Exhibit No.:

Issues:

IEC Rate Design

Witness:

James C. Watkins

Sponsoring Party:

MO PSC Staff

Type of Exhibit:

Rebuttal Testimony

Case No.:

ER-2004-0570

Date Testimony Prepared:

November 4, 2004

## MISSOURI PUBLIC SERVICE COMMISSION UTILITY OPERATIONS DIVISION

**REBUTTAL TESTIMONY** 

FILED

**OF** 

DEC 2 8 2004

**JAMES C. WATKINS** 

Missouri Public Service Commission

## THE EMPIRE DISTRICT ELECTRIC COMPANY

**CASE NO. ER-2004-0570** 

Jefferson City, Missouri November 2004

Case No(s). ER-2004-0076

Date 2-06-09 Rptr 44

## BEFORE THE PUBLIC SERVICE COMMISSION

## OF THE STATE OF MISSOURI

In The Matter Of The Tariff Filing Of The  Empire District Electric Company To  Implement A General Rate Increase For  Retail Electric Service Provided To  Customers In Its Missouri Service Area  Case No. ER-2004-0570  Customers In Its Missouri Service Area			
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 Rebuttal Testimony in question and answer form, consisting of pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal 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 3rd day of November, 2004.			
Dawn L. Hake Notary Public			
My commission expires  DANNI L. HAKE  Notary Public - State of Missouri  Country of Cole  Country of Cole  My Commission Expires Jan 9, 2005			

1	REBUTTAL TESTIMONY
2	OF
3	JAMES C. WATKINS
4	THE EMPIRE DISTRICT ELECTRIC COMPANY
5	CASE NO. ER-2004-0570
6	Q. Please state your name and business address.
7	A. My name is James C. Watkins and my business address is Missouri Public
8	Service Commission, 200 Madison Street, P. O. Box 360, Jefferson City, Missouri
9	65102.
10	Q. Are you the same James C. Watkins who filed Direct Testimony on
11	September 27, 2004 and October 4, 2004, on behalf of the Staff of the Missouri Public
12	Service Commission (Commission)?
13	A. Yes.
14	Q. What is the purpose of this testimony?
15	A. The purpose of my testimony is to rebut the recommendation of
16	Maurice Brubaker who testified on behalf of Explorer Pipeline Company and Praxair,
17	Inc., regarding the appropriate mechanism for recovering and refunding an Interim
18	Energy Charge (IEC).
19	Q. What cost-recovery mechanism does Mr. Brubaker recommend?
20	A. In the Fuel and Purchased Power Cost Recovery section on pages 8 and 9
21	of his Direct Testimony, Mr. Brubaker recommends that a percentage adder be applied to
22	the base revenues of each rate schedule to collect the refundable portion of fuel costs.
23	Q. Has Mr. Brubaker provided a rationale to explain why this approach is
24	appropriate?

	Rebuttal Testimony of James C. Watkins
1	A. No. Mr. Brubaker has not provided in his Direct Testimony any
2	foundation for his recommendation. It appears contrary to any reasonable cost-causation
3	principle with which I am familiar because fuel costs are not the same percentage of each
4	customer's bill.
5	Q. Has Mr. Brubaker provide an explanation of his true-up and refund
6	mechanism?
7	A. Mr. Brubaker has not provided in his Direct Testimony any explanation of
8	how the amount of any "refund entitlement" would be determined. Mr. Brubaker has no
9	explained in his Direct Testimony how "base rate revenues" would be determined at the
10	time of the refund. He merely states that "the refund entitlement would be divided by
11	base rate revenues and refunded to each rate schedule and each customer within each
12	schedule a uniform percentage of base rate revenues." (Direct, page 9, lines 4-7).
13	Q. Is Mr. Brubaker's proposal workable?
14	A. Mr. Brubaker has not provided enough information regarding his proposa
15	to make that determination.
16	Q. What is your recommendation to the Commission regarding
17	Mr. Brubaker's proposal?

Mr. Brubaker's proposal should be rejected.

Does this conclude your testimony?

Yes, it does.

18

19

20

A.

Q.

A.