

Exhibit No.:

Issues: Late Payment Charge

Witness: J. Matt Tracy

Sponsoring Party: Aquila Networks-MPS
& L&P

Case No.: ER-2004-0034 &
HR-2004-0024
(Consolidated)

Before the Public Service Commission
of the State of Missouri

Rebuttal Testimony

of

J. Matt Tracy

Exhibit No. 56
Case No(s) ER-2004-0034
Date 2/23/04 Rptr XF

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
REBUTTAL TESTIMONY OF J. MATT TRACY
ON BEHALF OF AQUILA, INC.
D/B/A AQUILA NETWORKS-MPS AND AQUILA NETWORKS-L&P
CASE NOS. ER-2004-0034 AND HR-2004-0024 (CONSOLIDATED)**

- 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. Are you the same J. Matt Tracy who provided direct testimony in this case on behalf of
5 Aquila, Inc. ("Aquila" or "Company")?
- 6 A. Yes.
- 7 Q. What is the purpose of your rebuttal testimony in this case before the Missouri Public
8 Service Commission ("Commission")?
- 9 A. I am responding to the direct testimony of Commission Staff witness William L.
10 McDuffey regarding the late payment charge ("LPC"). I am also acknowledging the
11 Commission Order in Case No. ET-2004-0247, regarding the Aquila Networks – MPS
12 EDR tariff.
- 13 Q. What is your response regarding the LPC?
- 14 A. Mr. McDuffey's analysis looks at the proposed charge as the Company's carrying cost,
15 as an interest payment on the Company's involuntary loan to the customer. As I
16 explained in my direct testimony, page 5, lines 18 – 20, the Company's LPC reimburses
17 the Company for the handling cost, with no provision for the time value of money. The

1 .50% Mr. McDuffey proposes should be added to the 1.50% currently charged by

2 Aquila Networks – MPS, because it recovers a different cost.

3 Q. What is your understanding as to the practice of other Missouri electric utilities?

4 A. Missouri's three other investor owned utilities ("IOU's") all have charges that equal or
5 exceed what the Company is proposing. KCPL charges residential customers 2% on the
6 first \$50, 1% on the remainder, and may charge interest at an additional 6% per annum.

7 For non-residential service, the first \$50 is charged 5%.

8 AmerenUE charges 1.5%, compounded.

9 Empire charges residential customers 1.5%, small commercial customers 5%,
10 and large commercial customers 2%.

11 As I noted in my direct testimony, page 5, lines 15 – 16, Aquila Networks –
12 L&P's current LPC is 1.25%, and Aquila Networks – MPS's is 1.5%.

13 Q. What is your response to Mr. McDuffey's objection to compounding the percentage?

14 A. This is a question of who should pay for the cost imposed on the Company. Customers
15 subject to the LPC are imposing an administrative cost and a carrying cost on the
16 Company. Those costs do not stop after the first month, but in fact increase. Failing to
17 compound the LPC simply shifts those costs to customers that pay their bills on time.

18 Q. What is your response to Mr. McDuffey's recommendation to waive LPC's that accrue
19 during the time that energy assistance money is being credited against a customer's bill?

20 A. My previous answer applies to this recommendation. Also, Mr. McDuffey is incorrect
21 in saying there is no financial impact on the Company from adopting his
22 recommendations, particularly this last one. Our customer information system ("CIS")

1 is capable of waiving a customer from being subject to LPC's, but it is a manual
2 process. Implementing Mr. McDuffey's recommendation would require either a
3 programming effort to track the promise and later receipt of payment from an energy
4 assistance group, or manual tracking of the same in order to turn the LPC waiver off.
5 Either way, there is additional expense to the Company, which means there would be
6 additional subsidies from one group of customers to another, all to facilitate the first
7 subsidy from one group of customers to another.

8 Q. What is your recommendation regarding the late payment charge?

9 A. I maintain the recommendation of my direct testimony, that the late payment charge be
10 1.50%, that it remain a compounded value, and that no further waivers of the LPC be
11 required.

12 Q. What change to the submitted tariffs are you proposing in acknowledgement of the
13 Commission Order in Case No. ET-2004-0247, regarding the Aquila Networks – MPS
14 EDR tariff?

15 A. On the submitted tariff sheet 86, which is part of the Aquila Networks – MPS Economic
16 Development Rider, in the section titled Term, I propose that the termination year be
17 changed from 2003 to 2005. This will bring the tariff sheet submitted in this case up-to-
18 date with the tariff approved in Case No. ET-2004-0247.

19 Q. Does this conclude your rebuttal testimony?

20 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)

Case No. ER-2004-0034

In the matter of Aquila, Inc. d/b/a Aquila)
Networks-L&P, for authority to file tariffs)
Increasing steam rates for the service provided)
To customers in the Aquila Networks-L&P area)

Case No. HR-2004-0024

County of Jackson)
State of Missouri)

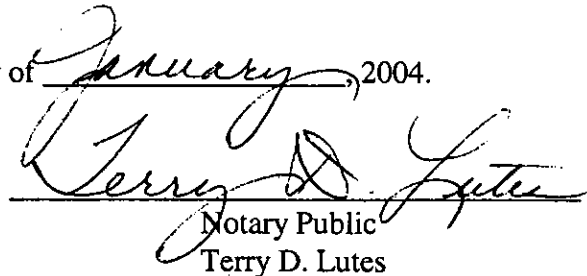
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AFFIDAVIT OF J. MATT TRACY

J. Matt Tracy, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Rebuttal 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 January, 2004.


Notary Public
Terry D. Lutes

My Commission expires:

8-20-2004

