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Exhibit No.
Issue: Amortization
Witness: W. L. Gipson
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Empire District
Case No. ER-2006-0315

Before the Public Service Commission
of the State of Missouri

Rebuttal Testimony

of

W. L. Gipson

July 2006

REBUTTAL TESTIMONY
OF
W. L. GIPSON
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2006-0315

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

2 A. William L. Gipson, 602 Joplin Street, Joplin, Missouri 64801.

3 Q. **WHO IS YOUR EMPLOYER AND WHAT POSITION DO YOU HOLD?**

4 A. The Empire District Electric Company ("Empire" or "Company") is my employer. I

5 hold the position of President and Chief Executive Officer.

6 Q. **ARE YOU THE SAME WILLIAM GIPSON THAT FILED DIRECT**

7 **TESTIMONY IN THIS RATE CASE BEFORE THE MISSOURI PUBLIC**

8 **SERVICE COMMISSION ("COMMISSION")?**

9 A. Yes.

10 Q. **PLEASE EXPLAIN THE PURPOSE OF YOUR REBUTTAL TESTIMONY.**

11 A. To respond to the supplemental direct testimony of Commission Staff witness Mark

12 Oligschlaeger and the "amortization" apparently proposed by that testimony.

13 Specifically, I will discuss my understanding of the purpose of the amortization

14 addressed in Empire's Regulatory Plan, which resulted from Commission Case No.

15 EO-2005-0263, and why it should have no implication in this case.

16 Q. **WHAT IS YOUR UNDERSTANDING OF THE PURPOSE OF THE**

17 **REGULATORY PLAN?**

18 A. As outlined in the press release issued by the Commission, "The Agreement strikes a

19 reasonable and appropriate balance between the interests of Empire's customers and

1

1   shareholders regarding Empire's participation in Iatan 2. The Agreement is designed

2   to positively impact Empire's credit ratings. Thus Empire should have lower debt

3   costs to pass on to consumers in the form of lower future rates."

4 **Q. WHY DOES EMPIRE NEED A MISSOURI RETAIL RATE INCREASE AT**

5 **THIS TIME?**

6 A. The major factors driving the request for a Missouri adjustment at this time are

7   increases in fuel and purchased power expense, not the construction of Iatan 2.

8 **Q. HAS CONSTRUCTION STARTED ON IATAN 2?**

9 A No substantial construction is underway to my knowledge. In any event, the

10   construction of Iatan 2 is not a driving factor in this rate case.

11 **Q. HOW DO YOU THINK THE FINANCIAL COMMUNITY WILL REACT TO**

12 **AN AMORTIZATION IN THIS CASE?**

13 A. As I stated in my supplemental direct testimony, the amortization mechanism was

14   designed to maintain certain S&P ratios during the construction of Iatan 2. It was

15   not designed as a substitute for the timely recovery of prudently incurred fuel and

16   purchased power expense or as a substitute for an adjustment to the Company's

17   authorized return on equity in the absence of timely recovery of those costs.

18   Therefore, I do not believe that the financial community will react favorably to an

19   amortization as a substitute for prudently incurred expense. This will be discussed

20   further in the rebuttal testimony of Empire witness Steve Fetter.

21 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

22 A. Yes, it does.

AFFIDAVIT OF W.L. GIPSON

STATE OF MISSOURI   )
) ss
COUNTY OF JASPER   )

On the 27th day of July 2006, before me appeared W.L. Gipson, to me personally known, who, being by me first duly sworn, states that he is the President and Chief Executive Officer of The Empire District Electric Company and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.

_____
W.L. Gipson

Subscribed and sworn to before me this 27th day of July, 2006

_____
Pat Settle, Notary Public

My commission expires

Patricia A. Settle
Notary Public - Notary Seal
State of Missouri
County of Jasper
Expires February 09, 2008