

Exhibit No.:
Issues: Revenue Apportionment,
Cost-of-Service
Witness: Kevin C. Higgins
Sponsoring Party: The Commercial Group
Type of Exhibit: Direct Testimony
Case No.: ER-2007-0004
Date Testimony: January 25, 2007
Prepared:

**BEFORE
THE MISSOURI PUBLIC SERVICE COMMISSION**

CASE NO. ER-2007-0004

Direct Testimony of Kevin C. Higgins

on behalf of

The Commercial Group

January 25, 2007

DIRECT TESTIMONY OF KEVIN C. HIGGINS

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3 **Q. Please state your name and business address.**

4 A. Kevin C. Higgins, 215 South State Street, Suite 200, Salt Lake City, Utah,
5 84111.

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

7 A. I am a Principal in the firm of Energy Strategies, LLC. Energy Strategies
8 is a private consulting firm specializing in economic and policy analysis
9 applicable to energy production, transportation, and consumption.

10 **Q. On whose behalf are you testifying in this proceeding?**

11 A. My testimony is being sponsored by The Commercial Group. The
12 Commercial Group is comprised of the Missouri locations of Lowe's Home
13 Centers, Inc.; Wal-Mart Stores East LP; and J.C. Penney Corporation, Inc.
14 Collectively, the members of The Commercial Group purchase more than 98
15 million kWh annually from the Aquila Networks ("Aquila") service territories in
16 Missouri, primarily on the Large General Service and Large Power Service rate
17 schedules. Approximately 80 percent of The Commercial Group's load is in the
18 Missouri Public Service ("MPS") division and the balance is in the St. Joseph
19 Light & Power ("L&P") division.

20 **Q. Are you the same Kevin C. Higgins who pre-filed direct testimony in the**
21 **Revenue Requirement phase of this proceeding?**

22 A. Yes, I am.

23 **Q. What is the purpose of your testimony in this phase of the proceeding?**

1 A. My testimony addresses briefly the topic of revenue apportionment.

2 **Q. What is your understanding regarding the treatment of revenue**
3 **apportionment in this proceeding?**

4 A. It is my understanding that a number of the parties to this proceeding
5 entered into a stipulation in a prior proceeding, Case No. ER-2005-0436. That
6 stipulation restricts the positions the signatory parties would advocate on the topic
7 of revenue apportionment in this proceeding. Specifically, the parties stipulated
8 that they would not seek any interclass revenue responsibility shifts in this
9 proceeding, and would advocate that any rate change that may result in this
10 proceeding be implemented on an equal percentage basis.

11 **Q. Is The Commercial Group a party to that stipulation?**

12 A. No.

13 **Q. Are you recommending that the revenue apportionment should be different**
14 **from that which is specified in the aforementioned stipulation?**

15 A. Not at this time. In my experience, this situation is highly unusual.
16 Because the parties to the prior case stipulated with respect to revenue
17 apportionment, no class cost-of-service study has been filed in this proceeding.
18 Absent such an analysis, I have little basis for disagreeing with an equal
19 percentage rate change, save for relying on a cost-of-service study from a
20 previous proceeding, or developing a new study. In light of these circumstances, I
21 do not intend to present an alternative revenue apportionment proposal, so long as
22 the other parties to this proceeding continue to support the equal percentage
23 revenue apportionment indicated in the stipulation. However, to the extent that

1 parties present rate apportionment proposals that differ from that which has been
2 stipulated, I would reserve the right to respond to any such proposals with an
3 alternative of my own.

4 **Q. Does this conclude your direct testimony?**

5 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Tariffs of Aquila, Inc., d/b/a)
Aquila Networks-MPS and Aquila Networks-L&P)
Increasing Electric Rates for the Services Provided) Case No. ER-2007-0004
to Customers in the Aquila Networks-MPS and)
Aquila Networks-L&P Missouri Service Areas.)

AFFIDAVIT OF KEVIN C. HIGGINS

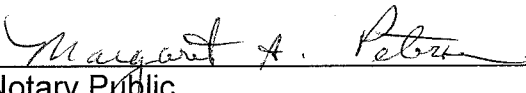
STATE OF UTAH)
)
COUNTY OF SALT LAKE)

Kevin C. Higgins, being first duly sworn, deposes and states that:

1. He is a Principal with Energy Strategies, L.L.C., in Salt Lake City, Utah;
2. He is the witness who sponsors the accompanying testimony entitled
"Direct Testimony of Kevin C. Higgins;"
3. Said testimony was prepared by him and under his direction and
supervision;
4. If inquiries were made as to the facts and schedules in said testimony he
would respond as therein set forth; and
5. The aforesaid testimony and schedules are true and correct to the best of
his knowledge, information and belief.


Kevin C. Higgins

Subscribed and sworn to or affirmed before me this 16th day of January, 2007, by
Kevin C. Higgins.


Notary Public

My Commission No.: _____
My Commission Expires: 02-28-08
(SEAL)

