Exhibit No.: Issues: Revenues Witness: Eric L. Watkins Sponsoring Party: Aquila Networks-MPS & L&P Case No.: ER-2004-0034 & HR-2004-0024 (Consolidated)

# Before the Public Service Commission of the State of Missouri

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Surrebuttal Testimony

of

Eric L. Watkins

APR 2 8 2004

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Exhib	hit No25
Case No(s). <u>ER</u>	2004-0034
Date 2 (23) 6-1	Rptr

## BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI SURREBUTTAL TESTIMONY OF ERIC L. WATKINS ON BEHALF OF AQUILA, INC. D/B/A AQUILA NETWORKS-MPS AND AQUILA NETWORKS-L&P CASE NOS. ER-2004-0034 AND HR-2004-0024 (CONSOLIDATED)

1	Q.	Please state your name and business address.
2	A.	My name is Eric L. Watkins and my business address is 20 West 9 <sup>th</sup> Street, Kansas
3		City, MO, 64105 USA.
4	Q.	By whom are you employed and in what capacity?
5	A.	I am employed by Aquila Inc. ("Aquila") as Vice President-Commodity Risk
6		Management, reporting to the Chief Financial Officer of Aquila Inc.
<sup>.</sup> 7	Q.	Are you the same Eric L Watkins who previously filed direct testimony in this
8		proceeding before the Missouri Public Service Commission ("Commission")?
9	A.	Yes, I am.
10	Q.	What is the purpose of your surrebuttal testimony in this proceeding?
11	Α.	The purpose of my surrebuttal testimony is to respond to certain customer
12		annualization adjustments presented in rebuttal testimony of Commission Staff
13		("Staff") witness Amanda McMellen.
14	Q.	Please describe the customer annualization adjustments, presented by the Staff
15		witness with which you have concerns?
16	A. <sup>1</sup>	As pointed out in Ms. McMellen's rebuttal testimony, Staff uses a mid-month
17		customer average to determine revenue/customer. This method causes customers not
18		to match properly to normalized calendar month revenue which violates the principle

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of using billing month customer counts that are consistent with billing month revenue to accurately calculate billing month revenue per customer.

- 3 Q. What is the significance of this?
- A. Use of mid-month average customers by Ms. McMellen results in overstated
  revenue/customer levels. For rate codes that are adding customers over time, Ms.
- 6 McMellen's mid-month number of customers will be lower than the billing month
- 7 customer counts used by Aquila. A lower customer number divided into the same
  - normalized revenue will result in higher revenue per customer levels. These higher
- 9 revenue per customer levels result in overstated revenue. Relative to Aquila's
- adjustment the overstatement is \$401,156. The results are shown as Surrebuttal
- 11 Schedule ELW-1 attached to my testimony.

12 Q. What is your recommendation to the Commission?

13 A. I recommend that the Commission adopt Aquila's method for matching customers

- 14 and revenue for determining customer annualization adjustments.
- 15 Q. Does this conclude your testimony?

16 A. Yes, it does.

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#### Schedule ELW-1

Cust Annualization Adj.	Cust_Sep03	Aquila-MPS		Staff-MPS	Diff. (Staff-Aquila)
MPS Electric	(Actual)	(Act. Mo. Cust.)		(2-Mo. Avg. Cust.)	
MO710/MO711 COMBINED	26,669	\$ 2,557,686	\$	2,621,310	\$ 63,624
MO720	1,095	\$ 2,908,890	\$	3,055,129	\$ 146,239
MO740	817	\$ (554,534)	\$	(562,156)	\$ (7,623)
MO800	182	\$ (41,366)	\$.	(41,772)	\$ (407)
MO810	203	\$ (15,954)	\$	(16,090)	\$ (136)
MO811	93	\$ 3,115	\$	573	\$ (2,542)
MO860	147,632	\$ 658,506	\$	684,584	\$ 26,078
MO870	45,491	\$ 5,310,725	\$	5,486,647	\$ 175,922
TOTAL	222,182	\$ 10,827,068	\$	11,228,224	\$ 401,156

Analysis: Staff used rolling 2-month average customers to compute TY normalized revenue per customer and customer annualization adj. at Sep-03, rather than actual monthly customers. Staff's results overstate customer annualization adj. for MPS revenue by \$401,105.

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### **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

In the matter of Aquila, Inc. d/b/a Aquila Networks-L&P, for authority to file tariffs Increasing steam rates for the service provided To customers in the Aquila Networks-L&P area

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Case No. ER-2004-0034

Case No. HR-2004-0024

County of Jackson

SS

State of Missouri

### AFFIDAVIT OF ERIC L. WATKINS

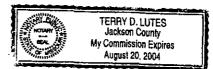
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Eric L. Watkins, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Surrebuttal Testimony of Eric L. Watkins;" that said testimony was prepared by him and under his direction and supervision; 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.

Eric L. Watkins

Subscribed and sworn to before me this

Notary Public Terry D. Lutes



My Commission expires: