

Exhibit No.:

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| Issues: | Class Cost of Service Rate Design |
| Witness: | James C. Watkins |
| Sponsoring Party: | MO PSC Staff |
| Type of Exhibit: | Direct Testimony |
| Case No.: | ER-2008-0093 |
| Date Testimony Prepared: | March 7, 2008 |

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

JAMES C. WATKINS

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2008-0093

Jefferson City, Missouri

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

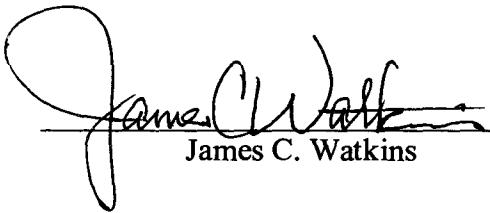
In the matter of The Empire District)
Electric Company of Joplin, Missouri's)
application for authority to file tariffs)
increasing rates for electric service)
provided to customers in the Missouri)
service area of the Company)

Case No. ER-2008-0093

AFFIDAVIT OF JAMES C. WATKINS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James C. Watkins, of lawful age, on his oath states: that he 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 him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.


James C. Watkins

Subscribed and sworn to before me this 6 day of March, 2008.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086


Notary Public

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EXECUTIVE SUMMARY

Q. What is the purpose of your direct testimony?

A. The purpose of this testimony is to sponsor the Staff's recommendations regarding shifts in class revenue responsibility, rate design changes, and the related changes to the rate components of each Empire rate schedule.

Q. What are the Staff's recommendations?

A. First, since the Staff believes the most recent Class Cost-Of-Service (CCOS) studies performed for Empire, which were filed in Case No. ER-2004-0570 based on data for the 12 months ending December 2003, is too old to use as a basis for recommending shifts in class revenue responsibility in this case, the Staff is recommending that class revenues be adjusted to collect any increase in Empire's revenue requirement granted by the Commission on the basis of an equal-percent-of-current-rate-revenues and each rate value on each rate schedule be increased by the same equal percentage.

Second, the Staff recommends that the loss adjustments for metering at a non-standard voltage be updated to reflect the loss study filed by Empire in this case, and the language on each tariff sheet explaining these adjustments should be written in a standard format that is easy to understand.

Third, the Staff is proposing to implement a distribution facilities charge for Empire's General Power Service - Schedule GP, Total Electric Building Service – Schedule TEB, and Large Power Service - Schedule LP rate schedules in this case. A facilities charge would more equitably recover distribution facilities costs among customers within each class.

Fourth, the Staff is proposing that the current rate discounts and rate adders should continue to be used to account for equipment and facilities owned by a customer that are

1 different from that assumed for customers on that rate schedule, but should be applied as a
2 component of the facilities charge rather than the demand charge.

3 Finally, the Staff recommends that the Commission approve an electric Fuel
4 Adjustment Clause (FAC) for Empire that is different, from a rate design perspective, than the
5 FAC proposed by Empire, as follows:

- 6 1. Fuel cost accumulation should be done on a calendar month basis, but the
7 recovery should be billed on a billing month basis;
- 8 2. Instead of a single annual "base cost," the "base cost" of fuel and
9 purchased power energy should be determined on a seasonal basis;
- 10 3. Differences in losses between secondary and primary should be accounted
11 for by adjusting the cost "at the generator" to the assumed metering voltage of
12 each customer's rate schedule; and
- 13 4. True-up rate adjustments or refunds should include interest at Empire's
14 short-term borrowing rate.

15 The details of these recommendations are found in the Staff's Class Cost-of-Service &
16 Rate Design Report.

17 **RELIANCE ON OTHER STAFF**

18 Q. What reliance did you place on other Staff members?

19 A. Experts typically rely on the work of others to determine the appropriate class
20 revenue shifts to more closely align class revenues with the cost of serving each class, and the
21 related changes to the rate components of each tariff. I did so respecting Staff's direct case. I
22 relied on Mr. David Roos, Mr. Curt Wells, and Ms. Manisha Lakhanpal for preparing the
23 Staff's Class Cost-of-Service & Rate Design Report (Report) filed in this case. The Report is

Direct Testimony of
James C. Watkins

1 based on their work and analysis performed in this case. This work was performed under my
2 general supervision, but was directly supervised by senior staff with extensive rate design
3 experience. Based on my experience working with them, my familiarity with the quality of
4 the work products they produce, and my own experience with class cost of service and rate
5 design issues, the analysis presented in the report is reasonable and reliable for determining
6 the Staff's rate design recommendations.

7 Q. Does this conclude your direct testimony?

8 A. Yes, it does.

Case List

| | |
|--|---------------------------------------|
| 1. The Empire District Electric Company | Case No. ER-83-42 |
| 2. Kansas City Power & Light Company | Case No. ER-83-49 |
| 3. Union Electric Company | Case No. ER-83-163 |
| 4. Arkansas Power & Light Company | Case No. ER-83-206 |
| 5. The Empire District Electric Company | Case No. ER-83-364 |
| 6. Kansas City Power & Light Company | Case No. EO-84-4 |
| 7. Union Electric Company | Case No. EO-85-17 |
| 8. Arkansas Power & Light Company | Case No. ER-85-20 |
| 9. Arkansas Power & Light Company | Case No. EO-85-146 |
| 10. Union Electric Company | Case No. ER-85-160 |
| 11. Kansas City Power & Light Company | Case Nos. ER-85-128 & EO-85-185 |
| 12. Arkansas Power & Light Company | Case Nos. ER-85-265 & ER-86-4 |
| 13. Union Electric Company | Case Nos. EC-87-114 & EC-87-115 |
| 14. St. Joseph Light & Power Company | Case No. HR-88-116 |
| 15. Union Electric Company | Case No. EO-87-175 |
| 16. Missouri Public Service | Case No. ER-90-101 |
| 17. The Empire District Electric Company | Case No. ER-90-138 |
| 18. Kansas City Power & Light Company | Case No. EM-91-16 |
| 19. St. Joseph Light & Power Company | Case No. EO-88-158 |
| 20. The Empire District Electric Company | Case No. EO-91-74 |
| 21. Missouri Public Service | Case No. EO-91-245 |
| 22. Missouri Public Service | Case No. ER-93-37 |
| 23. St. Joseph Light & Power Company | Case No. ER-93-41 |
| 24. St. Joseph Light & Power Company | Case No. EO-93-351 |
| 25. St. Joseph Light & Power Company | Case No. ER-94-163 |
| 26. The Empire District Electric Company | Case No. ER-94-117 |
| 27. Citizens' Electric Corporation | Case No. ER-97-286 |
| 28. The Empire District Electric Company | Case No. ER-97-81 |
| 29. The Empire District Electric Company | Case No. ER-97-491 |
| 30. Missouri Public Service | Case Nos. ER-97-394 & ET-98-103 |
| 31. St. Joseph Light & Power Company | Case Nos. EC-98-573 & ER-99-247 |
| 32. Citizens' Electric Corporation | Case No. ET-99-113 |
| 33. Union Electric Company | Case No. EO-96-15 |
| 34. Union Electric Company | Case No. EO-2000-580 |
| 35. The Empire District Electric Company | Case No. ER-2001-299 |
| 36. Missouri Public Service | Case No. ER-2001-672 & EC-2002-265 |
| 37. Union Electric Company | Case No. EC-2002-1 |
| 38. Citizens' Electric Corporation | Case No. ER-2002-217 |
| 39. The Empire District Electric Company | Case No. ER-2001-1074 (ER-2001-425) |
| 40. The Empire District Electric Company | Case No. ER-2002-424 |
| 41. Aquila, Inc. (MPS & L&P) | Case Nos. ER-2004-0034 & HR-2004-0024 |
| 42. The Empire District Electric Company | Case No. ER-2004-0570 |
| 43. Union Electric Company | Case No. EA-2005-0180 |
| 44. Aquila, Inc. (MPS & L&P) | Case No. EO-2002-384 |
| 45. Aquila, Inc. (MPS & L&P) | Case Nos. ER-2005-0436 & HR-2005-0450 |
| 46. Union Electric Company | Case No. ER-2007-0002 |
| 47. Aquila, Inc. (MPS & L&P) | Case No. ER-2007-0004 |
| 48. Kansas City Power & Light | Case No. ER-2007-0291 |