

Exhibit No.:  
Issues: Service Reliability  
and Rate Design  
Witness: Donald Johnstone  
Type of Exhibit: Direct Testimony  
Sponsoring Party: AGP  
Case Number: HR-2005-0450  
Date Testimony Prepared: October 27, 2005

Aquila, Inc. d/b/a  
Aquila Networks - L & P

Case No. HR-2005-0450

Prepared Direct Testimony

**Donald Johnstone**

On behalf of

AG PROCESSING INC, A COOPERATIVE (AGP)

October 2005



**NP**

Competitive Energy  
DYNAMICS

BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI


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.

Case No. HR-2005-0450

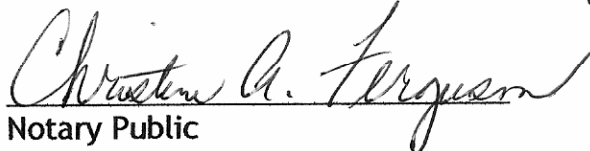
Affidavit of Donald Johnstone

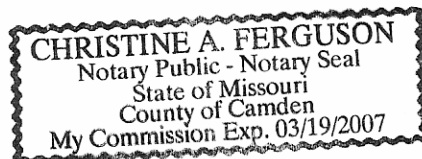
State of Missouri                     )  
County of CAMDEN                 )     ss

Donald Johnstone, of lawful age, on his oath states: that he has reviewed the attached written testimony in question and answer form and attached Schedules, all to be presented in the above case, that the answers in the attached written testimony were given by him; that he has knowledge of the matters set forth in such answers; that such matters are true to the best of his knowledge, information and belief.

  
Donald Johnstone

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

  
Notary Public



Before the  
Missouri Public Service Commission

Aquila, Inc. d/b/a  
Aquila Networks - L & P

Case No. HR-2005-0450

Prepared Rate Design Direct Testimony of Donald Johnstone

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Before the  
Missouri Public Service Commission

Aquila, Inc. d/b/a  
Aquila Networks - L & P

Case No. HR-2005-0450

**Prepared Rate Design Direct Testimony of Donald Johnstone**

1    Q    PLEASE STATE YOUR NAME AND ADDRESS.

2    A    Donald Johnstone. My address is 384 Black Hawk Drive, Lake Ozark, Missouri,  
3        65049.

4    Q    ARE YOU THE SAME DONALD JOHNSTONE THAT PREVIOUSLY SUBMITTED  
5        DIRECT TESTIMONY IN THIS PROCEEDING?

6    A    Yes.

7    Q    WHAT ARE THE PURPOSES OF THIS TESTIMONY?

8    A    I have been retained on behalf of AG PROCESSING INC, A COOPERATIVE  
9        ("AGP"). My purpose is to make recommendations regarding charges under the  
10       steam rates and additional recommendations in regard to the reliability of  
11       steam service and resource planning.

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1 **EXECUTIVE SUMMARY**

2 Q PLEASE SUMMARIZE YOUR TESTIMONY.

3 A

- 4 • The reliability of steam service to AGP needs to improve. Aquila should study  
5 the recent problems, identify solutions and report to the Commission within 90  
6 days after the final order in this proceeding.
- 7 • Aquila should incorporate applicable results of the reliability study in a steam  
8 system resource study to be completed with 8 months of the Commission's  
9 order.
- 10 • Aquila and Staff need to verify compliance with cost allocation methods as  
11 agreed in EO-04-36.
- 12 • Any rate increase should be applied on an equal percentage basis, preserving  
13 the present structure of the rates.

14 **RELIABILITY OF SERVICE / RESOURCE PLANNING**

15 Q DID YOU ADDRESS RELIABILITY IN YOUR EARLIER DIRECT TESTIMONY?

16 A Yes. I have received additional information that I offer at this time as a  
17 supplement to that testimony.

18 Q IS STEAM SERVICE PROVIDED ON A FIRM BASIS?

19 A Yes. The rates are designed to reflect firm service.

1 Q PLEASE SUMMARIZE THE RELIABILITY OF THE SERVICE THAT HAS BEEN  
2 PROVIDED TO AGP AS THE ONLY CUSTOMER PURCHASING HIGH PRESSURE  
3 STEAM SERVICE?

4 A AGP, as the only high pressure customer, endured significant numbers of  
5 reliability events during 2004. Aquila defines two types of reliability events.  
6 First, the pressure can drop below specifications. Occurrences where the  
7 pressure limits were violated were at a relatively high level for AGP in 2004.  
8 The second type of reliability event is an outage. Outages were also  
9 experienced at a relatively high level in 2004. These statistics document a  
10 problem in service reliability.

11 Historical reliability information was provided by Aquila in data  
12 responses that are attached as Schedule 1 HC. For AGP during 2004 there were  
13 \*\* \_\_\_\_\*\* occurrences of pressures less than the low pressure limit and \*\* \_\_\_\_\*\*  
14 occurrences of outages. On an annualized basis the outage rate for the first  
15 eight months of 2005 has been \*\* \_\_\_\_\*\*. This is an improvement compared to  
16 2004, but it is nevertheless above the rates for 2001, 2002, and 2003.

17 Q IS AGP CONCERNED WITH THE RELIABILITY OF SERVICE?

18 A Yes. As explained in my earlier testimony, lost production is always a problem  
19 and AGP would therefore like to see improved service reliability. Of course,  
20 cost is also a concern so it is important that the Aquila make improvements as  
21 cost effectively as possible.

1    **Q     WHAT SHOULD BE DONE TO ADDRESS THE RELIABILITY ISSUE?**

2    A     I recommend a comprehensive study of the causes of the deterioration in  
3           reliability as compared to prior years. Solutions should be identified and the  
4           study should include a plan to implement the solutions in a cost effective  
5           manner. Some solutions may require a change in the steam resources at the  
6           Lake Road Plant and, if so, an additional more extensive study would be  
7           required. In any event the initial report should be completed within 90 days  
8           after the Commission's order in this proceeding. I recommend that it be  
9           shared with AGP and the Commission at that time.

10   **Q     DOES AQUILA PLAN TO STUDY THE POSSIBLE NEED FOR ADDITIONAL STEAM**  
11       **RESOURCES?**

12   A     Yes. In a response to a data request, attached as Schedule 2 HC, Aquila states  
13           that it will be developing a long-term plan for the 900# steam system at the  
14           Lake Road plant. I agree that such a plan is needed. Also, the results of the  
15           reliability study should be available prior to the resource study so any  
16           reliability implications for the system resources can be evaluated and  
17           incorporated into the resource plan as appropriate. I further recommend that  
18           the resource plan be completed and reported to the Commission within eight  
19           months. AGP should receive a copy also.

1 **COST ALLOCATION**

2 Q ARE THERE ANY AGREEMENTS THAT BEAR UPON THE ALLOCATION OF COSTS  
3 IN THIS PROCEEDING?

4 A I understand that an agreement among parties was submitted to the  
5 Commission in ER-94-36 on the topic of cost allocations for steam service. The  
6 agreement resulted in a document that was produced for AGP in response to  
7 our data request 222. The cover bears the following information:

8 ST. JOSEPH LIGHT & POWER COMPANY  
9 ALLOCATION PROCEDURES  
10 CASE NO. EO-94-36  
11 AUGUST 1994  
12 Revised October 1994  
13 Revised December 1994

14 **FILED**

15 JAN 13 1995  
16 PUBLIC MISSOURI  
17 SERVICE COMMISSION,  
18 January 1, 1995  
19

20 I understand the agreement of 1994 to require parties to follow this  
21 procedure in all future cases unless a change is proposed in direct testimony.  
22 To date I find no such explanation in either the testimonies of either Aquila or  
23 Staff. Data requests have been filed and AGP intends to pursue this potential  
24 issue at an appropriate time in this proceeding.



1

2 **RATE DESIGN – SPECIFIC CHARGES**

3 Q WHAT IS YOUR RECOMMENDATION FOR CHANGES IN THE CHARGES UNDER  
4 THE STEAM RATES?

5 A I recommend Aquila's proposal to increase the rates on an equal percentage  
6 basis.

7 Q DO YOU HAVE ANY RECOMMENDATION REGARDING CHANGES IN THE STRUCTURE OF  
8 THE RATES UNDER WHICH STEAM SERVICE IS PROVIDED?

9 A No, I do not.

10 Q DOES THIS CONCLUDE YOUR TESTIMONY?

11 A Yes it does.

**SCHEDULE 1 CONSISTS OF SIX PAGES, THE AQUILA RESPONSES  
TO DATA REQUESTS DESIGNATED AS SIE 197, 198, AND 199, ALL OF  
WHICH HAVE BEEN DESIGNATED AS HIGHLY CONFIDENTIAL BY  
AQUILA**

Schedule 1

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**SCHEDULE 2 CONSISTS OF ONE PAGE, THE AQUILA RESPONSE  
TO A DATA REQUEST DESIGNATED AS SIE 194,  
ALL OF WHICH HAS BEEN  
DESIGNATED AS HIGHLY CONFIDENTIAL BY AQUILA**