

Exhibit No.:

Issues: EDR Revenue &
Misc. Tariff Issues

Witness: J. Matt Tracy

Sponsoring Party: Missouri Public
Service

Case No.: ER-2001-672

Before the Public Service Commission
of the State of Missouri

FILED³
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Missouri Public
Service Commission

Rebuttal Testimony

of

J. Matt Tracy

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**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
REBUTTAL TESTIMONY OF J. MATT TRACY
ON BEHALF OF MISSOURI PUBLIC SERVICE,
A DIVISION OF UTILICORP UNITED INC.
CASE NO. ER-2001-672**

1 Q. Please state your name and business address.

2 A. My name is J. Matt Tracy and my business address is 20 West 9th Street, Kansas City,
3 Missouri, 64105.

4 Q. Are you the same J. Matt Tracy who provided direct testimony in this case on behalf of
5 Missouri Public Service ("MPS")?

6 A. Yes.

7 Q. What is the purpose of your rebuttal testimony in this case before the Missouri Public
8 Service Commission ("Commission")?

9 A. I first point out issues that no other party addressed in their direct testimony, where I
10 maintain my position. I also offer rate design exclusions from any proposed decrease;
11 respond to the economic development rider ("EDR") adjustment, S-1.7, proposed in the
12 direct testimony of Commission Staff witness Pyatte; and respond to a rate design
13 proposal in the direct testimony of Office of Public Counsel witness Hu, and echoed in
14 the direct testimony of Staff witness Proctor in Case No. EC-2002-265.

15 **EXCLUSIONS FROM AN INCREASE**

16 Q. Did the other parties address the tariff charges you requested be excluded from any
17 potential increase?

1 A. No. The unifying theme from the other parties was an across-the-board rate change.
2 None of them addressed the items to be excluded from any potential increase, so there
3 is nothing that I can rebut. I stand by my direct testimony (page 2, line 14, through
4 page 3, line 4) on those points.

5 **OTHER TARIFF CHANGES**

6 Q. Did the other parties address the other tariff changes in your direct testimony (page 4,
7 line 11, through page 5, line 8)?

8 A. No. Again, there is nothing for me to rebut. I stand by my direct testimony.

9 **EXCLUSIONS FROM A DECREASE**

10 Q. If the Commission determines that a decrease in rates is appropriate, are any
11 exceptions to an across-the-board implementation necessary?

12 A. Yes. The lowest energy rates, typically those available in the winter in the last energy
13 blocks, the rates that are frozen to new entrants, and certain other rates should not be
14 reduced.

15 Q. What are the specific rates?

16 A. Please refer to the attached Schedule JMT-1. It shows the rate code, rate name, block
17 description, the value per kWh for that block, and a code for the reason for exclusion
18 from a general decrease in rates.

19 Q. What are the reasons for excluding these rates from a general decrease in rates, and
20 what code applies to each reason?

21 A. Code A excludes the lowest energy rates for our lowest cost periods from any further
22 decrease. This includes the lowest blocks of the winter rates, and the off-peak periods

1 for the Thermal Energy Storage Pilot. These rates were set as low as possible during
2 the last class cost-of-service study ("CCOSS") based rate change, and we would
3 prefer not to reduce them further without a CCOSS to use as a guide, so we are not
4 put in a position of providing energy below its cost.

5 Code B excludes the summer and winter base energy associated with over 360 hours
6 of use, and the summer seasonal energy associated with over 360 hours of use, for the
7 Large Power Service rate. These rates are very near those included in Code A, so
8 cannot be lowered much without dropping below those rates. That would create a
9 crossed signal to customers, as the rates in Code A should be the lowest available.

10 Code C excludes the frozen rates. These rates are not available to new customers, and
11 we encourage existing customers to switch to non-frozen rates when one provides a
12 lower cost to the customer. By excluding these rates from a decrease, the relative cost
13 of other rates is reduced, and more customers will find it economic to switch off the
14 frozen rates.

15 Code D excludes the Cogeneration Purchase Schedule. This rate does not normally
16 participate in general rate increases or decreases, as it is updated separately. The
17 current tariff was effective November 26, 2001, so is very current. Also, there are
18 currently no customers on this rate.

19 Code E excludes the Green Power tariff. Wind is the only option listed, and with the
20 addition of the Gray County, Kansas, wind farm to our generating mix, we removed
21 all customers from the rate at the end of 2001. We propose to freeze the wind option
22 with no customers, so changing the rate is moot.

1 Q. For the Green Power tariff, why are you proposing to freeze an option with no
2 customers, rather than withdrawing the tariff?

3 A. We do not want to withdraw the tariff, as there was considerable effort by a number
4 of parties to create it, and we hope to add new options in the future. Leaving wind, as
5 an unavailable option, seemed somewhat less confusing to someone reviewing the
6 tariff than having a tariff with no options at all.

7 Q. What options do you plan to add?

8 A. We have no current plans to add any options, and know of no one pursuing
9 installation of appropriate generation on or near our system. We would consider
10 offering any option listed in the tariff's definition of Green Power, or asking to have
11 another option added to the list.

12 Q. Are there any other rate items to exclude from a rate decrease?

13 A. Yes. The reduction in charges for various area lights when installed on existing
14 distribution poles, as described in my direct testimony at page 2, lines 16-18.

15 **EDR ADJUSTMENT**

16 Q. Is Staff witness Pyatte's increase to MPS's revenues of \$276,982 (adjustment S-1.7)
17 to adjust for EDR Credits included in annualization appropriate?

18 A. No. It is based on the erroneous assumption that no more customers will be allowed
19 on the EDR.

20 Q. What is the basis of that assumption?

21 A. Ms. Pyatte told me that she was using the Term section of sheet 44.1, which limits the
22 inclusion of new customers to the EDR to December 31, 2003.

1 Q. Do you expect the EDR to expire on December 31, 2003?

2 A. No. Since its inception, there has been an expiration date on the EDR, but we have
3 consistently asked for, and received, extensions as we approached each expiration
4 date. The current sheet 44.1 was filed August 17, 2001, and became effective on
5 September 17, 2001. That sheet extended the expiration date from December 31,
6 2001, to December 31, 2003.

7 Q. What was the impact of Ms. Pyatte's assumption on her calculation?

8 A. It reduced the amount of EDR credit, thereby increasing MPS's revenue. The EDR
9 provides the greatest percent reduction in the first year, and provides a lower percent
10 reduction each year over the five-year term for each participating customer. Ms.
11 Pyatte's calculation moved each customer's EDR credit forward one year, so that
12 each received the reduced credit, without accounting for new customers participating
13 in the EDR, who would receive the higher level of discount.

14 Q. What is your recommendation regarding Ms. Pyatte's adjustment S-1.7?

15 A. That it not be allowed, as it imputes revenues to MPS that will not be received.
16 Further, as the value of the EDR discount for a given period of time is known and
17 measurable, the EDR discount level should be included in any final true up of
18 expenses and revenues.

19 **RATE DESIGN**

20 Q. Are all parties agreed to an across-the-board change in rates in this case, with a
21 CCOSS and revenue neutral rate design to follow in another case?

1 A. Other than the exceptions I offered, all parties that addressed rate design in their direct
2 testimony in this case asked for an across-the-board change, with a CCOSS and
3 revenue neutral rate design to follow in another docket. Staff witness Proctor
4 changed his position regarding an across-the-board change in his direct testimony in
5 Case No. EC-2002-265. He now proposes to reduce the residential class at half the
6 rate of the other classes. While we believe that the Commission will authorize an
7 increase in revenue in this case, and are willing to maintain our position for an across-
8 the-board change – with the exceptions listed in my direct and rebuttal testimony –
9 we have no objection to Staff witness Proctor’s proposal to raise residential rates
10 relative to the other classes.

11 Q. Are there any issues that must be addressed in regard to rate design other than an
12 across-the-board change?

13 A. Yes. The statement in the direct testimony of the Office of Public Counsel witness
14 Hu, quoted below, puts an untenable constraint on rate design, and must be explicitly
15 rejected or there can be nothing other than across-the-board changes. Staff witness
16 Proctor makes the same argument, though less directly, in his direct testimony in Case
17 No. EC-2002-265, page 4, lines 16-18.

18 Q. What is witness Hu’s testimony?

19 A. ... no class should receive a net increase ... while there is a total
20 company revenue requirement reduction. Similarly, no class should
21 receive a net decrease ... while there is a total ... increase.

Hu Direct, page 7, lines 13-18

23 Q. Why is this position untenable?

- 1 A. The witness has testified that no class rates should move in a direction other than that
2 of the overall change in rates, regardless of information showing that some class, or
3 classes, should move in the opposite direction. If that is meant as a general rule, then
4 in a revenue neutral rate design case, there should be no change in rates at all, as any
5 change by one class will mathematically require a change in the opposite direction by
6 at least one other class. If the statement only applies to revenue requirements cases,
7 then witnesses Hu and Proctor would have the Commission apply a variable
8 constraint to those cases. While a large change in overall revenue might allow
9 meaningful shifts in costs, smaller changes would allow smaller relative shifts,
10 ultimately arriving at the limiting case of no changes for a zero change in revenues.
11 To accept the statement needlessly limits the Commission's options.
- 12 Q. Does this conclude your rebuttal testimony?
- 13 A. Yes it does.

TABLE 1 – Exclusions from General Decrease in Rates

Rate Code	Rate Description	Block Description	Value	Reason
MO870	Residential Service	Winter kWh > 1000	\$0.0313	A
MO710	Small General Service w/o kW	Winter Seasonal kWh	\$0.0272	A
MO711	Small General Service, Secondary	Winter Seasonal kWh	\$0.0272	A
MO716	Small General Service, Primary	Winter Seasonal kWh	\$0.0265	A
MO720	Large General Service, Secondary	Winter Seasonal kWh	\$0.0272	A
MO725	Large General Service, Primary	Winter Seasonal kWh	\$0.0265	A
MO730	Large Power Service, Secondary	Winter Seasonal kWh	\$0.0272	A
MO735	Large Power Service, Primary	Winter Seasonal kWh	\$0.0265	A
MO650	Thermal Energy Storage Pilot, Secondary	Summer & Winter Off-peak	\$0.0265	A
MO660	Thermal Energy Storage Pilot, Primary	Summer & Winter Off-peak	\$0.0265	A
MO730	Large Power Service, Secondary	Summer & Winter Base kWh > 360 hours of use	\$0.0277	B
MO730	Large Power Service, Secondary	Summer Seasonal kWh > 360 hours of use	\$0.0277	B
MO735	Large Power Service, Primary	Summer & Winter Base kWh > 360 hours of use	\$0.0271	B
MO735	Large Power Service, Primary	Summer Seasonal kWh > 360 hours of use	\$0.0271	B
MO740	School & Church Service, Secondary	All		C
MO745	School & Church Service, Primary	All		C
MO800	Municipal Water Pumping and Special Street Lighting Service	All		C
MO810	Municipal Park and Recreation Service, Single-phase	All		C
MO811	Municipal Park and Recreation Service, Three-phase	All		C
MO700	Cogeneration Purchase Schedule	All		D
	Green Power	Wind	\$0.0500	E

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

In the matter of Missouri Public Service)
of Kansas City, Missouri, for authority)
to file tariffs increasing electric rates)
for service provided to customers in the)
Missouri Public Service area)

Case No. ER-2001-672


County of Jackson)
) ss
State of Missouri)

AFFIDAVIT OF J. MATT TRACY

J. Matt Tracy, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Rebuttal Testimony of J. Matt Tracy;" 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.


J. Matt Tracy

Subscribed and sworn to before me this 3rd day of January, 2002.


Notary Public

My Commission expires:

8/16/2003

