

Exhibit No:  
Issues: Tariff Changes  
Lead-lag study  
Other Revenue  
Witness: Robert J. Amdor  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Aquila Networks  
Case No: GR-2003-\_\_\_\_\_  
Date to Be Filed: August 1, 2003

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. \_\_\_\_\_**

**DIRECT TESTIMONY**

**OF**

**ROBERT J. AMDOR**

**ON BEHALF OF**

**AQUILA, INC.  
d/b/a  
AQUILA NETWORKS – MPS  
and  
AQUILA NETWORKS – L&P**

**Omaha, Nebraska  
August, 2003**

State of Nebraska     )  
                                  ) ss  
County of Douglas    )

AFFIDAVIT OF ROBERT J. AMDOR

Robert J. Amdor, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony and schedules entitled "Direct Testimony of Robert J. Amdor"; that said testimony was prepared by him and/or 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.

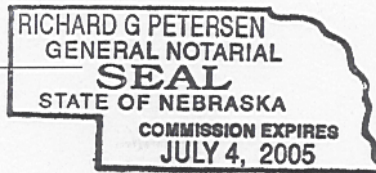
Robert J. Amdor

Subscribed and sworn to before me this 11<sup>th</sup> day of June, 2003.

Richard G. Petersen  
Notary Public

My Commission expires:

7/4/05



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1 A. Yes. I have testified in rate case proceedings in Iowa, Kansas and Missouri.

2 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

3 A. I will describe the lead lag study used in calculating the cash working capital  
4 requirement and explain the proposed changes in the Company's tariffs.

5

6 **Lead/Lag Study**

7 **Q. WHAT IS A LEAD/LAG STUDY AND HOW IS IT USED?**

8 A. A lead/lag study is a method used to calculate the cash working capital  
9 requirements necessary to meet the ongoing operating expenses of a company.  
10 The results of a lead/lag study are one component used in calculating the  
11 company's rate base.

12 **Q. HAVE YOU MADE ANY SIGNIFICANT CHANGES TO THE LEAD/LAG STUDY  
13 METHODOLOGY USED BY THE COMPANY IN RATE CASES FILED IN  
14 OTHER STATES?**

15 A. No. The methods used in this lead/lag study are essentially the same as those  
16 that were filed by the company in rate cases since 1995.

17 **Q. HOW DOES A LEAD/LAG STUDY MEASURE THE AMOUNT OF CASH  
18 REQUIRED TO MEET OPERATING EXPENSE?**

19 A. A lead-lag study measures the difference between: (1) the time a service is  
20 rendered until the time revenues for that service are received (lag), and (2) the  
21 time that services, materials, etc. are obtained or used and the time expenditures  
22 for those services are made (lead). The applicable lead period for each major  
23 category of expense is compared to the revenue lag period. The difference  
24 between those periods, expressed in days, multiplied by the average daily  
25 operating expense provides the amount of cash working capital required.

1 **Q. HOW WERE THE TEST YEAR AVERAGE LEAD DAYS FOR REVENUE AND**  
2 **LEAD DAYS FOR OPERATING EXPENSE DETERMINED?**

3 A. The revenue days were determined by first compiling actual data for the test year  
4 2002 for each of the following categories:

- 5 • Metering Period
- 6 • Bill Processing Period
- 7 • Bill Collection Period

8 The expense lead days were determined by compiling actual data for the same  
9 time period for each of the following categories:

- 10 • Purchased Gas Expense
- 11 • Payroll Expense
- 12 • Other O&M Expense

13 Each of these components and the related methodology used in the lead/lag  
14 study are discussed in detail in the 2002 Lead-Lag Study for Missouri Gas  
15 operations, which is presented in Exhibit RJA-1 (\_\_\_\_), attached to my testimony.

16 **Q. WHAT WERE THE RESULTS OF THE LEAD/LAG STUDY?**

17 A. Please refer to Exhibit RJA-1 (\_\_\_\_), which shows the calculations for average  
18 lead days for Payroll (7.000 days), Purchased Gas Expense (59.913 days), and  
19 Other Operating and Maintenance Expense (29.956 days). The average lag days  
20 are also shown for Metering period (15.200 days), Bill Processing period (6.244  
21 days) and Bill Collection period (21.177 days).

22

23 **Tariff Changes**

24 **Q. ARE YOU RESPONSIBLE FOR THE CHANGES TO THE COMPANY'S**  
25 **CURRENT TARIFF?**

1 A. Aquila's proposed tariff changes will be described by several witnesses. Mr.  
2 Thomas Sullivan will address rate-related changes. Mr. Joseph Bahr will address  
3 changes to the company's line extension policy. I will address the remaining  
4 changes.

5 **Q. PLEASE SUMMARIZE THE CHANGES SOUGHT BY THE COMPANY.**

6 A. The company has filed tariffs reflecting the following general changes:

- 7 • Consolidation of the MPS and L&P tariffs into one set of rate schedules and  
8 rules.
- 9 • Changes in rates for the MPS and L&P operating systems. These changes  
10 establish uniform usage thresholds for rates and standard operational rules.  
11 Aquila's cost of service and rate design consultant, Mr. Thomas Sullivan, will  
12 address these issues.
- 13 • Changes to the Company's line extension rules, which will be addressed by  
14 Joe Bahr, the Director of Financial Management for the Company's Missouri  
15 gas divisions.
- 16 • Miscellaneous changes intended to update the tariff and other fees.

17 To simplify the review process, I have prepared Exhibit RJA-2 (\_\_\_\_), which  
18 summarizes the proposed changes and provides sheet references to the existing  
19 and proposed tariffs.

20 **Q. PLEASE DESCRIBE THE PROPOSED CHANGES.**

21 A. The Company proposes to merge the MPS and L&P tariffs and to create one set  
22 of rules and regulations for all Aquila service territories, while retaining separate  
23 rate schedules for the MPS and L&P operating areas. These changes are  
24 summarized in Exhibit RJA-2 (\_\_\_\_), and the item numbers below refer to the left  
25 column of that exhibit.

1           **Changes to All Sheets:**

- 2           1. All Sheets. The company has adopted the following names for its Missouri  
3           operations: Aquila, Inc. d/b/a Aquila Networks – MPS for the former Missouri  
4           Public Service operations and Aquila, Inc. d/b/a Aquila Networks-L&P for the  
5           former St. Joseph Light & Power operations. All tariff sheets now reflect these  
6           name changes. In addition, the existing tariffs use the full divisional names within  
7           the body of each schedule. For brevity, Aquila proposes use of the term  
8           “Company” instead of the old divisional names “Missouri Public Service” or “St.  
9           Joseph Light & Power.”
- 10          2. Aquila has eliminated many pages designated “Reserved for Future Use” and has  
11          consolidated the tariff to reduce length. The rate schedules for each operating  
12          system have been segregated so that all schedules applicable to the MPS  
13          territories are presented together.

14           **Changes to MPS Rate Schedules:**

- 15          3. Aquila has adopted a new cover page for the rate schedules.
- 16          4. Sheets 0.1. The existing adoption notice for the Aquila corporate name has been  
17          removed, because the legal names of the corporation are now reflected in the  
18          tariffs.
- 19          5. Sheet 1. The tariff indices have been consolidated to reflect provisions adopted  
20          from both tariffs, and to move the transportation service rate schedules to the rate  
21          schedule section. The indices also reflect the schedules for the proposed rate  
22          design.
- 23          6. Sheet 1. The Communities Served section has been consolidated to reflect  
24          towns and rural areas served by both MPS and L&P.
- 25          7. Sheets 1.1-1.3. The Description of Authorized Gas Service Territory has been



- 1 consolidated to reflect the metes and bounds description of territory served by  
2 both MPS and L&P.
- 3 8. New sheet. A new map has been included to show the Company's systems.
- 4 9. Sheet 2. The existing General Service rate class includes Residential and all  
5 commercial and industrial customers that are not served under another schedule.  
6 This change proposes to eliminate block rates and divide this class into four  
7 classes – Residential, Small Commercial, Small Volume, and Large Volume. Mr.  
8 Sullivan will address the specifics of the proposed rate design.
- 9 10. New sheet. A new Residential Service schedule (RS-M) is proposed.
- 10 11. New sheet. A new Small Commercial Firm Service schedule (SCF-M) is  
11 proposed.
- 12 12. New sheet. A new Small Volume Firm Service schedule (SVF-M) is proposed.
- 13 13. Sheets 4-6. The Large Volume Firm Service schedule (LVF-M) schedule has  
14 been changed to reflect a lower threshold (40,000 Ccf from 150,000 Ccf),  
15 eliminate block rates, and increase the energy and demand charges.
- 16 14. Sheets 6-9. The Large Volume Firm Sales contract has been deleted from the  
17 tariff. The company proposes to make all customer service agreements available  
18 on the Aquila website.
- 19 15. Sheets 10-12. The Large Volume Interruptible Service schedule (LVI-M) schedule  
20 has been changed to reflect a lower threshold (40,000 Ccf from 150,000 Ccf),  
21 eliminate block rates, and increase the energy and demand charges.
- 22 16. Sheets 12-15. The Large Volume Interruptible Sales contract has been deleted  
23 from the tariff. The company proposes to make all customer service agreements  
24 available on the Aquila website.
- 25 17. Sheets 16-18. The Transportation Service rate schedules have been deleted. In

1           October 2002, the Commission approved new transportation terms and  
2           conditions and a Small Volume rate schedule for both MPS and L&P. Sheets 16-  
3           18 were not withdrawn at that time, because they addressed the rates and terms  
4           for Large Volume Transportation Service. In June 2003, the Company filed a new  
5           Large Volume Transportation rate schedule to reflect current industry practices,  
6           and to withdraw Sheets 16-18. These changes are pending before the  
7           Commission, and are reflected in the proposed tariffs.

8           18. Sheet 19. The Flexible Rate Transportation schedule has been updated to  
9           provide the service to the L&P system and to affirm the applicability of the Billing  
10          Demand charge to this schedule.

11          19. Sheet 20. The Transportation Special Contract Rates schedule has been  
12          updated to provide the service to the L&P system.

13          20. Sheets 21-28. As noted in Change No. 17 above, the transportation service  
14          provisions found on Sheets 16-18 and 21-28 have been removed. The  
15          transportation service provisions found on current MPS Sheets 32.1 - 32.25 are  
16          retained.

17          21. Sheet 32.8. The Small Volume Transportation Service rate schedule (SVTS-M)  
18          has been changed to match the customer charge, energy charge and usage  
19          limits of the SVF-M service (5,000 Ccf to 39,999 Ccf).

20          22. Sheet 16. The Large Volume Transportation Service rate schedule (LVTS-M) has  
21          been changed to match the customer charge, energy charge and usage limits of  
22          the LVF-M service (40,000 Ccf or greater).

23          23. Sheets 29-32. The Large Volume Interruptible Transportation contract has been  
24          deleted from the tariff. The company proposes to make all customer service  
25          agreements available on the Aquila website.

- 1 24. Sheets 31.2 – 32.25. The terms and conditions of transportation service have  
2 been moved to Sheets 22-52.
- 3 25. Sheets 33 – 44.1. The Purchased Gas Adjustment clauses for MPS and L&P  
4 have been consolidated so that the MPS language applies to all systems. This  
5 section has been changed slightly to reflect the changes proposed in the Docket  
6 GO-2002-452. Aquila provided sample PGA tariffs to the Staff in that docket to  
7 reflect: (1) electronic filing of PGA work papers, (2) adoption of one annual  
8 scheduled ACA filing and up to three unscheduled filings per year, (3) clarification  
9 of charges to be included in the filings, and (4) elimination of the DCCB Carrying  
10 Costs.
- 11 26. Sheet 45. The Tax and License Rider has been moved to Sheet 65.
- 12 27. Sheets 46-49. The Promotional Practices rules have been moved to the Rules  
13 and Regulations section.
- 14 28. Sheet 50. The promotional practices variance for conversion costs for the towns  
15 of Salem and Owensville have expired, so this section has been deleted.
- 16 **Changes to L&P Rate Schedules:**
- 17 29. Sheet 0.1. The adoption notice for the Aquila corporate name has been deleted.
- 18 30. Sheet 1. The L&P Index has been consolidated with the MPS Index.
- 19 31. Sheet 2. The L&P Index of Communities Served has been consolidated with the  
20 MPS Index.
- 21 32. Sheet 2.1-2.2. The L&P Index of certificated territories has been consolidated  
22 with the MPS Index.
- 23 33. Sheet 3. The L&P System Map has been deleted. A new Missouri map showing  
24 the four Aquila gas operating systems is now presented at Sheet 7.
- 25 34. Sheet 4. The Residential Service Rate Schedule 910 for all territory except

- 1           Fairfax, Rockport and Tarkio has been merged with Sheet 4.1, and is now  
2           presented at Sheet 15.
- 3           35. Sheet 4.1. The Residential Service Rate Schedule 911 for the towns of Fairfax,  
4           Rockport and Tarkio has been merged with Sheet 4, and is now presented at  
5           Sheet 15.
- 6           36. New Sheet 15. A new consolidated Residential Service applies to all L&P  
7           territory. The new schedule consolidates customer charges and eliminates block  
8           rates.
- 9           37. Sheet 5. The General Service Rate Schedule 920 for all territory except Fairfax,  
10          Rockport and Tarkio has been deleted.
- 11          38. Sheet 5.1. The General Service Rate Schedule 921 for the towns of Fairfax,  
12          Rockport and Tarkio has been deleted.
- 13          39. Sheets 5-5.1. The existing General Service Schedules have been divided into  
14          Small Commercial, Small Volume and Large Volume schedules. These new  
15          rates are described below.
- 16          40. New sheet. A new Small Commercial Firm Service schedule (SCF-L) is  
17          proposed.
- 18          41. New sheet. A new Small Volume Firm Service schedule (SVF-L) is proposed.
- 19          42. Sheet 6. The Large Volume Firm Service schedule (LVF-L) schedule has been  
20          changed to reflect the usage threshold created by the SCF-L and SVF-L  
21          schedules.
- 22          43. Sheet 6. The Large Service Schedule 930 has been deleted.
- 23          44. New sheet. A new Large Volume Interruptible Service schedule (LVI-L) has been  
24          added.
- 25          45. Sheets 7.1-7.8. The Transportation Service rate schedule and rules provisions

- 1 have been deleted. The provisions found at Sheets 32.1-32.21 are retained and  
2 moved to Sheets 22-52.
- 3 46. Sheets 7.1-7.4. Transportation service schedule 971 has been deleted.
- 4 47. Sheet 32.8. The Small Volume Transportation rate schedule (SVTS-L) has been  
5 changed to set the usage limits consistent with the MPS service areas (5,000 to  
6 39,999 Ccf).
- 7 48. Sheets 7.1-7.4. A new Large Volume Transportation rate schedule (LVTS-L) has  
8 been created to match the usage limits of the small volume service, and to be  
9 consistent with the MPS service areas (40,000 Ccf or greater.)
- 10 49. New sheet. The Flexible Rate provisions of the MPS tariff have been extended to  
11 the L&P system.
- 12 50. New sheet. The Special Contract provisions of the MPS tariff have been  
13 extended to the L&P system.
- 14 51. Sheets 8-9.4. The MPS Purchased Gas Adjustment Clause has been adopted  
15 for L&P so that one set of ACA filing requirements will apply.
- 16 52. Sheets 32.1-32.21 are almost identical to MPS Sheets 32.1-32.25. These sheets  
17 are now found at Sheets 22-52 in the proposed tariff.

18 **Changes to MPS Rules and Regulations:**

- 19 53. Aquila has adopted a new cover page for the Rules and Regulations section.
- 20 54. Sheets R1-R2. A new index has been adopted for the consolidated tariff.
- 21 55. Sheets R3-R4. The terms “Company” and “Normal Business Hours” have been  
22 defined.
- 23 56. Sheet R5. A provision from the L&P tariff has been adopted for all operations,  
24 affirming the customer’s responsibility to notify the Company of changes in load  
25 characteristics or requirements.

- 1 57. Sheet R7. The Company proposes a 6.0 percent interest rate on deposits.
- 2 58. Sheet R15. Aquila proposes new charges for connections and reconnections.
- 3 The charge for reconnections made during regular business hours would
- 4 increase from \$20 to \$30, and reconnections performed after regular hours would
- 5 remain at \$50. All references to the price of services have been moved to the
- 6 table in Section 10.
- 7 59. Sheet R15. No charge would be applicable to new service connections during
- 8 normal business hours. A \$50 charge would be applied to new connections
- 9 performed after normal business hours.
- 10 60. New section. This language establishes a charge to cover trip costs when crews
- 11 are scheduled to perform a disconnection, but accept payment from the
- 12 customer at the premise. In this situation, the company incurs the costs to send
- 13 a representative to the premise, so the charge is intended to cover the costs of
- 14 the trip.
- 15 61. New section. This language will establish a special reconnection charge for
- 16 customers that turn off gas service for several months and return to service. This
- 17 type of short-term service is relatively expensive for the company, since
- 18 customers currently pay only \$20 to re-establish service. This is unfair to other
- 19 customers, since they indirectly pay for the trip costs and lost customer charges
- 20 created by these service disconnections. The company proposes language to
- 21 require these customers to pay the greater of \$30 or the sum of customer
- 22 charges that would have been charged in the period of disconnection.
- 23 62. New section. This provision would affirm that connection and reconnection
- 24 charges do not include the costs of extensions.
- 25 63. New section. Aquila proposes to establish a \$20 charge for checks returned for

- 1 insufficient funds.
- 2 64. Sheet R16. Aquila no longer performs appliance connections or reconnections,  
3 due to the potential liability. To reflect this change in business practice, Aquila  
4 proposes deleting language requiring a trip charge for such services.
- 5 65. Sheets R16. Aquila proposes adoption of one standard charge for installing  
6 excess flow valves in new services. The \$65 amount was previously approved in  
7 the L&P tariff.
- 8 66. Sheet R18. Aquila seeks to simplify the priority rules for curtailment of service.  
9 The proposed Priority of Service schedule reduces the number of curtailment  
10 categories from ten to five.
- 11 67. New section. Aquila seeks to offer a new service to customers that challenge the  
12 accuracy of the company's meters. Customers would have the opportunity to  
13 request a special meter test. If the test shows the meter is within the proscribed  
14 tolerance limits, the customer would pay the lesser of the cost of the test or \$30.
- 15 68. Sheet R23. Aquila seeks to clarify the existing MPS tariff language. This change  
16 would affirm that when a meter is found to have an average error of more than  
17 two percent, the refund and corrected billing provisions of Section 5.04 apply.
- 18 69. Sheets R24. The current MPS tariff requires customers to remain on a rate  
19 schedule for one year. The transportation tariff found on Sheets 32.1-32.25  
20 allows customers on the SVTS schedule to return to sales service every six  
21 months. This provision would retain the existing one year restriction for all rate  
22 schedules, except SV transportation customers will be allowed to return to sales  
23 service every six months.
- 24 70. Sheet R25. This change is intended to reflect modernization of the company's  
25 business practices. Aquila no longer encourages customers to read meters by

1 postcard. Instead, use of an interactive voice response system is promoted.

2 71. Sheet R26. Aquila proposes a standard charge for all gas and electric trip  
3 charges - \$30 for visits made during business hours, and \$50 for after-hours  
4 visits. The cost of all charges have been moved to the table of charges in Section  
5 10.

6 72. Sheet R28. This change would reflect the company's current business practices,  
7 which encourage customers to contact Aquila's 24 hour Customer Service  
8 Center to resolve disputes.

9 73. Sheets R32-R34. Aquila proposes a new line extension policy. The testimony of  
10 Mr. Joseph Bahr addresses these changes.

11 74. Sheets R36-R37. The Company's table of charges has been updated to reflect  
12 the proposed changes.

### 13 **Changes to L&P Rules and Regulations**

14 Aquila proposes to adopt one set of Rules and Regulations for all gas service territories.

15 The MPS Rules and Regulations, with the changes described above, are proposed.

16 Exhibit RJA-2, pages 5-6, provides a cross reference of existing L&P tariff sections and  
17 the Sheet references where the applicable language may be found in the new tariff.

18

### 19 **Other Revenue**

20 **Q. HAVE YOU REVIEWED THE FINANCIAL IMPACT OF CHANGES TO THE**  
21 **MPS AND L&P SERVICE CHARGES?**

22 A. Yes. I collected and reviewed the MPS and L&P data for connections,  
23 reconnections, excess flow valves, special meter reads, collection of funds at  
24 disconnection, and charges for checks returned for insufficient funds. I calculated  
25 the total test year and proposed revenue for each type of charge. This



1 information is summarized in Exhibit RJA-3 ( ). For example, MPS had 7,581  
2 connections during normal business hours during 2002, and 549 after-hours  
3 connections. The actual and proposed revenue is shown. The net effect of the  
4 proposed changes in tariff charges is to increase Other Revenue from \$226,390  
5 to \$344,018 for MPS, and from \$2,340 to \$28,749 for L&P. These revenues are  
6 reflected in the cost of service supported by Mr. Sullivan.

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 A. Yes, it does.