

Exhibit No.  
Witness: Maurice Brubaker  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: Sedalia Industrial Energy Users Group and the  
United States Executive Agencies  
Case No. ER-2001-672  
Subjects: Energy Costs, Class Cost of Service, Revenue  
Allocation and Rate Design

**Before the  
Missouri Public Service Commission**

In the Matter of the Tariff Filing of )  
Missouri Public Service (MPS), a Division )  
of UtiliCorp United, Inc., to Implement a )  
General Rate Increase for Retail Electric )  
Service Provided to Customers in the )  
Missouri Service Area of MPS. )

Case No. ER-2001-672

**FILED<sup>2</sup>**

JAN 08 2002

Missouri Public  
Service Commission

Rebuttal Testimony of

**Maurice Brubaker**

On Behalf of

**Sedalia Industrial Energy Users Association  
and the  
United States Executive Agencies**

January 8, 2002  
Project 7661



BRUBAKER & ASSOCIATES, INC.

ST. LOUIS, MO 63141-2000

**Before the Public Service Commission  
of the State of Missouri**

**In the Matter of the Tariff Filing of  
Missouri Public Service (MPS), a Division  
of UtiliCorp United, Inc., to Implement a  
General Rate Increase for Retail Electric  
Service Provided to Customers in the  
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**Case No. ER-2001-672**

**STATE OF MISSOURI )  
COUNTY OF ST. LOUIS )**

**SS**

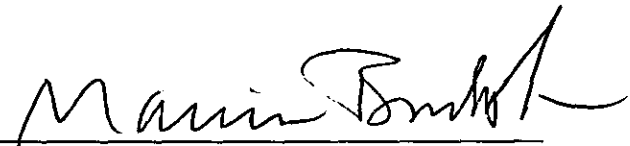
**Affidavit of Maurice Brubaker**

Maurice Brubaker, being first duly sworn, on his oath states:

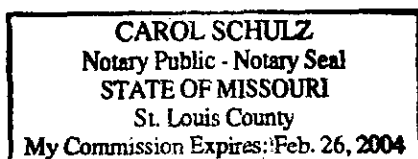
1. My name is Maurice Brubaker. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 1215 Fern Ridge Parkway, Suite 208, St. Louis, Missouri 63141-2000. We have been retained by the Sedalia Industrial Energy Users Association and the United States Executive Agencies in this proceeding on their behalf.

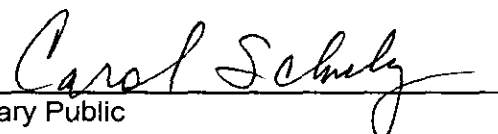
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2001-672.

3. I hereby swear and affirm that the rebuttal testimony is true and correct and shows the matters and things it purports to show.

  
Maurice Brubaker

Subscribed and sworn to before this 7th day of January 2002.



  
Notary Public

My Commission Expires February 26, 2004.

**Before the  
Missouri Public Service Commission**

<b>In the Matter of the Tariff Filing of</b>	<b>)</b>	
<b>Missouri Public Service (MPS), a Division</b>	<b>)</b>	
<b>of UtiliCorp United, Inc., to Implement a</b>	<b>)</b>	<b>Case No. ER-2001-672</b>
<b>General Rate Increase for Retail Electric</b>	<b>)</b>	
<b>Service Provided to Customers in the</b>	<b>)</b>	
<b>Missouri Service Area of MPS.</b>	<b>)</b>	

**Rebuttal Testimony of Maurice Brubaker**

1    **Q     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2    **A     Maurice Brubaker. My business address is 1215 Fern Ridge Parkway, Suite 208,**  
3           **St. Louis, Missouri 63141-2000.**

4    **Q     ARE YOU THE SAME MAURICE BRUBAKER WHO FILED DIRECT TESTIMONY**  
5           **IN THIS PROCEEDING?**

6    **A     Yes, I am.**

7    **Q     ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

8    **A     I am appearing on behalf of the Sedalia Industrial Energy Users Association (SIEUA)**  
9           **and the United States Executive Agencies (USEA). Members of SIEUA participating**  
10          **in this proceeding take service from the Missouri Public Service Company (MoPub)**  
11          **Division of UtiliCorp United, Inc. (UtiliCorp). Most of the electricity requirements of the**  
12          **SIEUA member companies are secured from UtiliCorp under Rates LPS and RTP.**

**Maurice Brubaker  
Page 1**

1 The USEA's principal point of service in the MoPub service territory is Whiteman Air  
2 Force Base, which takes it electric service predominately under Rate LPS.

3 **Q YOUR DIRECT TESTIMONY WAS FILED ONLY ON BEHALF OF SIEUA. IS THE**  
4 **USEA ALSO SPONSORING YOUR DIRECT TESTIMONY?**

5 **A** Yes. Subsequent to the filing of my direct testimony, the USEA has joined with  
6 SIEUA to sponsor my direct testimony.

7 **Q ON WHAT SUBJECTS WILL YOU TESTIFY?**

8 **A** In this rebuttal testimony I will address the subjects of the price level for natural gas  
9 and also class cost of service and revenue allocation issues.

10 **Natural Gas Prices**

11 **Q HAVE YOU REVIEWED THE TESTIMONY SUBMITTED BY OFFICE OF PUBLIC**  
12 **COUNSEL (OPC) WITNESS BUSCH WITH RESPECT TO THE ISSUE OF**  
13 **NATURAL GAS PRICES?**

14 **A** Yes, I have. Mr. Busch sponsors an exhibit which shows his proposed price for the  
15 commodity component of natural gas, before adjusting for basis differential or for  
16 transportation costs. His proposal is to use a price of \$2.90 per MMBtu for the  
17 NYMEX commodity price component for natural gas used in the production cost  
18 model.

19 **Q HOW DOES MR. BUSCH ARRIVE AT THIS RECOMMENDATION?**

20 **A** He uses an average of historical prices, with selected adjustments to eliminate  
21 aberrationally high values in certain months, combined with the 12-month forward

**Maurice Brubaker**  
**Page 2**

1 prices in the futures market. Although Mr. Busch and I have used a different set of  
2 data to develop representative prices for natural gas, his recommended value of  
3 \$2.90 per MMBtu is virtually identical with my recommended value of \$2.913 per  
4 MMBtu.

5 **Q HAVE YOU REVIEWED THE TESTIMONY OF MISSOURI PUBLIC SERVICE**  
6 **COMMISSION STAFF WITNESS WILLIAM HARRIS WITH RESPECT TO THE**  
7 **ISSUE OF NATURAL GAS PRICES?**

8 **A** Yes, I have. Mr. Harris develops natural gas prices based on his review of actual  
9 prices experienced during the four-year period from July 1, 1997 through June 30,  
10 2001. As a result of his evaluation, his proposed average natural gas commodity  
11 price is below \$3.00/MMBtu. Again, Mr. Harris' recommended natural gas price is in  
12 the same range as my recommendation, even though he used a different approach to  
13 determine a representative value.

14 **Q IN YOUR DIRECT TESTIMONY YOU RECOMMENDED THAT THE GAS PRICES**  
15 **CONTINUE TO BE MONITORED FOR TRENDS. WHAT ADDITIONAL**  
16 **INFORMATION IS AVAILABLE SINCE THE FILING OF YOUR DIRECT**  
17 **TESTIMONY?**

18 **A** There are several new items of information. First, the price for January 2002 (that is,  
19 the index price based on actual transactions for January done at the end of  
20 December) as reported by Gas Daily was \$2.61 per MMBtu. This is considerably  
21 lower than the \$2.90 per MMBtu figure which was utilized in the fuel and purchased  
22 power cost run which I have recommended.

1           Second, as of the NYMEX close on January 3, 2002, the average futures price  
2           for February-December, 2002 was \$2.49 per MMBtu. Combining these eleven  
3           months of futures prices with the actual January 2002 price suggests a calendar year  
4           2002 average of \$2.50 per MMBtu.

5           A third new piece of information is that the Energy Information Administration  
6           (EIA) of the United States Department of Energy has recently forecasted natural gas  
7           prices for calendar year 2002 at approximately \$2.00 per MMBtu, about 33% lower  
8           than the number which I have recommended.

9   **Q     AT THIS POINT, DO YOU RECOMMEND ANY CHANGES IN THE GAS PRICE**  
10   **ASSUMPTIONS?**

11   **A     At this point, I do not. However, I reiterate the statement made in my direct testimony**  
12           that it would be appropriate to continue to monitor actual prices as well as the more  
13           current futures prices through the true-up phase of this proceeding.

14   **Class Cost of Service and Revenue Allocation**

15   **Q     HAVE YOU REVIEWED THE DIRECT TESTIMONY SUBMITTED BY MPSC STAFF**  
16           **WITNESS MIKE PROCTOR?**

17   **A     Yes. I have reviewed Dr. Proctor's direct testimony.**

18   **Q     WHAT INFORMATION DOES HE PRESENT AND WHAT RECOMMENDATION**  
19           **DOES HE MAKE WITH RESPECT TO THE ISSUE OF REVENUE ALLOCATION?**

20   **A     Dr. Proctor presents the results of an update of an old class cost of service study**  
21           using Staff's "time of use" cost allocation methodology. This Staff analysis indicates  
22           that on a revenue neutral basis the residential class is approximately 3% below cost

1 of service, while non-residential classes are approximately 3.5% above cost of  
2 service.

3 **Q DOES DR. PROCTOR RECOMMEND UTILIZING THE RESULTS OF THIS COST**  
4 **OF SERVICE STUDY?**

5 A No. In recognition of the fact that the load data which underlies this cost of service  
6 study is very dated, he recommends an equal percentage increase to all customer  
7 classes.

8 **Q HAVE YOU REVIEWED DR. PROCTOR'S TESTIMONY IN THE COMPLAINT**  
9 **PROCEEDING?**

10 A Yes, I have. In that testimony he recommends that in the event of a decrease in  
11 revenue requirements that the non-residential class receive a percentage decrease  
12 that is two times percentage decrease applied to the residential customer class. His  
13 basis for this is the same basic cost of service study which he sponsors in the rate  
14 case.

15 **Q DO YOU SUPPORT STAFF'S TOU COST OF SERVICE METHODOLOGY?**

16 A No. As I have testified in numerous other cases, I believe that the Staff's TOU cost of  
17 service methodology over-allocates costs to high load factor classes such as LPS,  
18 and under-allocates costs to low load factor classes such as the residential class.  
19 Therefore, from the point of view of LPS customers, the results produced by Staff's  
20 cost of service study are conservative in that Staff's study tends to overstate the costs  
21 associated with these customers.

**Maurice Brubaker**  
**Page 5**

1    **Q     WHAT ARE THE IMPLICATIONS OF THIS?**

2    A     With Staff's cost of service study showing that the residential class should receive an  
3           above average increase, or a below average decrease, the use of a more  
4           conventional cost of service methodology would show that the residential class  
5           should receive a relatively larger increase, or a relatively smaller decrease, than  
6           shown by the Staff TOU cost of service study.

7    **Q     ARE YOU OFFERING ANY REBUTTAL TO THE STAFF TOU COST OF SERVICE**  
8           **STUDY?**

9    A     No. Since Dr. Proctor proposes to rely only generally on the cost of service study, I  
10          am not offering any specific rebuttal testimony, although it should be understood that  
11          in a full cost of service case I would not agree with the Staff's cost of service  
12          methodology.

13   **Q     HAVE YOU REVIEWED THE COST OF SERVICE STUDY AND RECOMMENDA-**  
14          **TIONS PRESENTED BY OPC WITNESS HONG HU?**

15   A     Yes. Ms. Hu has presented what appears to be the usual OPC cost of service  
16          methodology.

17   **Q     DOES SHE RECOMMEND USING THIS COST OF SERVICE STUDY TO**  
18          **ALLOCATE ANY REVENUE CHANGE IN THIS CASE?**

19   A     No. Ms. Hu recommends that any revenue increase be allocated on an equal  
20          percentage across-the-board basis.



**Q DO YOU AGREE WITH THE METHODOLOGY EMPLOYED BY OPC IN THE COST OF SERVICE STUDY?**

**A** No. As I have testified in numerous other proceedings, I believe the OPC cost of service study is biased and over-allocates costs to high load factor customer classes such as LPS and under-allocates costs to lower load factor customers such as the residential class.

**Q ARE YOU OFFERING REBUTTAL TO OPC'S COST OF SERVICE METHODOLOGY?**

**A** No. Since Ms. Hu does not propose to directly utilize the results of OPC's cost of service methodology, but instead proposes, like I do, to allocate any increase as a uniform percentage applied to existing revenues, I am not rebutting OPC's cost of service study. However, it should be understood that in any full cost of service case I would oppose the use of OPC's cost of service methodology.

**Q PLEASE SUMMARIZE THE RECOMMENDATIONS IN THE EVENT OF A REVENUE INCREASE?**

**A** Like MoPub, all other parties have recommended that any revenue increase be allocated on an equal percentage across-the-board basis. Accordingly, MoPub, Staff, OPC and SIEUA/USEA are in agreement that any revenue increase should be allocated as an equal percentage across-the-board.

**Q WHAT IS RECOMMENDED IN THE EVENT OF A DECREASE?**

**A** In the event of a revenue decrease, only Staff has made a specific analysis to support a recommendation. Staff's recommendation is that in the event of a revenue

**Maurice Brubaker  
Page 7**

1 decrease the percentage decrease to the non-residential customers be two times the  
2 percentage decrease to the residential customers. Given that the Staff cost of  
3 service methodology is unduly favorable to residential customers, a study which  
4 shows that the residential customer class should receive a smaller decrease than  
5 other customer classes is in line with the results I would expect from the application of  
6 a traditional cost of service study, and therefore is reasonable in the context of this  
7 proceeding.

8 **Q WHAT RECOMMENDATION DO PARTIES MAKE WITH RESPECT TO FUTURE**  
9 **COST OF SERVICE ANALYSES?**

10 **A** Both Staff and OPC agree with the recommendation contained in my direct testimony  
11 that the Commission should institute a new docket to develop a cost of service study  
12 based on more current load research data. This new docket would develop new cost  
13 of service evidence and would form the basis for adjustments to both revenue  
14 allocation and rate design.

15 **Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

16 **A** Yes, it does.