

Exhibit No.:
Issue:

Capital Budget/Reliability
Reporting/Service Quality

Witness:
Sponsoring Party:

Glenn P. Keefe
Aquila, Inc.

Type of Exhibit:

Surrebuttal Testimony

Case No.:

EF-2003-0465

Date Testimony Prepared: September 26, 2003

FILED

MISSOURI PUBLIC SERVICE COMMISSION

DEC 05 2003

Missouri Public
Service Commission

SURREBUTTAL TESTIMONY

OF

GLENN P. KEEFE

ON BEHALF OF

AQUILA, INC.

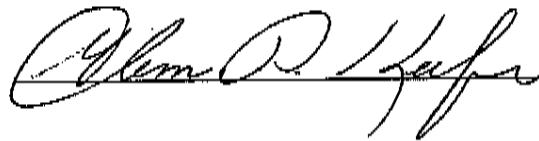
September 26, 2003

Exhibit No. 1
Case No(s) EF2003-0465
Date 10-20-03 Rptr TV

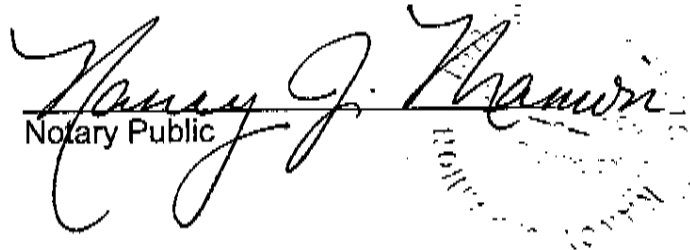
VERIFICATION

STATE OF MISSOURI)
)
 COUNTY OF JACKSON) ss.

Glenn P. Keefe, having been duly sworn upon my oath, state that I am the Operating Vice President, Missouri Electric of Aquila, Inc., that I am authorized to make this affidavit on behalf of Aquila, Inc., and that the matters and things stated in the foregoing sur-rebuttal Testimony and schedules thereto are true and correct to the best of my information, knowledge and belief.



Signed and sworn to before me, the undersigned notary public, on this 24th day of September, 2003.



Notary Public

My Commission Expires:

NANCY J. MANION
 NOTARY PUBLIC STATE OF MISSOURI
 JACKSON COUNTY
 MY COMMISSION EXPIRES 10/02/05

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
SURREBUTTAL TESTIMONY OF JON R. EMPSON
ON BEHALF OF AQUILA, INC.**

Q. Please state your name and business address.

A. My name is Glenn P. Keefe. My business address is 10700 East 350 Highway, Kansas City, Missouri 64138.

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

A. I am employed by Aquila, Inc. ("Aquila" or "Company") as Operating Vice President - Missouri Electric. I have responsibilities for the operation of the Aquila's regulated electric utility in Missouri. In Missouri, Aquila currently conducts its regulated utility business through its Missouri Public Service ("MPS") and its St. Joseph Light & Power ("L&P") operating divisions subject to the jurisdiction of the Missouri Public Service Commission ("Commission").

Q. Briefly describe your education and work experience.

A. In 1973 I received a Bachelor of Science degree in Mechanical Engineering from the University of Missouri – Rolla. After receiving my degree, I joined the Missouri Public Service Company, which later became UtiliCorp and recently Aquila, as Staff Engineer at the Sibley Generating Station. In 1974, I was promoted to Station Superintendent at the Ralph Green Generation Station in Pleasant Hill, Missouri. In 1976, I returned to the Sibley Generating Station as Operating Engineer. From 1979 through 1989, I served as Assistant Station Superintendent at the Sibley Generating Station and in 1989 was promoted to Station Superintendent. From 1997 through 2002, I have served as Vice

President, Generation. As Vice President, Generation, I supervised the operation and maintenance of 41 generating units at 15 different locations in Missouri, Kansas and Colorado. Since April of 2003, I have served in my present capacity as Operating Vice President – Missouri Electric. The 2002 re-organization of Aquila Networks from a function based focus to a State based focus eliminated my responsibilities of the Colorado and Kansas generating units. I retained the responsibility of the twenty-two Missouri generating units including our 18% ownership of the Iatan station operated by Kansas City Power & Light and Missouri's 8% share of the Jeffrey Energy Center operated by Westar Energy. My new duties also include the leadership of the Transmission and Distribution function in Missouri. My operating group is referenced as Missouri Electric ("MOE").

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to address and respond to certain statements and positions of the Commission Staff ("Staff"). Specifically, I am addressing rebuttal testimony filed by Mr. James L. Ketter involving changes in reliability reporting and comments addressed in the Staff Report on Aquila, Inc. issued in December 2002 involving operational service quality issues.

Comments on Mr. Ketter's Rebuttal Testimony

Q. Mr. Ketter recommends that the Commission direct Aquila to submit reliability indices for its Missouri service area to Staff until Aquila's financial condition attains investment grade and the Staff determines reporting this information is no longer necessary. Mr. Ketter goes on to say that Aquila is currently supplying

Staff with reliability data on an informal or voluntary basis and that absent a Commission order, there is no assurance that Aquila will continue to supply this data in the future. How do you respond?

A. In the context Case No. ER-2001-672, Aquila agreed to report reliability indices to the Staff on a quarterly basis, submitted in electronic format within 45 days of the end of each quarter, for calendar years 2002 and 2003. Aquila has no objection to being order by the Commission to continue the reporting process now in place. The present process works well and is a good blend of data checking by the Staff and with a minimal burden to Aquila.

Q. Has Aquila supplied the required reliability data each quarter since this agreement and has the Staff expressed any concerns, to Aquila, relative to those reliability statistics?

A. Aquila has supplied each quarterly submission in the time period required. Aquila has not received comments or inquiries from the Staff expressing any concern relative to this system reliability data.

Q. Is Aquila agreeable to submitting reliability statistics to the Staff on a monthly basis within 21 days of the last day of the month being reported on a going forward basis as the Staff now requests?

A. Aquila's reliability data and indices as well as access to technical and operating personnel, are available to the Staff upon request at any time. Due to the fact that the Staff has expressed no concerns to Aquila relative to the reliability indices currently being supplied, and the fact that 2003 indices indicate improved

system performance as compared to 2002, Aquila prefers to continue with the current agreement to provide reliability indices to the Staff on a quarterly basis, within 45 days of the end of each quarter. A change to a monthly basis within 21 days of the last day of the month would create additional and unnecessary work for the Company.

- Q. You also indicated that you had a few comments or clarifications on the Missouri Public Service Commission's Staff Report on Aquila, Inc. issued in December 2002 ("Staff Report"). What comments or clarifications do you want to offer?

Comments on Staff Report (Schedule 1 to Ms. Wandel's Rebuttal Testimony)

- A. My comments are relative to Schedule 1 to Staff witness Joan Wandel's rebuttal testimony titled "Missouri Public Service Commission's Staff Report on Aquila, Inc." I will reference section numbers in my response.

Section 5: Service Quality Concerns, Paragraph C: Commission Complaint

Trends

- Q. Schedule 1-37 of the Staff Report indicates that Commission complaints increased significantly from the year 2000 to 2001. Do you agree with this statement?
- A. I do not agree with this statement completely. The chart lists 287 complaints during 2001, while Aquila's records indicate 230. Likewise, the chart lists 146 complaints during 2000, while Aquila's records indicate 121. These are all complaints we are contacted about by the Staff. Aquila has some problem reconciling this data with its own.

- Q. Do you have any concerns about how the complaints are documented?
- A. Unfortunately, the Staff considers any customer “inquiry” as a complaint. Often, a customer will contact the Staff because they think their bill is too high or some other perceived injustice. Many times, after Staff interaction with Company personnel and further investigation, it is determined that the Company was correct in application of a particular rule or regulation and was completely within our rights of tariff application. However, that “inquiry” is still logged as a “complaint” by the Staff. Aquila believes that correct application of tariff and rules and regulations should not be considered as a complaint, yet they are in traditional Staff complaint statistics.
- Q. In the years 2000 to present day, has Aquila experienced a significant number of these “inquiries” that are considered as “complaints” by the Staff?
- A. Yes. Some issues that have affected Aquila during this time period include, but are not limited to, implementation of a new line extension policy, escalating natural gas prices, a revised bill print format, a significant ice storm, less-than-positive publicity relative to executive compensation, stock price decline, rate case activity, and general company and industry news. For example, in 2002, Aquila received 85 complaints related to the ice storm. All of these issues tend to cause customers to lodge complaints, whether warranted or not.

Section 5: Service Quality Concerns, Paragraph G: Estimated Bills:

- Q. The Staff Report references on Schedule 1-43 concern regarding differences in reliability indices between the former MPS and L&P service territories. Can you explain and clarify the differences between MPS and L&P reliability indices?

A. Yes. The Staff Report states that Aquila's MPS system has historically experienced a significantly higher incidence of momentary outages ("MAIFI") than it's L&P system. This is due to a philosophical difference in treatment of momentary outages by L&P prior to merging with Aquila, and the treatment of momentaries by MPS. Prior to merger, and up until first quarter of 2003, momentary interruptions reported by L&P included ONLY those recorded at substation transformers and breakers and NOT those experienced by automatic reclosing devices located throughout the electric distribution system.

Q. Is this different than how MPS records momentary interruptions?

A. Yes. MPS has always included the operations on ALL automatic reclosing devices, both within substations as well as those located throughout the distribution system. Beginning early in 2003, L&P began recording operations on ALL automatic reclosing devices. Thus, L&P MAIFI should begin to trend closer to MPS levels due to a change in recording method and NOT due to any distribution system change.

Q. Was the Staff aware of this difference in historical reporting practice?

A. Yes. Company testimony submitted during Case No. EM-2000-292 provided a very thorough explanation of this reporting difference.

Q. The Staff Report states that L&P had a higher average interruption frequency ("SAIFI") than MPS. Can you explain why that is?

A. Yes. Another difference in former L&P reporting philosophy was that L&P included all momentary interruptions in their outage statistics/calculations. In

other words, even though a system device acted properly by briefly interrupting electric flow to the system to allow temporary faults (varmints, debris, etc.) to clear the line, then re-energizing the circuit to normal operation, the former L&P indices included those “blinks” in their (full) outage (SAIFI) calculations.

Q. What affect would inclusion of momentaries in (full) outage statistics have?

A. Including momentary outages in (full) outage statistic calculations would naturally raise (or worsen) the SAIFI indices of L&P as compared to MPS.

Q. The Staff Report states that outage durations (SAIDI) were somewhat higher for MPS vs. L&P. Does this difference in momentary outage treatment between the two divisions affect this index as well?

A. Yes. With the momentary (short duration, typically large number of customers) outages being included in (full) outage statistics (SAIDI), L&P would naturally trend lower than MPS due to the quick (automatic) restoration of the fault.

Q. Why do you think the MPS method is superior to the previous L&P method?

A. The L&P method would distort CAIDI to a low level. CAIDI (Customer Average Interruption Duration Index) or how quickly Aquila responds to customer outages and return customers to service is an important statistic. The MPS method more accurately simulates this statistic for full outages and restoration of service statistics and leaves momentary outage to the MAIFI (Momentary Average Interruption Frequency Index) calculation.

Q. Are the MPS and L&P divisions currently recording and calculating outage statistics similarly?

A. Yes.

Q. Schedule 1-43 of the Staff Report states that overall, Staff did not notice any significant trends in degradation of indices in the six years of data reviewed. Do you agree with that assessment?

A. Yes. Actually, Aquila has realized an improvement in SAIDI from 1998 to date. The Aquila composite SAIDI average for the years 1998-2002 is 147.7 minutes. SAIDI improved to 104.9 minutes in 2002. The rolling 12-month SAIDI through August 2003 is lower yet at 87.4 minutes. This represents a 16.7% improvement over 2002 and a 40.8% improvement over the most recent 5-year (1998-2002) average.

Section 7: Other Staff Concerns, Paragraph A: Electric Generating Plant Concerns

Q. The Staff Report on Schedule 1-50 states “The forced outage rates are very sporadic and do not demonstrate any marked trend. However, projected outage schedules show a lower level of scheduled outages averaged over the next four years than has been averaged over the past eight. Staff believes that shorter outages are an industry trend that needs to be monitored to ensure that forced outage rates do not increase.” Do you agree with this statement?

A. Generally, I agree that a reduction in scheduled outages could lead to an increase in forced outages. MOE has not changed it’s philosophy concerning scheduled outages and have always had relatively low forced outage rates. I would like to add some additional information to the reason for the past years comparison to the future four years. For the past several years, we increased

our scheduled outage duration to install systems on all three units at Sibley and Lake Road 4 to reduce nitrous oxide pollutants. We also had an extensive scheduled turbine outage on Sibley 3 in 2001. All these environmental system installations increased scheduled outage time. We realize that further environmental mandates may cause additional equipment to be installed and thus increase scheduled outage time. At this time, we do not know when or if these additional mandates will occur in the future. This is one reason for the difference in future estimated scheduled outage periods and past actual scheduled outage periods.

Q. Does this conclude your surrebuttal testimony?

A. Yes it does.