Exhibit No.: 1071

Issues: Jurisdictional

Allocations

Witness: Alan J. Bax

Sponsoring Party: MO PSC Staff

Type of Exhibit: Surrebuttal Testimony

Case No.: ER-2004-0034

Date Testimony Prepared: February 13, 2004 as modified February 27, 2004

MISSOURI PUBLIC SERVICE COMMISSION UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

FILED

ALAN J. BAX

MAY 0 4 2004

AQUILA, INC.
D/B/A AQUILA NETWORKS-MPS

Missouri Public Gemmission

CASE NO. ER-2004-0034

Jefferson City, Missouri February 2004

Exhibit No. 1071

Case No(s). 4 Any -003 4

Date 3-1-04 Reptr 11

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In The Matter Of Aquila, Inc. Networks L&P And Aquila N To Implement A General Ra Electricity	letworks MPS)) Case No. ER-2)	2004-0034	
	AFFIDAVIT	OF ALAN J. BA	x	
STATE OF MISSOURI)			
COUNTY OF COLE) ss)			
Alan J. Bax, of lawful of the following written testin pages of testimony to be pretestimony were given by him; that such matters are true to the such matters ar	nony, as modifie sented in the ab that he has know	d, in question and a ove case, that the wledge of the matt	answer form, consi answers in the att ers set forth in suc	sting of 3 tached written
		(e	land Bay	
			Alan J. Bax	
Subscribed and sworn to before	ore me this $\frac{\tilde{c}}{\tilde{c}}$	37 day of I	February, 2004.	
	DAWN L. I Notary Public – Sta	HAKE are of Missour Q	wre L. L	lane
My commission expires	Notary Public — Side County of Count		Notary Publi	ic

1 SURREBUTTAL TESTIMONY 2 **OF** 3 ALAN J. BAX 4 AQUILA, INC. 5 D/B/A AQUILA NETWORKS-MPS 6 7 CASE NO. ER-2004-0034 8 9 Q. Please state your name and business address. 10 A. Alan J. Bax, P.O. Box 360, Jefferson City, Missouri, 65102. 11 Q. Are you the same Alan Bax who previously filed direct testimony in this 12 case? 13 A. Yes. 14 Q. What is the purpose of your surrebuttal testimony in the Aquila, Inc. 15 (Company) Rate Case, Case No. ER-2004-0034? 16 A. The purpose of this surrebuttal testimony is to respond to the rebuttal 17 testimony filed by Company witness Dennis R. Williams. In his rebuttal testimony, 18 Mr. Williams proposes that the Aquila Networks - MPS (MPS) wholesale customer, City 19 of Odessa (Odessa), not be included in the calculation of the jurisdictional allocation 20 factors. In particular, the purpose of my testimony is to explain why Staff included the 21 peak demand and energy usage of Odessa in the calculation of Staff's demand and energy 22 allocation factors.

Surrebuttal Testimony of Alan J. Bax

Q. Why did the Company exclude Odessa in performing its calculation of the jurisdictional allocation factors?

A. As indicated on page 22 – lines 11-13 of the rebuttal testimony of Mr. Williams, Odessa notified MPS in March 2003 of its intention not to renew the existing service contract upon its expiration date of April 1, 2004. Further, in line 13, Mr. Williams asserts that this notification represents a "known and measurable" item prior to the end of the update period in this case (September 30, 2003). Mr. Williams states that it is "known" that Odessa would not be taking service from MPS under the current contract. Furthermore, the impact of this on jurisdictional allocation factors can be "measured"; therefore, Mr. Williams concludes that Odessa's energy and demands should be excluded in a calculation of jurisdictional allocation factors for MPS.

Q. Why did the Staff include Odessa in its calculation of jurisdictional allocation factors?

A. The Staff included Odessa in its calculations because Odessa was a customer for the entire test year and update period (calendar year 2002 and January through September 2003 respectively) ordered by the Commission in this case. Any event that occurs "outside" of this period, such as the subsequent loss of Odessa as a wholesale customer, is not considered. For a more detailed discussion concerning the determination of rates based on known and measurable changes, see the rebuttal testimony of Staff witness Dana E. Eaves, beginning on page 4, line 22 and continuing through page 5, line 12.

Q. Is there a similar example of a known and measurable event that occurred within the test year and update period that was reflected in the Staff's calculations?

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 A. Yes. The City of Harrisonville was no longer a wholesale customer of MPS as of May 2003. This is a "known and measurable" item that occurred within the time frame of the test year and update period, and thus the City of Harrisonville's energy and peak demands were not included in Staff's jurisdictional allocation factor analyses.

- Q. Why is it not appropriate to consider items that occur outside the test year and update period?
- A. It is imperative in the development of a utility's revenue requirement to maintain the relationships between revenue, expense and rate base "at a consistent point in time". This is known as the "matching principal". For a more detailed description of this concept, see the rebuttal testimony of Staff witness Eaves, beginning on page 8, line 9 and continuing through page 9, line 16.
 - Q. Does this conclude your surrebuttal testimony?
 - A. Yes.