

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

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In the Matter of an Examination of the  
Class Cost of Service and Rate Design  
in the Missouri Jurisdictional Electric  
Service Operations of Aquila, Inc

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**Case No. EO-2002-384**

**FEDERAL EXECUTIVE AGENCIES STATEMENT OF POSITION**

**I. What is the appropriate method for allocating generation-related costs to customer classes?**

FEA Position: Fixed generation costs should be allocated to customer classes on the basis of the average and excess summer non-coincident peak (A&E - summer NCP) method. Variable costs should be allocated on the basis of class energy adjusted for losses.

**II. What is the appropriate method for allocating transmission-related costs to customer classes?**

FEA Position: Transmission costs should be allocated to classes using the A&E - summer NCP method.

**III. What is the appropriate method for allocating distribution-related costs to customer classes?**

FEA POSITION: Distribution substations and feeder lines should be allocated based on class peaks at the primary voltage level, where each rate schedule is a separate class.

For Accounts 364 through 368:

1. The customer component of the primary distribution system should be allocated to all customers on weighted customers (primary plus secondary customers).

2. The demand component of the primary distribution system should be allocated to all customers using class demands at the primary voltage level, with classes defined as rate schedules.
3. The customer component of the secondary distribution system should be allocated on weighted secondary customers.
4. The demand component of the secondary distribution system should be allocated using individual customer peaks at the secondary voltage level.

**IV. What is the appropriate classification of distribution plant into the categories of primary demand, secondary demand, primary customer-related and secondary customer-related?**

FEA POSITION: The methodology employed by Aquila and explained in the direct testimony of David Stowe should be used.

**V. What is the appropriate method for allocating administrative and general expenses to customer classes?**

FEA POSITION: Account Nos. 920 (A&G Salaries), 921 (Office Suppliers), 922 (Administrative Expenses Transferred), 925 (Injuries & Damages), 926 (Employee Pensions and Benefits), and 931 (Rents) should be allocated on the labor component of the O&M expense in other functional categories allocated to customer classes. Account Nos. 924 (Property Insurance) and 935 (Maintenance of General Plant) should be allocated on gross plant from other functions as allocated to customer classes. Account Nos. 923 (Outside

Services), 928 (Regulatory Commission Expenses), 929 (Duplicate Charges Credited), and 930 (Miscellaneous) should be allocated on total revenue.

**VI. Should inter-class revenue adjustments be determined in this case and should inter-class revenue adjustments be implemented in this case?**

FEA POSITION: Inter-class revenue adjustments should be determined in this case, but implemented in conjunction with the rate increase in Case No. ER-2005-0436.

**VII. 1. What are the appropriate inter-class revenue adjustments? Or**

**2. What is the appropriate method to determine them?**

a. As explained in the direct testimony of Maurice Brubaker (pages 29 through 33), the appropriate inter-class revenue adjustments would follow the results of the cost of service study with mitigation to the extent that no class would receive an increase of more than 4%-6% on a revenue neutral basis. See Schedule 6 attached to Mr. Brubaker's direct testimony.

b. N/A

**VIII. What rate schedules should be combined, eliminated or added?**

FEA POSITION: The large power tariffs of MPS and L&P should remain separate tariffs.

**IX. What changes to the rate structure on each rate schedule are appropriate?**

FEA POSITION: The existing rate relationships within the large power tariffs of MPS and L&P are appropriate and should not be modified.

**X. How should the appropriate rate values for each rate schedule be determined?**

FEA POSITION: Within the large power tariff, any change in revenue level should be incorporated as an equal percentage to each block.

**XI. NEW ISSUE: How should income taxes be allocated?**

FEA POSITION: The reason for the additional issue is that Aquila did not change its allocation of income taxes from its initial approach, which is based on an allocation using operating expenses, rather than rate base as all other parties have used. Income taxes should be allocated to classes based on their allocated rate base.

Respectfully submitted,

***Craig Paulson***

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