

Exhibit No.:

Issues: Class Cost of Service  
Rate Design  
Witness: James C. Watkins  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Direct Testimony  
Case No.: ER-2008-0093  
Date Testimony Prepared: March 7, 2008

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**DIRECT TESTIMONY**

**OF**

**JAMES C. WATKINS**

**THE EMPIRE DISTRICT ELECTRIC COMPANY**

**CASE NO. ER-2008-0093**

**Jefferson City, Missouri**

*Staff* Exhibit No. 210  
Case No(s). ER-2008-0093  
Date 5-12-08 Rptr XF

**EXHIBIT**

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

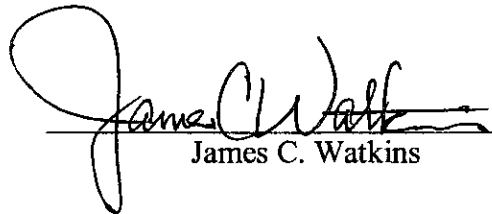
In the matter of The Empire District )  
Electric Company of Joplin, Missouri's )  
application for authority to file tariffs )  
increasing rates for electric service )  
provided to customers in the Missouri )  
service area of the Company )

Case No. ER-2008-0093

**AFFIDAVIT OF JAMES C. WATKINS**

STATE OF MISSOURI    )  
  ) ss  
COUNTY OF COLE     )

James C. Watkins, of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 4 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

  
\_\_\_\_\_  
James C. Watkins

Subscribed and sworn to before me this 6 day of March, 2008.



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

  
\_\_\_\_\_  
Notary Public

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**DIRECT TESTIMONY**  
**OF**  
**JAMES C. WATKINS**  
**THE EMPIRE DISTRICT ELECTRIC COMPANY**  
**CASE NO. ER-2008-0093**

Q. Please state your name and business address.

A. My name is James C. Watkins and my business address is Missouri Public Service Commission, 200 Madison Street, P. O. Box 360, Jefferson City, Missouri 65102.

Q. Who is your employer and what is your present position?

A. I am employed by the Missouri Public Service Commission (Commission) and my title is Manager, Economic Analysis, Energy Department, Operations Division.

Q. What is your educational background and work experience?

A. I have a Bachelor of Arts Degree in Economics from William Jewell College, a year of graduate study at the University of California at Los Angeles in the Masters Degree Program, and have completed all requirements except my dissertation for a Ph.D. in Economics from the University of Missouri-Columbia. My previous work experience has been as an Instructor of Economics at Columbia College, the University of Missouri-Rolla, and William Jewell College. I have been on the Staff of the Missouri Public Service Commission (Staff) since August 1, 1982. A list of the major cases in which I have filed testimony before the Commission is shown on Schedule 1.

1 **EXECUTIVE SUMMARY**

2 Q. What is the purpose of your direct testimony?

3 A. The purpose of this testimony is to sponsor the Staff's recommendations  
4 regarding shifts in class revenue responsibility, rate design changes, and the related changes to  
5 the rate components of each Empire rate schedule.

6 Q. What are the Staff's recommendations?

7 A. First, since the Staff believes the most recent Class Cost-Of-Service (CCOS)  
8 studies performed for Empire, which were filed in Case No. ER-2004-0570 based on data for  
9 the 12 months ending December 2003, is too old to use as a basis for recommending shifts in  
10 class revenue responsibility in this case, the Staff is recommending that class revenues be  
11 adjusted to collect any increase in Empire's revenue requirement granted by the Commission  
12 on the basis of an equal-percent-of-current-rate-revenues and each rate value on each rate  
13 schedule be increased by the same equal percentage.

14 Second, the Staff recommends that the loss adjustments for metering at a non-standard  
15 voltage be updated to reflect the loss study filed by Empire in this case, and the language on  
16 each tariff sheet explaining these adjustments should be written in a standard format that is  
17 easy to understand.

18 Third, the Staff is proposing to implement a distribution facilities charge for Empire's  
19 General Power Service - Schedule GP, Total Electric Building Service - Schedule TEB, and  
20 Large Power Service - Schedule LP rate schedules in this case. A facilities charge would more  
21 equitably recover distribution facilities costs among customers within each class.

22 Fourth, the Staff is proposing that the current rate discounts and rate adders should  
23 continue to be used to account for equipment and facilities owned by a customer that are

Direct Testimony of  
James C. Watkins

1 different from that assumed for customers on that rate schedule, but should be applied as a  
2 component of the facilities charge rather than the demand charge.

3 Finally, the Staff recommends that the Commission approve an electric Fuel  
4 Adjustment Clause (FAC) for Empire that is different, from a rate design perspective, than the  
5 FAC proposed by Empire, as follows:

- 6 1. Fuel cost accumulation should be done on a calendar month basis, but the  
7 recovery should be billed on a billing month basis;
- 8 2. Instead of a single annual "base cost," the "base cost" of fuel and  
9 purchased power energy should be determined on a seasonal basis;
- 10 3. Differences in losses between secondary and primary should be accounted  
11 for by adjusting the cost "at the generator" to the assumed metering voltage of  
12 each customer's rate schedule; and
- 13 4. True-up rate adjustments or refunds should include interest at Empire's  
14 short-term borrowing rate.

15 The details of these recommendations are found in the Staff's Class Cost-of-Service &  
16 Rate Design Report.

17 **RELIANCE ON OTHER STAFF**

18 Q. What reliance did you place on other Staff members?

19 A. Experts typically rely on the work of others to determine the appropriate class  
20 revenue shifts to more closely align class revenues with the cost of serving each class, and the  
21 related changes to the rate components of each tariff. I did so respecting Staff's direct case. I  
22 relied on Mr. David Roos, Mr. Curt Wells, and Ms. Manisha Lakhanpal for preparing the  
23 Staff's Class Cost-of-Service & Rate Design Report (Report) filed in this case. The Report is

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1 based on their work and analysis performed in this case. This work was performed under my  
2 general supervision, but was directly supervised by senior staff with extensive rate design  
3 experience. Based on my experience working with them, my familiarity with the quality of  
4 the work products they produce, and my own experience with class cost of service and rate  
5 design issues, the analysis presented in the report is reasonable and reliable for determining  
6 the Staff's rate design recommendations.

7 Q. Does this conclude your direct testimony?

8 A. Yes, it does.

## Case List

1. The Empire District Electric Company	Case No. ER-83-42
2. Kansas City Power & Light Company	Case No. ER-83-49
3. Union Electric Company	Case No. ER-83-163
4. Arkansas Power & Light Company	Case No. ER-83-206
5. The Empire District Electric Company	Case No. ER-83-364
6. Kansas City Power & Light Company	Case No. EO-84-4
7. Union Electric Company	Case No. EO-85-17
8. Arkansas Power & Light Company	Case No. ER-85-20
9. Arkansas Power & Light Company	Case No. EO-85-146
10. Union Electric Company	Case No. ER-85-160
11. Kansas City Power & Light Company	Case Nos. ER-85-128 & EO-85-185
12. Arkansas Power & Light Company	Case Nos. ER-85-265 & ER-86-4
13. Union Electric Company	Case Nos. EC-87-114 & EC-87-115
14. St. Joseph Light & Power Company	Case No. HR-88-116
15. Union Electric Company	Case No. EO-87-175
16. Missouri Public Service	Case No. ER-90-101
17. The Empire District Electric Company	Case No. ER-90-138
18. Kansas City Power & Light Company	Case No. EM-91-16
19. St. Joseph Light & Power Company	Case No. EO-88-158
20. The Empire District Electric Company	Case No. EO-91-74
21. Missouri Public Service	Case No. EO-91-245
22. Missouri Public Service	Case No. ER-93-37
23. St. Joseph Light & Power Company	Case No. ER-93-41
24. St. Joseph Light & Power Company	Case No. EO-93-351
25. St. Joseph Light & Power Company	Case No. ER-94-163
26. The Empire District Electric Company	Case No. ER-94-117
27. Citizens' Electric Corporation	Case No. ER-97-286
28. The Empire District Electric Company	Case No. ER-97-81
29. The Empire District Electric Company	Case No. ER-97-491
30. Missouri Public Service	Case Nos. ER-97-394 & ET-98-103
31. St. Joseph Light & Power Company	Case Nos. EC-98-573 & ER-99-247
32. Citizens' Electric Corporation	Case No. ET-99-113
33. Union Electric Company	Case No. EO-96-15
34. Union Electric Company	Case No. EO-2000-580
35. The Empire District Electric Company	Case No. ER-2001-299
36. Missouri Public Service	Case No. ER-2001-672 & EC-2002-265
37. Union Electric Company	Case No. EC-2002-1
38. Citizens' Electric Corporation	Case No. ER-2002-217
39. The Empire District Electric Company	Case No. ER-2001-1074 (ER-2001-425)
40. The Empire District Electric Company	Case No. ER-2002-424
41. Aquila, Inc. (MPS & L&P)	Case Nos. ER-2004-0034 & HR-2004-0024
42. The Empire District Electric Company	Case No. ER-2004-0570
43. Union Electric Company	Case No. EA-2005-0180
44. Aquila, Inc. (MPS & L&P)	Case No. EO-2002-384
45. Aquila, Inc. (MPS & L&P)	Case Nos. ER-2005-0436 & HR-2005-0450
46. Union Electric Company	Case No. ER-2007-0002
47. Aquila, Inc. (MPS & L&P)	Case No. ER-2007-0004
48. Kansas City Power & Light	Case No. ER-2007-0291