Exhibit No.: Issues: Witness: Sponsoring Party: Type of Exhibit: Case No.: Date Testimony Prepared:	IEC Rate Design James C. Watkins MO PSC Staff Surrebuttal Testimony ER-2004-0570 November 24, 2004
MISSOURI PUBLIC SERVICE COM	IMISSION
UTILITY OPERATIONS DIVIS SURREBUTTAL TESTIMON	NY DEC 2 8 2004
OF JAMES C. WATKINS	solvige Commission
THE EMPIRE DISTRICT ELECTRIC CASE NO. ER-2004-0570	COMPANY
Jefferson City, Missouri November 2004	
Case N Date <u>\a</u>	Exhibit No lo(s). <del>E.Q2001-0516</del> -05-04Rptr <del>XF</del>

Ł

5

## **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

## **AFFIDAVIT OF JAMES C. WATKINS**

STATE OF MISSOURI ) ) ss COUNTY OF COLE )

-1

James C. Watkins, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 3 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal 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.

Subscribed and sworn to before me this  $\cancel{33}$  day of November, 2004.

Notary Public

DAWN L. HAKE Notary Public – Stein of Missouri County of Cole My Commission Expires Jan S. 2005

My commission expires

1	SURREBUTTAL 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 and Rebuttal Testimony on November 4, 2004,		
12	2 on behalf of the Staff of the Missouri Public Service Commission (Commission)?		
13	A. Yes.		
14	Q. What is the purpose of this testimony?		
15	A. The purpose of my testimony is to address the criticisms of my rebuttal		
16	testimony by Maurice Brubaker, who testified on behalf of Explorer Pipeline Company		
17	and Praxair, Inc., regarding the design of an Interim Energy Charge (IEC).		
18	Q. What are Mr. Brubaker's criticisms?		
19	A. Briefly stated, Mr. Brubaker's criticisms are as follows:		
20	1. Allocating an increment to fuel cost on an equal-cents-per-kilowatt-hour		
21	basis is inappropriate because the base portion of fuel costs cannot be said to have		
22	been allocated to customer classes on the same basis.		
23	2. Because of differences in losses, customers served at different voltage		
24	levels should not be charged the same rate for the IEC charge.		

## Surrebuttal Testimony of James C. Watkins

1

2

1

3. Because of differences in load patterns, different customer classes should not be charged the same rate for the IEC charge.

- Q. Regarding Mr. Brubaker's first point, would it be inappropriate to properly
  allocate incremental fuel costs in a situation where base fuel costs may not have been
  allocated by that method?
- A. No. The Commission will determine the appropriate (just and reasonable)
  permanent rates for each customer class. The Interim Energy Charge collects only the
  additional cost of producing energy associated with higher fuel and purchased power
  prices. Collecting, and refunding, these additional costs caused by higher fuel and
  purchased power prices on an equal-cents-per-kilowatt-hour basis from all customers is
  much more reasonable than the arbitrary method proposed by Mr. Brubaker to the benefit
  of his clients.
- Q. Regarding Mr. Brubaker's second point, should losses be accounted for in
  determining the IEC charges for each rate schedule?
- 15

A. Yes.

Q. Regarding Mr. Brubaker's third point, should the difference in load
patterns be accounted for in determining the IEC charges for each rate schedule?

A. Mr. Brubaker has not indicated why he thinks that an increase in fuel costs
due to higher fuel and purchased power prices would be affected by differences in load
patterns, once these differences are accounted for in the permanent rates. Higher fuel and
purchased power prices affect all hours of the year, not just peak hours in the summer.

Q. What is your recommendation to the Commission regarding
Mr. Brubaker's criticisms?

2

Surrebuttal Testimony of	)f
James C. Watkins	

A. Mr. Brubaker's criticisms should be rejected.

- Q. Does this conclude your testimony?
- A. Yes, it does.