

Exhibit No.:

Issues: Rate Design

Witness: Janice Pyatte

Sponsoring Party: MO PSC Staff

Type of Exhibit: Direct Testimony

Case No.: HR-2005-0450

Date Testimony Prepared: October 28, 2005

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

JANICE PYATTE

AQUILA, INC.

D/B/A AQUILA NETWORKS--L&P

CASE NO. HR-2005-0450

Jefferson City, Missouri

October 2005

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

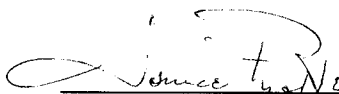
In the Matter of Aquila, Inc. d/b/a Aquila)
Networks-L&P, for Authority to File)
Tariffs Increasing Steam Rates for the)
Service Provided to Customers in the)
Aquila Networks-L&P Area.)

Case No. HR-2005-0450

AFFIDAVIT OF JANICE PYATTE

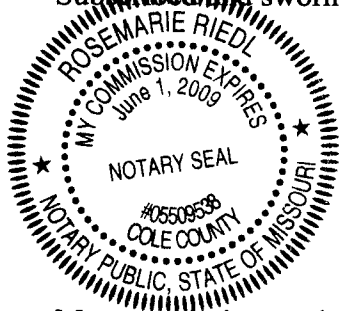
STATE OF MISSOURI)
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COUNTY OF COLE)

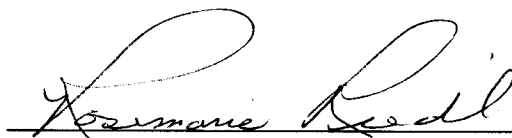
Janice Pyatte, of lawful age, on her oath states: that she has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 4 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.



Janice Pyatte

Subscribed and sworn to before me this 26th day of October, 2005.





Notary Public

My commission expires June 1, 2009

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DIRECT TESTIMONY
OF
JANICE PYATTE
AQUILA, INC.
D/B/A AQUILA NETWORKS-L&P
CASE NO. HR-2005-0450

Q. Are you the same Janice Pyatte who filed direct testimony on October 14, 2005 on the issue of Sales and Revenue?

A. Yes, I am.

Q. What is the purpose of this direct testimony?

A. The purpose of this testimony is to present the Staff’s rate design recommendation for Aquila, Inc. d/b/a Aquila Networks-L&P (“L&P”) steam service.

Q. Please describe L&P’s steam operations.

A. The steam operations of L&P provide service to a small number of industrial customers located in the vicinity of the Lake Road power plant in St. Joseph, Missouri. Prior to December 30, 2000, these customers were served by St. Joseph Light & Power Company (“SJLP”). UtiliCorp, United acquired SJLP, including its steam operations, on December 30, 2000, and, in February 2002, UtiliCorp changed its name to Aquila, Inc. Aquila, Inc. is authorized by this Commission to provide electric and steam service in the St. Joseph, Missouri area as Aquila Networks—L&P.

Q. Please provide a brief history of L&P’s steam rate case activity since 1988.

Direct Testimony of
Janice Pyatte

1 A. The steam rates for SJLP that resulted from Case No. HR-88-116 were in
2 effect from 1988 until 1993. In 1993 the Commission, in Case No. HR-94-177,
3 authorized SJLP to increase its steam revenue by \$800,000 annually.

4 In 1995 the Staff, the Office of the Public Counsel, SJLP, and Ag Processing, Inc.
5 (“AGP”) participated in Case No. EO-94-36. The purpose of this case was to evaluate
6 the cost assignment of plant and expenses for common uses between SJLP’s electric,
7 industrial steam and natural gas operations. Detailed allocation procedures were
8 developed and approved by the Commission in that proceeding. In the associated case
9 (Case No. EO-93-351) that implemented these allocation procedures, the Commission
10 ordered a \$550,000 reduction in revenue from SJLP’s industrial steam operations, a
11 \$500,000 increase in SJLP’s electric revenue, and a \$50,000 increase in SJLP’s gas
12 revenue.

13 In Case No. HR-99-245, steam revenue was reduced by \$25,000. In Case Nos.
14 ER-2004-0034 & HR-2004-0024 (consolidated), steam revenue was increased by \$1.3
15 million, applied as a uniform increase of 18.77% to all steam rate values. The steam rates
16 resulting from the latter case are still in effect.

17 Q. Please describe the L&P steam rate schedules.

18 A. L&P has four steam rate schedules: Steam Service (Schedule MO981);
19 Contract Steam Service (Schedule MO982), Standby or Supplementary Service and the
20 Ag Processing Special Contract.

21 No customers are currently served under either Contract Steam Service (Schedule
22 MO982) or Standby or Supplementary Service. One customer (three accounts) was
23 served under Schedule MO981 during the first part of the test year and under the Ag

Direct Testimony of
Janice Pyatte

1 Processing Special Contract during the later months of the test year. The remaining six
2 existing accounts (plus one projected account) are served under Schedule MO981.

3 Staff made numerous annualizations designed to more accurately depict L&P's
4 steam costs and revenue on a going-forward basis. For more information on the
5 annualizations to steam sales, rate revenue, and hourly loads included in Staff's case,
6 please see my direct testimony on the issue of Sales and Revenue filed October 14, 2005.

7 Q. Please describe Staff's analysis of the overall revenue adequacy of L&P's
8 steam revenue.

9 A. Staff filed direct testimony and Accounting Schedules on October 14,
10 2005 that quantified the revenue shortfall associated with L&P's industrial steam
11 operation at approximately \$4.1 million. An increase in annual steam revenue of \$4.1
12 million (34.18%) would be required to cover the total costs of providing industrial steam
13 service, based on Staff's recommended level of annualized revenue.

14 Q. Do you have a recommendation for the Commission regarding how any
15 increase in L&P steam revenue should be applied to rate components?

16 A. I recommend that any overall increase in annual steam rate revenue be
17 achieved by increasing all rate values on the steam service rate schedules by an equal
18 percentage. The rate values that would result are illustrated on Schedule 1. The Contract
19 Steam Service (Schedule MO982) and the Ag Processing Special Contract rate schedules
20 do not have rate values shown on the tariff sheets.

21 Q. How may the scheduled true-up affect your rate design recommendation?

22 A. The scheduled true-up of costs and revenues through October 31, 2005
23 may modify Staff's overall recommended dollar and percentage increase; however, it is

Direct Testimony of
Janice Pyatte

1 unlikely to affect Staff's recommended methodology for adjusting rate values to recover
2 those costs from customers.

3 Q. Does this conclude your direct testimony on rate design issues in this
4 case?

5 A. Yes, it does.

**AQUILA NETWORKS - L&P STEAM
CASE NO. HR-2005-0436
STAFF PROPOSED RATES**

Steam Service (MO981)

	(4/24/04)			
	Current Rates	Proposed Rates	Change in Rate	
			\$	%
Reserved Capacity	\$294.08	\$394.61	\$100.53	34.18%
First 3 MMBTU	\$4.2747	\$5.7360	\$1.4613	34.18%
Over 3 MMBTU	\$3.4741	\$4.6617	\$1.1876	34.18%

Standby or Supplementary Steam Service

	(4/24/04)			
	Current Rates	Proposed Rates	Change in Rate	
			\$	%
Reserved Capacity	\$546.78	\$733.694	\$186.914	34.18%
Per MMBTU	\$1.0892	\$1.4615	\$0.3723	34.18%