

Exhibit No.:
Issues: Resource Planning
Low Income
Weatherization
Energy Efficiency
Programs
Witness: Lena M. Mantle
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2005-0436
Date Testimony Prepared: December 13, 2005

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

LENA M. MANTLE

**AQUILA, INC. D/B/A AQUILA NETWORKS-MPS
AND AQUILA NETWORKS-L&P**

CASE NO. ER-2005-0436

**Jefferson City, Missouri
December 2005**

**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 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

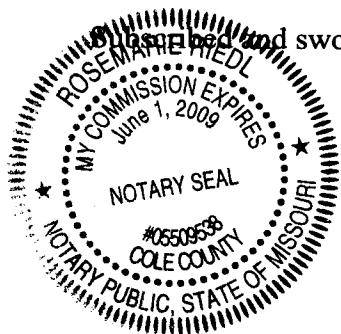
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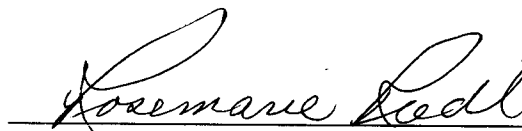
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Lena M. Mantle, of lawful age, on her oath states: that she has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 6 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.


Lena M. Mantle

Subscribed and sworn to before me this 12th day of December, 2005.




Notary Public

My commission expires June 1, 2009th

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1 A. Mr. Boehm does not agree with the Staff that Aquila should have built five
2 combustion turbines (Boehm rebuttal, page 2, l. 3-6) because he does not believe Staff
3 can adequately analyze Aquila's resource plans without a resource plan model like
4 MIDAS Gold (Boehm rebuttal, page 2, l. 19-20). He believes Aquila's current resource
5 plan which includes meeting 18.6% of Aquila's capacity needs through capacity
6 purchases (Boehm rebuttal, page 2, l. 10) provides "stability for Aquila's Missouri
7 customers while taking advantage of a 'buyers' market for PPAs." (Boehm rebuttal, page
8 2, l. 16-17)

9 Q. Is a model such as MIDAS Gold necessary for Staff to make a determination
10 that building five combustion turbines would have been better than Aquila's decision to
11 meet its capacity needs by building three turbines and purchasing power to address its
12 remaining needs?

13 A. Having a model like MIDAS Gold would allow Staff to independently
14 develop scenarios and do the type of analysis that Mr. Boehm describes in his testimony.
15 However, this is not the type of analysis that the Staff did to come to its conclusion that
16 Aquila should have built five combustion turbines. The Staff did not engage in a 20/20
17 hindsight detailed review of what should have been done. Instead, the Staff reviewed the
18 various analyses and scenarios that Aquila performed and presented at the IRP Meetings
19 in 2002 through 2004. In that time frame, Aquila had presented to the Staff that the five
20 combustion turbine scenario developed and run by Aquila was the "least-cost" plan.
21 Staff also reviewed the supporting documentation for why Aquila chose the combination
22 of three combustion turbines and purchased power contracts as its "preferred plan." The
23 Staff does not believe that running the analysis such as described by Mr. Boehm in his

1 testimony would lead to a different result because the decision was not based on the
2 results of the analysis but on non-quantitative values such as those that Aquila says
3 moved it from the “least cost” plan to its “preferred” plan.

4 Q. Does Aquila’s choice of building three combustion turbines and entering into
5 short-term purchased power contracts provide stability for customers while taking
6 advantage of a buyers’ market as Mr. Boehm suggests in his rebuttal testimony?

7 A. While relying on purchased power contracts may provide short-term rate
8 stability, Staff believes relying on purchased power contracts is neither, in the long-term
9 best economic interests of electric utilities’ customers, nor provides them a reliable
10 source of power. Staff has made it known to each of the electric utilities the Commission
11 regulates, that the Staff prefers utilities to own generation, rather than serve customers
12 with electricity obtained by purchased power contracts. Staff understands that in the
13 short-run (the initial one to five years) electricity obtained by purchased power contracts
14 is cheaper than electricity obtained by building generation plants that are put into rate
15 base. But in the long run (over the entire thirty to forty year life of the plant), it is less
16 expensive, on a present value basis, for utility customers if the utility builds capacity. In
17 addition, relying on electricity from utility-owned plants to serve customers is less risky
18 than relying on electricity from purchased power contracts because the utility has more
19 control over the source of the electricity.

20 Q. What is Staff’s recommendation regarding the capacity and energy
21 replacement for the Aries contract?

22 A. Although Staff does not have the MIDAS model and did not run a resource
23 planning model, Staff believes, based on the results of Aquila’s model runs made before

1 the Aries contract expired, that Aquila should have replaced the power it was taking
2 under the Aries contract with five Aquila-owned combustion turbine electricity
3 generating plants.

4 **Low-Income Weatherization and Energy Efficiency**

5 Q. Would you summarize the rebuttal testimony of Aquila witness Matthew
6 Daunis that you address in this testimony?

7 A. In his rebuttal testimony Mr. Daunis requests that the Commission order the
8 implementation of a two year “pilot” for low-income and energy-efficiency programs
9 funded by a surcharge (Daunis rebuttal page 3, l. 12-15) similar to that used by Aquila in
10 Iowa (Daunis rebuttal, page 2, l. 17). I will also address Mr. Daunis’ assertion that Staff
11 is not willing to work collaboratively with Aquila to adopt a rate surcharge to fund
12 energy efficiency programs. (Daunis rebuttal page 3, l. 2-3).

13 Q. Are you aware of the programs that Mr. Daunis is referring?

14 A. No. Mr. Daunis does not provide a detailed description of these programs.
15 However, I suspect that he is referring to the programs that were a part of the resource
16 plan that Aquila submitted to the Staff in April 2005. Staff met with Aquila regarding
17 these programs several times; both before Aquila submitted its resource plan to Staff and
18 after. However, because Mr. Daunis did not identify these programs, I can only guess
19 that these are the programs to which he is referring.

20 Q. Are you familiar with the surcharge that Mr. Daunis is referring to in his
21 rebuttal testimony?

22 A. On July 20, 2005, Staff, along with representatives of the Office of Public
23 Counsel (OPC) and Department of Natural Resources – Energy Center (DNR-EC) met

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1 with Mr. Daunis at Aquila's Raytown office where Mr. Daunis presented to the group a
2 surcharge concept that he said was similar to what Aquila has in Iowa.

3 However, since Mr. Daunis did not present any evidence regarding the surcharge
4 that he is now recommending in his rebuttal testimony, I cannot be sure that this
5 surcharge is the same as the one that he presented in our July 20 meeting.

6 Q. Do you know to what Mr. Daunis is referring to when he states that the Staff
7 did not work collaboratively with Aquila to find a way to implement a rate surcharge?

8 A. I believe that Mr. Daunis is referring to the July 20, 2005 meeting. In that
9 meeting I told Mr. Daunis that I doubted that the surcharge that he was proposing would
10 be lawful in Missouri. The Staff and OPC proposed several viable alternative methods
11 for Aquila to recover its demand-side program costs - none of which has Aquila chosen
12 to pursue.

13 Staff is willing to work with Aquila in the development of all aspects of energy
14 efficiency and demand response programs, including program cost recovery, as it has
15 with all the other electric utilities.

16 Q. Should the program costs of Aquila's proposed programs or the DNR-EC
17 recommended programs, if approved, be recovered via a rate surcharge as proposed by
18 Mr. Daunis (Daunis rebuttal, page 3, l.12-13)?

19 A. No. Mr. Daunis did not present sufficient information for the Commission to
20 know what the "Aquila's proposed programs" are and what amount of funding would be
21 required. He did not present any evidence about whether or not these programs had been
22 through Aquila's integrated resource planning process. For these reasons, I do not

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1 believe that the Commission should give Aquila a blank check to spend on “Aquila’s
2 proposed programs.”

3 I have similar concerns for the “rate surcharge.” Mr. Daunis gives no details on
4 his proposed rate surcharge but expects the Commission to approve one merely because
5 Aquila has one in Iowa.

6 Q. What do you recommend the Commission order regarding the low-income
7 and energy efficiency programs?

8 A. I recommend that the Commission order Aquila to implement the low-
9 income weatherization, Change-a-Light, and a commercial audit program as proposed by
10 DNR-EC witness Anita Randolph and fund the programs fifty percent by ratepayers and
11 fifty percent by Aquila shareholders.

12 Q. Does this conclude your surrebuttal testimony?

13 A. Yes, it does.