issue an
21 Order that would then affect whether or not this agreement
22 should be approved. So that's something I want the
23 parties to keep in mind.

24 When I was looking at it, it looked like it
25 might be necessary for the parties to agree to extend that

1 April 15th deadline. If you have alternative proposals,
2 you're welcome to offer them. And if you want to make any
3 comments about hearing schedules, there is, obviously, a
4 possibility that this case might instead go to hearing
5 depending on the 244 case. And if you want to make
6 suggestions for a timeline for that, you're welcome to do
7 so.

8 Okay. After those opening statements or
9 presentations, the Commissioners are going to ask
10 questions. I have suggested that they start by asking all
11 of their questions of Aquila, then moving on to Staff and
12 so on. However, they may choose to deviate from that
13 suggestion and jump around.

14 I will try to allow time at the end if a
15 Commissioner has asked questions of other parties and you
16 are not given the opportunity to answer that question,
17 you'll have an opportunity to do so at the end. And we
18 are going to have closing arguments instead of Briefs.
19 You do not need to make a closing argument if you want,
20 but I do not anticipate having any Briefs. So I will give
21 you the opportunity to make a closing statement, actually
22 is what it would be, if you want. Again, you can waive
23 that.

24 The transcript has been expedited and it's
25 my understanding it should be submitted tomorrow, is that

1 correct, Kellene?

2 THE REPORTER: Yes.

3 JUDGE RUTH: She's nodding her head. If
4 you want a copy of that transcript, an electronic copy,
5 you need to talk to the court reporter today before she
6 leaves the hearing room.

7 Are there any other preliminary matters
8 that need to be addressed from the parties?

9 Aquila?

10 MR. COOPER: No, your Honor.

11 JUDGE RUTH: Staff?

12 MR. SCHWARZ: No, ma'am.

13 JUDGE RUTH: Office of the Public Counsel?

14 MR. MICHEEL: No.

15 JUDGE RUTH: Mr. Conrad?

16 MR. CONRAD: None of which I'm aware.

17 JUDGE RUTH: Ms. Randles?

18 MS. RANGLES: None.

19 JUDGE RUTH: Mr. Comley?

20 MR. COMLEY: Nothing.

21 JUDGE RUTH: Okay. Then I'm going to put
22 the camera on a brief hold. I request that you stay in
23 the room, but we will go off the record for just a couple
24 of minutes for the Commissioners to come down.

25 (AN OFF-THE-RECORD DISCUSSION WAS HELD.)

1 JUDGE RUTH: We are back on the record. We
2 had a very brief break, and now we are ready to begin with
3 opening statements. Aquila, would you go first, please.

4 MR. COOPER: Your Honor and Commissioners,
5 it will be very brief. The Judge has asked us to explain
6 why we believe the Commission should approve the
7 stipulation, and for Aquila it's very simple. We believe
8 that the stipulation that's before you represents a fair
9 compromise that will result in just and reasonable rates
10 both as to Aquila's customers and as to Aquila, and thus
11 would encourage you to approve the stipulation.

12 The Judge also asked me to address a timing
13 issue that's present in this stipulation. The parties
14 have had some discussion about that during the short
15 break. As to the first timing issue, which is in
16 paragraph 2, which calls for implementation of MPS rates
17 by April 15, 2004, I would point out that language more
18 completely says that the parties agree to use their best
19 efforts to achieve implementation of the Stipulation &
20 Agreement with tariffs effective by April 15 for MPS. So
21 I don't believe that that is a -- it's certainly not a
22 line in the sand.

23 Now, secondly -- and I believe the Judge
24 may be pointing me back to paragraph 17, which is --
25 certainly is written at this point as a -- as more of a

1 line in the sand in terms of a drop-dead date. I think
2 that that sentence is somewhat different in that it refers
3 to approval of the stipulation, as opposed to the
4 effective date of rates, and so I think that those two
5 things are somewhat different.

6 I would also suggest to you that from the
7 company's perspective, it would have some flexibility as
8 to that April 15th date that is reflected in paragraph 17.
9 Because it's a part of a Stipulation & Agreement, I don't
10 know that I can go any further than that at this point
11 standing before you, but certainly I feel that there is
12 flexibility in that date from Aquila's perspective.

13 JUDGE RUTH: So you're suggesting Aquila
14 might be willing to actually amend the stipulation to
15 change the date listed in paragraph 17?

16 MR. COOPER: That is correct, your Honor.

17 JUDGE RUTH: I think we'll move on to the
18 rest of the opening statements, and then after the
19 Commission has heard all the opening statements, we'll
20 have questions. Staff, would you go next, please?

21 MR. SCHWARZ: Good afternoon. May it
22 please the Commission? I would first like to correct an
23 error in Staff's suggestions in support. We did put this
24 together quickly and didn't have a chance to vet it by the
25 company. In paragraph 1, we indicate that increases that

1 the company was seeking on August 1st, those numbers for
2 MPS north and south and east are actually the numbers that
3 were good for the updated period ending September 30th.
4 The original filing that Aquila made did not divide the
5 north and south system from the eastern system.

6 The act -- the original filing if you use
7 the same proportions on the \$5.6 million that they sought
8 was approximately 4.6 million for the MPS service
9 territories for the eastern -- for the north and south
10 systems and approximately \$1 million for the eastern
11 system.

12 And with that stated, Staff believes that
13 the Stipulation & Agreement reflects reasonable resolution
14 of the issues in this case.

15 The settlement requires Aquila to report
16 what Staff believes to be important indicators of service
17 quality, particularly during a period when the company has
18 to address considerable financial difficulties. It
19 addresses, as noted in paragraph 5 of the Staff's
20 suggestions, considerable rate design and rate adjustments
21 to the MPS and L&P service areas to get some uniformity in
22 those rates.

23 It provides significant funding for
24 experimental low-income programs in Aquila's service
25 territory, requires Aquila to respond promptly to the

1 Commission's consumer services department when they have
2 inquiries, and Aquila has agreed not to make an
3 infrastructure system replacement surcharge filing prior
4 to the effective date of its next natural gas rate case.

5 Staff believes that overall the Stipulation
6 & Agreement is fair and the rates that are proposed are
7 just and reasonable.

8 JUDGE RUTH: Mr. Schwarz, could you quickly
9 address the timing issue?

10 MR. SCHWARZ: I apologize for the firm date
11 in paragraph 17 of the Stipulation & Agreement. Obviously
12 I don't believe and I don't think Staff believes that it
13 is reasonable to be dictating dates and so forth to the
14 Commission. I hadn't realized that the best efforts
15 language that was used on page 2 was not repeated on the
16 later page.

17 And as far as the coordination or meshing
18 of the Report and Order in the tariffs in this case with
19 the action, whatever that might be as far as the
20 Commission's concerned on the sale of the eastern system
21 to AmerenUE, I think that's properly something for the
22 company to apprise the Commission of.

23 MR. COOPER: Your Honor, it might be a good
24 point if I could just mention on the record and while the
25 Commissioners are here that in regard to Case

1 GM-2004-0244, we did discuss earlier that a stipulation
2 has been filed in that case as of this morning, and so
3 that case has at least progressed to that point.

4 JUDGE RUTH: Public Counsel?

5 MR. MICHEEL: May it please the Commission?
6 The Office of the Public Counsel signed the Stipulation &
7 Agreement. We believe it's a just and reasonable
8 resolution of the issues in this case. I'll be happy to
9 answer any questions that you have about the specific
10 items that are included in this, should you have them. I
11 think overall it's just and reasonable.

12 With respect to the timing in paragraph 2,
13 from my view, it's just an oversight. Every time I read
14 paragraph 17, I saw best efforts. Of course, as the Judge
15 pointed out this morning, that's not the language there,
16 but I certainly support the best efforts language that is
17 in paragraph 2. It's, in my mind, simply an oversight.
18 I'll be glad to answer any questions that the
19 Commissioners may have.

20 JUDGE RUTH: Thank you, Mr. Micheel.
21 Department -- I'm sorry. Mr. Conrad? I did not mean to
22 skip you, for Sedalia Industrial Energy Users Association.
23 I just hate having that mouthful, I guess.

24 MR. CONRAD: I ain't going there.

25 May it please the Commission? We also

1 think this is an acceptable resolution of some difficult
2 issues and would recommend its approval to the Commission.
3 With respect to the date issue, April 15th is a
4 distasteful date in almost any year.

5 JUDGE RUTH: It's my birthday.

6 MR. CONRAD: Can I go off the camera now
7 and remove my foot?

8 JUDGE RUTH: It's a distasteful day, I
9 agree.

10 MR. CONRAD: The alternative is worse to
11 having a birthday, but I associate that with a certain
12 other event. I'm sorry that -- I'll send a card next
13 time. Obviously you didn't get the turkey last year.

14 But we have some other dates to suggest.
15 2009 has a nice ring to it, but we also don't have a
16 problem -- that's a provision I think that was inserted.

17 Investigations are forthcoming and there
18 will be a Commission to investigate how that language got
19 changed. But setting that date issue aside for a moment,
20 I don't think we have a problem if the Commission has some
21 flexibility there. Obviously I'm hearing from the company
22 that's something, frankly, for their benefit, I think, to
23 have an earlier implementation.

24 So if they're not insisting on it, we're
25 certainly not in a position to pound the table and say,

1 yes, you have to approve it, increase rates at an earlier
2 date. And there is the obvious conflict in language, but
3 I would -- I would think that we could certainly tolerate
4 the change in best efforts, and I think the Commission
5 would do that anyway. Thank you.

6 JUDGE RUTH: Thank you. Now --

7 MR. CONRAD: And happy birthday.

8 JUDGE RUTH: Thanks. I'll move on to
9 Department of Natural Resources.

10 MS. RANGLES: Thank you. The Department of
11 Natural Resources is supportive of the Stipulation &
12 Agreement. DNR was primarily just concerned with
13 paragraph 6 of the stipulation, and although the amounts
14 of money that would be dedicated for low-income
15 weatherization programs and the commercial energy audit
16 program are not as much as DNR requested, I think
17 settlements usually don't give you exactly what you asked
18 for, and the amount of money is sufficient to at least get
19 a real program going. And I think for purposes of this
20 rate case, we find it reasonable. We may be asking for
21 more in the next rate case.

22 If you have any questions, please feel to
23 ask. On the April 15th date, changing the language in
24 paragraph 17 to use best efforts would be fine with the
25 Department.

1 JUDGE RUTH: And Mr. Comley?

2 MR. COMLEY: Thank you, Judge. May it
3 please the Commission? Like the Department of Natural
4 Resources, the City of Kansas City's interest in this case
5 was primarily for the provisions that you'll find in
6 paragraph 6. You will recall that Mr. Jackson presented
7 our case to you, and -- well, in the electric case, but we
8 provided Mr. Jackson again in this case.

9 Kansas City has substantial mechanics set
10 up to handle grants from the Missouri Department of
11 Natural Resources for low-income weatherization
12 assistance, and this case proved to be no exception and we
13 are delighted to support the stipulation in the amount set
14 forth in paragraph 6 for purposes of the experimental
15 program that the company is now prepared to fund.

16 Regarding the deadlines, I think the
17 parties most affected by that have briefed the Commission
18 fully on that. We have nothing else to add.

19 JUDGE RUTH: Thank you, Mr. Comley. Has
20 Cornerstone Energy appeared?

21 (No response.)

22 JUDGE RUTH: Okay. Then I'll note that
23 they still have not appeared for the hearing and we will
24 proceed with questions from the Bench. And I will begin
25 with the Chairman. Mr. Chairman?

1 CHAIRMAN GAW: Thank you. I'd like to ask
2 Staff, first of all, as we normally do, how the -- to
3 explain the difference between your original position and
4 your position on the settlement and why this results in
5 something that you believe is appropriate?

6 MR. SCHWARZ: Well --

7 CHAIRMAN GAW: First the difference in your
8 positions would be a starting point.

9 MR. SCHWARZ: Well, I suppose that the
10 difference in position is, as far as the MPS north and
11 south divisions are concerned, the company originally
12 asked for about \$4.6 million, which rose through the
13 true-up date to 6.4 million. Staff settled for 2.6
14 million. I think it reflects uncertainty, risk of
15 litigation. It reflects acquiescence of --

16 CHAIRMAN GAW: What I'd like to know first
17 is what was Staff's position in your -- in regard to the
18 case as far as how much you were -- if this thing were
19 being tried, what was your position as to how much?

20 MR. SCHWARZ: Our final position?

21 CHAIRMAN GAW: Yeah. How much --

22 MR. SCHWARZ: Mr. Traxler, I think --

23 CHAIRMAN GAW: -- would you be agreeing to
24 in your testimony?

25 JUDGE RUTH: Mr. Traxler? I'm sorry. You

1 may consult with your client, but if he's going to
2 testify, I'm going to swear him in and move him over to
3 the stand.

4 MR. SCHWARZ: Staff was at about
5 \$2.5 million.

6 CHAIRMAN GAW: 2.5 increase?

7 MR. SCHWARZ: Yes.

8 CHAIRMAN GAW: On which portions?

9 MR. SCHWARZ: MPS and L&P, exclusive of the
10 eastern system.

11 CHAIRMAN GAW: Can you break that out for
12 me?

13 MR. SCHWARZ: MPS 1.6, and L&P 915.

14 CHAIRMAN GAW: And help me out here. When
15 you say exclusive of the eastern system, let me see, what
16 have you got in your agreement on the eastern system?

17 MR. SCHWARZ: The eastern system receives
18 no rate increase in this Stipulation & Agreement. That is
19 because it is subject to sale.

20 CHAIRMAN GAW: Subject to sale. Okay. So
21 you had a position of 1.6. Your settle amount is?

22 MR. SCHWARZ: 2.

23 CHAIRMAN GAW: 2.6. You had a position of
24 915?

25 MR. SCHWARZ: Yes. So our audit run showed

1 that they were entitled --

2 CHAIRMAN GAW: You're settling for more
3 than what they asked for?

4 MR. SCHWARZ: No. We're settling for what
5 they asked for. The \$836,000 reflects the 810,000 that
6 they asked for in March in their commodity rates, plus the
7 26,000 that they -- would be additionally generated by
8 increases in service charges and things of that nature
9 that didn't appear in that \$800,000 figure. So we're
10 settling right at their L&P request.

11 CHAIRMAN GAW: Okay. And did the Public
12 Counsel take a lower position on that portion,
13 Mr. Micheel?

14 MR. MICHEEL: Yes, we did, your Honor, but
15 in looking at what our adjustments were vis-a-vis the last
16 run that I saw from the company, even if we used all this
17 Commission's time and energy, and assuming that we won all
18 of our arguments, we would still be at the 810. And
19 that's why I was willing to agree to the 810, but what I
20 did want is a later implementation, because if I try the
21 case, they're getting 810, and so that's why we've got the
22 date in there, your Honor.

23 CHAIRMAN GAW: Okay. The July date?

24 MR. SCHWARZ: Uh-huh.

25 CHAIRMAN GAW: Public Counsel indicated

1 yes, I think?

2 MR. MICHEEL: Yes, your Honor.

3 CHAIRMAN GAW: He nodded his head. Okay.

4 So again, let me go back then to Staff. You've got a
5 million dollar difference in what your position was in
6 your testimony on the MPS system basically?

7 MR. SCHWARZ: Uh-huh.

8 CHAIRMAN GAW: Can you account for that in
9 anything in the issues or is it impossible to do that?

10 MR. SCHWARZ: I'm not -- I can't do it
11 right now. I can tell you that the issues are rate of
12 return, return on equity, capital structure, depreciation.
13 There is possibly some income tax exposure, a fair number
14 of items.

15 CHAIRMAN GAW: But it's not broken out, of
16 course, in the stip?

17 MR. SCHWARZ: No.

18 CHAIRMAN GAW: You settled for a revenue
19 amount?

20 MR. SCHWARZ: That's correct.

21 CHAIRMAN GAW: You didn't really settle on
22 the issues except for some of the reporting requirements
23 and depreciation issues?

24 MR. SCHWARZ: Correct. Correct.

25 CHAIRMAN GAW: How does the depreciation

1 agreement -- the agreement regarding depreciation compare
2 to what Staff's position was in the case in the testimony?

3 MR. SCHWARZ: It's very similar.

4 CHAIRMAN GAW: Tell me what the differences
5 are.

6 MR. SCHWARZ: The difference is that if the
7 amount that has been allowed as a cost-of-removal amount
8 differs from what is permitted in the case, that
9 difference will go through the accrual for depreciation,
10 the reserve for depreciation.

11 CHAIRMAN GAW: Which means what?

12 MR. SCHWARZ: It means that if, for
13 instance, the company has the -- and I can't remember what
14 the allowances for depreciation are. I think they're set
15 out in the stipulation.

16 CHAIRMAN GAW: They are set out.

17 MR. SCHWARZ: But if the company spends,
18 say, \$100,000 in a year that's in excess of that, that
19 will be booked to the accrual for depreciation. It will
20 then, at some later time, if it represents an overall
21 underrecovery of the assets, it would be available in that
22 account.

23 CHAIRMAN GAW: And how is that recovered?
24 Just take me through that process as simply as you can.

25 MR. SCHWARZ: The company would credit the

1 cash when the expenditure is made to remove the plant. It
2 would -- at this stage, I would ask -- Steve, do you want
3 to run with it? Cary?

4 JUDGE RUTH: Do you need a quick break?

5 MR. SCHWARZ: I do.

6 JUDGE RUTH: Take a three-minute break and
7 then we'll go back on the record.

8 (AN OFF-THE-RECORD DISCUSSION WAS HELD.)

9 JUDGE RUTH: Okay. Mr. Schwarz, let's go
10 back on the record. You may proceed.

11 MR. SCHWARZ: If it please the Commission,
12 Rosella Schad of the Staff will address the Commissioner's
13 question.

14 JUDGE RUTH: Ms. Schad, would you please
15 raise your right hand.

16 (Witness sworn.)

17 JUDGE RUTH: Could you speak up into the
18 microphone?

19 THE WITNESS: Okay. Good?

20 JUDGE RUTH: Yes, that's good.

21 Mr. Schwarz, you may proceed. Do you want to ask some
22 preliminary questions for the witness?

23 MR. SCHWARZ: No. The Commissioner posed a
24 question. Do you understand his --

25 ROSELLA SCHAD testified as follows:

1 QUESTIONS BY JUDGE RUTH:

2 Q. I just wanted to establish what's your
3 position in -- I want you to state your name and spell
4 your name and state your position with the Commission.

5 A. My name is Rosella Schad, and I'm an
6 engineer in the engineering and management services
7 department.

8 Q. How long have you been employed in that
9 position?

10 A. I've been with the Staff five years.

11 Q. And can you answer the Commissioner's
12 questions?

13 A. Yes.

14 JUDGE RUTH: Proceed, then.

15 QUESTIONS BY CHAIRMAN GAW:

16 Q. Do you remember what my question was?

17 A. I think it has to do with how is Staff's
18 position in the stip different than in our filed
19 testimony. And it has to do with the level of cost of
20 removal or salvage that would differ from the amount
21 that's currently being experienced by the company, and the
22 difference in our stip is that if there is a differing
23 amount from that, that will be booked against the reserve
24 so that there is not a loss of that as a cost or a gain
25 from the salvage that would be different from what's

1 currently being viewed in this case.

2 Q. How does that translate later on? When
3 it's booked to that reserve account, how does that impact
4 rates or revenues later on?

5 A. Well, later on, when we come back in
6 another rate case --

7 Q. Right.

8 A. -- we will look at that accrued reserve,
9 and we do an evaluation relative to it called theoretical.
10 And currently our evaluation shows that that reserve is in
11 excess. If, as we think it could happen, that the cost of
12 removal would be more maybe in the future because of
13 labor, inflation, those kinds of things, then the reserve,
14 when it reflects that booking from that, that reserve will
15 be reduced.

16 And with the current situation that the
17 reserve is in excess, we would see that difference
18 starting to bring the reserve to where we would think it
19 would be, based on the life component. So in a future
20 case, just as in any case, we would take a look at that to
21 determine if the level of that accrued reserve is
22 sufficient for this company.

23 Q. All right. And if it was -- if it was not
24 sufficient, you would recommend what to occur?

25 A. Well, there's a couple options we could do.

1 One of them would be an amortization over a stated period
2 of time. And there is another option available, and that
3 is through the depreciation rates themselves.

4 Q. Okay. And if it went the other direction,
5 how would you deal with that?

6 A. If the reserve was going the other
7 direction and the life component was not the reason for
8 it, but because the company was getting more salvage in
9 than what was expected?

10 Q. Yes.

11 A. And the reserve was growing even larger,
12 then we would have to ask ourselves do we want, like, a
13 negative amortization against the reserve or should
14 depreciation rates themselves be reduced.

15 Q. Has Staff taken -- has Staff agreed to this
16 position that's in this stip on depreciation in any other
17 case that you're aware of?

18 A. We don't have this kind of a position in
19 any other case, no.

20 Q. And do you know whether or not this
21 position has been proposed in some other case by some
22 other parties besides Staff?

23 A. Not that I'm aware of. Not in the
24 mechanism that we have here.

25 Q. Do you -- do you --

1 A. We have something similar to it, in that we
2 have some companies that have the cost of removal built
3 into rates at a current level, and -- but what the
4 difference there is, as your plant grows, so does the
5 depreciation expense each year. That would not be the
6 case in this one.

7 Q. So is this a better reflection of --

8 A. I think what this --

9 Q. -- of things than what you described as the
10 other position that had been taken?

11 A. Well, certainly as plant balances grow, we
12 won't have that envelope of expansion there, if you can
13 understand that. What this does do is -- for the company
14 is if their concern is that just looking at the last three
15 years is not reflective of perhaps the next three, then
16 certainly everything that they incur in expenses will be
17 recovered.

18 Q. Is this -- how much difference is there in
19 this mechanism and something like an AAO? Is there any
20 similarity at all?

21 A. I don't think that we have AAOs in
22 depreciation, but --

23 Q. I'm just looking to see. On the concept of
24 the later on recovering or balancing out additional
25 expenses over and above what were anticipated or having

1 less expense than what was anticipated, if this mechanism
2 works to true that up as time goes on in the later rate
3 case, I'm trying to understand how this -- how it works
4 and whether or not this mechanism is something in this
5 settlement that we ought to explore as a possible
6 resolution of some of these net salvage issues in other
7 cases, whether this is a one-time thing we're dealing with
8 in this case, because this is the way you-all could come
9 up with a settlement.

10 A. I think it serves both sides, especially in
11 cases where you have an excess reserve, as we do in most
12 of these cases. And the reason -- one of the reasons
13 we're seeing those excess reserves is because cost of
14 removal was built into the depreciation rates. So when I
15 do a calculation on theoretical today, I don't allow for
16 that component in it in the run. So then that in and of
17 itself creates an excess, and then if my lives are longer
18 than what's currently on the books, I will also have an
19 excess. But as always, under the next rate case, this is
20 always reviewed as each rate case comes in.

21 Q. I understand. I'm just trying to see
22 whether or not what you-all have brokered here on this
23 depreciation is something that we ought to look at beyond
24 this case or if it just happens to be a resolution you
25 reached in this case. I'm directing that to others,

1 Ms. Schad, if you want to address that.

2 MR. SCHWARZ: It's hard to tell. The
3 circumstances of this case were different. My
4 understanding is that similar arrangement is made on the
5 electric side in that Stipulation & Agreement as well.
6 And witnesses are different, positions are different.

7 CHAIRMAN GAW: I'm looking for policy here.
8 I'm just trying to understand if this is a new policy
9 thing, or --

10 MR. SCHWARZ: No, sir. Staff is not making
11 a new policy statement with this Stipulation & Agreement.

12 CHAIRMAN GAW: I'm not asking whether
13 you're making one. I'm asking whether it's something we
14 ought to be evaluating for that purpose.

15 Public Counsel, have you got a response?

16 MR. MICHEEL: Your Honor, we really haven't
17 focused because we don't have an expert on depreciation,
18 so we've let the company and the Staff work this out at
19 this time.

20 CHAIRMAN GAW: Okay. Go ahead.

21 MR. SCHWARZ: I think it's safe to say that
22 Staff has continued to look at the area of depreciation
23 over the last five or six years. Staff's position has
24 evolved over that period, and I would anticipate that as
25 we deal with it in the future, it will continue to evolve.

1 CHAIRMAN GAW: I'm trying to understand
2 whether this is an evolution to -- or if it's just a -- if
3 it's just a -- just a bump in the road.

4 MR. SCHWARZ: Well, I don't think --
5 certainly I'm not in a position to comment on it. I don't
6 know that --

7 CHAIRMAN GAW: It's okay if you don't know.
8 I'm just trying to understand. Mr. Conrad, have you
9 got -- have you got anything to tell me on this?

10 MR. CONRAD: No. We didn't have an expert.
11 I think, as a matter of policy, we think depreciation is a
12 good thing as long as it's not excessive or heavy.

13 CHAIRMAN GAW: I didn't catch the last
14 part. That's okay. I'll read it.

15 And I'll ask company, too. We have this
16 issue on every case, on every rate case, and we seem to be
17 moving around just enough in each settlement so that I --
18 I'm not sure where we are from anybody's standpoint on
19 this net salvage issue. And because so many of these
20 cases are settling, but they're not settling the same way,
21 we're sending a very mixed message out there about what
22 we're going to do with depreciation and net salvage.

23 And I really want us to get some more
24 clarity at some point in time. I'm not talking about
25 necessarily this case, but I'm wanting to know whether or

1 not this case is clarifying anything, because if so, it
2 will help me in my evaluation of other things. I'll ask
3 Aquila the same question.

4 MR. COOPER: Commissioner, I think I would
5 respond in this way. I don't know that it's providing the
6 sort of clarification you're looking for. I don't believe
7 that the position that's reflected in the stipulation is
8 where Aquila thinks the Commission ought to ultimately
9 land.

10 I think it is, from the company's position,
11 an improvement from some of the possibilities because, as
12 Ms. Schad was explaining, I think that it provides the
13 opportunity for both or -- or for neither the customer nor
14 the company to be greatly harmed if the estimates of cost
15 of removal miss one direction or the other in a great way.

16 So certainly the company believes that that
17 is a positive step, but again, I don't know that that's
18 where the company thinks the Commission should be
19 ultimately.

20 CHAIRMAN GAW: Okay. I understand your
21 caveat. What I'm looking for here is probably not
22 something that you-all can answer, but I really would like
23 to have some additional feedback on this maybe outside of
24 this case, about whether this is something that's worth
25 fleshing out more, because I think there's some -- I think

1 there's a desire to end up with some resolution of this as
2 a matter of policy so we're not continuing to have these
3 cases with this issue in it every time, and I --

4 THE WITNESS: I can add, I think this --

5 CHAIRMAN GAW: Go ahead, Ms. Schad.

6 THE WITNESS: I think this will add a
7 tracking form that might be relevant in future, so that we
8 can look at where, had we estimated, how are we different
9 from that, and it will give us a -- an actual base to go
10 from.

11 CHAIRMAN GAW: Okay.

12 THE WITNESS: And I think that -- I don't
13 think it can be looked at in the vacuum of only that area,
14 because you also have to look at what's happening in the
15 past with the reserve and so it has to -- all of the
16 elements have to be viewed together without -- and not
17 just one, plus looking at industry issues of
18 infrastructure replacement. I think it all has to be
19 brought together rather than just individualized.

20 CHAIRMAN GAW: Okay. All right. And
21 again, just to -- I don't want to go very much farther
22 with this, but this is -- this case and the electric case
23 are the only cases where this particular resolution has
24 been utilized, to anyone's knowledge?

25 MR. SCHWARZ: Yes.

1 JUDGE RUTH: It looked like counsel for
2 Aquila was shaking your head yes.

3 MR. COOPER: That's consistent with my
4 understanding.

5 CHAIRMAN GAW: Okay. There's -- ask the
6 AG's office for DNR, the amount of money that's going into
7 the weatherization assistance and the other -- the other
8 monies there that you have, I'm trying to understand how
9 that -- how that's going to be utilized to result in much
10 of a benefit. It seems like it's not a significant
11 amount, and I guess I'd like to know what you can do with
12 that money that's really going to make a difference.

13 MS. RANGLES: I think that -- would you
14 like me to come up there or stay here?

15 CHAIRMAN GAW: I don't care, but the Judge
16 may.

17 JUDGE RUTH: I would prefer that you come
18 up and make sure you use the microphone.

19 CHAIRMAN GAW: Thank you, Ms. Schad. It's
20 okay.

21 JUDGE RUTH: Yes, you may step down. Just
22 stay in the room.

23 MS. RANGLES: The total amount of money
24 that DNR had requested for weatherization was, I believe,
25 \$151,000 per year. \$151,200. The amount that is provided

1 for in the stipulation involves between \$78,500 and
2 \$86,000, so it is over half of what was requested. And in
3 addition, there's \$24,000 that -- in weatherization money
4 that will be handled a little bit differently through a
5 program that the Staff proposed trying.

6 I think the estimate from the direct
7 testimony that DNR filed was that the 151,000 per year --
8 let me just find the right page here. 151,200 would have
9 supplemented federal weatherization program funds and
10 thereby allowed approximately 112 Aquila, Inc. natural gas
11 households to receive weatherization assistance.

12 I think at the time the direct testimony
13 was filed, there were about 319 customers on the list.
14 Some of those were the electric, but the majority, I think
15 88 percent or somewhere in that range were gas customers.
16 So clearly not that many will be able to benefit, but this
17 is a very substantial improvement over what is currently
18 being done by the company, which is very, very little.

19 I think \$23,000 were set aside, and I think
20 there may have been only two people who actually were
21 participating. And what DNR discovered was that there's a
22 substantial waiting list and people are being told they
23 have to wait over a year, so they tend to just walk away
24 instead of even putting in their names.

25 Clearly the amount of money is less than

1 what DNR requested and less than DNR would like to see in
2 the long run, but it's enough money to provide a
3 substantial foothold, get some weatherization provided and
4 sort of set the stage, if you will, for increasing funding
5 in the future and making it a real program now, and then
6 an appropriate size program when the next rate case comes
7 through.

8 CHAIRMAN GAW: What can you do to a house
9 for the money that you'll have available here?

10 MS. RANGLES: That is a question I cannot
11 answer. I'd be glad to consult with Anita Randolph here
12 and answer your question.

13 CHAIRMAN GAW: You've got somebody here?

14 MS. RANGLES: Yes.

15 CHAIRMAN GAW: Yeah. If you want to do
16 that, that would be good. I'll go on to somebody else for
17 a minute and give you time to do that.

18 There was a -- I hope I can find this real
19 quick here. I was unsure about the meter -- special meter
20 reading fee. It's a small item on there, but I didn't
21 understand what that was and I thought somebody could tell
22 me. Did I see that somewhere in there?

23 MR. MICHEEL: Yes.

24 MR. CONRAD: Page 4, 5D, is that where
25 you're picking up, Commissioner?

1 CHAIRMAN GAW: That's it. What is that?

2 MR. COOPER: Commissioner, I believe what
3 that is is a chart for customers that want a meter read by
4 special appointment. And I believe the numbers there --
5 and this goes back to testimony from the Office of the
6 Public Counsel, but I believe what we're doing in this
7 language was making -- just providing some consistency
8 between the L&P and MPS service areas.

9 MR. MICHEEL: I agree with that, your
10 Honor. I mean, when the merger allegedly occurred, there
11 were different tariffs with respect to these special
12 charges, and I don't disagree with Mr. Cooper that the
13 special charge generally reflects when a customer outside
14 the ordinary course of business requests that the company
15 come out and read their meter. There's certain specific
16 costs related to that, and this Stipulation & Agreement
17 takes the lower charges, as opposed to the higher charges,
18 and that's what Mr. Busch had recommended in his direct
19 testimony.

20 CHAIRMAN GAW: But the idea of what it is,
21 just so I could understand it, is when you have to have --
22 is this for business or residential customers, first of
23 all, or is it both, and that's the reason there's two
24 different fees mentioned?

25 MR. MICHEEL: I believe it's for

1 residential customers, and it's for meters readings
2 outside the normal course of business.

3 CHAIRMAN GAW: Okay. So if the customer
4 wants their meter read or if they -- if it has to be read
5 for some other purpose, I don't know what that would be or
6 --

7 MR. MICHEEL: That would be my
8 understanding, yes. If there's some reason they need a
9 special read; perhaps if there's inside meter that they're
10 not getting into, something like that.

11 CHAIRMAN GAW: I'm not trying to create an
12 issue there. I just wanted to understand it.

13 The Public Counsel is satisfied as far as
14 the outcome is concerned here with the rates that will be
15 charged? Obviously you are, but tell me why you are.

16 MR. MICHEEL: We are. We think that,
17 generally, the equal percentage application of rate
18 increase is something that is fair to all customer
19 classes. We also think that it's important that the fixed
20 charges, in other words the customer charges, remain at a
21 relatively low level to allow customers to do some
22 conservation things as it relates to the volumetric
23 charges. And as you can see, the customer charges have
24 really not been increased substantially at all. I think
25 for St. Joe it went up from \$6.66 to \$7 in some areas, and

1 I believe it went up to \$9 for the MPS.

2 MR. COOPER: I think 9 to 9.50.

3 MR. MICHEEL: Yeah, 9 to 9.50 for the MPS
4 customers, so it was modest movement, but I think it was
5 movement consistent with our cost of service study.

6 CHAIRMAN GAW: Okay.

7 MR. MICHEEL: And I would comment with
8 respect to the \$78,000 for low-income.

9 CHAIRMAN GAW: Yes.

10 MR. MICHEEL: I kind of think, contrary to
11 DNR, that that's a fairly significant number. Given the
12 number of customers that Ameren gas has, I think that's a
13 significant number vis-a-vis the numbers you're seeing
14 that we have for, let's say -- or Aquila gas -- excuse
15 me -- for Ameren, for Missouri Gas Energy, for Laclede.
16 It's been my experience with those programs that the way
17 the weatherization programs shake out is that you're going
18 to do not more than, let's say, \$2,300 per home, and
19 that's for replacing the windows all the way up to
20 replacing furnaces to whatever you can do.

21 And, I mean, if I just do quick arithmetic
22 on that, that's -- you know, you divide 78,500 by 2,300,
23 you're getting a decent number, you know. And so I think
24 that, given the size of this company, that that's a fairly
25 substantial number, Commissioner. I mean, I recognize

1 it's less than what DNR wanted, and they want more and I
2 understand that.

3 CHAIRMAN GAW: I just -- when we throw
4 these numbers around, it sometimes helps me to understand
5 what that will do on a per-household basis to get an idea
6 about whether it's really a significant program or not.

7 MR. MICHEEL: And that's just using the
8 78,500 number. If you look down there, there's also
9 weatherization for the 24,000 that's going to be only in
10 the Sedalia area. So you've got 78,500 that's going to be
11 systemwide. That's both the L&P and MPS system. Then
12 you've got another 2,400 targeted for the Sedalia area, in
13 conjunction with the proposed experimental rate discount
14 program that we have yet to design.

15 CHAIRMAN GAW: Just for curiosity's sake, I
16 ask this from time to time, did anyone propose in this
17 that the company look at an experimental program that's
18 similar to a pay-as-you-save program? I'll ask DNR that
19 question.

20 MS. RANGLES: Commissioner, no, we did not.
21 I don't know why.

22 CHAIRMAN GAW: I don't know that it's
23 ever -- I have yet to hear that was proposed in a case to
24 be discussed, and from time to time, you will see that
25 I'll ask questions about that because I have an interest

1 in that concept, so -- but that's okay. I just wanted the
2 answer. Did you get the answer to the other question?

3 MS. RANGLES: Yes, I did. Commissioner,
4 the money that is used for weatherization can be used for
5 a variety of purposes, and it depends a little bit on a
6 particular home, what can be done and how much can be done
7 with a minimal amount of money. Typical services that are
8 provided are either tuning of furnaces or replacement of
9 furnaces with more energy efficient models, caulking and
10 weather stripping of windows and doors to make the house
11 more airtight, adding attic insulation and also sometimes
12 window replacement.

13 CHAIRMAN GAW: And Public Counsel said
14 something about 2,300 per household would be a figure that
15 would be likely. Is that --

16 MS. RANGLES: Yes.

17 CHAIRMAN GAW: That's a number that agrees
18 with -- that you would agree with?

19 MS. RANGLES: Yes. Apparently -- and I
20 believe this is kind of an average figure, but what
21 typically happens is \$1,300 in federal weatherization is
22 matched with an equal amount from the company's program,
23 and combined that gives you about \$2,600 per household to
24 work with. But again, obviously money isn't going to be
25 spent. It's not necessarily being spent on a household in

1 order to provide these services to it, so not every
2 household is the same. And I think DNR estimates that
3 with the amount of money being dedicated to the
4 DNR program as opposed to the separate Staff program for
5 Sedalia, they estimate that maybe 50 homes could be done
6 per year.

7 CHAIRMAN GAW: 50? Okay.

8 MS. RANGLES: While the 319 on the customer
9 current waiting list as of the time the testimony was
10 filed, some of those were electric customers, not gas
11 customers. But even assuming 80 percent, you're going to
12 be taking care of maybe 50 customers a year, they're going
13 to have more customers going on, too. So I think that's
14 why DNR anticipates that perhaps in future rate cases they
15 can be seeking more money. But this is such an
16 improvement over what is currently happening that it kind
17 of establishes a precedent. I think that's the way DNR
18 views it.

19 CHAIRMAN GAW: Okay. Thank you. That's
20 all I have right now, Judge. I'll pass.

21 JUDGE RUTH: Commissioner Murray, would you
22 like to ask some questions at this time?

23 COMMISSIONER MURRAY: Yes, thank you, I
24 would. And, Judge, although I heard you tell Ms. Schad
25 not to leave the room, I don't see her.

1 MR. SCHWARZ: She's back there.

2 COMMISSIONER MURRAY: Okay, she's back
3 there? I will have some questions for her.

4 JUDGE RUTH: Do you want to call her at
5 this time, then?

6 COMMISSIONER MURRAY: Yes, I believe that
7 would be the most efficient.

8 JUDGE RUTH: Would she come forward,
9 please? I can't see her either.

10 (Witness returned to stand.)

11 JUDGE RUTH: Ms. Schad, I'll remind you
12 that you are still under oath.

13 ROSELLA SCHAD testified as follows:

14 QUESTIONS BY COMMISSIONER MURRAY:

15 Q. Good afternoon, Ms. Schad. Did you think I
16 wouldn't see you back there? I just have a few questions
17 about the depreciation and the net salvage issue.

18 On the Stipulation & Agreement on page 3,
19 it says the parties agree with the provision for
20 jurisdictional net costs of removal recommended by Staff.
21 Does that mean the jurisdictional net cost of removal
22 based on actual cost of removal being experienced? Is
23 that what it means when it says jurisdictional net cost of
24 removal recommended by Staff?

25 A. Yes. It was a level in this particular

1 case -- and you could ask Witness Featherstone who
2 supplied that data -- but it was an average of the last
3 five years from the data that the company provided. We
4 also, in depreciation, normally will get cost of removal
5 and salvage data in separate files ourselves.

6 Q. And that's what I was trying to clarify.
7 If that's based on the position that Staff has taken for
8 the last I don't know how many years, three or four years
9 regarding the treatment of net salvage, and that position
10 being that the net cost of removal should be calculated
11 based on actual experience versus being calculated as the
12 cost of removal amortized over the life of the asset?

13 A. Right. There is a difference.

14 Q. And what is the -- do you know, or maybe
15 Mr. Featherstone would be the appropriate one to answer
16 this question. But I would like to know the details of
17 the effects on the revenue requirements based on the
18 agreed-to methodology here and the Stipulation & Agreement
19 versus the company's original position, and also versus
20 the Staff's original position.

21 A. Do you mean -- do you want, like, actual
22 dollar amounts or, like -- or the -- just an overview of
23 what this does to the rate base?

24 Q. I don't have to have actual dollar amounts,
25 but I would like some way to compare them.

1 A. Okay. In the current situation, once a
2 level is -- cost of removal is more than what is being
3 allowed in the case, it is going to be booked to the
4 reserve.

5 Q. Let me stop you there and make sure as you
6 go through this that I'm understanding what you're saying.
7 If the jurisdictional net cost of removal that you
8 recommended here based on the last five years experience
9 was, say, \$1 million a year, but the actual removal cost
10 for a particular year turned out to be 1,200,000, what
11 would happen to that 200,000?

12 A. It will, as being booked to the reserve,
13 will reduce the reserve, which will ultimately increase
14 the rate base, which allows more rate base to recover on
15 in the next rate case.

16 Q. All right. And that is the situation where
17 actual cost of removal turns out to be greater than the
18 average of the last five years?

19 A. Right.

20 Q. Now, in the situation where it turns out
21 that the average -- or the actual cost of removal is lower
22 than that average, what happens?

23 A. The reserve would grow because you're --
24 because we're also going to have that difference still
25 booked to the reserve, but now salvage was more than --

1 the cost of removal was not as much as it would have been.
2 So that's going to increase -- that difference will now
3 increase the reserve, which will reduce rate base.

4 Q. So the amount being accrued for removal
5 grows if the actual cost decreases?

6 A. Can you ask me that again?

7 Q. I'm trying to understand if this is right.
8 I think what you're saying is the amount being accrued for
9 removal grows?

10 A. Well, the reserve grows. If you -- if you
11 have salvage dollars, your reserve --if you have salvage
12 dollars, your reserve increases.

13 Q. If you have a positive net salvage, you're
14 talking about?

15 A. Yes.

16 Q. Your reserve increases?

17 A. Yes.

18 Q. And your rate base decreases?

19 A. Yes.

20 Q. And if the Staff had gotten its preferred
21 methodology to be applied here, how would we be treating
22 the jurisdictional net cost of removal? If we had assumed
23 it was \$1 million was what was in the case, that level
24 would be expensed annually?

25 A. Annually.

1 Q. And there would be no reserve account?

2 A. There would be no effect to the reserve.

3 Q. And what if the actual amount were
4 1,200,000?

5 A. There would still be just one million
6 expensed and there would still be no effect to the
7 reserve, because that other -- because they would only
8 have been given a million dollars for the expensed item.

9 Q. So when the Stipulation & Agreement says
10 the parties agree that this methodology, the methodology
11 adopted here in the Stip and Agreement, will represent
12 full recovery of all the company's annual net cost of
13 removal expenditures, is that because of the treatment of
14 the amounts that differ from what you have assumed will be
15 the actual cost?

16 A. Well, because we're going to take it
17 through the reserve where those dollars have already been
18 collected from the customer, so that reserve being where
19 it's free to grow or be reduced is -- will in time reflect
20 full recovery because you will -- at some point in time,
21 your reserve should equal the plant balance which it's
22 taken against.

23 Q. Okay. So does it follow that the method
24 that Staff originally recommended here would not represent
25 full recovery?

1 A. Correct, if it had gone over.

2 Q. And you indicated that this method here in
3 the Stip and Agreement adds a tracking mechanism going
4 forward. You said something like that.

5 A. It is like a tracking mechanism. Once
6 it -- if you once hit the level that's in the case, and
7 then ongoing amounts should that remove be more than that
8 be booked against the reserve, we'll know how much that
9 will be because there will be entries.

10 Q. And if the methodology that has been called
11 the traditional methodology because it's been used by this
12 Commission until -- consistently until very recently, as
13 well as most commissions around the country -- were
14 followed, is not that same type of tracking mechanism
15 included in that?

16 A. On one side the -- the actual amount
17 incurred is tracked, but for most companies because the
18 portion of the depreciation rate that was cost of removal
19 was not identified, how much you were collecting for it is
20 not trackable.

21 Q. I'm sorry. You're going to have to go
22 through that one more time for me.

23 A. For most companies in the state in the last
24 few years, the depreciation rate component that was cost
25 of removal has not been identified, has not been

1 segregated as a part of that rate. So we cannot know how
2 much of the depreciation expense each year has been
3 collected for cost of removal.

4 Q. So what do you look at when there's the
5 rebalancing, periodic rebalancing with that methodology?

6 A. It is an aggregate situation where you have
7 collected for the life and the cost of removal, and when
8 you say we do a rebalancing, we can only look at it in
9 total. We can only look at that reserve relative to the
10 plant balance as an aggregate amount. We can't -- we
11 can't know how much of it was for actually the original
12 plant balance and how much of it was for cost of removal
13 unless the depreciation rates are listed with those two
14 components identifiable.

15 Q. But is it possible to determine whether,
16 one, the lives are calculated appropriately and, two, the
17 cost of removal is calculated appropriately as an
18 aggregate?

19 A. You can -- you can determine where the
20 relativity, the portion is changing. I can tell if my
21 reserve to plant balance is at .42 percent, and then on
22 that .38 percent I know that I'm not in balance but I
23 don't know which of the two is the cause.

24 Q. Okay. But you can rebalance back to that
25 4.2 percent, can you not?

1 A. You can, in theory, but in reality, the
2 plant balances are growing, so it's a moving target.

3 Q. And why is that different here? You say
4 it's a moving target because the plant balances are
5 growing. In this situation, with the methodology adopted
6 in the Stipulation & Agreement, is it a moving target?

7 A. I can actually take out the amount that
8 is -- that it will be booked as cost of removal and the
9 only thing left is life, and I will be able to see -- I
10 will be able -- I will be able to determine if -- how well
11 that life estimate has been made.

12 Q. And then any adjustment would be made by
13 adjusting either the life period or the depreciation
14 amount?

15 A. Well, we could, in our next rate case, if
16 the cost of removal estimate is not appropriate, the
17 auditors could readjust how much is being allowed for the
18 cost of removal. That's one thing that can be done.

19 Q. But assume the cost of removal was
20 appropriate and there was some difference in the --

21 A. Then we would make those adjustments in the
22 depreciation itself, which is just wide open.

23 Q. Okay. And why is this not a better
24 methodology than the methodology that Staff originally
25 recommended here for being an accurate tracking mechanism

1 that allows for full recovery of all of the annuals, the
2 company's net cost of removal expenditures?

3 A. Can you ask that question again?

4 Q. Yeah. You indicated to me that if we had
5 taken Staff's original methodology, there wouldn't be any
6 adjustment if the actual cost of removal were greater
7 than, say, we had determined a million dollars and they
8 were 1.2 million, that there wouldn't be any adjustment
9 there, but here there would be. Why is it not better to
10 make adjustments when there are discrepancies?

11 A. I guess overall I might for some of these
12 kind of things, maybe back to our division director in the
13 sense that there's other items that always were listed in
14 ratemaking that don't exactly -- are at the level that
15 they are today in rate revenue design. So I guess, if I
16 could, I would refer something of that nature back to Bob
17 on how you would look at all entries that are coming into
18 a rate case.

19 Q. Okay. Let me go back and see if you can
20 give me some way to compare the effects on revenue
21 requirement of the three methodologies; Staff's original,
22 company's original and this compromised position.

23 A. The company's -- and they can correct me if
24 I'm wrong, they would be building -- they would be
25 building up the reserve, which reduces rate base, and I

1 think as their witness indicated, provided a relief to the
2 customer.

3 Q. Meaning what for revenue requirement?

4 A. A reduced revenue requirement.

5 Q. The company's methodology?

6 A. Yes. For -- for just the effect -- oh,
7 if -- and I'm just referring to just the effect of the
8 cost of removal going through the reserve, not the level
9 of the cost of removal.

10 Q. Well --

11 A. Okay. What happens there is that you're
12 collecting in their projections in these cases, you are
13 projecting for a large component of cost removal. Well,
14 that's in and of itself a revenue requirement. But then,
15 if that goes to the reserve, the reserve is built up and
16 the rate base is reduced, and then the return on that rate
17 base is not as much as it would have been otherwise. The
18 company can tell me if that's -- your position.

19 MR. COOPER: I think I would have to
20 respond in more general dollars. Is that where you were
21 going, Commissioner, in term of the revenue requirement?

22 BY COMMISSIONER MURRAY:

23 Q. I'm trying to look at the effect here year
24 by year, the effect of the rates established here by this
25 Stipulation & Agreement, if that's possible to do. And

1 just in general terms, is one significantly greater than
2 the other, are they about equal, how do they affect
3 revenue requirement?

4 A. Well, what we had on an annual basis for
5 the company was -- this probably should be somewhere
6 around 3.8 million was the total depreciation expense.

7 Q. And total depreciation expense here?

8 A. On an annual basis. And Staff's is
9 approximately 2.6 million.

10 Q. And then the stip?

11 A. But then there's also built back in also
12 the -- Mr. Featherstone's allowance for the cost of
13 removal expense.

14 Q. I don't have that right here in front of
15 me. So on the gas side, the company and Staff were about
16 1.2 million difference?

17 A. I believe Mr. Featherstone -- we had half a
18 million cost of removal.

19 JUDGE RUTH: I can bring up another
20 witness, but at this point you should answer the question
21 to the best of your ability, and then if Staff wants to
22 call or counsel wants to call another witness, we will do
23 that.

24 THE WITNESS: Okay. So the difference is
25 Staff would be probably about .7 million less than the

1 company on an annual basis, 1.2 minus .5.

2 BY COMMISSIONER MURRAY:

3 Q. Okay. And what is this -- where does the
4 Stip & Agreement fall in that range?

5 A. Well, because that's a settled dollar
6 amount, I can't speak to that.

7 Q. And there were no calculations done, I
8 guess, to determine that?

9 A. Well, there would be -- there would be no
10 more revenue requirement, because it's going to go through
11 the reserve in that regard.

12 COMMISSIONER MURRAY: I'll move on here a
13 little bit. I think I want to ask counsel the question.

14 MR. SCHWARZ: If I might preliminarily, the
15 Staff's cost of removal was about -- for both MPS and L&P
16 about \$90,000. It's set out in paragraph on 4 on page 3
17 of the Stip.

18 COMMISSIONER MURRAY: Compared to --
19 compared to Staff's original position?

20 MR. SCHWARZ: That is Staff's allowance for
21 cost of removal in gas.

22 COMMISSIONER MURRAY: Okay.

23 MR. COOPER: If I could, Commissioner, the
24 1.2 million difference between company and Staff, I
25 believe, reflected company's proposal to increase

1 depreciation expense by about 500,000 and Staff's proposal
2 to decrease depreciation expense by about 700,000. I
3 think that's where that \$1.2 million difference comes
4 from, just as a matter of explanation.

5 THE WITNESS: And it's just the MoPub side.

6 MR. COOPER: Okay. Yeah, just the MPS
7 side, but there's a much smaller piece for the L&P side.

8 COMMISSIONER MURRAY: And is that simply
9 increases and decreases in the cost of removal portion?
10 This is --

11 MR. COOPER: I think you have that piece.
12 You have some modest differences. You may have something
13 else that's in there as well, but that's kind of a total
14 difference between the parties, and I don't know -- I
15 certainly couldn't break out for you just the piece
16 related to cost of removal net salvage.

17 COMMISSIONER MURRAY: So it sounds like
18 nobody can actually break out what the effect of treating
19 net salvage in this manner is on the whole picture.

20 MR. COOPER: Well, I think in the end, the
21 difference between Staff's original position and what
22 we've done in the stipulation from a revenue requirement
23 standpoint is that there's no difference, I think, as a
24 result of the stipulation, and that the company has agreed
25 to adopt Staff's depreciation rate. I think the

1 difference from the company's perspective in terms of
2 Staff's original position and what was eventually reached
3 in the stipulation comes in what Ms. Schad was describing
4 as a tracking mechanism for what to do if the current
5 year's cost of removal doesn't match what was developed
6 through an analysis of the averages.

7 And that's kind of a -- that's not really a
8 question for the revenue requirement in this case, in my
9 mind. That kind of comes into play as we pass through in
10 the future.

11 THE WITNESS: I guess I could add, I was
12 just looking at -- if you're asking I could look at my
13 table here, what's the cost of removal in the company's
14 position is less than a million, both combined, both
15 divisions combined.

16 COMMISSIONER MURRAY: Okay. I think I'm
17 getting a better clarification of what I'm trying to get
18 at here.

19 And is it the company's position that
20 there's no loss recovery over time, based on using this
21 methodology that was agreed upon here?

22 MR. COOPER: I guess I would have to ask
23 what you mean by no loss recovery?

24 COMMISSIONER MURRAY: For cost of removal.

25 MR. COOPER: Well, I think that what's set

1 out in the stipulation does provide some mechanism for
2 recovery of both directions, both -- if 68,000 for MPS
3 turns out to be low for next year or if 68,000 turns out
4 to be high, I think that the stipulation provides some --
5 at least provides a mechanism for attempting to deal with
6 both sides of that equation.

7 When you start to go down this net salvage
8 cost of removal question, should we be talking about
9 current year's cost of removal, should it be built into
10 the depreciation rates, I think there's a whole lot of
11 other questions that arise in there, generational equities
12 and your view on that, and various other arguments.

13 But specifically this mechanism, if you are
14 going to attempt to do it on a current year's basis, I
15 think in the company's mind it provides a tracking
16 mechanism that could work both directions.

17 COMMISSIONER MURRAY: In terms of tying it
18 to the assets that are retired and the ratepayers who use
19 those assets, you still have to do it to inclusion in the
20 depreciation of the asset; is that right?

21 MR. COOPER: Well, not to -- I certainly
22 don't want to argue this issue in a big way, but certainly
23 the way it's being treated in this case, the company in
24 another case in the future probably would argue that it's
25 requiring today's customers to pay for yesterday's

1 customers' use of these assets, and that a -- in the
2 company's viewpoint, it would make more sense to make net
3 salvage a part of the depreciation rate so that that cost
4 is paid throughout the life of the asset. But that's,
5 like I say, I hope an argument for a different day.

6 COMMISSIONER MURRAY: And is it the
7 company's position that this Stipulation & Agreement makes
8 no estimate as to why they're -- you think this is an
9 appropriate methodology?

10 MR. COOPER: Certainly -- that's certainly
11 the case, Commissioner. This stipulation includes, I
12 guess, what we would probably refer to as boilerplate, but
13 that language that is consistently in these kinds of
14 stipulations that not just the company but all parties
15 agree that this doesn't really have precedential value on
16 a going-forward basis, that the agreement is reached for
17 the purposes of this particular case and these particular
18 circumstances.

19 COMMISSIONER MURRAY: And, Mr. Schwarz,
20 this was not the position adopted here, the methodology
21 adopted here in the Stipulation & Agreement was not
22 Staff's original position either; is that correct?

23 MR. SCHWARZ: That is correct. It is not
24 Staff's original position.

25 COMMISSIONER MURRAY: So in this particular

1 case, it sounds as if Staff is taking the position that
2 the Stip & Agreement says nothing about anyone's
3 acceptance or and inferences or conclusions that can be
4 drawn from the methodology agreed to here; is that right?

5 MR. SCHWARZ: Yes.

6 COMMISSIONER MURRAY: And yet in a recent
7 case where Staff's methodology was the one that was agreed
8 to in the Stipulation & Agreement, I believe the Staff
9 counsel made the statement that there was an inference
10 from that that the -- as to parties' positions on the
11 appropriateness of the methodology that was agreed to?

12 MR. SCHWARZ: I'm not --

13 COMMISSIONER MURRAY: You weren't a part of
14 that case?

15 MR. SCHWARZ: I think that the
16 Commission -- well, to begin with, no Commission decision
17 has precedence. That is, the Commission's not bound by
18 its past decisions. To the extent that the Commission
19 orders companies to adopt depreciation rates in a
20 particular case, I think it's safe to say that the
21 Commission has found those rates to be reasonable, and I
22 think that more than that, it's probably not fair to
23 comment.

24 COMMISSIONER MURRAY: And that would be the
25 case here as well as the --

1 MR. SCHWARZ: Yes.

2 COMMISSIONER MURRAY: -- other stip and
3 agreements?

4 MR. SCHWARZ: Yes, ma'am.

5 COMMISSIONER MURRAY: Even if that
6 contradicts something that you may have said in another
7 stip and agreement?

8 MR. SCHWARZ: I think.

9 COMMISSIONER MURRAY: All right. It was
10 only -- it was opening statement, so it wasn't evidence
11 anyway.

12 MR. SCHWARZ: Well, opening statements by
13 and party, and if I misspoke in an opening statement, I
14 would apologize. I try to be careful about the statements
15 that I make.

16 COMMISSIONER MURRAY: So it's your position
17 that this Stipulation & Agreement has no -- there can be
18 no inference drawn, no conclusion drawn as to the
19 appropriateness of the methodology as to the position on
20 the appropriateness of the methodology by any party, is
21 that accurate?

22 MR. SCHWARZ: I think that is safe to say,
23 yes.

24 COMMISSIONER MURRAY: And does any party
25 disagree with that?

1 JUDGE RUTH: Mr. Micheel? I'm sorry. I
2 thought you had something to say.

3 MR. MICHEEL: Not at this point.

4 JUDGE RUTH: It looks like no party wants
5 to answer affirmatively.

6 COMMISSIONER MURRAY: I think that's all I
7 have. Thank you, Ms. Schad.

8 JUDGE RUTH: Do you have any additional
9 questions at all? Commissioner Gaw, are you going to have
10 additional questions?

11 CHAIRMAN GAW: No, thank you.

12 JUDGE RUTH: I have one or two questions,
13 but the court reporter has not had a break in some time,
14 so we're going to go off the record for ten minutes, and
15 then we'll come back. I don't think my questions will
16 take too long.

17 And I'll give you a head's up. They
18 actually pertain to getting some additional information
19 regarding page 4, it's 5 -- it is Item 5C. I want to ask
20 some additional questions about the Robert Amdor portion.
21 And also on page 6 under the billing determinants, some
22 questions for Staff to perhaps provide some additional
23 guidance on what those billing determinants are.

24 In other words, I realize in this Stip &
25 Agreement the parties have been referred back to the

1 testimony. And I appreciate the fact that for Aquila's
2 witness at least you do give me the witness' name, Robert
3 Amdor. And I have the testimony with me, but I was hoping
4 that the company could give me a brief summary or at least
5 pinpoint me on some more exactly what it is the parties
6 are agreeing to.

7 And the same for Staff, only for Staff it
8 makes reference to the Staff's billing determinants and
9 does not even pinpoint which witness, and I'm hoping Staff
10 can give me more information. And we will take that
11 ten-minute break now and go off the record.

12 (A BREAK WAS TAKEN.)

13 JUDGE RUTH: As we left last time, I
14 indicated I had just a couple of questions, and I'd like
15 to start with the company.

16 As I indicated on the Stip and Agreement,
17 page 4, Item No. 5C, I was hoping to get some summary or
18 either some more pinpoint cites into that direct testimony
19 of Aquila Witness Robert Amdor. The Stip and Agreement
20 indicates that the miscellaneous charges for gas service
21 will be out -- will be as outlined in the direct testimony
22 of Mr. Amdor. And I have Mr. Amdor's testimony, but I was
23 hoping you could help me pinpoint what those are.

24 MR. COOPER: Okay. Well, I guess we were
25 hoping to work a different direction, if we could.

1 JUDGE RUTH: If you prefer to look at the
2 illustrative tariff, that's fine, too.

3 MR. COOPER: And I'm in hopes, your Honor,
4 that you have a sheet No. R-51 that should be very near
5 the end of the packet.

6 JUDGE RUTH: Yes, I do.

7 MR. COOPER: Okay. That sheet is a summary
8 of these types of charges. Now, in addition to what you
9 refer to in 5C, you'll also see that, for instance, 5A,
10 the simple half percent per month is referred to at the
11 bottom of the page. The 6.09 late payment charge in the
12 section 6.09 is a reference back to the section of these
13 tariffs where that is specifically addressed.

14 Once again, just as a matter of
15 illustration, right above that 6.04C is the \$5 and \$10
16 that's reflected in 5D, and I believe the \$25 reflected in
17 5E is near the top of page 2.07C, \$25. The other amounts
18 reflected on that page are the amounts that were agreed to
19 by the parties, which came initially from Mr. Amdor's
20 testimony.

21 MR. MICHEEL: I would say with the
22 exception of charge 6.04C there, the special meter reading
23 appointment charge that I spoke with Commissioner Gaw
24 about, that I think came from Mr. Busch's testimony. And
25 just to make the record clear on that, when I talked to

1 Commissioner Gaw about that, the difference between the \$5
2 and \$10, the special meter read is \$5 when it's during
3 business hours. The special meter read is \$10 when it's
4 outside normal business hours. And I think I misspoke
5 when I dealt with that, and I apologize for confusing the
6 record, but that's the correct statement.

7 JUDGE RUTH: Okay. Do any of the parties
8 have something they want to add? Or Aquila, did you need
9 to add anything? I think this answers my question.

10 MR. COOPER: We don't have anything else to
11 add in that case.

12 MR. SCHWARZ: Staff has nothing further.

13 JUDGE RUTH: Okay. Thank you very much,
14 Aquila.

15 Then that leaves me with the question for
16 Staff on the stipulation, page 6, Item 8, the billing
17 determinants. Staff, like Aquila, if there's something
18 you can point me to in the illustrative tariff or pinpoint
19 more in the testimony, that would be helpful.

20 MR. SCHWARZ: It will be Dan Beck's
21 testimony. Mr. Beck went upstairs to actually get the
22 Staff's billing determinants, in case you had specific
23 questions. They will not appear in the illustrative
24 tariffs because they are the underlying data or material,
25 for instance, sales volumes per month, that sort of thing,

1 and you have to -- because the company uses cycle billing,
2 you have to make adjustments to match revenues with the
3 actual usage and that sort of thing.

4 JUDGE RUTH: So whose testimony would I
5 review to understand that better?

6 MR. SCHWARZ: Mr. Beck's.

7 JUDGE RUTH: Can you spell his last name?

8 MR. SCHWARZ: B-E-C-K.

9 JUDGE RUTH: I think he has been left off
10 of the list, and that's why I have asked all the parties
11 to go through the list. If you find any other errors in
12 addition to the one that looks like we just found, I'll
13 ask that you try to file something within three business
14 days so that I can get that corrected.

15 MR. SCHWARZ: I was -- Mr. Beck was here
16 earlier, and he has those numbers. I assumed he was the
17 witness on it, and I will see if --

18 JUDGE RUTH: It's possible that I typed
19 this rather quickly this morning and I may have left off a
20 witness.

21 MR. SCHWARZ: Could have been Tom Imhoff as
22 well. I don't think Mr. Imhoff is here this afternoon.

23 JUDGE RUTH: Mr. Micheel, since you're
24 here, do you remember if Mr. Beck filed testimony in this
25 case?

1 MR. MICHEEL: I don't, your Honor, but I
2 have checked with respect to your schedule of exhibits
3 with respect to the Office of the Public Counsel, and it
4 is correct, and that is all of our evidence in this case,
5 your Honor.

6 JUDGE RUTH: Okay. Thank you.

7 MR. SCHWARZ: Those numbers do not appear
8 in testimony. They form the background of the rate
9 calculation, but Dan will answer that.

10 JUDGE RUTH: Well, let's slow down here.
11 Can you tell me if Mr. Beck filed testimony?

12 MR. SCHWARZ: No, he did not.

13 JUDGE RUTH: Okay. So it would be helpful
14 if you also -- I know there's not a lot of time, but if in
15 a moment you tried to look through the schedule of
16 exhibits and see if I missed anyone, but you had me
17 worried. Mr. Beck's not filed testimony. We're fine on
18 that. But you're saying those numbers don't appear
19 anywhere else in Staff's testimony?

20 MR. SCHWARZ: Not to my knowledge directly
21 as billing determinants.

22 JUDGE RUTH: Do you have a witness here who
23 can just briefly give me a short explanation of at least
24 the flavor what those are?

25 MR. SCHWARZ: Mr. Imhoff can take you

1 through the process. He did not do the actual
2 calculations. Those were done by Mr. Beck. We've gone to
3 get Mr. Beck. He'll be here momentarily.

4 JUDGE RUTH: We'll wait a moment for him,
5 then.

6 (AN OFF-THE-RECORD DISCUSSION WAS HELD.)

7 JUDGE RUTH: We are back on the record.
8 When we left, I was asking a question about paragraph 8 on
9 page 6 of the stip. I was hoping to get some additional
10 information on Staff's billing determinants that are
11 referenced in the Stipulation & Agreement. It's my
12 understanding that those numbers aren't contained anywhere
13 in the testimony.

14 I propose to have Staff explain these
15 through a new witness, Mr. Beck. However, Mr. Beck has
16 not filed any testimony in this case and I need to ask the
17 parties if you object to me getting some additional
18 information from him at this time. Aquila?

19 MR. COOPER: No objection.

20 JUDGE RUTH: Public Counsel?

21 MR. MICHEEL: No.

22 JUDGE RUTH: Ms. Randles?

23 MS. RANGLES: No.

24 JUDGE RUTH: Mr. Comley?

25 MR. COMLEY: No objection.

1 JUDGE RUTH: And I'll note that Mr. Conrad
2 has left the room. Staff, is your witness ready?

3 MR. SCHWARZ: I assume so.

4 JUDGE RUTH: Okay. Can you take a stab at
5 it, Mr. Beck?

6 THE WITNESS: Yes. Would you like to swear
7 me in first?

8 JUDGE RUTH: Yes, please. Mr. Beck, would
9 you state your full name also for the record.

10 THE WITNESS: My name is Daniel Irvin Beck,
11 B-E-C-K.

12 (Witness sworn.)

13 DANIEL IRVIN BECK testified as follows:

14 QUESTIONS BY JUDGE RUTH:

15 Q. Mr. Beck, what is your position with the
16 Commission?

17 A. My title is engineer, but I guess in this
18 particular case my job duties were the case coordinator
19 for the energy department, and that is why I'm involved in
20 these numbers here.

21 Q. Can you give me a summary or an overview as
22 to what these billing determinants are? The Stip says
23 that, quote, all parties agree to use of Staff's billing
24 determinants to develop the rates resulting from this
25 Stipulation & Agreement, end quote.

1 A. Yes. Basically, there were two sets of
2 billing determinants that were involved in this case; one
3 was the company's, and the other was Staff's. The primary
4 differences between those two sets were issues like
5 weather normalization, that have -- that affect the total
6 level of sales and number of customers and customer
7 growth, that type of thing.

8 And quite simply, what we needed to do was
9 come up with a single set of billing determinants to make
10 the calculations on, and for purposes of this stipulation,
11 it was agreed to that Staff's numbers would be used to
12 make those computations. And basically these numbers come
13 directly out of Staff's work papers, but were not filed in
14 one succinct place.

15 When I talk about the adjustments that I
16 just did, there were various Staff witnesses that
17 sponsored those adjustments, and so I guess this is --
18 this is what I've developed here is one succinct place
19 where all of these numbers are put together and all the
20 parties -- it's been shared with all the parties, so I
21 think they all have an understanding of it.

22 Q. Okay. And you're referring to two
23 documents; the first one is Aquila Light & Power system
24 billing determinants used in Stipulation & Agreement, and
25 the second one's called Aquila Missouri Public system

1 southern and northern billing determinants used in
2 Stipulation & Agreement; is that correct?

3 A. That's correct.

4 JUDGE RUTH: For identification purposes,
5 I'm going to mark the first one as Exhibit 78, and the
6 second one, that's the one that says southern and
7 northern, as Exhibit 79. And again, those are just for
8 identification purposes at this time.

9 BY JUDGE RUTH:

10 Q. So if Staff's numbers -- you mentioned
11 there were Staff's numbers and there were also --

12 A. The company's numbers.

13 Q. -- the company's numbers. If Staff's
14 numbers aren't found in the testimony anywhere in one
15 concise place, is that --

16 A. In one concise place, that's correct. They
17 are not found there.

18 Q. Are they found in bits and pieces
19 throughout?

20 A. That's correct.

21 Q. And I assume, then, that the company,
22 Aquila's not found in one concise place either, or it
23 looks like they may be.

24 A. Yeah.

25 JUDGE RUTH: Is that true, Aquila?

1 MR. COOPER: They may be found in TJS-19
2 and 21, which are schedules to a Mr. Tom Sullivan's
3 testimony.

4 JUDGE RUTH: You said TJS-19 and 20?

5 MR. COOPER: 19 and 21.

6 JUDGE RUTH: Sorry. 19 and 21. So it
7 would be possible for the Commission to take Exhibit 78
8 and 79 and compare them to Mr. Amdor's -- I assume they
9 line up somewhat close. I mean, you could look at each of
10 the two and get an idea of where they differ; is that
11 true?

12 MR. COOPER: I'd have to pull out that
13 schedule to know for sure. The other item is, you
14 mentioned Mr. Amdor. The schedules that we refer to are
15 actually schedules to the testimony of Mr. Sullivan.

16 THE WITNESS: Not to complicate matters any
17 more than they already are, but I believe that those
18 schedules did not deal with the eastern system, separating
19 the eastern system, and so I think there was actually an
20 additional set of schedules that Mr. Sullivan submitted
21 that ranged somewhere around Schedule No. 25 in his
22 testimony that he later added. And that is part of --
23 that type of thing is part of, you know, the kind of
24 follow-on process that -- why this one set of billing
25 determinants was -- or one sheet that I have here was

1 developed that clears all those issues up at once.

2 BY JUDGE RUTH:

3 Q. And which sheet is that?

4 A. When I say the two sheets here, the reason
5 why I have two sheets is just simply because there are two
6 unique sets of rates. There's a set of rates that's going
7 to be going into effect for the southern and northern
8 system and a separate set of rates that are going in for
9 the Light & Power system, so that's why there are two sets
10 of billing determinants.

11 Q. Okay. And you were indicating that perhaps
12 Aquila actually has, like, three sets because they also
13 have one for the eastern, or just the eastern is included
14 in theirs? I'm not sure I followed you.

15 A. I think they've actually filed at least
16 three. I wouldn't care to characterize that it's only
17 three, but I know they filed at least three, and that's
18 part of the ongoing process of the case.

19 MR. COOPER: And I think what Mr. Beck
20 refers to is the fact that initially Aquila filed its
21 proposed rates for all systems, north, south, east on the
22 MPS side. In rebuttal testimony, perhaps Mr. Sullivan
23 separated those out in some way, and that's the
24 difference.

25 What I referred to earlier were the

1 schedules to Mr. Sullivan's direct testimony, I believe.
2 What Mr. Beck referred to in terms of Mr. Sullivan's
3 testimony would be his rebuttal testimony where the
4 eastern system was broken out.

5 I might add, too, just for the record, that
6 in Appendix A, the sample tariffs that are connected or
7 attached to the Stipulation & Agreement, the ultimate
8 rates that are derived utilizing the Staff billing
9 determinants are set out, and I believe that all -- at
10 least the parties -- from the parties' perspective, the
11 rates that are reflected in Appendix A to the Stipulation
12 reflect the use of Staff's underlying billing determinant.

13 JUDGE RUTH: Okay. Exhibit 78 and 79 have
14 been marked for identification purposes only. I would
15 like to admit them into the record, and if after the
16 hearing any party finds something objectionable about
17 them, I'll give you until Monday to note that, but
18 contingent upon a party filing something, they will be
19 admitted into the record. And again, you have 'til
20 Monday, which I think is April 5th if you need to file a
21 written objection.

22 MR. MICHEEL: Your Honor, the Office of the
23 Public Counsel has absolutely no objection to the
24 admission of these exhibits.

25 JUDGE RUTH: If anyone else is willing and

1 ready to state on the record, they may do so, but I will
2 give you until Monday if you need to review the documents.

3 MR. COOPER: Aquila has no objection to the
4 admission of these exhibits.

5 JUDGE RUTH: Okay. I'll ask Ms. Randall,
6 have you had a chance to look at them sufficiently to
7 state your position?

8 MS. RANGLES: I think I probably can in two
9 seconds, if someone wants to give me a copy.

10 JUDGE RUTH: You might share your copy with
11 Mr. Comley.

12 MS. RANGLES: DNR has no objection.

13 MR. COMLEY: Kansas City doesn't either.

14 JUDGE RUTH: Okay. Then Exhibit 78 and 79
15 are received into the record, and I will not expect to get
16 any written filing by Monday.

17 (EXHIBIT NOS. 78 AND 79 ARE RECEIVED INTO
18 EVIDENCE.)

19 JUDGE RUTH: And you are excused, Mr. Beck.

20 While I have all the parties still here, I
21 do want to clarify, then, that we have admitted Exhibits 1
22 through 79. I remind you that if you want an electronic
23 copy of the transcript, you need to see the court reporter
24 before you leave the room today.

25 And I will give you an opportunity to make

1 closing arguments if you -- or closing statements if you
2 feel the need, and I'll start with Aquila.

3 MR. COOPER: Company feels no need to do
4 so, your Honor.

5 JUDGE RUTH: Staff?

6 MR. SCHWARZ: No.

7 JUDGE RUTH: Public Counsel?

8 MR. MICHEEL: I lack need.

9 JUDGE RUTH: Department of Natural
10 Resources?

11 MS. RANGLES: We don't need to make a
12 closing statement.

13 JUDGE RUTH: City of Kansas City?

14 MR. COMLEY: No, thank you, but I would
15 like to make a closing statement for Mr. Conrad.

16 No, I withdraw that request.

17 JUDGE RUTH: Okay. Then I'll note that it
18 appears that Cornerstone did not show up, and we are now
19 adjourned.

20 WHEREUPON, the on-the-record presentation
21 was concluded.

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