

EXECUTIVE SUMMARY  
SURREBUTAL TESTIMONY OF CHARLES R. GRAY  
DOCKET NO. EO-2002-384

Section I: Introduction

This section provides the qualifications of the witness.

Section II: Rate Design Case Objectives

This section provides the purpose and objectives of a rate design case from Aquila's perspective.

Section III: Response to Commission Staff

This section responds to the assertion that Aquila's proposed rate component values are not collecting the stated revenue targets from each class as determined by the cost of service study. This section also describes Aquila's strong disagreement to the statement that the proposed rate structure changes were offered "on a whim".

FILED<sup>2</sup>

DEC 07 2005

Missouri Public  
Service Commission

Exhibit No. 9  
Case No(s) EO-2002-384  
Date 11-07-05 Rptr KE

Exhibit No.:  
Issues: Proposed Rates,  
Rate Structure  
Witness: Charles R. Gray  
Sponsoring Party: Aquila Networks – L&P  
Aquila Networks – MPS  
Case No.: EO-2002-384

Before the Public Service Commission  
Of the State of Missouri

Surrebuttal Testimony

Of

Charles R. Gray

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## DOCKET NO. EO-2002-384

## SECTION I – Introduction

2 Q. Please state your name and business address.

3     A.     My name is Charles R. Gray and my business address is 10700 East 350 Highway,  
4           Kansas City, Missouri, 64138.

5 Q. Are you the same Charles R. Gray who provided direct testimony in this case on behalf  
6 of Aquila, Inc. ("Aquila" or "Company")?

7 A. Yes.

8 Q. What is the purpose of your surrebuttal testimony in this case before the Missouri Public  
9 Service Commission ("Commission")?

10 A. My surrebuttal testimony will respond to the rebuttal testimony of Commission Staff  
11 (“Staff”). I will reiterate the reasons behind the change in rate structures.

12 Q. What are your recommendations?

13 A. Aquila recommends that the Commission:

- 14           • Support the implementation of rate structure changes proposed by Aquila.
- 15           • Reject Staff's and the Office of The Public Council ("OPC") contention that
- 16           there is no need to change rate structures at either Aquila Networks - L&P
- 17           ("L&P) or Aquila Networks – MPS ("MPS").

1                                    SECTION II – Rate Design Case Objectives

2     Q.     Has your view of the ultimate purpose of this case changed since you filed your direct  
3             testimony?

4     A.     No. As Aquila witness J. Matt Tracy has testified, it is still our opinion that this case  
5             was established to study, on a revenue neutral basis, Aquila's class cost-of-service, to  
6             identify load characteristics and to develop revenue neutral shifts to properly balance  
7             class rates.

8     Q.     What is the primary objective of this type of case?

9     A.     A rate design case's primary objective is to verify that the rates are adequate to  
10            collect the allowed revenue across all customer classes and from the appropriate  
11            customer classes. With all parties using an agreed upon starting point in regard to  
12            allowed revenue and test year billing determinants, the focus of the analysis is to  
13            determine the proper level of revenue needed to be recovered from each customer  
14            class as determined by the Cost of Service Study ("COSS"). If after the analysis is  
15            performed and revenue levels are shown to not collect the appropriate revenue levels  
16            by customer classes, rate component charges should be changed to reach the desired  
17            allowed revenue by rate by rate component.

18    Q.     Should Aquila's proposed rates structures be approved?

19    A.     Yes.

20                                    SECTION III – Response to Commission Staff

21    Q.     Have you reviewed the rebuttal testimony of Staff witness James Watkins?

22    A.     Yes, I have.

23    Q.     Does Staff question the proposed rate component values filed by Aquila?

1 A. I am not sure. Staff witness Watkins states that Aquila has not filed evidence in this  
2 case or otherwise provided any information to the Staff to show the Aquila's designed  
3 rate levels on its proposed rate structures actually collect the stated revenue targets  
4 from each class.<sup>1</sup>

5 Q. Do you agree?

6 A. No, I do not.

7 Q. Please explain.

8 A. Aquila witness David Stowe provided an Excel spreadsheet with his filed direct  
9 testimony named [MPS2003 AllExhibits with Class Peaks.xls] with sheet named Cust  
10 Dmd Enrgy Chrgs. On lines 61 through 64, each COSS rate class list the Total  
11 Allowed Revenue by Customer (line 61), Demand (line 62) And Energy (line 63  
12 along with a Total (line 64). I provided in direct testimony exhibits CRG-3 and CRG-  
13 4 the test year billing determinants priced out at Aquila's proposed rate values. Those  
14 billing determinants priced out at the proposed rate values validate that the proposed  
15 rate structures actually collect the stated revenue targets from each Cost of Service  
16 class.

17 For example, the MPS2003 AllExhibits with Class Peaks.xls sheet named Cust Dmd  
18 Enrgy Chrgs line 64 lists Total Allowed Revenue for all classes is \$319,374,969.

19 From Exhibit CRG-3, the total test year billing determinants priced at proposed rate  
20 values generate \$319,398,603, a difference of \$23,634 or .0074%.

21 A second example would be for Residential-General Use rate MO860. The MPS2003  
22 AllExhibits with Class Peaks.xls sheet named Cust Dmd Enrgy Chrgs line 64 lists

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<sup>1</sup> Rebuttal testimony of James Watkins, pg. 6 lines 14-17.

1 Total Allowed Revenue for RES-GEN as \$135,301,913. From Exhibit CRG-3, the  
2 test year billing determinants priced at proposed rate values for rate MO860 generate  
3 \$135,302,098, a difference of \$185 or .00000137%.

4 Q. Do you feel Aquila's proposed rate component values generate the COSS allowed  
5 revenue target for each customer class.

6 A. Yes I do.

7 Q. Regarding Aquila's proposed rate structure changes, does Mr. Watkins agree with the  
8 changes?

9 A. No. On page 2 he states "Aquila's proposed rate structure changes should be  
10 rejected."<sup>2</sup> He also states "Aquila's current rate schedules have this characteristic and  
11 should not be abandoned on a whim".<sup>3</sup>

12 Q. Do you believe Aquila's proposed rate structure changes have been offered "on a  
13 whim"?

14 A. Absolutely not.

15 Q. Please explain.

16 A. As provided in Aquila witness J. Matt Tracy's direct testimony, this case was  
17 established as a "spin-off docket" based on the Commission's Ordered Paragraph No.  
18 5 in its Order Approving Stipulation and Agreement in Case No. ER-2001-672,  
19 issued on February 21, 2002.<sup>4</sup> The initial technical conference was on September 18,  
20 2002. There were 3 technical conferences held in 2003 covering weather  
21 normalization and class load shapes. In July 2004 Aquila provided its initial COSS to

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<sup>2</sup> Rebuttal testimony of James Watkins, pg. 2, line 17.

<sup>3</sup> Rebuttal testimony of James Watkins pg. 2, lines 14-15.

<sup>4</sup> Direct testimony of J. Matt Tracy pg. 3 line 9 through pg. 4 line 8.

1 all parties. In April 2005 the parties held three additional technical conferences  
2 covering Aquila's updated COSS, the other parties COSS as well as a billing unit's  
3 conference. In August 2005 Aquila provided billing units to all parties.

4 Q. Which parties have been involved in this 3+ year process?

5 A. Representatives from Aquila, the Staff, the OPC, the SIEUA and the Federal  
6 Executive Agencies have been involved in this lengthy process.

7 Q. Have there been any subsequent meetings since the direct testimony filing date?

8 A. Yes. Following the September 19, 2005 submission of direct testimony by all parties,  
9 a Settlement Conference was held on September 26 through September 28, 2005. The  
10 resulting products from the Settlement Conference were a Public Hearing Notice and  
11 a List of Issues to be presented before the Commissioners at the Evidentiary Hearing  
12 November 7 through November 10, 2005.

13 Q. Do you consider the 3+ year process as acting "on a whim"?

14 A. I certainly do not! As I stated in my direct testimony, much time and effort has been  
15 expended by Aquila to listen, learn, analyze and propose rate structure changes that  
16 will allow us to satisfy our customer's utility needs and simplify and streamline our  
17 billing process. Aquila's Regulatory Services Department met with various employee  
18 groups within Aquila as well a numerous meetings and conferences with the parties to  
19 this rate design case. From the discussions in those meetings, we developed the  
20 proposed rate structures with the mission to satisfy customer feedback, simplify rates,  
21 consolidate rate schedules where appropriate, eliminate certain rate schedules, to  
22 regroup customers of similar load and service level onto the same rate schedule and  
23 finally to design rates that more adequately assign and allocate the total costs of



1 providing service to the various customer classes.”<sup>5</sup> Aquila has not acted “on a  
2 whim.”

3 Q. Has the Staff presented any alternative rate structure changes?

4 A. No it has not. In fact, during the settlement conference I spoke with Jan Pyatte and  
5 left the settlement conference believing that the Staff understood our reasoning and  
6 desires behind each and every rate structure change. I did not hear any concerns from  
7 the Staff in favor of leaving all rate structures as they are currently.

8 Q. What is your recommendation to the Commission concerning rate structure changes?

9 A. I recommend the Commission accept Aquila’s proposed rate structures.

10 Q. Does this conclude your surrebuttal testimony?

11 A. Yes it does.

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<sup>5</sup> Direct testimony of Charles R. Gray pg. 8 lines 3-17.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the matter of an Examination of Class Cost of Service ) Case No. EO-2002-384  
And Rate Design in the Missouri Jurisdictional Electric )  
Service Operations of Aquila, Inc., formerly known as )  
UtiliCorp United Inc. )

County of Jackson )  
 ) ss  
State of Missouri )

AFFIDAVIT OF CHARLES R. GRAY

Charles R. Gray, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Surrebuttal Testimony of Charles R. Gray;" 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.

Charles R. Gray  
Charles R. Gray

Subscribed and sworn to before me this 27th day of October, 2005.

Terry D. Lutes  
Notary Public  
Terry D. Lutes

My Commission expires:

8-20-2008



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