

Exhibit No.:
Issue: Fuel Expense For Steam Sales
Witness: Graham A. Vesely
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: HR-2005-0450
Date Testimony Prepared: October 14, 2005

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

FILED²

FEB 24 2006

DIRECT TESTIMONY

OF

Missouri Public
Service Commission

GRAHAM A. VESELY

AQUILA, INC. d/b/a AQUILA NETWORKS – L&P – Steam

CASE NO. HR-2005-0450

Jefferson City, Missouri
October 2005

Exhibit No. 1036
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1 **DIRECT TESTIMONY OF**

2 **GRAHAM A. VESELY**

3 **AQUILA, INC. d/b/a AQUILA NETWORKS - L&P – Steam**

4 **CASE NO. HR-2005-0450**

5 Q. Please state your name and business address.

6 A. Graham A. Vesely, 615 East 13th Street, Kansas City, MO 64106.

7 Q. By whom are you employed and in what capacity?

8 A. I am a Regulatory Auditor for the Missouri Public Service Commission
9 (Commission).

10 Q. Please describe your education background.

11 A. In May of 1985, I received a Bachelor's degree in Civil Engineering from
12 Saint Martins College, Olympia, Washington. In May of 1998, I completed an MBA
13 degree with a focus in Accounting from Central Missouri State University, Warrensburg,
14 Missouri. I am a Certified Public Accountant with a permit to practice in Missouri.

15 Q. Please describe your employment history.

16 A. In May of 1985, I was employed as a Facilities Maintenance Engineer by
17 the United States Air Force. From March 1988 until May 1995, I was employed by the
18 United States Army Corps of Engineers as a member of a construction management
19 group. Subsequently, I began working with the engineering firm of Malsy & Associates,
20 Lincoln, Missouri, as a Civil Engineer. On February 26, 1999, I began my current
21 employment with the Commission.

22 Q. What is the nature of your duties while in the employ of this Commission?

Direct Testimony of
Graham A. Vesely

1 A. I am responsible for assisting in the audits and examinations of the books
2 and records of utility companies operating within the state of Missouri.

3 Q. With reference to Case No. HR-2005-0450 have you made an
4 investigation of the steam books and records of Aquila, Inc. d/b/a Aquila Networks-L&P
5 (L&P), a division of Aquila Inc. (Aquila or Company) relating to the proposed rate
6 application?

7 A. Yes, with the assistance of other members of the Commission
8 Staff (Staff).

9 Q. Have you filed testimony previously?

10 A. Yes. Schedule I attached to this direct testimony identifies the cases in
11 which I have participated.

12 **EXECUTIVE SUMMARY**

13 Q. Please summarize your testimony.

14 A. Beginning with the output of the Staff's fuel production cost model I
15 computed the adjustment to include in the Staff's case the annualized fuel costs to
16 produce the steam that is sold directly to customers.

17 Q. What knowledge, skills, experience, training, or education do you have in
18 these subjects?

19 A. I have acquired general knowledge of these topics through my experience
20 in previous rate cases before this Commission. I was responsible for the determination of
21 the overall fuel and purchased power expense in Aquila's last rate case, Case
22 Nos. ER-2004-0034 and HR-2004-0024. I have reviewed the testimony and work papers
23 from the previous MPS and L&P cases. I have reviewed the Company's testimony, work

1 papers, and data request responses related to these topics. In addition, my college
2 coursework included accounting, auditing, and engineering classes. During my employ
3 with the Commission I have attended formal training on regulatory issues and received
4 training from senior audit Staff throughout the course of this and previous audits.

5 Q. What adjustments are you sponsoring in Case No. HR-2005-0450?

6 A. I am sponsoring the following adjustments to the Income Statement
7 Accounting Schedule 9: L&P (Steam): S-5.1

8 **FUEL EXPENSE FOR STEAM SALES**

9 Q. Please explain your work in this area.

10 A. The output of the Staff's fuel model provides the variable fuel costs of
11 producing the annualized level of sales to steam customers. To these variable costs I
12 added a percentage of the annualized fixed fuel-related costs based on the same
13 proportion that fuel Btus for steam sales alone are to total L&P electric and steam fuel
14 Btus. Adjustment S-5.1 is made by subtracting from this annualized level the amounts
15 booked to account 730.1 throughout the test year.

16 Q. Does this conclude your testimony?

17 A. Yes, it does.

GRAHAM A. VESELY

CASE PARTICIPATION

Date Filed	Issue	Case Number	Exhibit	Case Name
5/13/1999	Maintenance Expense Normalization	ER99247	Direct	St. Joseph Light & Power Company
5/13/1999	Maintenance Expense Normalization	EC98573	Direct	St. Joseph Light & Power Company
5/13/1999	Customer Growth	EC98573	Direct	St. Joseph Light & Power Company
5/13/1999	Customer Growth	ER99247	Direct	St. Joseph Light & Power Company
5/13/1999	Maintenance Expense	GR99246	Direct	St. Joseph Light & Power Company
5/13/1999	Normalization	GR99246	Direct	St. Joseph Light & Power Company
3/1/2000	Pension Asset Transfer	GM2000312	Rebuttal	Atmos Energy Company and Associated Natural Gas Company
4/19/2001	Payroll	GR2001292	Direct	Missouri Gas Energy, A Division of Southern Union Company
4/19/2001	Payroll Taxes	GR2001292	Direct	Missouri Gas Energy, A Division of Southern Union Company
4/19/2001	Cash Working Capital	GR2001292	Direct	Missouri Gas Energy, A Division of Southern Union Company
4/19/2001	Bonuses	GR2001292	Direct	Missouri Gas Energy, A Division of Southern Union Company
12/6/2001	Payroll Taxes	EC2002265	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
12/6/2001	Incentive Compensation	EC2002265	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
12/6/2001	Payroll	EC2002265	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
12/6/2001	Fuel Inventories	ER2001672	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
12/6/2001	Fuel Inventories	EC2002265	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
12/6/2001	Incentive Compensation	ER2001672	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
12/6/2001	Payroll	ER2001672	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
12/6/2001	Employee Benefits	EC2002265	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
12/6/2001	Payroll Taxes	ER2001672	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
12/6/2001	Employee Benefits	ER2001672	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
1/22/2002	Incentive Compensation	EC2002265	Surrebuttal	UtiliCorp United Inc. d/b/a Missouri Public Service
1/22/2002	Incentive Compensation	ER2001672	Surrebuttal	UtiliCorp United Inc. d/b/a Missouri Public

Date Filed	Issue	Case Number	Exhibit	Case Name
8/16/2002	Fuel Inventory	ER2002424	Direct	The Empire District Electric Company
8/16/2002	Fuel and Purchase Power	ER2002424	Direct	The Empire District Electric Company
10/16/2002	Fuel and Purchase Power Expense	ER2002424	Surrebuttal	The Empire District Electric Company
12/9/2003	Fuel and Purchase Power Expense	ER20040034	Direct	Aquila, Inc.
1/26/2004	Fuel and Purchase Power Expense	ER20040034	Rebuttal	Aquila, Inc.
2/4/2004	Fuel and Purchase Power Expense	ER20040034	Surrebuttal	Aquila, Inc.

INFORMAL CASES

Raytown Water Company

Timbercreek Sewer Company

Silverleaf Resorts

Taney County Utilities

Stockton Hills