
Exhibit No.:
**Issue: Energy Cost Recovery, Fuel and
Purchased Power Expense**
Witness: Ralph C. Smith
Type of Exhibit: Direct Testimony
Sponsoring Party: Office of Public Counsel
Case No. ER-2006-0315
Date Testimony Prepared: June 2006

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

DIRECT TESTIMONY OF

RALPH C. SMITH

ON BEHALF OF

THE OFFICE OF PUBLIC COUNSEL

“NP” Version

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June 23, 2006

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1

2 **I. INTRODUCTION**

3 Q. Please state your name and business address.

4 A. Ralph C. Smith. My business address is: Larkin & Associates, PLLC, 15728
5 Farmington Road, Livonia, Michigan 48154.

6

7 Q. What is your occupation?

8 A. I am a certified public accountant and a senior utility regulatory consultant with
9 Larkin & Associates PLLC, a firm of certified public accountants and regulatory
10 consultants.

11

12 Q. What is your educational background?

13 A. I received a Bachelor of Science degree in Business Administration (Accounting
14 Major) with distinction from the University of Michigan - Dearborn, in April 1979. I passed
15 all parts of the C.P.A. examination in my first sitting in 1979, received my CPA license in
16 1981, and received a Certified Financial Planner™ certificate in 1983. I also have a Master
17 of Science in Taxation from Walsh College, 1981, and a law degree (J.D.) cum laude from
18 Wayne State University. In addition, I have attended a variety of continuing education
19 courses in conjunction with maintaining my accountancy license. I am a licensed Certified
20 Public Accountant and attorney in the State of Michigan. Since 1981, I have been a member
21 of the Michigan Association of Certified Public Accountants. My memberships have also

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1 included the Michigan Bar Association and the American Bar Association (ABA). In the
2 ABA I have been a member of the sections of Public Utility Law and Taxation. I am also a
3 Certified Rate of Return Analyst (CRRRA) and a member of the Society of Utility and
4 Regulatory Financial Analysts (SURFA).

5
6 Q. Please summarize your professional experience.

7 A. Subsequent to graduation from the University of Michigan, and after a short period
8 of installing a computerized accounting system for a Southfield, Michigan realty
9 management firm, I accepted a position as an auditor with the predecessor CPA firm to
10 Larkin & Associates in July 1979. Before becoming involved in utility regulation where the
11 majority of my time for the past 27 years has been spent, I performed audit, accounting, and
12 tax work on a wide variety of businesses that were clients of the firm.

13 During my service in the regulatory section of our firm I have been involved in rate
14 cases and other regulatory matters concerning numerous electric, gas, telephone, water, and
15 sewer utility companies. My present work consists primarily of analyzing rate case filings
16 of public utility companies and other regulatory issues before various regulatory
17 commissions, and, where appropriate, preparing expert testimony and schedules relating to
18 the issues for presentation before these regulatory agencies. I have performed work in the
19 field of utility regulation on behalf of industry, state attorneys general, consumer groups,
20 municipalities, and public service commission staffs concerning regulatory matters before
21 regulatory agencies in Alabama, Alaska, Arizona, Arkansas, California, Connecticut,

1 Delaware, Florida, Georgia, Hawaii, Kansas, Kentucky, Louisiana, Maine, Michigan,
2 Minnesota, Mississippi, Missouri, New Jersey, New Mexico, New York, Nevada, North
3 Dakota, Ohio, Pennsylvania, South Carolina, South Dakota, Texas, Utah, Vermont,
4 Washington, and Canada as well as the Federal Energy Regulatory Commission and various
5 state and federal courts of law.

6
7 Q. Has your regulatory experience included reviews of electric utility fuel and purchased
8 power expense?

9 A. Yes. I have submitted testimony and/or testified in several proceedings involving the
10 review of electric utility fuel and purchased power issues. Recent examples include the
11 following:

Docket No.	Utility	Description	Client
05-806-EL-UNC	Cincinnati Gas & Electric Company	Financial and Management/Performance Audit of the Fuel and Purchased Power Rider	Energy Ventures Analysis, Inc./ Public Utility Commission of Ohio
21229-U	Savannah Electric & Power Company	FCR Fuel Case	Georgia Public Service Commission Staff
A.96-10-038	Pacific Enterprises and Enova Corporation d/b/a as Sempra Energy	Management Audit and Market Power Mitigation Analysis of the Merged Gas System of Pacific Enterprises and Enova Corporation	California Public Utilities Commission - Energy Division
19142-U	Georgia Power Company	FCR Fuel Case	Georgia Public Service Commission Staff
19042-U	Savannah Electric & Power Company	FCR Fuel Case	Georgia Public Service Commission Staff
ER 02060363	Rockland Electric Company	Audit of Deferred Balances, Phase I and II	New Jersey Board of Public Utilities
Non-Docketed	Georgia Power Company & Savannah Electric & Power Company	Fuel Procurement Review	Georgia Public Service Commission Staff
13711-U	Georgia Power Company	FCR Fuel Case	Georgia Public Service Commission Staff
13605-U	Savannah Electric & Power Company	FCR Fuel Case	Georgia Public Service Commission Staff
13196-U	Savannah Electric & Power Company	Natural Gas Procurement and Risk Management Hedging Proposal	Georgia Public Service Commission Staff

U-12604	Upper Peninsula Power Company	Power Supply Cost Recovery Plan	Michigan Attorney General
U-12613	Wisconsin Public Service Corporation	Power Supply Cost Recovery Plan	Michigan Attorney General

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Q. Have you prepared an appendix summarizing your educational background and regulatory experience?

A. Yes. Appendix RCS-I, attached hereto, provides details concerning my experience and qualifications.

Q. On whose behalf are you appearing?

A. I am appearing on behalf of the Missouri Office of the Public Counsel (“OPC” or “Public Counsel”).

Q. Have you previously testified before the Missouri Public Service Commission?

A. Yes. I testified before the Commission in Case No. GR-96-285, Missouri Gas Energy.

Q. What issues are addressed in your testimony?

A. I address the adjusted test year fuel and purchased power cost requested by the Empire District Electric Company (“Empire,” “EDE,” or “Company”).

1 Q. How does your testimony fit within the OPC's overall presentation?

2 A. As noted above, my testimony addresses Empire's adjusted test year fuel and
3 purchased power cost. My testimony thus represents the tertiary recommendation of the
4 OPC with respect to Empire's fuel and purchased power costs. The OPC's primary and
5 secondary recommendations, which affect Empire's fuel and purchased power costs, are
6 briefly summarized below.

7 First, the OPC is presenting legal argument that, because the Commission has
8 rejected some of the tariff sheets within Empire's rate filing package, this effectively
9 represents a rejection of Empire's filing and Empire should be required to re-file its case. If
10 the Commission agrees with the OPC on this legal issue, then the issue of Empire's fuel cost
11 would become moot for purposes of the current Empire filing, and would be addressed in
12 the context of the new filing that Empire would be expected to make.

13 Second, OPC witness Barbara Misenheimer states in her direct testimony that the
14 terms of the settlement in Empire's last rate case, Case No. ER-2004-0570, require the
15 Interim Energy Charge ("IEC") that Empire and the parties agreed to in that case to remain
16 in effect for the agreed upon period. Empire's IEC became effective March 27, 2005 and is
17 set to expire in March 2008. Ms. Meisenheimer's testimony explains that in Case No. ER-
18 2004-0570, the Commission approved an agreement between Empire, Praxair and Public
19 Counsel which stipulated that the Empire's annual recovery of fixed and variable fuel and
20 purchased power costs in Missouri base rates would be \$102,994,356, with an additional
21 \$8,249,000 in variable fuel and purchased power costs recoverable in an interim energy

1 charge which is subject to true-up and refund. If the Commission agrees with this OPC
2 position, then Empire's fuel cost for purposes of the current rate case would continue to be
3 governed by the IEC. Empire's current rate case would be limited to addressing all elements
4 of the Company's cost of service other than fuel costs.

5
6 Q. Have you prepared any Schedules in support of your testimony?

7 A. Yes. I prepared Schedules RCS-1 and RCS-2.
8

9 **II. ENERGY COST RECOVERY**

10 Q. Has the Commission taken action to remove Empire's request for a proposed Energy Cost
11 Recovery ("ECR") tariff in this case?

12 A. Yes. Empire's direct testimony included a proposal to implement an ECR in the
13 current case. The Commission issued an order on May 2, 2006, clarifying that Empire,
14 pursuant to the Stipulation and Agreement from the prior case, may not make any request
15 for an ECR rider while the existing IEC is effective. The Commission required Empire to
16 remove from its pleadings and other filings in this case the request that Empire consented
17 not to make. Empire issued a press release on May 3, 2006 stating that it will seek only
18 traditional ratemaking treatment of its fuel costs in the current case due to a recent
19 Commission ruling which clarified that Empire is not eligible to seek a SB 179 type fuel
20 adjustment clause (FAC) at this time, because it has not sought and received Commission
21 approval to terminate its IEC. The Commission's June 15, 2006 "Order Rejecting Tariffs

1 and Striking Testimony” rejected specific tariffs and struck specific portions of Empire’s
2 direct testimony that the Commission determined that were related to Empire’s request to
3 use another fuel adjustment mechanism (ECR) during the period when the IEC is still in
4 effect
5

6 **III. FUEL AND PURCHASED POWER EXPENSE**

7 Q. What amount of fuel and purchased power expense is Empire requesting?

8 A. Per the direct testimony of Empire witness Todd Tarter at page 17, the Company has
9 calculated a total Company adjusted level of fuel and purchased power expense of
10 \$162,888,204, which is summarized by component on his Schedule TWT-9. The Missouri
11 retail jurisdictional portion of this for which Empire is requesting rate relief, per Company
12 witness W. Scott Keith’s Schedule WSK-2, is \$133,908,868.
13

14 Q. How does that compare with the Company’s test year and the 2005 recorded amounts?

15 A. As explain in Mr. Tarter’s testimony, at pages 17-18, it is about \$24.4 million or
16 17.6% higher than the test year recorded total Company cost. Is it also higher than Empire’s
17 calendar 2005 total Company recorded amount, without gas cost hedging benefits, of
18 approximately ** **

19 **Natural Gas Price Assumptions**

20 Q. Does Empire have a natural gas hedging program in place?

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1 A. Yes. Since 2001, Empire has had a natural gas hedging program in place that is
2 designed to mitigate energy price volatility. A portion of Empire's expected needs for gas
3 are hedged physically or financially. Mr. Tarter's direct testimony at page 22 summarizes
4 the 2006 natural gas hedged position as of November 2005.

5
6 Q. Does Empire's application take into account changes in NYMEX gas futures since
7 November 1, 2005?

8 A. No. Per Empire's responses to data requests OPC 5036 and 5037, for its rate case
9 filing, the Company used the November 1, 2005 data that was available at the time in the
10 PROSYM run. Empire's filing thus has not updated that information.

11
12 Q. Are a portion of Empire's natural gas needs purchased on the spot market?

13 A. Yes. Mr. Tarter's direct testimony at page 23 summarizes the Company's estimated
14 natural gas spot purchases.

15
16 Q. How did Empire price its estimated natural gas spot purchases?

17 A. As shown on page 23 of Mr. Tarter's direct testimony, Empire utilized NYMEX
18 futures prices as of November 1, 2005, less a basis adjustment.

19 Q. How do current NYMEX prices compare with the ones used by Empire as the basis for the
20 estimated natural gas costs in its filing?

1 A. Current NYMEX prices for the comparable delivery months are substantially lower
2 than the ones used by Empire. A comparison is shown in the following table:

Delivery Month		NYMEX Price 11/1/2005	NYMEX Price 6/20/2006	Difference Amount	Difference Percent
		(A)	(B)	(C)	(D)
July	2006	\$ 10.304	\$ 6.502	\$ 3.802	58.5%
Aug	2006	\$ 10.349	\$ 6.737	\$ 3.612	53.6%
Sept	2006	\$ 10.331	\$ 6.997	\$ 3.334	47.6%
Oct	2006	\$ 10.376	\$ 7.367	\$ 3.009	40.8%
Nov	2006	\$ 10.836	\$ 8.547	\$ 2.289	26.8%
Dec	2006	\$ 11.276	\$ 9.847	\$ 1.429	14.5%

Source:

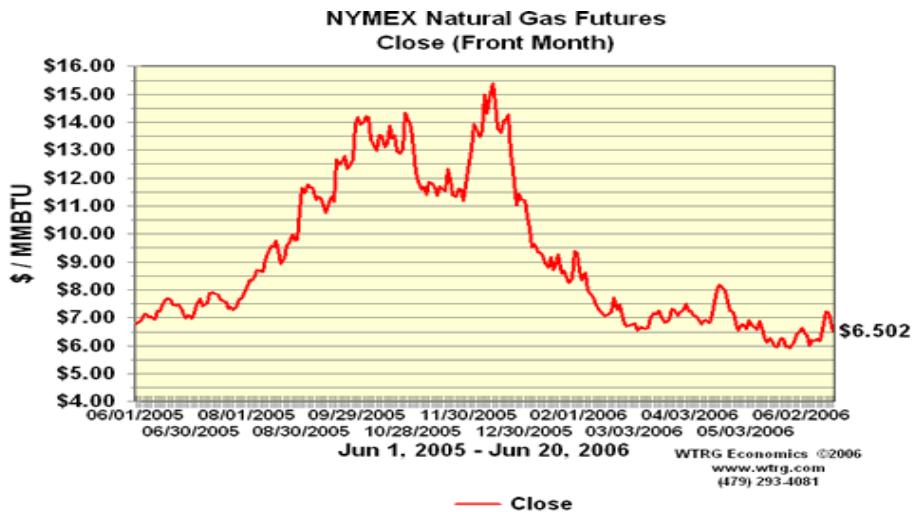
- {A} Tarter direct testimony, page 23
- (B) www.nymex.com at 6/20/2006
- (C) Col.A less Col.B
- (D) Col. C / Col. B

3

4

A graph of NYMEX natural gas futures closing prices (front month) also illustrates the
5 general decline in prices since November/December 2005:

5



6

7

8 Q. Is it your understanding that the Empire fuel data will be updated at a later point in this

1 proceeding?

2 A. Yes. The direct testimony of Empire witness W. Scott Keith, at pages 31-32 for
3 example, has proposed that the financial information, including fuel and purchased power
4 cost, be updated as of March 31, 2006.

5 As one example of where updated information may be needed is for natural gas
6 prices. Empire's proposed fuel cost is based in part on hedged and spot purchased gas costs.
7 As explained by Mr. Tarter at pages 21-22, Empire's filing reflects the Company's then
8 current hedged position for 2006 as of November 2005, at an average price per MMBtu of
9 ** ** Additionally, Empire estimated spot gas prices based on November 1, 2005
10 NYMEX gas futures for 2006, at an average price per MMBtu of \$11.001 and \$9.025,
11 before and after a basis adjustment. Based on June 20, 2006 NYMEX information and the
12 NYMEX price graph discussed above, natural gas prices have declined dramatically since
13 the November 1, 2005 data that Empire relied upon for its filing. Updating the pricing for
14 Empire's natural gas cost to reflect either March 31, 2006 or June 20, 2006 information
15 should therefore result in a significant reduction to the Company's proposed fuel costs.

16

17 **Powder River Basin Coal Delivery Problems**

18 Q. During 2005 and 2006, was Empire's fuel cost impacted by coal delivery problems?

19 A. Yes. At page 12 of his direct testimony, Mr. Tarter mentions the May 2005 train
20 derailments in Wyoming which constrained the movement of coal of the Powder River

1 Basin (“PRB”), as influencing coal conservation in the Midwest, which has in turn
2 negatively impacted Empire.

3
4 Q. What caused the major disruption to railroad deliveries of PRB coal starting in May 2005?

5 A. In May of 2005, both primary rail carriers from Wyoming’s Powder River Basin, the
6 Burlington Northern Santa Fe (“BNSF”) and Union Pacific (“UP”) railroads experienced
7 train derailments. On May 14 and 15, 2005, derailments occurred on the rail line into the
8 south PRB, which began a prolonged period of reduced railroad deliveries of PRB coal.
9 The railroads attributed the track damage to unprecedented rain and snowfall combined with
10 build-up of coal dust on the track and roadbed, which caused track structure instability. For
11 most of the 117 miles of joint main line tracks, three sets of tracks exist. The railroads have
12 claimed damage to the roadbed at some level in all 117 miles.

13
14 Q. As a result of the PRB delivery disruptions, what coal tonnage shortfall did Empire
15 experience in 2005?

16 A. Empire’s response to data request OPC 5030 indicates that, as the result of the May
17 2005 derailments in the PRB and resulting rail maintenance activities, the Company
18 experienced a shortfall of 32,379 tons¹ of PRB coal during the year 2005.

19

1 Q. Has Empire experienced a similar coal delivery shortfall in 2006?

2 A. No. Empire's response to data request OPC 5030 indicates that, as of April 30, the
3 Company has not experienced any shortfall of contracted coal deliveries in the calendar year
4 2006.

5
6 Q. What is the significance of this?

7 A. This is significant because the lack of PRB coal delivery shortfalls in 2006 shows
8 that the extra fuel and power costs Empire has incurred related to the PRB coal delivery
9 problems are a nonrecurring event for purposes of this rate case. While there are some
10 lingering impacts from the PRB coal delivery shortfalls that Empire experienced in 2005
11 that have continued into the first three or four months of 2006, which are quantified in
12 Empire's response to data request OPC 5028 (discussed below), the Company has not
13 experienced PRB coal delivery shortfalls through April 2006. The fact that Empire's PRB
14 coal deliveries have apparently returned to full contractual levels demonstrates that the PRB
15 coal delivery problems and the related fuel and power cost impacts are a nonrecurring event
16 that should be removed for purposes establishing a normal, going forward level of fuel and
17 purchased power cost in this rate case.

18

1 Based on the annual total coal burned by Empire in 2004 and 2005 (per the response to MPSC 0105, Monthly Coal and Oil Stock Inventory Reports) of 1,510,988.5 and 1,457,243 tons, respectively, the 32,379 ton shortfall represents approximately 8 days burn.

1 Q. What impact did the PRB coal delivery problems have on Empire's fuel and purchased
2 power cost?

3 A. Empire's responses to data request OPC 5028 quantify the impacts.

4 Based on the lost coal-fired generation at Iatan being replaced at the monthly
5 average purchased power price, Empire's response indicates higher total company costs of
6 \$1.173 million in 2005 and about \$840,000 for the first three months of 2006.

7 Empire's response indicates that costs at its Asbury Plant increased by \$18,426 in
8 2005 as the result of higher price local coal being used to offset or conserve PRB coal.
9 Through April 2006, Empire's response indicates the higher cost was \$7,543.

10 Empire indicated that its Riverton plant was not financially impacted by the PRB
11 coal delivery problems in 2005 or 2006.

12 Empire's supplemental response to data request OPC 5028 also indicates Jeffery
13 coal conservation resulted in increased costs of approximately \$625,000 in 2005 and \$1
14 million in 2006, based on the lost power being replaced at the monthly average purchase
15 price.

16

17 Q. How should these impacts on Empire's fuel costs be treated for purposes of this rate case?

18 A. If the Commission is going to base Empire's fuel and purchased power costs on a
19 test year adjusted amount (rather than holding Empire to the terms of the IEC), then the
20 allowed amount for such costs should be based on normal conditions. Any nonrecurring

1 costs related to temporary PRB coal delivery problems should be excluded from the
2 normalized amount.

3

4 Q. Have you prepared an illustrative example showing how test year fuel cost could be
5 adjusted to remove nonrecurring costs incurred by Empire in the test year related to
6 temporary PRB coal delivery problems?

7 A. Yes. Schedule RCS-1 presents an illustrative calculation showing this, using the
8 amounts of additional cost for 2005 relating to PRB coal delivery problems that Empire
9 identified in its response to data request OPC 5028. Using the amounts shown in this
10 illustrative example, Empire's fuel cost allocated to Missouri retail operations would be
11 reduced by \$1.493 million.

12

13 **Off System Sales Margin**

14 Q. What amount of off system sales margin did Empire reflect in its filing?

15 A. Empire reflected total Company off system sales margin of \$1,478,214 in its filing.

16

17 Q. How does that amount compare with the test year recorded, five year average, and 2006
18 budgeted amounts?

19 A. In comparison with the test year recorded, test year budgeted, 2006 budgeted and
20 five-year (2001-2005 years-ended September) average amounts, the off system sales margin

1 that Empire reflected in its filing appears to be substantially understated. The following
2 table presents the comparison:

Off System Sales Margin Comparison

Line	Period	Amount	Reference
1	Test Year Actual	\$ 2,800,379	Empire Revenue Adj 15 W/P C1
2	Test Year Budgeted	\$ 2,834,106	Empire Revenue Adj 15 W/P C1
3	2006 Budgeted	\$ 4,077,839	Response to OPC 5039
4	Five-Year Average	\$ 2,751,905	Empire Revenue Adj 15 W/P B1
5	Empire proposed	\$ 1,478,214	Empire Revenue Adj 15 W/P B1
Empire proposed amount in comparison with:			
6	Test Year Actual	\$ (1,322,165)	Line 5 - Line 1
7	Test Year Budgeted	\$ (1,355,892)	Line 5 - Line 2
8	2006 Budgeted	\$ (2,599,625)	Line 5 - Line 3
9	Five-Year Average	\$ (1,273,691)	Line 5 - Line 4

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Q. Why is Empire's proposed amount so low?

A. It is low because Empire has eliminated from the five year average an off-system sale of power to AEP that took place from December 1, 2001 through June 30, 2003. Empire's response to Staff data request 0230 states that the sale to AEP produced over 71 percent of the gross profit from off system sales during that period and that Empire has not seen this type of transaction occur again. It is, however, important to note that despite the end of the AEP power sales in mid-2003, Empire's actual sales margins for the test year and its budgeted off system sales margins for the test year and for 2006 and were all higher than the five year average (when the AEP sales are **included** in the calculation of the five year average).

1 Q. Does Empire appear to agree that a five-year average approach is appropriate?

2 A. Yes. Empire's response to Staff data request 0230 states that:

3 "A five year average was used because the net profits fluctuate from year to
4 year. Using a five year average removes or smoothes out the differences
5 from one year to the next. Averaging profits for fluctuation is also consistent
6 with how Staff has treated off system revenues in previous cases."

7
8 Q. What do you recommend?

9 A. The Empire proposed amount is substantially understated and therefore should be
10 adjusted upward. The unadjusted five-year average is below Empire's budgeted off system
11 sales margin for the test year and for 2006. Nevertheless, using a five-year unadjusted
12 average appears to be a reasonable approach and consistent with prior treatment. The five-
13 year average is also within \$50,000, or 2% of the test year actual off-system sales margin,
14 which suggests that the test year unadjusted amount and the five-year average are both
15 reasonably representative of normal conditions. Consequently, on Schedule RCS-2, I have
16 adjusted Empire's proposed total company off-system sales margin upward by \$1,273,691,
17 to reflect a normal level, based on the unadjusted five-year average. The equivalent
18 Missouri jurisdictional adjustment, estimated at 82.11% of the total company adjustment, is
19 \$1,045,828.

20

1 **Southwest Power Pool Benefits**

2 Q. Has Empire reflected any impact of the Southwest Power Pool (SPP) Energy Imbalance
3 Market (EIM) in its filing?

4 A. No. In response to data request OPC 5025, Empire stated that the SPP EIM was not
5 implemented during the test year and did not have any impact on EDE's test year costs for
6 fuel or purchased power or revenue.

7
8 Q. In obtaining Commission approval for transfer of functional control of certain transmission
9 assets to the SPP, were benefits to EDE from SPP participation cited?

10 A. Yes. In Case No. EO-2006-0141, the Commission approved Empire's transfer of
11 functional control of certain transmission assets to the SPP, subject to certain restrictions
12 and safeguards. Reasons cited in that proceeding for approving the transfer were benefits to
13 Empire. For example, the Staff Memorandum in Support of the Stipulation and Agreement
14 in that docket cited the results of the SPP cost benefit analyses (prepared by Charles River
15 Associates) which projected that EDE could receive net benefits from joining SPP RTO.
16 Page 5 of the Staff Memo noted that: "The results of the CRA study provide a strong
17 indication that net benefits to Missouri ratepayers from KCPL and EDE joining the SPP
18 RTO are positive." The Staff Memo at page 5 also noted that: "The results of the CRA
19 allocations to the utilities indicate that EDE receives higher net benefits from joining SPP
20 RTO than KCPL."

21

1 Q. What implications does Empire's participation in the SPP have for this case?

2 A. Currently, the benefits to Empire, such as those estimated in the SPP cost benefit
3 studies, do not appear to meet the known and measurable standard. However, to the extent
4 that the benefits cited in the SPP cost benefit studies for Empire become known and
5 measurable during a later stage of the case, such as when other amounts are being updated,
6 then such benefits should be reflected in the case.

7

8 **Summary of Recommendations**

9 Q. Please summarize the recommendations you have made in your testimony.

10 A. My testimony recommends the following adjustments to the Missouri jurisdictional
11 revenue requirement requested by Empire in its application and testimony:

- 12 • If the Commission is going to base Empire's fuel and purchased power costs on a test
13 year adjusted amount (rather than holding Empire to the terms of the IEC consistent
14 with Public Counsel's secondary recommendation described earlier in this testimony),
15 then the allowed amount for such costs should be based on normal conditions. Any
16 nonrecurring costs related to temporary PRB coal delivery problems should be excluded
17 from the normalized amount. Schedule RCS-1 presents an illustrative calculation
18 showing how test year fuel cost could be adjusted to remove nonrecurring costs
19 incurred by Empire in the test year related to temporary PRB coal delivery problems.
20 Using the amounts of additional cost for 2005 relating to PRB coal delivery problems

1 that Empire identified in its response to data request OPC 5028, in this illustrative
2 example, Empire's fuel cost allocated to Missouri retail operations would be reduced by
3 \$1.493 million.

- 4 • Empire's proposed off-system sales margin is understated in comparison with all of the
5 following: (1) test year actual, (2) test year budgeted, (3) 2006 budgeted, and (4) five-
6 year average. Consequently, for the reasons described in my testimony, Empire's
7 proposed off-system sales margin should be increased by \$1,045,828 to reflect a
8 normalized level, as shown on Schedule RCS-2.

9 In addition to these specific adjustments, I have also recommended that:

- 10 • Empire's proposed fuel and purchase power costs should be adjusted downward to
11 reflect the decline in natural gas prices since November 1, 2005. For example,
12 Empire's filing used estimated spot gas prices based on NYMEX gas futures for 2006
13 as of November 1, 2005, at an average price per MMBtu of \$11.001 before a basis
14 adjustment. The June 20, 2006 NYMEX information and NYMEX price chart
15 discussed in my testimony demonstrate that natural gas prices have steeply declined
16 since the November 1, 2005 data that Empire relied upon for its filing.
- 17 • To the extent that the benefits cited in the SPP cost benefit studies for Empire become
18 known and measurable during a later stage of the case, such as the stage when other
19 amounts are being updated, then such benefits should be reflected in the case.

20
21 Q. Does this complete your testimony at this time?

NP

1 A. Yes, it does.

Appendix RCS-I

QUALIFICATIONS OF RALPH C. SMITH

Accomplishments

Mr. Smith's professional credentials include being a Certified Financial Planner™ professional, a Certified Rate of Return Analyst, a licensed Certified Public Accountant and attorney. He functions as project manager on consulting projects involving utility regulation, regulatory policy and ratemaking and utility management. His involvement in public utility regulation has included project management and in-depth analyses of numerous issues involving telephone, electric, gas, and water and sewer utilities.

Mr. Smith has performed work in the field of utility regulation on behalf of industry, PSC staffs, state attorney generals, municipalities, and consumer groups concerning regulatory matters before regulatory agencies in Alabama, Alaska, Arizona, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Kentucky, Louisiana, Maine, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New York, Nevada, North Carolina, Ohio, Pennsylvania, South Carolina, South Dakota, Texas, Canada, Federal Energy Regulatory Commission and various state and federal courts of law. He has presented expert testimony in regulatory hearings on behalf of utility commission staffs and intervenors on several occasions.

Project manager in Larkin & Associates' review, on behalf of the Georgia Commission Staff, of the budget and planning activities of Georgia Power Company; supervised 13 professionals; coordinated over 200 interviews with Company budget center managers and executives; organized and edited voluminous audit report; presented testimony before the Commission. Functional areas covered included fossil plant O&M, headquarters and district operations, internal audit, legal, affiliated transactions, and responsibility reporting. All of our findings and recommendations were accepted by the Commission.

Key team member in the firm's management audit of the Anchorage Water and Wastewater Utility on behalf of the Alaska Commission Staff, which assessed the effectiveness of the Utility's operations in several areas; responsible for in-depth investigation and report writing in areas involving information systems, finance and accounting, affiliated relationships and transactions, and use of outside contractors. Testified before the Alaska Commission concerning certain areas of the audit report. AWWU concurred with each of Mr. Smith's 40 plus recommendations for improvement.

Co-consultant in the analysis of the issues surrounding gas transportation performed for the law firm of Cravath, Swaine & Moore in conjunction with the case of Reynolds Metals Co. vs. the Columbia Gas System, Inc.; drafted in-depth report concerning the regulatory treatment at both state and federal levels of issues such as flexible pricing and mandatory gas transportation.

Lead consultant and expert witness in the analysis of the rate increase request of the City of Austin - Electric Utility on behalf of the residential consumers. Among the numerous ratemaking issues addressed was the economies of the Utility's employment of outside services; provided both written and oral testimony outlining recommendations and their bases. Most of Mr. Smith's recommendations were adopted by the City Council and Utility in a settlement.

Key team member performing an analysis of the rate stabilization plan submitted by the Southern Bell Telephone & Telegraph Company to the Florida PSC; performed comprehensive analysis of the Company's projections and budgets which were used as the basis for establishing rates.

Lead consultant in analyzing Southwestern Bell Telephone separations in Missouri; sponsored the complex technical analysis and calculations upon which the firm's testimony in that case was based. He has also assisted in analyzing changes in depreciation methodology for setting telephone rates.

Lead consultant in the review of gas cost recovery reconciliation applications of Michigan Gas Utilities Company, Michigan Consolidated Gas Company, and Consumers Power Company. Drafted recommendations regarding the appropriate rate of interest to be applied to any over or under collections and the proper procedures and allocation methodology to be used to distribute any refunds to customer classes.

Lead consultant in the review of Consumers Power Company's gas cost recovery refund plan. Addressed appropriate interest rate and compounding procedures and proper allocation methodology.

Project manager in the review of the request by Central Maine Power Company for an increase in rates. The major area addressed was the propriety of the Company's ratemaking attrition adjustment in relation to its corporate budgets and projections.

Project manager in an engagement designed to address the impacts of the Tax Reform Act of 1986 on gas distribution utility operations of the Northern States Power Company. Analyzed the reduction in the corporate tax rate, uncollectibles reserve, ACRS, unbilled revenues, customer advances, CIAC, and timing of TRA-related impacts associated with the Company's tax liability.

Project manager and expert witness in the determination of the impacts of the Tax Reform Act of 1986 on the operations of Connecticut Natural Gas Company on behalf of the Connecticut Department of Public Utility Control - Prosecutorial Division, Connecticut Attorney General, and Connecticut Department of Consumer Counsel.

Lead Consultant for The Minnesota Department of Public Service ("DPS") to review the Minnesota Incentive Plan ("Incentive Plan") proposal presented by Northwestern Bell Telephone Company ("NWB") doing business as U S West Communications ("USWC"). Objective was to express an opinion as to whether current rates addressed by the plan were appropriate from a Minnesota intrastate revenue requirements and accounting perspective, and to assist in developing recommended modifications to NWB's proposed Plan.

Performed a variety of analytical and review tasks related to our work effort on this project. Obtained and reviewed data and performed other procedures as necessary (1) to obtain an understanding of the Company's Incentive Plan filing package as it relates to rate base, operating income, revenue requirements, and plan operation, and (2) to formulate an opinion concerning the reasonableness of current rates and of amounts included within the Company's Incentive Plan filing. These procedures included requesting and reviewing extensive discovery, visiting the Company's offices to review data, issuing follow-up information requests in many instances, telephone and on-site discussions with Company representatives, and frequent discussions with counsel and DPS Staff assigned to the project.

Lead Consultant in the regulatory analysis of Jersey Central Power & Light Company for the Department of the Public Advocate, Division of Rate Counsel. Tasks performed included on-site review and audit of Company, identification and analysis of specific issues, preparation of data requests, testimony, and cross examination questions. Testified in Hearings.

Assisted the NARUC Committee on Management Analysis with drafting the Consultant Standards for Management Audits.

Presented training seminars covering public utility accounting, tax reform, ratemaking, affiliated transaction auditing, rate case management, and regulatory policy in Maine, Georgia, Kentucky, and Pennsylvania. Seminars were presented to commission staffs and consumer interest groups.

Previous Positions

With Larkin, Chapski and Co., the predecessor firm to Larkin & Associates, was involved primarily in utility regulatory consulting, and also in tax planning and tax research for businesses and individuals, tax return preparation and review, and independent audit, review and preparation of financial statements.

Installed computerized accounting system for a realty management firm.

Education

Bachelor of Science in Administration in Accounting, with distinction, University of Michigan, Dearborn, 1979.

Master of Science in Taxation, Walsh College, Michigan, 1981. Master's thesis dealt with investment tax credit and property tax on various assets.

Juris Doctor, cum laude, Wayne State University Law School, Detroit, Michigan, 1986. Recipient of American Jurisprudence Award for academic excellence.

Continuing education required to maintain CPA license and CFP certificate.

Passed all parts of CPA examination in first sitting, 1979. Received CPA certificate in 1981 and Certified Financial Planning certificate in 1983. Admitted to Michigan and Federal bars in 1986.

Michigan Association of CPAs.

Michigan Bar Association.

Society of Utility and Regulatory Financial Analysts.

American Bar Association, sections on public utility law and taxation.

Partial list of utility cases participated in:

79-228-EL-FAC	Cincinnati Gas & Electric Company (Ohio PUC)
79-231-EL-FAC	Cleveland Electric Illuminating Company (Ohio PUC)
79-535-EL-AIR	East Ohio Gas Company (Ohio PUC)
80-235-EL-FAC	Ohio Edison Company (Ohio PUC)
80-240-EL-FAC	Cleveland Electric Illuminating Company (Ohio PUC)
U-1933*	Tucson Electric Power Company (Arizona Corp. Commission)
U-6794	Michigan Consolidated Gas Co. --16 Refunds (Michigan PSC)
81-0035TP	Southern Bell Telephone Company (Florida PSC)
81-0095TP	General Telephone Company of Florida (Florida PSC)
81-308-EL-EFC	Dayton Power & Light Co.- Fuel Adjustment Clause (Ohio PUC)
810136-EU	Gulf Power Company (Florida PSC)
GR-81-342	Northern States Power Co. -- E-002/Minnesota (Minnesota PUC)
Tr-81-208	Southwestern Bell Telephone Company (Missouri PSC))
U-6949	Detroit Edison Company (Michigan PSC)
8400	East Kentucky Power Cooperative, Inc. (Kentucky PSC)
18328	Alabama Gas Corporation (Alabama PSC)
18416	Alabama Power Company (Alabama PSC)
820100-EU	Florida Power Corporation (Florida PSC)
8624	Kentucky Utilities (Kentucky PSC)

8648	East Kentucky Power Cooperative, Inc. (Kentucky PSC)
U-7236	Detroit Edison - Burlington Northern Refund (Michigan PSC)
U6633-R	Detroit Edison - MRCS Program (Michigan PSC)
U-6797-R	Consumers Power Company -MRCS Program (Michigan PSC)
U-5510-R	Consumers Power Company - Energy conservation Finance Program (Michigan PSC)
82-240E	South Carolina Electric & Gas Company (South Carolina PSC)
7350	Generic Working Capital Hearing (Michigan PSC)
RH-1-83	Westcoast Transmission Co., (National Energy Board of Canada)
820294-TP	Southern Bell Telephone & Telegraph Co. (Florida PSC)
82-165-EL-EFC (Subfile A)	Toledo Edison Company(Ohio PUC)
82-168-EL-EFC	Cleveland Electric Illuminating Company (Ohio PUC)
830012-EU	Tampa Electric Company (Florida PSC)
U-7065	The Detroit Edison Company - Fermi II (Michigan PSC)
8738	Columbia Gas of Kentucky, Inc. (Kentucky PSC)
ER-83-206	Arkansas Power & Light Company (Missouri PSC)
U-4758	The Detroit Edison Company – Refunds (Michigan PSC)
8836	Kentucky American Water Company (Kentucky PSC)
8839	Western Kentucky Gas Company (Kentucky PSC)
83-07-15	Connecticut Light & Power Co. (Connecticut DPU)
81-0485-WS	Palm Coast Utility Corporation (Florida PSC)
U-7650	Consumers Power Co. - Partial and Immediate (Michigan PSC)
83-662	Continental Telephone Company of California, (Nevada PSC)
U-7650	Consumers Power Company – Final (Michigan PSC)
U-6488-R	Detroit Edison Co., FAC & PIPAC Reconciliation (Michigan PSC)
U-15684	Louisiana Power & Light Company (Louisiana PSC)
7395 & U-7397	Campaign Ballot Proposals (Michigan PSC)
820013-WS	Seacoast Utilities (Florida PSC)
U-7660	Detroit Edison Company (Michigan PSC)
83-1039	CP National Corporation (Nevada PSC)
U-7802	Michigan Gas Utilities Company (Michigan PSC)
83-1226	Sierra Pacific Power Company (Nevada PSC)
830465-EI	Florida Power & Light Company (Florida PSC)
U-7777	Michigan Consolidated Gas Company (Michigan PSC)
U-7779	Consumers Power Company (Michigan PSC)
U-7480-R	Michigan Consolidated Gas Company (Michigan PSC)
U-7488-R	Consumers Power Company – Gas (Michigan PSC)
U-7484-R	Michigan Gas Utilities Company (Michigan PSC)
U-7550-R	Detroit Edison Company (Michigan PSC)
U-7477-R**	Indiana & Michigan Electric Company (Michigan PSC)
18978	Continental Telephone Co. of the South Alabama (Alabama PSC)
R-842583	Duquesne Light Company (Pennsylvania PUC)
R-842740	Pennsylvania Power Company (Pennsylvania PUC)
850050-EI	Tampa Electric Company (Florida PSC)
16091	Louisiana Power & Light Company (Louisiana PSC)
19297	Continental Telephone Co. of the South Alabama (Alabama PSC)
76-18788AA &76-18793AA	Detroit Edison - Refund - Appeal of U-4807 (Ingham County, Michigan Circuit Court)
85-53476AA & 85-534785AA	Detroit Edison Refund - Appeal of U-4758 (Ingham County, Michigan Circuit Court)
U-8091/U-8239	Consumers Power Company - Gas Refunds (Michigan PSC)
TR-85-179**	United Telephone Company of Missouri (Missouri PSC)
85-212	Central Maine Power Company (Maine PSC)

ER-85646001	
& ER-85647001	New England Power Company (FERC)
850782-EI & 850783-EI	Florida Power & Light Company (Florida PSC)
R-860378	Duquesne Light Company (Pennsylvania PUC)
R-850267	Pennsylvania Power Company (Pennsylvania PUC)
851007-WU	
& 840419-SU	Florida Cities Water Company (Florida PSC)
G-002/GR-86-160	Northern States Power Company (Minnesota PSC)
7195 (Interim)	Gulf States Utilities Company (Texas PUC)
87-01-03	Connecticut Natural Gas Company (Connecticut PUC))
87-01-02	Southern New England Telephone Company (Connecticut Department of Public Utility Control)
R-860378	Duquesne Light Company Surrebuttal (Pennsylvania PUC)
3673-	Georgia Power Company (Georgia PSC)
29484	Long Island Lighting Co. (New York Dept. of Public Service)
U-8924	Consumers Power Company – Gas (Michigan PSC)
Docket No. 1	Austin Electric Utility (City of Austin, Texas)
Docket E-2, Sub 527	Carolina Power & Light Company (North Carolina PUC)
870853	Pennsylvania Gas and Water Company (Pennsylvania PUC)
880069**	Southern Bell Telephone Company (Florida PSC)
U-1954-88-102	Citizens Utilities Rural Company, Inc. & Citizens Utilities
T E-1032-88-102	Company, Kingman Telephone Division (Arizona CC)
89-0033	Illinois Bell Telephone Company (Illinois CC)
U-89-2688-T	Puget Sound Power & Light Company (Washington UTC))
R-891364	Philadelphia Electric Company (Pennsylvania PUC)
F.C. 889	Potomac Electric Power Company (District of Columbia PSC)
Case No. 88/546*	Niagara Mohawk Power Corporation, et al Plaintiffs, v. Gulf+Western, Inc. et al, defendants (Supreme Court County of Onondaga, State of New York)
87-11628*	Duquesne Light Company, et al, plaintiffs, against Gulf+ Western, Inc. et al, defendants (Court of the Common Pleas of Allegheny County, Pennsylvania Civil Division)
890319-EI	Florida Power & Light Company (Florida PSC)
891345-EI	Gulf Power Company (Florida PSC)
ER 8811 0912J	Jersey Central Power & Light Company (BPU)
6531	Hawaiian Electric Company (Hawaii PUCs)
R0901595	Equitable Gas Company (Pennsylvania Consumer Counsel)
90-10	Artesian Water Company (Delaware PSC)
89-12-05	Southern New England Telephone Company (Connecticut PUC)
900329-WS	Southern States Utilities, Inc. (Florida PSC)
90-12-018	Southern California Edison Company (California PUC)
90-E-1185	Long Island Lighting Company (New York DPS)
R-911966	Pennsylvania Gas & Water Company (Pennsylvania PUC)
I.90-07-037, Phase II	(Investigation of OPEBs) Department of the Navy and all Other Federal Executive Agencies (California PUC)
U-1551-90-322	Southwest Gas Corporation (Arizona CC)
U-1656-91-134	Sun City Water Company (Arizona RUCO)
U-2013-91-133	Havasu Water Company (Arizona RUCO)
91-174***	Central Maine Power Company (Department of the Navy and all Other Federal Executive Agencies)
U-1551-89-102	Southwest Gas Corporation - Rebuttal and PGA Audit (Arizona
& U-1551-89-103	Corporation Commission)
Docket No. 6998	Hawaiian Electric Company (Hawaii PUC)
TC-91-040A and	Intrastate Access Charge Methodology, Pool and Rates
TC-91-040B	Local Exchange Carriers Association and South Dakota Independent Telephone Coalition

9911030-WS & 911-67-WS 922180 7233 and 7243 R-00922314 & M-920313C006 R00922428 E-1032-92-083 & U-1656-92-183	General Development Utilities - Port Malabar and West Coast Divisions (Florida PSC) The Peoples Natural Gas Company (Pennsylvania PUC) Hawaiian Nonpension Postretirement Benefits (Hawaiian PUC)
92-09-19 E-1032-92-073 UE-92-1262 92-345 R-932667 U-93-60** U-93-50** U-93-64 7700 E-1032-93-111 & U-1032-93-193 R-00932670 U-1514-93-169/ E-1032-93-169 7766 93-2006- GA-AIR* 94-E-0334 94-0270 94-0097 PU-314-94-688 94-12-005-Phase I R-953297 95-03-01 95-0342 94-996-EL-AIR 95-1000-E Non-Docketed Staff Investigation E-1032-95-473 E-1032-95-433	Metropolitan Edison Company (Pennsylvania PUC) Pennsylvania American Water Company (Pennsylvania PUC) Citizens Utilities Company, Agua Fria Water Division (Arizona Corporation Commission) Southern New England Telephone Company (Connecticut PUC) Citizens Utilities Company (Electric Division), (Arizona CC) Puget Sound Power and Light Company (Washington UTC)) Central Maine Power Company (Maine PUC) Pennsylvania Gas & Water Company (Pennsylvania PUC) Matanuska Telephone Association, Inc. (Alaska PUC) Anchorage Telephone Utility (Alaska PUC) PTI Communications (Alaska PUC) Hawaiian Electric Company, Inc. (Hawaii PUC) Citizens Utilities Company - Gas Division (Arizona Corporation Commission) Pennsylvania American Water Company (Pennsylvania PUC) Sale of Assets CC&N from Contel of the West, Inc. to Citizens Utilities Company (Arizona Corporation Commission) Hawaiian Electric Company, Inc. (Hawaii PUC) The East Ohio Gas Company (Ohio PUC) Consolidated Edison Company (New York DPS) Inter-State Water Company (Illinois Commerce Commission) Citizens Utilities Company, Kauai Electric Division (Hawaii PUC) Application for Transfer of Local Exchanges (North Dakota PSC) Pacific Gas & Electric Company (California PUC) UGI Utilities, Inc. - Gas Division (Pennsylvania PUC) Southern New England Telephone Company (Connecticut PUC) Consumer Illinois Water, Kankakee Water District (Illinois CC) Ohio Power Company (Ohio PUC) South Carolina Electric & Gas Company (South Carolina PSC) Citizens Utility Company - Arizona Telephone Operations (Arizona Corporation Commission) Citizens Utility Co. - Northern Arizona Gas Division (Arizona CC) Citizens Utility Co. - Arizona Electric Division (Arizona CC) Collaborative Ratemaking Process Columbia Gas of Pennsylvania (Pennsylvania PUC)
GR-96-285 94-10-45 A.96-08-001 et al.	Missouri Gas Energy (Missouri PSC) Southern New England Telephone Company (Connecticut PUC) California Utilities' Applications to Identify Sunk Costs of Non- Nuclear Generation Assets, & Transition Costs for Electric Utility Restructuring, & Consolidated Proceedings (California PUC)
96-324 96-08-070, et al.	Bell Atlantic - Delaware, Inc. (Delaware PSC) Pacific Gas & Electric Co., Southern California Edison Co. and San Diego Gas & Electric Company (California PUC)
97-05-12 R-00973953	Connecticut Light & Power (Connecticut PUC) Application of PECO Energy Company for Approval of its Restructuring Plan Under Section 2806 of the Public Utility Code (Pennsylvania PUC)
97-65	Application of Delmarva Power & Light Co. for Application of a Cost Accounting Manual and a Code of Conduct (Delaware PSC)

16705	Entergy Gulf States, Inc. (Cities Steering Committee)
E-1072-97-067	Southwestern Telephone Co. (Arizona Corporation Commission)
Non-Docketed	Delaware - Estimate Impact of Universal Services Issues
Staff Investigation	(Delaware PSC)
PU-314-97-12	US West Communications, Inc. Cost Studies (North Dakota PSC)
97-0351	Consumer Illinois Water Company (Illinois CC)
1-0	Investigation of Issues to be Considered as a Result of Restructuring of Electric Industry (Nevada PSC)
U-0000-94-165	Generic Docket to Consider Competition in the Provision of Retail Electric Service (Arizona Corporation Commission)
98-05-006-Phase I	San Diego Gas & Electric Co., Section 386 costs (California PUC)
9355-U	Georgia Power Company Rate Case (Georgia PUC)
97-12-020 - Phase I	Pacific Gas & Electric Company (California PUC)
U-98-56, U-98-60,	Investigation of 1998 Intrastate Access charge filings
U-98-65, U-98-67	(Alaska PUC)
(U-99-66, U-99-65,	Investigation of 1999 Intrastate Access Charge filing
U-99-56, U-99-52)	(Alaska PUC)
Phase II of 97-SCCC-149-GIT	
	Southwestern Bell Telephone Company Cost Studies (Kansas CC)
PU-314-97-465	US West Universal Service Cost Model (North Dakota PSC)
Non-docketed Assistance	Bell Atlantic - Delaware, Inc., Review of New Telecomm. and Tariff Filings (Delaware PSC)
Contract Dispute	City of Zeeland, MI - Water Contract with the City of Holland, MI (Before an arbitration panel)
Non-docketed Project	City of Danville, IL - Valuation of Water System (Danville, IL)
Non-docketed	Village of University Park, IL - Valuation of Water and Sewer System (Village of University Park, Illinois)
Project	Citizens Utility Co., Maricopa Water/Wastewater Companies et al. (Arizona Corporation Commission)
E-1032-95-417	
T-1051B-99-0497	Proposed Merger of the Parent Corporation of Qwest Communications Corporation, LCI International Telecom Corp., and US West Communications, Inc. (Arizona CC)
T-01051B-99-0105	US West Communications, Inc. Rate Case (Arizona CC)
A00-07-043	Pacific Gas & Electric - 2001 Attrition (California PUC)
T-01051B-99-0499	US West/Quest Broadband Asset Transfer (Arizona CC)
99-419/420	US West, Inc. Toll and Access Rebalancing (North Dakota PSC)
PU314-99-119	US West, Inc. Residential Rate Increase and Cost Study Review (North Dakota PSC)
98-0252	Ameritech - Illinois, Review of Alternative Regulation Plan (Illinois CUB)
00-108	Delmarva Billing System Investigation (Delaware PSC)
U-00-28	Matanuska Telephone Association (Alaska PUC)
Non-Docketed	Management Audit and Market Power Mitigation Analysis of the Merged Gas System Operation of Pacific Enterprises and Enova Corporation (California PUC)
00-11-038	Southern California Edison (California PUC)
00-11-056	Pacific Gas & Electric (California PUC)
00-10-028	The Utility Reform Network for Modification of Resolution E-3527 (California PUC)
98-479	Delmarva Power & Light Application for Approval of its Electric and Fuel Adjustments Costs (Delaware PSC)
99-457	Delaware Electric Cooperative Restructuring Filing (Delaware PSC)
99-582	Delmarva Power & Light dba Conectiv Power Delivery Analysis of Code of Conduct and Cost Accounting Manual (Delaware PSC)

99-03-04	United Illuminating Company Recovery of Stranded Costs (Connecticut OCC)
99-03-36	Connecticut Light & Power (Connecticut OCC)
Civil Action No. 98-1117	West Penn Power Company vs. PA PUC (Pennsylvania PSC)
Case No. 12604	Upper Peninsula Power Company (Michigan AG)
Case No. 12613	Wisconsin Public Service Commission (Michigan AG)
41651	Northern Indiana Public Service Co Overearnings investigation (Indiana UCC)
13605-U	Savannah Electric & Power Company – FCR (Georgia PSC)
14000-U	Georgia Power Company Rate Case/M&S Review (Georgia PSC)
13196-U	Savannah Electric & Power Company Natural Gas Procurement and Risk Management/Hedging Proposal, Docket No. 13196-U (Georgia PSC)
Non-Docketed	Georgia Power Company & Savannah Electric & Power FPR Company Fuel Procurement Audit (Georgia PSC)
Non-Docketed	Transition Costs of Nevada Vertically Integrated Utilities (US Department of Navy)
Application No. 99-01-016,	Post-Transition Ratemaking Mechanisms for the Electric Industry Restructuring (US Department of Navy)
Phase I	
99-02-05	Connecticut Light & Power (Connecticut OCC)
01-05-19-RE03	Yankee Gas Service Application for a Rate Increase, Phase I-2002-IERM (Connecticut OCC)
G-01551A-00-0309	Southwest Gas Corporation, Application to amend its rate Schedules (Arizona CC)
00-07-043	Pacific Gas & Electric Company Attrition & Application for a rate increase (California PUC)
97-12-020	Pacific Gas & Electric Company Rate Case (California PUC)
Phase II	
01-10-10	United Illuminating Company (Connecticut OCC)
13711-U	Georgia Power FCR (Georgia PSC)
02-001	Verizon Delaware § 271(Delaware DPA)
02-BLVT-377-AUD	Blue Valley Telephone Company Audit/General Rate Investigation (Kansas CC)
02-S&TT-390-AUD	S&T Telephone Cooperative Audit/General Rate Investigation (Kansas CC)
01-SFLT-879-AUD	Sunflower Telephone Company Inc., Audit/General Rate Investigation (Kansas CC)
01-BSTT-878-AUD	Bluestem Telephone Company, Inc. Audit/General Rate Investigation (Kansas CC)
P404, 407, 520, 413 426, 427, 430, 421/ CI-00-712	Sherburne County Rural Telephone Company, dba as Connections, Etc. (Minnesota DOC)
U-01-85	ACS of Alaska, dba as Alaska Communications Systems (ACS), Rate Case (Alaska Regulatory Commission PAS)
U-01-34	ACS of Anchorage, dba as Alaska Communications Systems (ACS), Rate Case (Alaska Regulatory Commission PAS)
U-01-83	ACS of Fairbanks, dba as Alaska Communications Systems (ACS), Rate Case (Alaska Regulatory Commission PAS)
U-01-87	ACS of the Northland, dba as Alaska Communications Systems (ACS), Rate Case (Alaska Regulatory Commission PAS)
96-324, Phase II	Verizon Delaware, Inc. UNE Rate Filing (Delaware PSC)
03-WHST-503-AUD	Wheat State Telephone Company (Kansas CC)
04-GNBT-130-AUD	Golden Belt Telephone Association (Kansas CC)
Docket 6914	Shoreham Telephone Company, Inc. (Vermont BPU)

Illustrative Example of Removing Nonrecurring Cost Related to PRB Coal Delivery Problems

<u>Line</u>	<u>Description</u>	<u>Amount</u>	<u>Reference</u>
	Based on Empire-identified 2005 Impacts:		
1	Iatan	\$ 1,173,000	OPC 5028
2	Asbury	\$ 18,426	OPC 5028
3	Riverton	\$ -	OPC 5028
4	Jeffery	\$ 625,000	OPC 5028
5	Subtotal 2005 impacts	<u>\$ 1,816,426</u>	
6	Estimated Missouri retail allocation	82.21%	EDE Sch WSK-2
7	Estimated Missouri jurisdictional impact	<u>\$ 1,493,284</u>	
8	Illustrative adjustment to EDE fuel and purchased power cost to remove nonrecurring cost related to PRB coal delivery problems	<u>\$ (1,493,000)</u>	Line 7, rounded

Adjustment for Off System Sales Margin

<u>Line</u>	<u>Description</u>	<u>Amount</u>	<u>Reference</u>
1	Five Year Average	\$ 2,751,905	Empire Revenue Adj 15 W/P B1
2	Empire proposed amount	\$ 1,478,214	Empire Revenue Adj 15 W/P B1
3	Adjustment	\$ 1,273,691	
4	Estimated Missouri retail allocation	82.11%	See below
5	Estimated Missouri jurisdictional impact	<u>\$ 1,045,828</u>	

Notes

See table in testimony for additional comparisons supporting the reasonableness of using the five year average

Line 4: EDE filing Section J, Schedule 1, page 1 of 2:

	<u>Off-System Sales</u>	<u>EDE Adjustment</u>	<u>EDE Adjusted</u>
6	Missouri Jurisdictional	\$ 9,753,875	\$ 1,085,612
7	Total Company	\$ 11,878,869	\$ 1,322,166
8	Missouri Jurisdictional Percent	<u>82.11%</u>	<u>82.11%</u>