

Exhibit No.:

Issue(s):

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

Fuel and Purchase Power
Stipulation and Agreement

Trippensee/Direct
Public Counsel

ER-2001-299

DIRECT TESTIMONY
OF
RUSSELL W. TRIPPENSEE

Submitted on Behalf of
the Office of the Public Counsel

THE EMPIRE DISTRICT ELECTRIC COMPANY
Case No. ER-2001-299

May 22, 2001

FILED²
MAY 22 2001
Missouri Public
Service Commission

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

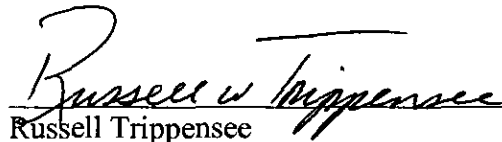
In the matter of the application of the Empire)
District Electric Company for a general rate) Case No. ER-2001-299
increase.)

AFFIDAVIT OF RUSSELL TRIPPENSEE

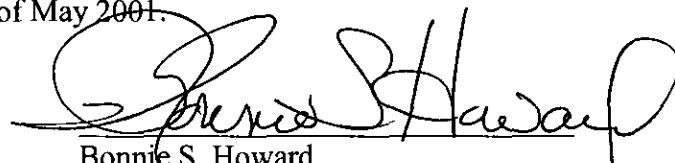
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Russell Trippensee, of lawful age and being first duly sworn, deposes and states:

1. My name is Russell Trippensee. I am Chief Public Utility Accountant for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony consisting of pages 1 through 5 and Schedule RWT-1.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


Russell Trippensee

Subscribed and sworn to me this 22nd day of May 2001.


Bonnie S. Howard
Notary Public



DIRECT TESTIMONY
OF
RUSSELL W. TRIPPENSEE
EMPIRE DISTRICT ELECTRIC COMPANY
CASE NO. ER-2001-299

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

2 A. Russell W. Trippensee. I reside at 1020 Satinwood Court, Jefferson City, Missouri 65109, and my
3 business address is P.O. Box 7800, Jefferson City, Missouri 65102.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am the Chief Utility Accountant for the Missouri Office of the Public Counsel (OPC or Public
6 Counsel).

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

8 A. I attended the University of Missouri at Columbia, from which I received a BSBA degree, major in
9 Accounting, in December 1977. I attended the 1981 NARUC Annual Regulatory Studies Program
10 at Michigan State University.

11 **Q. HAVE YOU PASSED THE UNIFORM CPA EXAM?**

12 A. Yes, I hold certificate number 14255 in the State of Missouri. I have not met the two-year
13 experience requirement necessary to hold a license to practice as a CPA.

14 **Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE.**

15 A. From May through August, 1977, I was employed as an Accounting Intern by the Missouri Public
16 Service Commission (MPSC or Commission). In January 1978 I was employed by the MPSC as a

1 Public Utility Accountant I. I left the MPSC staff in June 1984 as a Public Utility Accountant III
2 and assumed my present position.

3 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL AFFILIATIONS.**

4 A. I served as the chairman of the Accounting and Tax Committee for the National Association of State
5 Utility Consumer Advocates from 1990-1992 and am currently a member of the committee. I am a
6 member of the Missouri Society of Certified Public Accountants.

7 **Q. PLEASE DESCRIBE YOUR WORK WHILE YOU WERE EMPLOYED BY THE MPSC**
8 **STAFF.**

9 A. Under the direction of the Chief Accountant, I supervised and assisted with audits and examinations
10 of the books and records of public utility companies operating within the State of Missouri with
11 regard to proposed rate increases.

12 **Q. WHAT IS THE NATURE OF YOUR CURRENT DUTIES WITH THE OFFICE OF**
13 **THE PUBLIC COUNSEL?**

14 A. I am responsible for the Accounting and Financial Analysis sections of the Office of the Public
15 Counsel and coordinating their activities with the rest of our office and other parties in rate
16 proceedings. I am also responsible for performing audits and examinations of public utilities and
17 presenting the findings to the MPSC on behalf of the public of the State of Missouri.

18 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE MPSC?**

19 A. Yes. I filed testimony in the cases listed on Schedule RWT-1 of my testimony on behalf of the
20 Missouri Office of the Public Counsel or MPSC Staff.

1 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

2 A. I will address why Public Counsel signed and supports the Stipulation and Agreement as to Fuel and
3 Purchased Power Expense (Stipulation & Agreement) and recommends the Commission approve it.

4 **Q. PLEASE EXPLAIN THE GENERAL TERMS OF THE STIPULATION AND**
5 **AGREEMENT.**

6 A. The Stipulation & Agreement provides that there will be a \$.0054 charge on each kwh of electricity
7 sold in addition to the base rate/kwh charge found appropriate by this Commission. This additional
8 charge is referred to in the Stipulation & Agreement as Interim Energy Charge (IEC). The IEC
9 would be in effect for a period of approximately two years, ending on October 1, 2003. The IEC is
10 subject to refund and a refund will occur if actual total fuel cost per kwh sold is less than the total
11 fuel cost per kwh sold that was used in the development of the IEC. Empire District's customers
12 will ensure the Company against the risk of gas price volatility for price changes within the range
13 addressed by the IEC. Empire District Electric Company will assume the risk associated with gas
14 prices either above or below the range (and resulting total fuel costs) addressed by the IEC.

15 **Q. WHY IS PUBLIC COUNSEL SUPPORTING THIS STIPULATION &**
16 **AGREEMENT?**

17 A. Public Counsel believes the proposal provides the best balance between ensuring that ratepayers pay
18 just and reasonable rates while providing Empire District with the opportunity to earn a reasonable
19 rate of return. This Stipulation & Agreement uses the forecasted fuel techniques prevalent in the
20 early 1980s to address rapidly escalating fuel prices (primarily coal but natural gas was included in

1 some cases). This agreement is not intended to be used on a permanent basis and serves only to
2 address a short-term problem compounded by a unique set of circumstances for this Company only.

3 Natural gas prices have recently shown significant volatility. OPC witness James A. Busch
4 addresses this volatility in his prepared testimonies in this case. Whether or not this volatility
5 continues or simply reflects market prices reflecting adjustments in the relationships of supply and
6 demand remains to be seen. The decision of Empire District Electric Company to increase its
7 production capacity with the addition of the new gas fired State Line Combined Cycle plant (SLCC)
8 increased its financial risk exposure to gas price volatility.

9 **Q. PLEASE ELABORATE ON THE FINANCIAL RISK FACED BY EMPIRE**
10 **DISTRICT ELECTRIC COMPANY?**

11 A. Changes in gas prices and the resulting change in operating expenses affect the earnings of the
12 Company on a dollar for dollar basis. That is, either an increase or decrease in expense of \$1 results
13 in an increase or decrease in earnings by \$1. Therefore the need for the parties to recommend and
14 ultimately for the Commission to approve a reasonable level of expense for this cost is critical. The
15 IEC of \$.0054/kwh is based on the difference between the results of running two different two fuel
16 models (with the new SLCC unit included), with the only major difference being the price input for
17 natural gas. The resulting difference in total fuel costs of approximately \$19,656,000 represents
18 approximately 55% of the net operating income recommended by the Staff as being the appropriate
19 cost of service.

20 **Q. PLEASE EXPLAIN THE PRICE INPUT DIFFERENCES FOR NATURAL GAS.**

1 A. The current natural gas market has experienced significant volatility over the past eighteen months.
2 Market volatility is not unusual, however neither is significant volatility a permanent condition.
3 Markets generally move to a more stable condition, which reflects a better balance between supply
4 and demand. The problem the parties are addressing with the Stipulation & Agreement is that the
5 current market conditions are not stable and that the parties have different projections as to where
6 the natural gas market price will stabilize. The different estimates of the price of natural gas in a
7 stable market, as contained in prefiled testimony, result in significantly different levels of fuel
8 expense.

9 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

10 A. Yes.

Direct Testimony
Russell W. Trippensee
Case No. ER-2001-299

Missouri Power & Light Company, Steam Dept., Case No. HR-82-179
Missouri Power & Light Company, Electric Dept., Case No. ER-82-180
Missouri Edison Company, Electric Dept., Case No. ER-79-120
Southwestern Bell Telephone Company, Case No. TR-79-213
Doniphan Telephone Company, Case No. TR-80-15
Empire District Electric Company, Case No. ER-83-43
Missouri Power & Light Company, Gas Dept., Case No. GR-82-181
Missouri Public Service Company, Electric Dept., Case No. ER-81-85
Missouri Water Company, Case No. WR-81-363
Osage Natural Gas Company, Case No. GR-82-127
Missouri Utilities Company, Electric Dept., Case No. ER-82-246
Missouri Utilities Company, Gas Dept., Case No. GR-82-247
Missouri Utilitites Company, Water Dept., Case No. WR-82-248
Laclede Gas Company, Case No. GR-83-233
Great River Gas Company, Case No. GR-85-136 (OPC)
Northeast Missouri Rural Telephone Company, Case No. TR-85-23 (OPC)
United Telephone Company, Case No. TR-85-179 (OPC)
Kansas City Power & Light Company, Case No. ER-85-128 (OPC)
Arkansas Power & Light Company, Case No. ER-85-265 (OPC)
KPL/Gas Service Company, GR-86-76 (OPC)
Missouri Cities Water Company, Case Nos. WR-86-111, SR-86-112 (OPC)
Union Electric Company, Case No. EC-87-115 (OPC)
Union Electric Company, Case No. GR-87-62 (OPC)
St. Joseph Light and Power Company, Case Nos. GR-88-115, HR-88-116 (OPC)
St. Louis County Water Company, Case No. WR-88-5 (OPC)
West Elm Place Corporation, Case No. SO-88-140 (OPC)
United Telephone Long Distance Company, Case No. TA-88-260 (OPC)
Southwestern Bell Telephone Company, Case No. TC-89-14, et al. (OPC)
Osage Utilities, Inc., Case No. WM-89-93 (OPC)
GTE North Incorporated, Case Nos. TR-89-182, TR-89-238, TC-90-75 (OPC)
Contel of Missouri, Inc., Case No. TR-89-196 (OPC)
The Kansas Power and Light Company, Case No. GR-90-50 (OPC)
Southwestern Bell Telephone Company, Case No. TO-89-56 (OPC)
Capital City Water Company, Case No. WR-90-118 (OPC)

Direct Testimony
Russell W. Trippensee
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Laclede Gas Company, Case No. GR-90-120 (OPC)
Southwestern Bell Telephone Company, Case No. TR-90-98 (OPC)
Empire District Electric Company, Case No. ER-90-138 (OPC)
Associated Natural Gas Company, Case No. GR-90-152 (OPC)
Southwestern Bell Telephone Company, Case No. TO-91-163
Union Electric Company, Case No. ED-91-122
Missouri Public Service, Case Nos. EO-91-358 and EO-91-360
The Kansas Power and Light Company, Case No. GR-91-291
Southwestern Bell Telephone Co., Case No. TO-91-163
Union Electric Company, EM-92-225 and EM-92-253
Southwestern Bell Telephone Company, TO-93-116
Missouri Public Service Company, ER-93-37, (January, 1993)
Southwestern Bell Telephone Company, TO-93-192, TC-93-224
Saint Louis County Water Company, WR-93-204
United Telephone Company of Missouri, TR-93-181
Raytown Water Company, WR-94-300
Empire District Electric Company, ER-94-174
Raytown Water Company, WR-94-211
Missouri Gas Energy, GR-94-343
Capital City Water Company, WR-94-297
Southwestern Bell Telephone Company, TR-94-364
Missouri Gas Energy, GR-95-33
St. Louis County Water Company, WR-95-145
Missouri Gas Energy, GO-94-318
Alltel Telephone Company of Missouri, TM-95-87
Southwestern Bell Telephone Company, TR-96-28
Steelville Telephone Exchange, Inc., TR-96-123
Union Electric Company, EM-96-149
Imperial Utilites Corporation, SC-96-247
Laclede Gas Company, GR-96-193
Missouri Gas Energy, GR-96-285
St. Louis County Water Company, WR-96-263
Village Water and Sewer Company, Inc. WM-96-454
Empire District Electric Company, ER-97-82

Direct Testimony
Russell W. Trippensee
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UtiliCorp d/b/a Missouri Public Service Company, GR-95-273
Associated Natural Gas, GR-97-272
Missouri Public Service, ER-97-394, ET-98-103
Missouri Gas Energy, GR-98-140
St. Louis County Water, WO-98-223
United Water Missouri, WA-98-187
Kansas City Power & Light/Western Resources, Inc. EM-97-515
St. Joseph Light & Power Company, HR-99-245
St. Joseph Light & Power Company, GR-99-246
St. Joseph Light & Power Company, ER-99-247
AmerenUE, EO-96-14, (prepared statement)
Missouri American Water Company, WR-2000-281
Missouri American Water Company, SR-2000-282
UtiliCorp United Inc./St. Joseph Light & Power Company, EM-2000-292
UtiliCorp United Inc./Empire District Electric Company, EM-2000-369
St. Joseph Light & Power Company, EO-2000-845
St. Louis County Water Company, WR-2000-844
Union Electric Company, EO-2001-245
Laclede Gas Company, GM-2001-342
Empire District Electric Company, ER-2001-299