

Exhibit No.:

Issues: Rate Design

Witness: J. Matt Tracy

Sponsoring Party: Aquila Networks-MPS
& L&P

Case No.: ER-

Before the Public Service Commission
of the State of Missouri

Direct Testimony

of

J. Matt Tracy

FILED

APR 28 2004

Missouri
Service Commission

Exhibit No. 55

Case No(s) ER-2004-0034

Date 2/23/04 Rptr KF

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
DIRECT TESTIMONY OF J. MATT TRACY
ON BEHALF OF AQUILA, INC.
D/B/A AQUILA NETWORKS-MPS AND AQUILA NETWORKS-L&P
CASE NO. _____**

1 Q. Please state your name and business address.

2 A. My name is J. Matt Tracy and my business address is 10700 East 350 Highway, Kansas
3 City, Missouri, 64138.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by Aquila, Inc. ("Aquila") as a Senior Regulatory Analyst in the
6 Regulatory Services Department.

7 Q. What are your duties and responsibilities at Aquila?

8 A. I am responsible for the collection and analysis of load research, tariff page filings,
9 supporting cost-of-service studies, and other analyses as needed.

10 Q. Please state your educational background and experience.

11 A. I have an M.A. in Economics from the University of Missouri - Kansas City and a B.A.
12 in Psychology and Religion from William Jewell College. From 1985 to 1996, I
13 worked in load research at Missouri Public Service a division of Aquila, (then UtiliCorp
14 United Inc.), and at Aquila. Duties during that time included load research sample
15 design and analysis, cost-of-service preparation, load forecasting, and weather
16 normalization. In 1996, I accepted a position in the analytical section of UtiliCorp's
17 Regulatory Services. In 2002, I was again given responsibility for load research.

1 Q. What is the purpose of your testimony in this case before the Missouri Public Service
2 Commission ("Commission")?

3 A. I am sponsoring the minimum filing requirements of 4 CSR 240-3.030, and the tariff
4 sheets filed by Aquila in this case. I am also testifying about the consolidation of the
5 Aquila Networks – L&P ("L&P") and Aquila Networks – MPS ("MPS") tariffs, about
6 the across-the-board change in rates, and about other tariff sheet updates. The tariff
7 sheets implementing the changes proposed in this filing are included in the minimum
8 filing requirements.

9 Q. Have the minimum filing requirements for a general rate increase under 4 CSR 240-
10 3.030 been filed?

11 A. Yes. On July 3, 2003, an application for a general rate increase along with the
12 minimum filing requirements were filed and are made a part of this case by reference.

13 Q. Are updates to L&P's Electric P.S.C. MO. No. 6, and MPS's Electric P.S.C. MO. No. 2
14 tariffs, both rates, and rules and regulations, being filed?

15 A. No. This filing cancels all sheets of those tariffs, and replaces them with Aquila
16 Networks Electric P.S.C. MO. No. 1, creating a consolidated tariff. Most of the rates
17 remain unique to each division, though a few are common to both. The rules are now
18 the same for both divisions.

19 Q. What rates are common to both L&P and MPS?

20 A. There are six rates common to the divisions, including the Voluntary Load Reduction
21 Rider ("VLR"), the Curtailable Demand Rider ("CDR"), the Cogeneration Purchase
22 Schedule ("Cogen"), Special Isolated Generating Plant Electric Service ("SIGP"), the

1 Municipal Underground Cost Recovery Rider ("MUCR"), and the Tax and License
2 Rider ("TLR").

3 Q. What process did you follow in consolidating these rates?

4 A. For the VLR, the L&P version was less detailed than the MPS version, so I selected the
5 MPS version. No customers will be unduly inconvenienced, as the tariff is voluntary.

6 For the CDR, the L&P tariff has customers currently using it, and the MPS version does
7 not, so I selected the L&P version.

8 For the Cogen schedule I selected the MPS version, which is a single page, versus seven
9 pages for L&P. The L&P tariff covers areas that other rates or rules may already handle,
10 and I expect the Net Metering tariff to be filed during the course of this rate case, and it
11 will probably impact this tariff.

12 The SIGP comes from MPS, dropping L&P's Standby or Supplementary Electric
13 Service, which is again less detailed.

14 The MUCR is virtually the same document for both divisions, so there is no need to
15 choose between the two.

16 The TLR is from MPS. L&P handled the tax and license issue on each rate sheet. Now
17 all the tariffs simply refer to the TLR.

18 Q. How were the rules combined?

19 A. We started with the MPS rules, and then compared the L&P and Commission rules to
20 see where any changes or additions were required. Most of the MPS, L&P, and
21 Commission rules are the same, though perhaps listed in a different order. Changes to
22 the rules are discussed below.

23 Q. How do the tariff sheets implement the proposed increase in revenue?

1 A. All tariff charges, other than as described below, were multiplied by the ratio of the total
2 proposed increase minus the proposed increase to other revenues, divided by the total
3 annualized revenue minus annualized other revenues. For Aquila Networks – L&P,
4 (“L&P”), the equation is $(\$14,639,146 - \$46,220) / (\$94,269,104 - \$6,075,204)$. This is
5 an increase of 16.55%. For Aquila Networks – MPS, (“MPS”), the equation is
6 $(\$65,000,000 - \$244,497) / (\$337,990,694 - \$32,601,920)$. This is an increase of
7 21.20%.

8 Q. What tariff charges were excluded from the increase?

9 A. The following items were not changed.
10 \$5.00 reductions for various area lights when installed on existing distribution poles, on
11 tariff sheets 88, 89, and 91. These charges did not change in the rate reduction ordered
12 in combined cases No. ER-97-394 and No. ET-98-103, or in case No. ER-2001-672.
13 The Cogeneration Purchase Schedule, tariff sheet 102. The tariff provisions did not
14 change in the prior case and are reviewed on a bi-annual basis. There are no customers
15 presently served on this tariff sheet.

16 Q. Were changes in the charges in the rules implemented at the across-the-board rate?

17 A. No.

18 Q. What changes in the charges in the rules were implemented?

19 A. Sheets R-66 and R-67 are the Summary of Types and Amount of Charges Allowed.
20 Working in the order listed, we are proposing a reconnect charge of \$30 during business
21 hours, and \$50 outside of normal business hours, to reflect the cost of providing the
22 service. This is no change for L&P, and an increase from \$17 for MPS during business
23 hours, and an increase from \$31 for MPS for other hours.

1 The connection charge outside of normal business hours is \$50. We do not charge new
2 customers at an existing location to connect to our system during business hours, but if a
3 customer wants to connect during other hours, this charge covers our cost of providing
4 the service.

5 The collection charge is \$30. This would be charged to customers who do not pay their
6 bill until we send someone out to disconnect them, at which point they pay rather than
7 have service disconnected. If we do not disconnect the customer, we receive no
8 compensation for the cost of sending someone to the site. Some customers seem to
9 prefer paying someone in person rather than using one of the other, less costly options.

10 We expect this charge will discourage the waste of Company resources, or alternatively,
11 reimburse the Company for the expense incurred.

12 The Returned Check Charge is \$20. This is an increase for both L&P and MPS, and
13 reflects the cost of handling returned checks.

14 Special Meter Reading charges are \$30 during normal business hours, and \$50 during
15 other hours. This is an increase for both L&P and MPS, and reflects the cost of the
16 service.

17 The Late Payment Charge is 1.50%. This is no change for MPS, and an increase from
18 1.25% for L&P. This reflects the cost of dealing with late payments. Please note,
19 though it is implemented as a percentage, the charge covers our internal costs of dealing
20 with late payments, and does not reflect an interest rate on the time value of money.

21 Q. Do the \$30 and \$50 values recur in several of the charges by coincidence?

22 A. No. Though the charges are all near the levels we selected, we deliberately chose \$30
23 and \$50 as common values to ease learning and application for both customers and

1 Company personnel. We considered setting the returned check charge to \$30, but \$20 is
2 closer to our actual cost.

3 Q. What other changes are proposed by the tariffs?

4 A. The Deposit Interest Rate, sheet R-9, section 2.04 G (2), is 6.0%. This is no change
5 for L&P, and a decrease from 9.5% for MPS. The MPS rate is much higher than a
6 customer could expect from any other similar investment. The L&P rate provides an
7 acceptable return on the deposit, which is still higher than current rates available for
8 similar investments.

9 Section 4.09, Moving Structures, was added from the L&P tariff. MPS had no
10 language directly covering this circumstance.

11 Section 6.05 adopts the MPS Level Payment Plan in place of the L&P Average
12 Payment Plan. We may review this in the future and file for a change.

13 Section 7 implements the MPS Extension of Electric Facilities. The MPS policy was
14 developed more recently than the L&P version, and better divides costs between the
15 Company and developers.

16 Section 8, Electric Power and Curtailment Plan, is from the MPS rates, and replaces
17 the similar L&P Energy Emergency Plan.

18 Section 9, Promotional Practices, is from the MPS rates, and is very similar to the
19 L&P version.

20 Section 10, Energy Audit Program, is from the MPS rates, and replaces L&P's
21 Residential Conservation Service Program, which was in their rates.

22 Language from the MPS rules regarding Service Extenders was removed. The service
23 extenders are no longer used.

1 Q. Does that cover all of the changes in the tariffs?

2 A. All of the substantive changes have been listed. There were additional changes of less
3 interest, including harmonizing references to rules from the rates; specific listings of
4 "Missouri Public Service," or "St. Joseph Power & Light" both changing to
5 "Company"; an attempt to present a single format, including a larger type, in the
6 tariffs; and other similar changes.

7 Q. Does this conclude your testimony?

8 A. Yes it does.

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

In the matter of Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P, for authority to file tariffs increasing electric rates for the service provided to customers in the Aquila Networks-MPS and Aquila Networks-L&P area)
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Case No. ER-_____

County of Jackson)
)
State of Missouri)

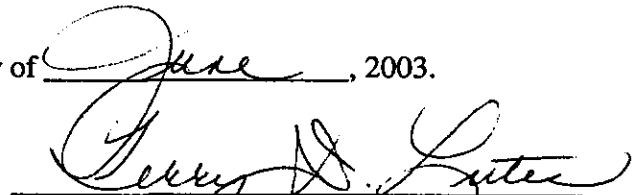
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AFFIDAVIT OF J. MATT TRACY

J. Matt Tracy, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Direct Testimony of J. Matt Tracy;" that said testimony was prepared by him and under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge, information, and belief.


J. Matt Tracy

Subscribed and sworn to before me this 26th day of June, 2003.


Notary Public
Terry D. Lutes

My Commission expires:

8-20-2004