

EXECUTIVE SUMMARY  
REBUTTAL TESTIMONY OF DAVID L. STOWE  
DOCKET NO. EO-2002-384

In his rebuttal testimony, Aquila witness David L. Stowe assesses the COS studies of the Missouri Public Service Commission Staff ("Staff") and Office of Public the Counsel ("OPC"). Stowe explains errors he found in Staff's and OPC's COS work papers, and describes inconsistencies in the parties' logic and data. Stowe also gives a detailed explanation of the true cause of fixed production and transmission costs, and describes how those costs are properly distributed to the customer classes. Stowe concludes his rebuttal testimony with the recommendation that the Commission endorse Aquila's COS methods and approve the COS results for use in Aquila's rate design.

#### Allocation of Fixed Production and Transmission Costs

In this section, Aquila witness Stowe defines "fixed costs" and demonstrates that these costs increase and decrease independent of customer energy usage or demand; proving instead that fixed costs are entirely dependent on the size and capacity of the plant equipment. Stowe then explains how fixed costs may be reasonably and adequately distributed to the classes using an energy weighted demand allocator.

Also in this section, Stowe clarifies how Staff's calculation and application of its time-of-use ("TOU") allocator distributes all the fixed costs on energy.

#### Allocation of Variable Production Costs

In this section, the variable costs are defined and their causes explained. Stowe demonstrates, with tables and schedules, how variable costs rise and fall in concert with system energy usage.

#### Review of OPC's COS Study

In this section, Stowe explains a number of inconsistencies and errors found in the OPC's work papers, and explains why the OPC's COS study will have many of the same errors as Staff's. Stowe shows how the OPC's adaptation and use of Staff's TOU allocators have created "demand" allocators that are shifted to the extreme, looking more 'energy like' than a straight energy allocator.

#### Additional Concerns with COS Studies

In this section Stowe describes a variety of concerns with respect to the various parties' COS studies. However, Stowe explains that many of these concerns may have already been resolved as a result of the Settlement Conference between the parties.

#### Recommendations and Conclusion.

In this section, Stowe recommends that the Commission reject the other parties' COS studies because of the errors and inconsistencies found in them. Stowe recommends that the Commission adopt Aquila's COS study and use the resulting revenues as a basis for designing new rates in this case.