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Witness: Janice Pyatte
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

JANICE PYATTE

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

CASE NO. HR-2005-0450

**Jefferson City, Missouri
October 2005**

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DIRECT TESTIMONY
OF
JANICE PYATTE
AQUILA, INC.
D/B/A AQUILA NETWORKS-L&P
CASE NO. HR-2005-0450

Q. Please state your name and business address.

A. My name is Janice Pyatte and my business address is Missouri Public Service Commission, P.O. Box 360, Jefferson City, Missouri 65102.

Q. What is your present position with the Missouri Public Service Commission?

A. I am a Regulatory Economist in the Economic Analysis Section, Energy Department, Utility Operations Division.

Q. Please review your educational background and work experience.

A. I completed a Bachelor of Arts degree in Economics at Western Washington State College in Bellingham, Washington and a Masters of Arts (A.M.) degree in Economics at Washington University in St. Louis, Missouri. I have been employed by the Missouri Public Service Commission (Commission) since June 1977. My primary role with the Missouri Public Service Commission Staff (Staff) has been to perform analysis in the areas of rate design, class cost of service, rate revenue, and billing units for the regulated electric utilities in Missouri. A list of the cases in which I have filed testimony before the Commission is shown on Schedule 1.

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1 Q. What Commission regulated operations of Aquila are you addressing in
2 your testimony?

3 A. Aquila, Inc. (Aquila) has two operating divisions in Missouri, each of
4 which is separately certificated by the Commission. Aquila provides electric service in
5 and about Kansas City, Missouri as Aquila Networks-MPS and it provides both electric
6 and steam service in and about St. Joseph, Missouri as Aquila Networks-L&P (L&P).
7 This testimony addresses Aquila's steam operations in Missouri, i.e., the steam
8 operations of Aquila Networks-L&P.

9 **EXECUTIVE SUMMARY**
10

11 Q. What is the purpose of your Direct Testimony?

12 A. In this filing I present a schedule that summarizes annual sales of steam
13 (measured in MMBTU) and the revenue from those sales (rate revenue) for the steam
14 operations of L&P, based upon a test year of January 1, 2004 – December 31, 2004,
15 updated for known and measurable changes through June 30, 2005. My Direct
16 Testimony describes my role in the development of specific adjustments to Missouri test
17 year steam sales and rate revenue.

18 I am also responsible for the development of hourly steam loads that are
19 consistent with these adjusted MMBTU sales.

20 Q. Which specific adjustments to Staff Accounting Schedule 10-Adjustments
21 to Income Statement are you sponsoring?

22 A. I am sponsoring Adjustments S-1.1 (billing corrections), S-1.2 (unbilled),
23 S-1.3 (loss of one steam account), S-1.4 (rate change), S-1.5 (leap day adjustment), S-1.6

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(special contract discounts), S-1.7 (conjunctive billing discount), and S-1.8 (projected new customers) in the Staff Accounting Schedule 10-Adjustments to Income Statement.

Q. Do you have a recommendation for the Commission regarding sales and rate revenue for L&P's steam operations?

A. I recommend that the Commission adopt the Staff's adjustments to test year MMBTU sales and rate revenue that are shown on attached Schedule 2. If adopted, Staff's Missouri rate revenue and sales by rate code will be used to compute and implement any Commission-ordered rate and/or revenue change in this case.

Q. Do you have a recommendation for the Commission regarding hourly L&P steam loads?

A. I recommend that the Commission adopt the Staff's hourly steam loads as an appropriate input into the calculation of L&P fuel and purchased power expense.

SALES AND RATE REVENUES

Q. Please describe the characteristics of the sales and rate revenues presented on Schedule 2.

A. The Missouri MMBTU sales and rate revenues shown on Schedule 2 have these characteristics: (i) they have been developed by individual customer; (ii) they have been annualized to reflect billing corrections; (iii) they have been annualized to reflect the rate change and the implementation of a special contract that occurred on April 22, 2004 as the outcome of (consolidated) Case Nos. ER-2004-0034 and HR-2004-0024; (iv) they have been adjusted to reflect load growth (or decline) by existing customers; (v) they have been developed on a normal calendar year (i.e., 365-day) basis; and (vi) they have been adjusted to reflect anticipated load growth.

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1 Q. Why were the adjustments to test year steam sales and rate revenue done
2 by individual customer?

3 A. Steam customers are heterogeneous in terms of both size and load factor
4 and, as a consequence, aggregate methods of analyzing them are generally not very
5 accurate. Adjusting each account separately reflects the unique circumstances of each
6 customer.

7 Q. Please describe Staff's unbilled adjustment to steam sales and rate
8 revenues.

9 A. Although Aquila gathers usage data on each steam account by calendar
10 month, the sales and revenues are recorded in the subsequent month (i.e., usage from
11 September 1-September 30 is recorded as October). Thus, what Aquila recorded as usage
12 for 2004 actually covers steam usage by all customers from December 1, 2003 through
13 November 30, 2004. My analysis began with the twelve months of actual usage data for
14 each steam account that covered January 1, 2004 through December 31, 2004.

15 The difference between what Aquila recorded for 2004 and the sales and revenue
16 data covering usage from January 1, 2004 through December 31, 2004 is shown on
17 Schedule 2 as an "annualization for unbilled" so that it would be clear that Staff's starting
18 point for sales and revenues in this case was the Aquila 2004 Annual Report for Steam.

19 Q. Please describe the rationale and process for annualizing billing
20 corrections for individual steam accounts.

21 A. Before any of the analysis described in this testimony could be performed,
22 I needed to determine the billing units used by Aquila to compute monthly test year bills
23 for each steam account. Aquila made a number of billing corrections to individual steam

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1 accounts that applied to the test year but were recorded almost a year later. I adjusted the
2 individual customer sales, billing units, and revenue, as recorded by Aquila, to what I
3 believe the test year billing data would have looked like if the original bills had been
4 correct in the first place. Not adjusting for these billing corrections distorts the monthly
5 test year data required for Staff's analysis of MMBTU sales, rate revenue, and steam
6 loads.

7 The annual differences associated with this data "clean-up" are shown on
8 Schedule 2 as "annualization for billing corrections".

9 Q. Please describe the rationale and process used to annualize individual
10 steam customers for the rate change that occurred within the test year.

11 A. Steam rates were increased by 18.77% on April 22, 2004 as an outcome of
12 (consolidated) Case Nos. ER-2004-0034 and HR-2004-0024. The intent of the
13 annualization for the rate change is to reflect the additional revenue that would have been
14 realized by Aquila if the rates in effect at the end of the test year had been in effect
15 throughout the entire test year.

16 To compute the additional revenue associated with this change for existing steam
17 accounts, I re-priced annualized billing units for each account for the months of January-
18 April 2004 on the "new" rates and subtracted the difference between this computed
19 revenue and the revenues actually billed on the "old" rates.

20 Q. Was a special steam contract implemented within the test year?

21 A. Yes. A special steam contract between Aquila and one of its steam
22 customers was implemented on April 22, 2004. The entirety of the steam contract
23 appears to be in two parts: (1) the Special Contract shown in Appendix C of the

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1 Stipulation and Agreement in (consolidated) Case Nos. ER-2004-0034 and HR-2004-
2 0024; and (2) a side agreement, which to my knowledge has neither been presented to nor
3 approved by the Commission.

4 A copy of this side agreement, which was provided to Staff by Aquila in response
5 to Data Request No. 33, is attached as Schedule 3.

6 Q. Is there a provision in the Special Contract that might affect steam
7 revenues?

8 A. Yes, there is a provision that this customer receives a \$35,000 special
9 credit on its bill each month; however, Aquila agreed that for ratemaking purposes the
10 customer would be treated as if it were paying the full tariff rate.

11 Q. Is there a provision in the side agreement that might affect steam
12 revenues?

13 A. Yes, there is a provision that provides for conjunctively (rather than
14 separately) billing the customer's three steam accounts.

15 Q. What does it mean to conjunctively bill a customer?

16 A. Conjunctive billing is described on page 1 of the side agreement between
17 Aquila and the special contract customer as: "...simultaneously bill...steam service in
18 such a manner that "declining blocks" in that rate are traversed one time, and the demand
19 charge is calculated on a fully integrated basis so that the maximum usage is captured in
20 the final or "tail" block of the rate and that...load factor is maximized...".

21 Q. Have you adjusted the billing units and revenues shown on Schedule 2 for
22 the Special Contract and the side agreement?

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1 A. Yes. I re-calculated this customer's test year steam bills to remove both
2 the monthly Special Contract credit and the estimated additional discount the customer
3 receives through conjunctive billing under the side agreement. Both adjustments are
4 necessary so that the rates paid by the other steam customers will not be increased to
5 "pay" for this one customer's discounts.

6 Q. Please explain why it was necessary to do a leap day adjustment?

7 A. There were 366 days in calendar year 2004 rather than the "normal" 365
8 days. I made a "leap day" adjustment to sales that was calculated as 1/29th of February
9 MMBTU.

10 Q. What changes to steam sales and revenues have occurred or are projected
11 to occur before the end of the true-up period in this case?

12 A. A number of changes to steam sales and revenues have been reflected in
13 my analysis:

14 (1) the replacement of one existing steam account with a similar account in the
15 same location;

16 (2) the projected expansion of one existing steam account; and

17 (3) the projected entrance of a new steam account.

18 Overall, these changes represent almost a 50% increase in total steam sales and revenues
19 for L&P.

20 Q. Please describe how the replacement of one existing steam account with a
21 similar account in the same location was treated in your analysis.

22 A. All test year billing data associated with the steam account that exited was
23 removed from test year totals. Billing data for the entrance of the "replacement" steam

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1 account in the location vacated by the exiting steam account was estimated by the use of
2 selected "representative" months from the "old" customer. Aquila witness Susan Braun
3 provided me with the months of data from the "old" customer that Aquila believes are
4 representative of the future use of the "replacement" customer.

5 Q. Please describe how the projected expansion of one existing steam account
6 was treated in your analysis.

7 A. I adopted Aquila's estimate of the size and load shape projected for this
8 steam account. This expansion, if it does occur as projected, will represent a five-fold
9 increase in sales and revenues for this customer. As of June 30, 2005 this expansion had
10 not occurred. My recommendation is that, if this does not occur by October 31, 2005, the
11 sales and revenues projected for this customer be eliminated from the analysis, along with
12 the associated expenses.

13 Q. Please describe how you treated the projected entrance of a new steam
14 account in your analysis.

15 A. This new customer, if it materializes as projected, will increase L&P total
16 steam revenues by approximately 40%. I adopted the customer's estimate of its size and
17 load shape that was provided by Aquila in response to Data Request No. 34 and
18 computed the associated revenues. As of June 30, 2005 this customer was not active on
19 Aquila's system. My recommendation is that, if this customer is not active on Aquila's
20 system by October 31, 2005, the sales and revenues projected for this customer be
21 eliminated from the analysis, along with the associated expenses.

DETERMINATION OF HOURLY STEAM LOADS

Q. What changes did you make to the hourly steam loads before they were input into the Staff's production cost simulation (fuel) model?

A. I made a number of modifications to the hourly steam loads Aquila supplied Staff. These modifications are: (1) including the MMBTU sales of the "replacement" customer in the 2004 base load; (2) reflecting the proper monthly billed sales for 366 days, after accounting for billing corrections; and (3) matching the day-types in the 2004 base load shape with those in the 2004 calendar (i.e., January 1 was a Thursday, etc.).

I did not modify the projected hourly steam loads for the two new customers.

Q. Which Staff witness uses these hourly steam loads?

A. I provided these hourly steam loads to Staff witness David W. Elliot for input into the Staff's production cost simulation (fuel) model.

Q. Does this conclude your Direct Testimony in this case?

A. Yes, it does.

Participation in MOPSC Cases
Witness: Janice Pyatte

Company	Case Number
Aquila, Inc. d/b/a Aquila Networks-MPS and L&P	EO-2002-384
The Empire District Electric Company	ER-2004-0570
Aquila, Inc. d/b/a Aquila Networks-MPS and L&P	ER-2004-0034 & HR-2004-0024
The Empire District Electric Company	ER-2002-424
Union Electric Company	EC-2002-1
UtiliCorp United, Inc. d/b/a Missouri Public Service	ER-2001-672
The Empire District Electric Company	ER-2001-299
UtiliCorp United and The Empire District Electric Co.	EM-2000-369
UtiliCorp United and St. Joseph Light & Power Co.	EM-2000-292
St. Joseph Light & Power Company	ER-99-247 & EC-98-573
Union Electric Company	EO-96-15
St. Joseph Light & Power Company	EC-98-573
Missouri Public Service	ER-97-394 & ET-98-103
The Empire District Electric Company	ER-97-81
The Empire District Electric Company	ER-95-279
The Empire District Electric Company	ER-94-174 & EO-91-74
St. Joseph Light & Power Company	ER-93-41
Missouri Public Service	ER-93-37
Union Electric Company	EM-92-225 & EM-92-253
Union Electric Company	EO-87-175
Arkansas Power & Light Company	ER-85-265
Kansas City Power & Light Company	ER-85-128 & EO-85-185
Union Electric Company	EO-85-17 & ER-85-160
Union Electric Company	ER-84-168
Laclede Gas Company	GR-84-161
Union Electric Company	ER-84-168
Arkansas Power & Light Company	ER-83-206
Kansas City Power & Light Company	ER-83-49
The Empire District Electric Company	EO-82-40
The Empire District Electric Company	ER-81-209
Kansas City Power & Light Company	EO-78-161
Laclede Gas Company	GO-78-38
Union Electric Company	EO-78-163
St. Joseph Light & Power Company	EO-77-56

AQUILA NETWORKS - L&P STEAM
CASE NO. HR-2005-0436
ADJUSTMENTS TO STEAM SALES AND REVENUE
(CALENDAR YEAR 2004, UPDATED THROUGH JUNE 30, 2005)

	Sales (MMBTU)			Revenue		
	MO810 (1)	MO812 (2)	Total	MO810 (1)	MO812 (2)	Total
TY Steam Sales & Revenues	234,509	1,514,510	1,749,019	\$1,104,072	\$5,864,216	\$6,968,288
Annualization for Billing Corrections	6,114	-	6,114	\$25,088	\$0	\$25,088
Annualization for Unbilled	81	2,055	2,136	\$18,008	\$57,990	\$75,997
One Steam Account Becomes Inactive	(12,889)	-	(12,889)	(\$71,643)	\$0	(\$71,643)
Annualization for Rate Change		-	-	\$64,117	\$342,084	\$406,202
Leap Day Adjustment	(768)	(4,542)	(5,310)	(\$3,246)	(\$19,790)	(\$23,036)
Special Contract Discounts		-	-		\$290,500	\$290,500
Annualization for Conjunctive Billing		-	-		\$53,048	\$53,048
Annualization for Load Changes	870,546	-	870,546	\$4,282,042	\$0	\$4,282,042
Total	1,097,593	1,512,023	2,609,616	\$5,418,436	\$6,588,049	\$12,006,485

- (1) MO810 refers to steam accounts billed on the standard steam rate schedule.
(2) MO812 refers to steam accounts billed on a special steam contract.

SCHEDULE 3

IS DEEMED

HIGHLY

CONFIDENTIAL

IN ITS ENTIRETY

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