

EXECUTIVE SUMMARY
SURREBUTAL TESTIMONY OF CHARLES R. GRAY
DOCKET NO. EO-2002-384

Section I: Introduction

This section provides the qualifications of the witness.

Section II: Rate Design Case Objectives

This section provides the purpose and objectives of a rate design case from Aquila's perspective.

Section III: Response to Commission Staff

This section responds to the assertion that Aquila's proposed rate component values are not collecting the stated revenue targets from each class as determined by the cost of service study. This section also describes Aquila's strong disagreement to the statement that the proposed rate structure changes were offered "on a whim".

Exhibit No.:
Issues: Proposed Rates,
Rate Structure
Witness: Charles R. Gray
Sponsoring Party: Aquila Networks – L&P
Aquila Networks – MPS
Case No.: EO-2002-384

Before the Public Service Commission
Of the State of Missouri

Surrebuttal Testimony

Of

Charles R. Gray

TABLE OF CONTENTS

SECTION I – Introduction	1
SECTION II – Rate Design Case Objectives	2
SECTION III – Response to Commission Staff	2

DOCKET NO. EO-2002-384

1

2

3

5

7

8

10

12

13

- 14

- 15

16

17

1 SECTION II – Rate Design Case Objectives

2 Q. Has your view of the ultimate purpose of this case changed since you filed your direct
3 testimony?

4 A. No. As Aquila witness J. Matt Tracy has testified, it is still our opinion that this case
5 was established to study, on a revenue neutral basis, Aquila’s class cost-of-service, to
6 identify load characteristics and to develop revenue neutral shifts to properly balance
7 class rates.

8 Q. What is the primary objective of this type of case?

9 A. A rate design case’s primary objective is to verify that the rates are adequate to
10 collect the allowed revenue across all customer classes and from the appropriate
11 customer classes. With all parties using an agreed upon starting point in regard to
12 allowed revenue and test year billing determinants, the focus of the analysis is to
13 determine the proper level of revenue needed to be recovered from each customer
14 class as determined by the Cost of Service Study (“COSS”). If after the analysis is
15 performed and revenue levels are shown to not collect the appropriate revenue levels
16 by customer classes, rate component charges should be changed to reach the desired
17 allowed revenue by rate by rate component.

18 Q. Should Aquila’s proposed rates structures be approved?

19 A. Yes.

20 SECTION III – Response to Commission Staff

21 Q. Have you reviewed the rebuttal testimony of Staff witness James Watkins?

22 A. Yes, I have.

23 Q. Does Staff question the proposed rate component values filed by Aquila?

1 A. I am not sure. Staff witness Watkins states that Aquila has not filed evidence in this
2 case or otherwise provided any information to the Staff to show the Aquila's designed
3 rate levels on its proposed rate structures actually collect the stated revenue targets
4 from each class.¹

5 Q. Do you agree?

6 A. No, I do not.

7 Q. Please explain.

8 A. Aquila witness David Stowe provided an Excel spreadsheet with his filed direct
9 testimony named [MPS2003 AllExhibits with Class Peaks.xls] with sheet named Cust
10 Dmd Enrgy Chrgs. On lines 61 through 64, each COSS rate class list the Total
11 Allowed Revenue by Customer (line 61), Demand (line 62) And Energy (line 63
12 along with a Total (line 64). I provided in direct testimony exhibits CRG-3 and CRG-
13 4 the test year billing determinants priced out at Aquila's proposed rate values. Those
14 billing determinants priced out at the proposed rate values validate that the proposed
15 rate structures actually collect the stated revenue targets from each Cost of Service
16 class.

17 For example, the MPS2003 AllExhibits with Class Peaks.xls sheet named Cust Dmd
18 Enrgy Chrgs line 64 lists Total Allowed Revenue for all classes is \$319,374,969.

19 From Exhibit CRG-3, the total test year billing determinants priced at proposed rate
20 values generate \$319,398,603, a difference of \$23,634 or .0074%.

21 A second example would be for Residential-General Use rate MO860. The MPS2003
22 AllExhibits with Class Peaks.xls sheet named Cust Dmd Enrgy Chrgs line 64 lists

¹ Rebuttal testimony of James Watkins, pg. 6 lines 14-17.

1 Total Allowed Revenue for RES-GEN as \$135,301,913. From Exhibit CRG-3, the
2 test year billing determinants priced at proposed rate values for rate MO860 generate
3 \$135,302,098, a difference of \$185 or .00000137%.

4 Q. Do you feel Aquila's proposed rate component values generate the COSS allowed
5 revenue target for each customer class.

6 A. Yes I do.

7 Q. Regarding Aquila's proposed rate structure changes, does Mr. Watkins agree with the
8 changes?

9 A. No. On page 2 he states "Aquila's proposed rate structure changes should be
10 rejected."² He also states "Aquila's current rate schedules have this characteristic and
11 should not be abandoned on a whim".³

12 Q. Do you believe Aquila's proposed rate structure changes have been offered "on a
13 whim"?

14 A. Absolutely not.

15 Q. Please explain.

16 A. As provided in Aquila witness J. Matt Tracy's direct testimony, this case was
17 established as a "spin-off docket" based on the Commission's Ordered Paragraph No.
18 5 in its Order Approving Stipulation and Agreement in Case No. ER-2001-672,
19 issued on February 21, 2002.⁴ The initial technical conference was on September 18,
20 2002. There were 3 technical conferences held in 2003 covering weather
21 normalization and class load shapes. In July 2004 Aquila provided its initial COSS to

² Rebuttal testimony of James Watkins, pg. 2, line 17.

³ Rebuttal testimony of James Watkins pg. 2, lines 14-15.

⁴ Direct testimony of J. Matt Tracy pg. 3 line 9 through pg. 4 line 8.

1 all parties. In April 2005 the parties held three additional technical conferences
2 covering Aquila's updated COSS, the other parties COSS as well as a billing unit's
3 conference. In August 2005 Aquila provided billing units to all parties.

4 Q. Which parties have been involved in this 3+ year process?

5 A. Representatives from Aquila, the Staff, the OPC, the SIEUA and the Federal
6 Executive Agencies have been involved in this lengthy process.

7 Q. Have there been any subsequent meetings since the direct testimony filing date?

8 A. Yes. Following the September 19, 2005 submission of direct testimony by all parties,
9 a Settlement Conference was held on September 26 through September 28, 2005. The
10 resulting products from the Settlement Conference were a Public Hearing Notice and
11 a List of Issues to be presented before the Commissioners at the Evidentiary Hearing
12 November 7 through November 10, 2005.

13 Q. Do you consider the 3+ year process as acting "on a whim"?

14 A. I certainly do not! As I stated in my direct testimony, much time and effort has been
15 expended by Aquila to listen, learn, analyze and propose rate structure changes that
16 will allow us to satisfy our customer's utility needs and simplify and streamline our
17 billing process. Aquila's Regulatory Services Department met with various employee
18 groups within Aquila as well a numerous meetings and conferences with the parties to
19 this rate design case. From the discussions in those meetings, we developed the
20 proposed rate structures with the mission to satisfy customer feedback, simplify rates,
21 consolidate rate schedules where appropriate, eliminate certain rate schedules, to
22 regroup customers of similar load and service level onto the same rate schedule and
23 finally to design rates that more adequately assign and allocate the total costs of

1 providing service to the various customer classes.”⁵ Aquila has not acted “on a
2 whim.”

3 Q. Has the Staff presented any alternative rate structure changes?

4 A. No it has not. In fact, during the settlement conference I spoke with Jan Pyatte and
5 left the settlement conference believing that the Staff understood our reasoning and
6 desires behind each and every rate structure change. I did not hear any concerns from
7 the Staff in favor of leaving all rate structures as they are currently.

8 Q. What is your recommendation to the Commission concerning rate structure changes?

9 A. I recommend the Commission accept Aquila’s proposed rate structures.

10 Q. Does this conclude your surrebuttal testimony?

11 A. Yes it does.

⁵ Direct testimony of Charles R. Gray pg. 8 lines 3-17.

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

In the matter of an Examination of Class Cost of Service) Case No. EO-2002-384
And Rate Design in the Missouri Jurisdictional Electric)
Service Operations of Aquila, Inc., formerly known as)
UtiliCorp United Inc.)

[illegible]

AFFIDAVIT OF CHARLES R. GRAY

Charles R. Gray, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Surrebuttal Testimony of Charles R. Gray;" 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.

Charles R. Gray
Charles R. Gray

Subscribed and sworn to before me this 27th day of October, 2005.

Terry D. Lutes

Notary Public
Terry D. Lutes

My Commission expires:

8-20-2008



TERRY D. LUTES
Jackson County
My Commission Expires
August 20, 2008