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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

FILED

SEP 29 2006

TRANSCRIPT OF PROCEEDINGS

Missouri Public
Service Commission

Hearing

December 7, 2004
Jefferson City, Missouri
Volume 8

In the Matter of the Tariff Filing)
of The Empire District Electric)
Company to Implement a General) Case No. ER-2004-0570
Rate Increase for Retail Electric)
Service Provided to Customers in)
Its Missouri Service Area)

KEVIN A. THOMPSON, Presiding,
DEPUTY CHIEF REGULATORY LAW JUDGE.

CONNIE MURRAY,
ROBERT M. CLAYTON,
JEFF DAVIS,
LINWARD "LIN" APPLING,
COMMISSIONERS.

REPORTED BY:

KELLENE K. FEDDERSEN, CSR, RPR, CCR
MIDWEST LITIGATION SERVICES

Praxair Exhibit No. 116
Case No(s). ER-2006-0315
Date 9-12-06 Rptr XX

1 something like the subject to refund when the money is
2 collected by the utility, it belongs to the utility.

3 So I don't know if that helps. It's a '79
4 case. Like you, I have some difficulty in recalling with
5 precision all the facts. But it was not, sir, a
6 rulemaking. I hope that helps. I don't want to just
7 leave it.

8 COMMISSIONER DAVIS: Stu, let me ask you
9 one more question.

10 MR. CONRAD: Sure.

11 COMMISSIONER DAVIS: Do you think there --
12 I'm just trying to think outside the box here.

13 MR. CONRAD: Sure.

14 COMMISSIONER DAVIS: Do you think it is
15 conceivable that there is any way that we could develop
16 some sort of -- I mean, this would probably require the
17 unanimous consent of all parties concerned, but that some
18 sort of sharing grid could be developed or something like
19 that?

20 I know we -- I mean, it's never been used
21 in this context before, but would something like that be
22 feasible?

23 MR. CONRAD: That's an interesting --

24 COMMISSIONER DAVIS: Obviously I want to
25 encourage Empire to be prudent and would like to find some

1 way to reward them for purchasing cheaper gas, you know.
2 I don't know. I'm just --
3 MR. CONRAD: It's harder to do. We have --
4 Judge, we had applied that very concept, I think, that
5 you're talking about at one point in time in concept, a
6 name that some people will remember here, Paul Phillips,
7 who now works for the Department of Energy, but at that
8 time was with the General Counsel's Office, and I tried to
9 work to a point of crafting a band-type incentive for the
10 purchased gas adjustment clause, where a target would be
11 set by the Commission and then if the company was able to
12 beat that, you know, progressively more and more, then
13 they could realize more and more to a bottom line.
14 COMMISSIONER DAVIS: Right.
15 MR. CONRAD: If they went the other way,
16 the ratepayers were protected and so on. It's harder to
17 do on the electric side when you look, Judge, at the bus
18 bar cost because it is a function not only of the cost of
19 gas, which is predominant for this utility, but it's a
20 function of all the other mix of fuels. It's a function
21 of the efficiency of the units that are being used.
22 It's a function of loading order of them, it's -- that's
23 why those -- that's why it's so interesting in this case
24 that the fuel runs that the company did and Staff did are
25 so closely together, because they obviously have modeled

1 the same incentive. But it's an interesting concept.

2 It's certainly one that I, you know, for my
3 folks, we'd be willing to sit down and explore with
4 somebody. I don't know what the context of how to do that
5 within a case like this, but like you, I share the concern
6 that if you just take -- you know, just pick a number and
7 say go at it, that you have a tendency of putting the
8 company in the box of having a subjective after-the-fact
9 review, which they don't like, or having -- or having no
10 prudence review at all. So it's a challenging question.

11 COMMISSIONER DAVIS: I'm just looking for a
12 way that we can create a box where neither the company nor
13 the ratepayers would be on the hook, so to speak. Thank
14 you.

15 MR. CONRAD: Sure.

16 JUDGE THOMPSON: Further questions?

17 (No response.)

18 JUDGE THOMPSON: Mr. Beecher?

19 (Witness sworn.)

20 JUDGE THOMPSON: Do you understand,
21 Mr. Beecher, if you give false testimony in this
22 proceeding, you'll be subject to prosecution for perjury?

23 THE WITNESS: Yes, I do.

24 JUDGE THOMPSON: Please take your seat.
25 State your name for the record.

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