BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of an Examination of Class Cost of Service and Rate Design in the Missouri Jurisdictional Electric Service Operations of Aquila, Inc., Formerly Known as UtiliCorp United Inc.	)))))	Case No. EO-2002-384

STAFF'S POSITION STATEMENTS

As ordered by the Commission, parties in this case filed a proposed list of issues. In its August 23, 2005 Order Regarding Consolidation and Procedural Schedule the Commission ordered the parties to file their position statements by November 4, 2005. Following is a restatement of the proposed issues together with the Staff's position on each.

PROPOSED LIST OF ISSUES

Class Cost of Service Issues

1. What is the appropriate method for allocating generation-related costs to customer classes?

Because production-capacity costs are determined by loads throughout the year, each class's contribution to the sum of the class loads in each hour should be used to allocate hourly production-capacity costs. For consistency, and because production-energy costs also vary throughout the year, each class's contribution to the sum of class loads in each hour should be used to allocate hourly production-energy costs.

2. What is the appropriate method for allocating transmission-related costs to customer classes?

For consistency, and because the planning and operation of transmission plant is inexorably linked to production plant, each class's contribution to the sum of class loads in each hour should be used to allocate hourly transmission-capacity costs.

3. What is the appropriate method for allocating distribution-related costs to customer classes?

For convenience, the Staff's response to this issue is provided with the Staff's response to the next issue, Issue 4—for each category of distribution plant listed below in the response to Issue 4, the appropriate method for allocating distribution-related costs for that category of distribution plant is also listed.

4. What is the appropriate classification of distribution plant into categories such as primary demand, secondary demand, primary customer-related and secondary customer-related?

Substations – Primary – Demand

Class contribution to the sum of annual class peak demands should be used to allocate substation costs since substations are sized to meet the diversified demands of customers.

Lines, Poles, & Conduits – Primary – Demand

Class contribution to the sum of annual class peak demands should be used to allocate the portion of the costs of lines, poles, and conduits related to primary demand since lines, poles and conduits are sized to meet the diversified demands of customers.

Lines, Poles, & Conduits – Primary - Customer

Class contribution to the sum of density-weighted customer numbers should be used to allocate the length-related portion of the costs of lines, poles, and conduits.

Lines, Poles, & Conduits – Secondary - Demand

Class contribution to the sum of annual class peak demands at the secondary level should be used to allocate the portion of the costs of lines, poles, and conduits related to secondary demand since they are sized to meet the diversified demands of secondary customers.

Lines, Poles, & Conduits – Secondary – Customer

Class contribution to the sum of density-weighted customer numbers should be used to allocate the length-related portion of the costs of lines, poles, and conduits.

Transformers – Primary – Demand (Capacitors)

Class contribution to customer diversified demand at primary, which is a mix of non-coincident class peak and customer maximum demand, should be used to allocate capacitor costs.

Transformers – Secondary - Demand

Class contribution to customer diversified demand at secondary, which is a mix of the non-coincident class peak and customer maximum demand, should be used to allocate the demand-related portion of line transformer costs.

Transformers – Secondary - Customer

Class contribution to the sum of density-weighted customer numbers should be used to allocate the length-related portion of transformer costs.

Customer Installations

Class contribution to the sum of the number of customers should be used to allocate customer installations.

Services

Because the cost of a service line is directly related to the type of meter installed, service lines should be allocated in the same way that meters are allocated.

Meters

Class contribution to the sum of typical-meter-cost weighted customer numbers should be used to allocate the cost of meters.

5. What are the appropriate methods for allocating administrative and general expenses to customer classes?

Expenses should be directly assigned, if possible. Expenses that cannot be directly assigned should be allocated in a manner consistent with the principle that "expenses follow

plant." "Expenses follow plant" basically means that any expense related to a particular rate base component, should be allocated in the same manner as the rate base account.

Rate Design Issues

6. Should inter-class revenue adjustments be determined in this case and should inter-class revenue adjustments be implemented in this case?

A. What are the appropriate inter-class revenue adjustments? or

B. What is the appropriate method to determine them?

Changes in the distribution of costs and revenues since Aquila's last rate case have affected the class revenue shifts that would be required to align revenues with the cost of serving each customer class. The class cost-of-service studies presented in this case are all based on the distribution of costs and revenues from Aquila's last rate case, Case No. ER-2004-0034. Class revenue shifts should be based on the distribution of costs and revenues determined by the Commission in Aquila's current rate case, Case No. ER-2005-0436, and should be implemented in that case.

7. What rate schedules should be combined, eliminated or added?

The Staff has no objection to:

(1) Adding an MPS Residential – Other Use rate schedule;

(2) Combining the MPS Small GS-No Demand (MO710), School and Church (MO740), and Municipal Park and Recreation (MO800, MO810, MO811) rate schedules into a single MPS Small General Service – Non Demand Billing rate schedule;

(3) Freezing the availability of the existing MPS Small General Service – Primary Voltage rate schedule to service to existing customers only;

(4) Consolidating MPS Rate Schedule MO919 into the MPS Large Power Service-Secondary (MO730) rate schedule;

(5) Adding an MPS Small GS Short Term Service rate schedule;

(6) Merging the L&P Residential Water Heat (MO913, MO914) rate schedules into the L&P Residential General Use (MO910, MO911) rate schedules;

(7) Consolidating the L&P Small General Service-Limited Demand rate schedules (MO930, MO932, MO934, MO941) into a single L&P Small General Service-Non Demand Billing rate schedule;

(8) Merging the L&P Small General Service-with Space Heat (MO933) rate schedule into the L&P Small General Service-General Use (MO931) rate schedule; and

(9) Adding an L&P Small General Service Short Term rate schedule.

8. What changes to the rate structures on each rate schedule are appropriate?

None.

9. How should the appropriate rate values for each rate schedule be determined?

Each rate value should be increased by the same percentage amount determined appropriate to move that class closer to its cost of service.

WHEREFORE, the Staff submits to the Commission the foregoing position statements as ordered by the Commission in its August 23, 2005 Order Regarding Consolidation and Procedural Schedule.

Respectfully submitted,

DANA K. JOYCE
General Counsel

/s/ Nathan Williams
Nathan Williams
Senior Counsel
Missouri Bar No. 35512

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-8702 (Telephone)
(573) 751-9285 (Fax)
nathan.williams@psc.mo.gov

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 4th day of November 2005.

/s/ Nathan Williams