Exhibit No.: Issues: Dues and Donations, Commission Assessment, Maintenance & Advertising Witness: Randall D. Erickson Sponsoring Party: Aquila Networks-L&P Case No.: HR-

FILED⁴ JUL 0 3 2003 Missouri Public Service Commission

Before the Public Service Commission of the State of Missouri

Direct Testimony

 \mathbf{of}

Randall D. Erickson

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BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI DIRECT TESTIMONY OF RANDALL D. ERICKSON ON BEHALF OF AQUILA NETWORKS-L&P, A DIVISION OF AQUILA, INC. CASE NO. HR-____

1 Q. Please state your name and business	s address.
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- 2 A. My name is Randall D. Erickson and my business address is 10700 East 350 Highway,
- 3 Kansas City, Missouri.
- 4 Q. By whom are you employed and in what capacity?
- 5 A. I am employed by Aquila, Inc., ("Aquila" or "Company") as a Regulatory Analyst.
- 6 Q. Please state your educational background and experience.
- 7 A. I attended MidAmerica Nazarene University in Olathe, KS, where I received Bachelor of
- 8 Arts Degrees in Accounting and Business Administration. I have eight years of finance
- 9 experience in the electric utility industry including two years of regulatory experience
- 10 with Aquila, Inc.
- 11 Q. What is the purpose of your testimony in this proceeding involving the Aquila Networks
- 12 L&P ("L&P") operating division?
- A. The purpose of my testimony is to explain and support various adjustments made to Cost
 of Service.
- 15 Q. Please identify the adjustments that you are sponsoring.
- 16 A. I am sponsoring four cost of service adjustments:
- 17 Dues and Donations (Adjustment CS-60)



Direct Testimony: Randall D. Erickson

1		Missouri Public Service Commission ("Commission") Assessment (Adjustment				
2		CS-40)				
3		Maintenance Adjustment – Federal Energy Regulatory Commission ("FERC")				
4		Acct 504300 and 730300 (Adjustment CS-26)				
5		Advertising (Adjustment CS-65)				
6	5 DUES AND DONATIONS					
7	Q.	Please explain Adjustment No. CS-60.				
8	A.	This adjustment eliminates all dues and donations charged above-the-line to L&P steam				
9		operations except Edison Electric Institute ("EEI") dues. The expenses relating to EEI have				
10		been included in the cost of service because they provide a benefit to ratepayers.				
11	Q,	What benefit does EEI provide to ratepayers?				
1 2	Α.	EEI fosters the exchange of information on topics such as utility operations and				
13		environmental legislation. Member utilities and other interested parties rely upon EEI for				
14		authoritative analysis and critical industry data. EEI also conducts forums for member				
15		company representatives to discuss issues and strategies to advance the industry and to				
16		ensure a competitive position in a changing marketplace.				
17	Q.	Have any lobbying costs associated with EEI been eliminated from this adjustment?				
18	A.	Yes. Percentages were obtained from EEI and used to calculate the disallowance of				
19		lobbying expenditures for the test year ended December 31, 2002. The percentages are				
20		based on EEI's actual lobbying expenditures for calendar year 2001 which were identified				
21		as lobbying and political expenditures under the Lobbying Disclosure Act of 1995.				

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1		COMMISSION ASSESSMENT
2	Q.	Please explain the purpose of Adjustment No. CS-40.
3	A.	Adjustment No. CS-40 annualizes the Commission's assessment for the fiscal year
4		beginning July 1, 2002 through June 30, 2003.
5	Q.	How was the annualized assessment computed?
6	A.	The actual assessment for the fiscal year beginning July 1, 2002 was obtained from the
7		Commission's letter of assessment notice. The total steam assessment, as stated on the
8		letter of assessment notice, was compared to per books data for the test year ending June 30,
9		2002. Since it is known that this cost will be incurred, an adjustment was made for the
10		difference to account for the increase over the prior year's assessment. Current assessments
11		are known and measurable and should be reflected in the rates established in this case.
12		MAINTENANCE ADJUSTMENT - FERC ACCT 504300 AND 730300
13	Q.	Please explain the purpose of Adjustment No. CS-26.
14	A.	Adjustment No. CS-26 corrects an error in the allocation of maintenance expense between
15		the L&P electric and steam operations.
16	Q.	Please explain what caused this error.
17	A.	The formula used by Aquila to allocate total maintenance expense incorrectly assigned
18		maintenance expense from steam to electric operations, thereby understating test year
19		steam maintenance expense and overstating test year electric maintenance expense.
20		ADVERTISING
21	Q.	Please explain Adjustment No. CS-65.

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Direct Testimony: Randall D. Erickson

1 A. This adjustment eliminates all advertising expenses recorded to above-the-line accounts for 2 the test year ending December 31, 2002 except those expenses for informational and safety 3 advertisements that directly benefit L&P steam customers. Q. 4 What do the informational and safety advertisements consist of? 5 Α. The informational and safety advertising expenses remaining in operating expenses relate 6 to news releases, customer bill inserts, newspaper advertisements, and newsletters. News 7 releases, customer bill inserts and newspaper advertisements regarding safety and 8 Company information were distributed twice in the test year. 9 Q. Please describe generally the content of these items. 10 A. These advertisements inform the public of Dig-Rite and Call Before You Dig programs that 11 help residents avoid potential expense and the possibility of serious or fatal injury. 12 Q. Does this complete your direct testimony?

13 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

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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-____

County of Jackson)	
)	SS
State of Missouri)	

AFFIDAVIT OF RANDALL D. ERICKSON

Randall D. Erickson, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Randall D. Erickson;" that said testimony was prepared by him and 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.

Randall D. Erickson

Subscribed and sworn to before me this 2/t day of

. 2003. Votary Public

Ferry D. Lutes

My Commission expires:

8-20-2004

