

Exhibit No.: 1006
Issue: Electric Rate Comparison
Witness: Phillip K. Williams, CPA, CIA
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2004-0034

Date Testimony Prepared: January 26, 2004 as modified February 27, 2004

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

PHILLIP K. WILLIAMS, CPA, CIA

**AQUILA, INC.
d/b/a AQUILA NETWORKS-MPS**

CASE NO. ER-2004-0034

*Jefferson City, Missouri
January 2004*

FILED²
FEB 27 2004
Missouri Public
Service Commission

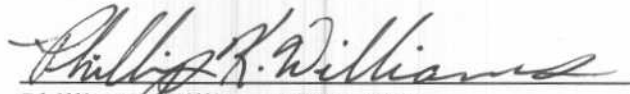
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Aquila, Inc. d/b/a Aquila Networks)
L&P and Aquila Networks MPS to implement a) Case No. ER-2004-0034
general rate increase in electricity.)
)

AFFIDAVIT OF PHILLIP K. WILLIAMS, CPA, CIA

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Phillip K. Williams, CPA, CIA, of lawful age, on his oath states: that he has participated in the preparation of the following rebuttal testimony as modified on February 27, 2004, in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the following rebuttal testimony as modified on February 27, 2004, were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


Phillip K. Williams, CPA, CIA

Subscribed and sworn to before me this 27th day of February 2004.



TONI M. CHARLTON
NOTARY PUBLIC STATE OF MISSOURI
COUNTY OF COLE
My Commission Expires December 28, 2004

1 also recognize that the impact on customers from a 23.4% increase would be significant.
2 Therefore, Aquila senior management made the decision to mitigate the impact somewhat by
3 having the Company absorb a portion (about \$14 million) of the revenue deficiency.”

4 Q. What are Aquila’s electric rates in relation to Missouri’s other regulated
5 electric utilities?

6 A. Aquila Networks – MPS’s (MPS) existing rates for 2002, are the second
7 lowest in Missouri. However, if the proposed electric rate increase for MPS is granted, MPS
8 will have the highest electric rates in the state. For the years 1995 through 1999 my analysis
9 shows that MPS electric rates were the highest in the state. However, they were in the
10 middle of the five companies analyzed for the years 2000 and 2001.

11 Q. Will you please provide this Commission with a comparison of costs for the
12 electric residential customers of Aquila Networks – MPS with respect to other Missouri
13 investor-owned electric utilities?

14 A. Yes. Attached as Schedule 1 to my testimony, is a comparison of the
15 operating revenues divided by kilowatt-hour (kWh) sales, of Missouri’s four largest investor-
16 owned utilities, with five rate jurisdictions by year for the period 1995-2002. Aquila, Inc.
17 has two electric divisions’ they are Aquila Networks – MPS (Missouri Public Service)
18 . The revenue per kWh numbers
19 represent the residential customer’s cost per kWh. Operation revenues divided by kWh sales
20 is equivalent to cents per kWh of operating revenues. Cents per kWh of operating revenues
21 is equal to the cost per kWh of energy charged to the customers by utilities.

22 This information was supplied in Annual reports filed with the Commission and can
23 be found on pages 300 and 301 of the FERC Form 1. Of the four largest investor owned

1 electric utilities Aquila Networks – MPS cost per kWh for the residential customers is
2 currently in the middle of the range for the five rate jurisdictions. However a rate increase of
3 the magnitude requested by the Company for the Aquila Networks – MPS division would
4 change the cost per kWh for the Aquila Networks – MPS division to the highest cost per
5 kWh in the state for the residential customers.

6 The following information is a summary of the analysis included in Schedule 1 of my
7 testimony.

8 **1995**

9 MPS' average rate per kWh of \$.082040 was the highest of the five
10 Companies.

11 MPS' average rate per kWh was 3.965% higher than the next highest
12 rate.

13

14 **1996**

15 MPS' average rate per kWh of \$.080530 was the highest of the five
16 Companies.

17 MPS' average rate per kWh was 2.6854% higher than the next highest
18 rate.

19

20

21 **1997**

22 MPS' average rate per kWh of \$.080488 was the highest of the five
23 Companies.

24 MPS' average rate per kWh was 4.3659% higher than the next highest
25 rate.

26

27

28 **1998**

Rebuttal Testimony of
Phillip K. Williams, CPA, CIA

1 Company has requested a significant increase in rates, which Mr. Stamm states is less than
2 the amount Company's analysis would justify, Staff believes the Company's rates request, if
3 granted in its entirety, would increase the MPS customers rates to the highest level in the
4 state. The Aquila Networks – MPS residential rate if granted in its entirety would be 7.50%
5 higher than the highest average rate for 2002.

6 Q. Do you have any additional information concerning the rate of the Company?

7 A. Yes. Attached to my testimony as Schedule 3, pages 3-2 and 3-3 is a
8 Company analysis used by the Company's Chief Executive Officer Richard Green showing
9 the Company's current rate comparison using a bar graph to a number of other electric
10 utilities within the industry and the Aquila rate comparison after the proposed increase. The
11 Company's analysis shows the current rates for Aquila Network – MPS as the eleventh
12 lowest rate of 31 companies depicted. However, Aquila Networks – MPS becomes the
13 highest rates of all companies depicted if the proposed increase were implemented in full.

14 Q. How did the Company use the above analysis?

15 A. Aquila conducted a series of meetings with its customers in various locations
16 throughout the Company's service territory. These Community meetings were held shortly
17 before the Company filed its July 3, 2003, rate increase application with the Commission.
18 The rate analysis was part of a packet of information that was provided to the customers
19 taking part in the meeting.

20 Q. Does this conclude your rebuttal testimony?

21 A. Yes.

Company	Residential Revenues	Kwh Sales	Cost Per Kwh
2002			
Aquila, Inc./Dba Aquila Networks - MPS	\$ 163,053,788	2,335,239,000	\$ 0.069823
Aquila, Inc./Dba Aquila Networks - L&P	\$ 40,706,093	706,626,000	\$ 0.057606
Empire District Electric Company	\$ 126,088,402	1,726,449,000	\$ 0.073033
Kansas City Power & Light Company	\$ 387,438,757	5,004,311,000	\$ 0.077421
Ameren UE (Union Electric)	\$ 976,170,073	13,549,300,000	\$ 0.072046
2001			
UtiliCorp United, Inc./(Missouri Public Service Div.)	\$ 153,831,575	2,182,523,000	\$ 0.070483
UtiliCorp United, Inc./(St. Joseph Power & Light Div.)	\$ 38,439,706	670,640,000	\$ 0.057318
Empire District Electric Company	\$ 110,584,151	1,681,085,000	\$ 0.065781
Kansas City Power & Light Company	\$ 348,769,921	4,728,840,000	\$ 0.073754
Ameren UE (Union Electric)	\$ 908,846,345	12,643,689,000	\$ 0.071881
2000			
UtiliCorp United, Inc./(Missouri Public Service Div.)	\$ 153,643,417	2,139,885,000	\$ 0.071800
UtiliCorp United, Inc./(St. Joseph Power & Light Div.)	\$ 39,783,197	674,999,000	\$ 0.058938
Empire District Electric Company	\$ 108,571,833	1,660,928,000	\$ 0.065368
Kansas City Power & Light Company	\$ 352,095,387	4,725,323,000	\$ 0.074512
Ameren UE (Union Electric)	\$ 915,855,246	12,635,182,000	\$ 0.072485
1999			
UtiliCorp United, Inc./(Missouri Public Service Div.)	\$ 148,200,000	1,956,800,000	\$ 0.075736
UtiliCorp United, Inc./(St. Joseph Power & Light Div.)	\$ 37,599,754	623,667,000	\$ 0.060288
Empire District Electric Company	\$ 98,786,901	1,509,175,836	\$ 0.065458
Kansas City Power & Light Company	\$ 324,091,447	4,287,963,454	\$ 0.075582
Ameren UE (Union Electric)	\$ 871,212,000	11,872,621,000	\$ 0.073380
1998			
UtiliCorp United, Inc./(Missouri Public Service Div.)	\$ 154,400,000	2,000,398,000	\$ 0.077185
UtiliCorp United, Inc./(St. Joseph Power & Light Div.)	\$ 38,484,479	634,165,000	\$ 0.060685
Empire District Electric Company	\$ 100,566,576	1,548,629,943	\$ 0.064939
Kansas City Power & Light Company	\$ 334,228,069	4,413,732,000	\$ 0.075725
Ameren UE (Union Electric)	\$ 865,106,285	12,204,716,041	\$ 0.070883
1997			
UtiliCorp United, Inc./(Missouri Public Service Div.)	\$ 147,599,000	1,833,799,000	\$ 0.080488
UtiliCorp United, Inc./(St. Joseph Power & Light Div.)	\$ 37,065,955	621,432,000	\$ 0.059646
Empire District Electric Company	\$ 88,635,799	1,429,787,422	\$ 0.061992
Kansas City Power & Light Company	\$ 315,240,379	4,087,617,976	\$ 0.077121
Ameren UE (Union Electric)	\$ 834,618,100	11,499,116,181	\$ 0.072581
1996			
UtiliCorp United, Inc./(Missouri Public Service Div.)	\$ 142,597,000	1,770,725,000	\$ 0.080530
UtiliCorp United, Inc./(St. Joseph Power & Light Div.)	\$ 36,428,419	611,911,000	\$ 0.059532
Empire District Electric Company	\$ 86,014,341	1,440,512,033	\$ 0.059711
Kansas City Power & Light Company	\$ 306,340,000	3,906,196,000	\$ 0.078424
Ameren UE (Union Electric)	\$ 840,459,425	11,549,256,528	\$ 0.072772
1995			
UtiliCorp United, Inc./(Missouri Public Service Div.)	\$ 138,622,965	1,689,696,000	\$ 0.082040
UtiliCorp United, Inc./(St. Joseph Power & Light Div.)	\$ 36,001,141	593,881,000	\$ 0.060620
Empire District Electric Company	\$ 81,331,054	1,350,339,907	\$ 0.060230
Kansas City Power & Light Company	\$ 306,171,000	3,879,975,000	\$ 0.078911
Ameren UE (Union Electric)	\$ 843,037,511	11,229,011,259	\$ 0.075077

Source: 1995 Thru 1999 Taken from Rebuttal Testimony filed in EM-2000-369, By Phillip K. Williams
2000 Data taken from the Annual Reports
Pages 300 and 301

Missour LDC Rate Comparison

Electric

July, 2002 & January, 2003 Analysis

<u>Residential</u>		<u>Aquila/MPS</u>	<u>Aquila/L&P</u>	<u>Empire</u>	<u>KCP&L-MO</u>	<u>UE</u>
Summer @ 1000Kwh	July, 02	\$ 76.74	\$ 69.59	\$ 81.42	\$ 80.11	\$ 88.55
Winter @ 750 Kwh	Jan., 03	\$ 55.33	\$ 46.84	\$ 58.67	\$ 52.04	\$ 49.33
Annual Bills (1)		\$ 771.01	\$ 675.83	\$ 817.79	\$ 764.83	\$ 788.06
Annual Kwh		10,000	10,000	10,000	10,000	10,000
Annual Avg. \$/Kwh		\$ 0.0771	\$ 0.0676	\$ 0.0818	\$ 0.0765	\$ 0.0788
<u>Commercial</u>						
Winter 40KW / 14,000 Kwh		\$ 672	\$ 571	\$ 829	\$ 804	\$ 815
Summer 40 KW / 14,000 Kwh		\$ 935	\$ 770	\$ 1,178	\$ 994	\$ 1,126
Annual Bills (1)		\$ 9,379.00	\$ 7,847.00	\$ 11,693.00	\$ 10,598.00	\$ 11,335.00
Annual Kwh		150,000	150,000	150,000	150,000	150,000
Annual Avg. \$/Kwh		\$ 0.0625	\$ 0.0523	\$ 0.0780	\$ 0.0707	\$ 0.0756
<u>Industrial</u>						
Winter 1000KW / 400000 Kwh		\$ 14,128	\$ 14,155	\$ 19,155	\$ 20,026	\$ 16,265
Summer 1000 KW / 400000 Kwh		\$ 21,612	\$ 20,201	\$ 25,393	\$ 24,049	\$ 27,515
Annual Bills (1)		\$ 206,956	\$ 200,090	\$ 261,050	\$ 260,427	\$ 251,430
Annual Kwh		4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Annual Avg. \$/Kwh		\$ 0.0431	\$ 0.0417	\$ 0.0544	\$ 0.0543	\$ 0.0524

(1) Annual bills are calculated by pricing the monthly usage by the base rate effective at the date of this schedule, and includes 12-months of customer charges. Summer Rate were July 1, 2002 Winter rates were as of Jan. 1, 2003. This analysis uses 5 months summer rate and 7 months winter rate

(2) Source Documet: Typical Bills and Average Rates Report by Edison Electric Institute

Missouri LDC Rate Comparison

Electric

July, 2002 & January, 2003 Analysis

		Aquila/MPS	Aquila/L&P	Empire	KCP&L-MO	UE
Residential						
Summer @ 1000Kwh	July, 02	\$ 76.74	\$ 69.59	\$ 81.42	\$ 80.11	\$ 88.55
Winter @ 750 Kwh	Jan., 03	\$ 55.33	\$ 46.84	\$ 58.67	\$ 52.04	\$ 49.33
Annual Bills (1)		\$ 749.60	\$ 653.08	\$ 795.04	\$ 736.76	\$ 748.84
Annual Kwh		10,000	10,000	10,000	10,000	10,000
Annual Avg. \$/Kwh		\$ 0.0750	\$ 0.0653	\$ 0.0795	\$ 0.0737	\$ 0.0749
Commercial						
Winter 40KW / 14,000 Kwh		\$ 672	\$ 571	\$ 829	\$ 804	\$ 815
Summer 40 KW / 14,000 Kwh		\$ 935	\$ 770	\$ 1,178	\$ 994	\$ 1,126
Annual Bills (1)		\$ 9,116.00	\$ 7,648.00	\$ 11,344.00	\$ 10,408.00	\$ 11,024.00
Annual Kwh		150,000	150,000	150,000	150,000	150,000
Annual Avg. \$/Kwh		\$ 0.0608	\$ 0.0510	\$ 0.0756	\$ 0.0694	\$ 0.0735
Industrial						
Winter 1000KW / 400000 Kwh		\$ 14,128	\$ 14,155	\$ 19,155	\$ 20,026	\$ 16,265
Summer 1000 KW / 400000 Kwh		\$ 21,612	\$ 20,201	\$ 25,393	\$ 24,049	\$ 27,515
Annual Bills (1)		\$ 199,472	\$ 194,044	\$ 254,812	\$ 256,404	\$ 240,180
Annual Kwh		4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Annual Avg. \$/Kwh		\$ 0.0416	\$ 0.0404	\$ 0.0531	\$ 0.0534	\$ 0.0500

(1) Annual bills are calculated by pricing the monthly usage by the base rate effective at the date of this schedule, and includes 12-months of customer charges. Summer Rate were July 1, 2002. Winter rates were as of Jan. 1, 2003. This analysis uses 4 months summer rate and 8 months winter rate.

(2) Source Documet: Typical Bills and Average Rates Report by Edison Electric Institute.



Aquila

Aquila Update Missouri Community Meeting Discussion Document

Rick Green

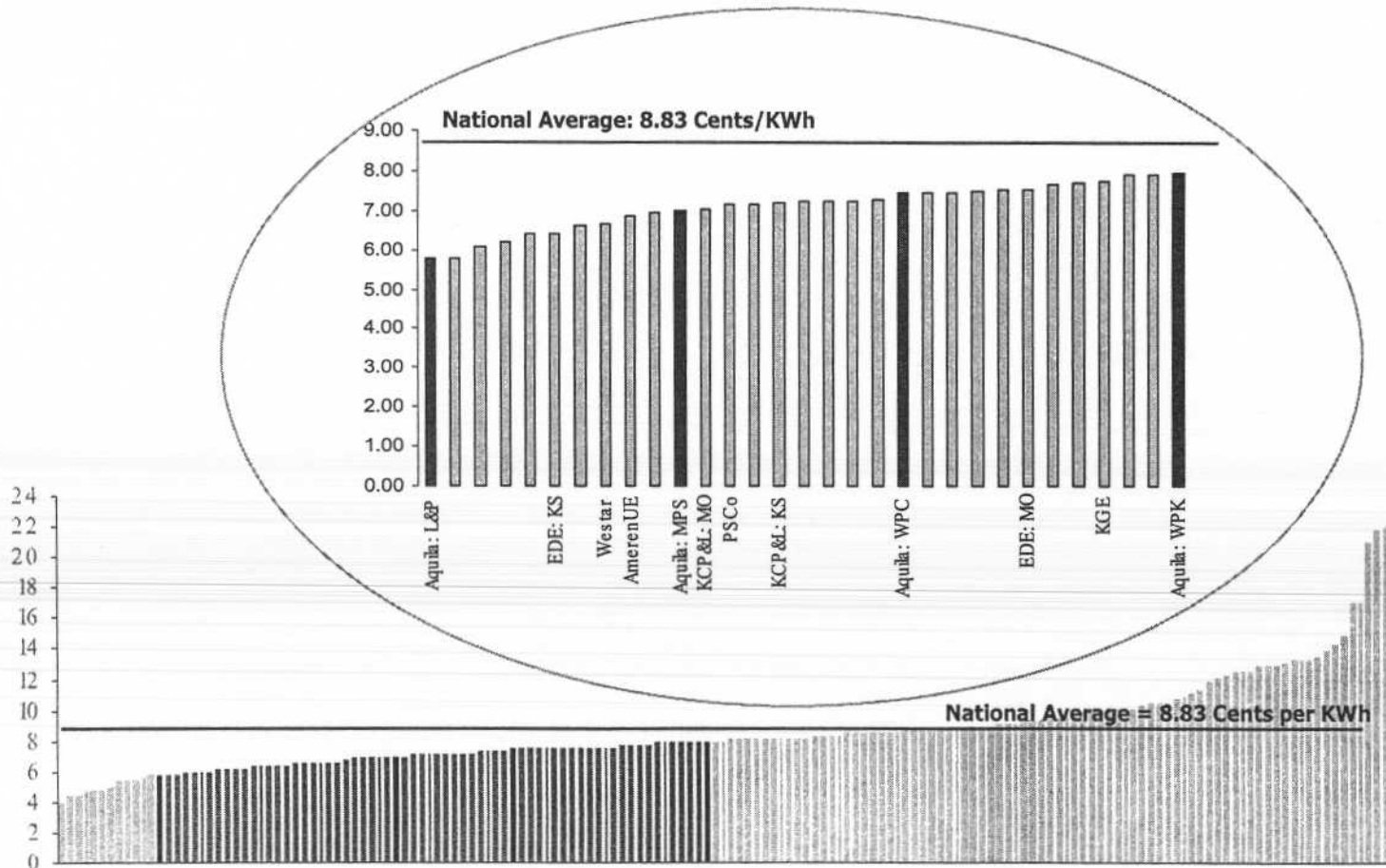
Chief Executive Officer

Missouri Public Service

June 26, 2003



Aquila Current Rate Comparison





Aquila Rate Comparison After Proposed Increase

