

Exhibit No.:
Issues: Cost of Service,
Rate Design
Witness: J. Matt Tracy
Sponsoring Party: Aquila Networks – MPS
And L&P
Case No.: ER-2005-0436

FILED²

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Missouri Public
Service Commission

Before the Public Service Commission
Of the State of Missouri

Rebuttal Testimony

Of

J. Matt Tracy

Exhibit No. 16
Case No(s). ER-2005-0436
Date 1-09-06 Rptr KF

**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 NO. ER-2005-0436**

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 Manager in Regulatory Services.

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

7 A. I am responsible for the collection and analysis of load research, rate design, supporting
8 cost-of-service studies, and other analyses as needed.

9 Q. Please state your educational background and experience.

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

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

3 A. My rebuttal testimony responds to the direct testimony of Commission Staff ("Staff")
4 witnesses James C. Watkins and James A. Busch, the Office of the Public Counsel
5 ("OPC") witness Barbara Meisenheimer, and the Federal Executive Agencies, Sedalia
6 Industrial Energy Users' Association, and St. Joe Industrial Group ("FSS") witness
7 Maurice Brubaker regarding class cost of service ("COS") and rate design.

8 Q. By way of background, what does Aquila propose with respect to rate design in its
9 direct testimony in this case?

10 A. Aquila proposes an across the board increase in rates, with exceptions for a lighting
11 mounting option and the Cogeneration Purchase Schedule, and consolidation of the
12 Economic Development Rider for Aquila Networks – L&P ("L&P") and Aquila
13 Networks – MPS ("MPS").¹

14 Q. What do the other parties propose with respect to rate design in their direct testimonies
15 in this case?

16 A. OPC witness Barbara Meisenheimer recommends that the Commission only partially
17 implement the results of her COS as she states, "the Commission should impose, at a
18 maximum, class revenue shifts equal to one half of the 'revenue neutral shifts' indicated
19 by Public Counsel's Class Cost of Service studies."² She also recommends that "no
20 customer class should receive a net decrease as the combined result of: (1) the revenue
21 neutral shift that is applied to that class, and (2) the share of the total revenue increase

¹ Direct testimony of Gary M. Denny, pg. 2, line 9 through pg. 3, line 12.

² Direct testimony of Barbara Meisenheimer, pg. 13, lines 15 – 18.

1 that is applied to that class.”³ She concludes by saying she may come up with more
2 recommendations.⁴

3 Staff witness James C. Watkins states: “The Staff is not recommending any changes to
4 Aquila’s rate structures at this time. If changes are made to Aquila’s rate structures, the
5 Staff is recommending the Commission make those changes in Case No. EO-2002-384,
6 Aquila’s class cost of service and rate design case pending before the Commission.”⁵

7 He further recommends that: “The Commission should consider the overall impact on
8 individual customers in each service area from both rate changes.”⁶

9 FSS witness Maurice Brubaker recommends that: “The revenue increase granted
10 should be applied as an equal percentage increase to the revenues of all customer classes
11 after the interclass revenue shifts [from Case No. EO-2002-384] have been
12 accomplished.”⁷

13 Q. What is your general response to these testimonies?

14 A. My general response is that the Commission should adopt Aquila’s recommendations as
15 set out in my direct, rebuttal, and surrebuttal testimony in Case No. EO-2002-384, In the
16 Matter of an Examination of Class Cost of Service and Rate Design in the Missouri
17 Jurisdictional Electric Service Operations of Aquila, Inc., Formerly Known as UtiliCorp
18 United, Inc. Those recommendations, based on the evidence provided by Aquila in
19 Case No. EO-2002-384, are as follows:

³ Ibid. pg. 13, line 22 through pg. 14, line 3.

⁴ Ibid. pg. 14, lines 11 – 12.

⁵ Direct testimony of James C. Watkins, pg. 2, lines 14 – 18.

⁶ Ibid. pg. 3, lines 21 – 22.

⁷ Direct testimony of Maurice Brubaker, pg. 4, lines 9 – 11.

- 1 • Move Aquila's electric rates significantly towards the results of Aquila's COS,
2 particularly with regard to customer and demand components for the
3 residential class.
- 4 • Support Aquila's selection of the A&E-3CP method of demand allocation for
5 Production and Transmission.
- 6 • Approve the language of the specimen tariffs, direct testimony Schedule JMT-
7 3 in Case No. EO-2002-384, to implement the rate structure changes proposed
8 by Aquila.
- 9 • Provide a decision showing Aquila's COS based electric revenues by class,
10 aside from any determination of when, or whether, the Commission will order
11 those changes to be implemented.
- 12 • Support the implementation of rate changes that move all the way to COS
13 levels, and explicitly reject plans that limit the changes, or take only a step,
14 without provisions for taking all the steps.
- 15 • Reject the Production and Transmission demand allocator used by Staff and
16 OPC.
- 17 • Reject Staff's contention that there is no need to change rate structures at
18 either L&P or MPS.
- 19 • Include in its considerations the impact on all stakeholders of not moving to
20 the results of Aquila's COS, keeping in mind the efforts expended by the
21 parties in Case No. EO-2002-384.

- 1 • Give no weight to Staff's contention that Aquila's proposed rate structure
- 2 changes in Case No. EO-2002-384 are based on a "whim."
- 3 • Give no weight to OPC's implication that the cost data in Case No. EO-2002-
- 4 384 is stale.
- 5 • Consider another option for implementing rate changes that accounts for the
- 6 three events that need to occur in consideration of Case No. EO-2002-384 and
- 7 Case No. ER-2005-0436.

8 Q. Do you have any further recommendations?

9 A. Yes. I provide the following additional recommendations in this case:

- 10 • That the Commission resolve COS and rate design issues in the still open
- 11 Case No. EO-2002-384, thus eliminating the need for the parties to duplicate
- 12 their multi-year efforts, and having to simultaneously litigate the same issues
- 13 in two dockets.
- 14 • That the Commission adopt all of the recommendations from Case No. EO-
- 15 2002-384 of Aquila witness David L. Stowe in his direct, rebuttal and
- 16 surrebuttal testimony.
- 17 • That the Commission adopt all of the recommendations from Case No. EO-
- 18 2002-384 of Aquila witness Charles R. Gray in his direct and surrebuttal
- 19 testimony.
- 20 • That the Commission reject the COS filed by Staff as being contradictory to
- 21 the COS filed by Staff in Case No. EO-2002-384, incomplete, and
- 22 unsupportable by Staff.

- 1 • That the Commission reject the COS filed by OPC as being redundant to its
2 filings in Case No. EO-2002-384, and containing errors the OPC chose not to
3 correct.

4 Q. What evidence exists that Staff's COS is contradictory to the COS filed by Staff in
5 Case No. EO-2002-384?

6 A. The direct testimony of Staff witness James C. Watkins states that the results "are
7 quite different" between the COS filed in the two cases.⁸ The Staff is so concerned
8 with the differences that it feels compelled to determine the causes.

9 Q. What evidence exists that Staff's COS is incomplete?

10 A. The direct testimony of Staff witness James C. Watkins states, "The Staff has not yet
11 been able to determine the cause of these differences."⁹ Staff did not spend enough
12 time putting together a COS for this case to determine why it is different from a COS
13 it, and multiple other parties have had ample time to develop. Simultaneously Staff
14 was unable to provide more than a " cursory," and incorrect, review of Aquila's rate
15 design proposal in Case No. EO-2002-384.¹⁰

16 Q. What evidence exists that Staff's COS is unsupportable by Staff?

17 A. The direct testimony of Staff witness James C. Watkins states that "the Commission
18 should: ...(3) require the Staff to file, for the Commission's consideration, a class
19 cost-of-service scenario based on those determinations."¹¹ The Staff is unwilling to

⁸ Direct testimony of James C. Watkins, pg. 3, lines 8-10.

⁹ Ibid, pg. 3, lines 10-11.

¹⁰ EO-2002-384, Surrebuttal testimony of Janice Pyatte, pg. 5, line 10.

¹¹ Direct testimony of James C. Watkins, pg. 3, lines 14-18.

1 support its own COS, but instead requests that the Commission order Staff to create
2 yet another COS.

3 Q. What evidence exists that the OPC's COS is redundant?

4 A. The direct testimony of OPC witness Barbara Meisenheimer states, "My CCOS study
5 is based on common data agreed to by the Company and Staff..."¹² Though it is not
6 explicit here, the common data is from Case No. EO-2002-384.

7 Q. What further evidence supports the contention that OPC's COS is redundant?

8 A. The schedules attached to OPC witness Barbara Meisenheimer's direct testimony
9 contain the same values as the schedules attached to her rebuttal testimony in Case
10 No. EO-2002-384.¹³ The headers and footers are changed to reflect a different case
11 number, but the most significant difference is that the schedules in this case are less
12 legible.

13 Q. What evidence exists that OPC's COS contains errors the OPC witness chose not to
14 correct?

15 A. The schedules in OPC witness Meisenheimer's testimony in this case contain the
16 same information as those from her rebuttal testimony in Case No. EO-2002-384.
17 The current schedules do not show the changes described in her surrebuttal testimony
18 in Case No. EO-2002-384. The current schedules therefore contain errors about
19 which the OPC witness was aware, and to which she testified in the other case, and
20 yet chose not to correct in this case.

¹² Direct testimony of Barbara Meisenheimer, pg. 6, line 1.

¹³ Direct testimony of Barbara Meisenheimer, Schedules BAM RC-Direct MPS Page 1, BAM RC-Direct MPS Page 2, BAM RC-Direct LP Page 1, and BAM RC-Direct LP Page 2 contain the same values as in EO-2002-

1 Q. Do you have any requests if the Commission decides to relitigate COS and rate design
2 in this case?

3 A. Yes. Should the Commission decide to relitigate COS and rate design in this case, I
4 request permission to late file Aquila's testimony, attached schedules, and other
5 admitted exhibits from Case No. EO-2002-384 as evidence in this case, including, but
6 not limited to my direct, rebuttal and surrebuttal testimony; Aquila witness David L.
7 Stowe's direct, rebuttal, and surrebuttal testimony; and Aquila witness Charles R.
8 Gray's direct and surrebuttal testimony.

9 Q. Will granting this request prejudice any other parties to this case?

10 A. No. The Commission granted all the parties in this case intervention to Case No. EO-
11 2002-384. They have therefore had access to copies of all of Aquila's testimony,
12 schedules, and other admitted exhibits from that case.

13 Q. Does this conclude your rebuttal testimony?

14 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-2005-0436

County of Jackson)
State of Missouri)

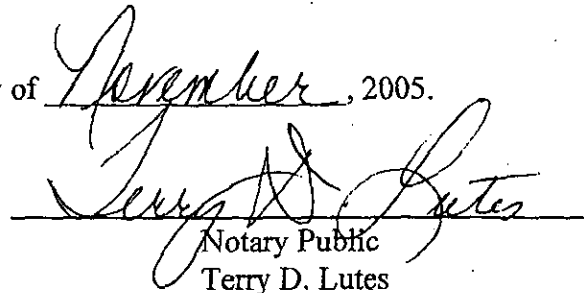
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AFFIDAVIT OF J. MATT TRACY

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 18th day of September, 2005.


Notary Public
Terry D. Lutes

My Commission expires:

8-20-2008



TERRY D. LUTES
Jackson County
My Commission Expires
August 20, 2008