

Exhibit No.: 54
Issues: Rate Design
Witness: J. Matt Tracy
Sponsoring Party: Aquila Networks-MPS
Case No.: ER-

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Missouri Public
Service Commission

Before the Public Service Commission
of the State of Missouri

Direct Testimony

of

J. Matt Tracy

Exhibit No. 1054
Case No(s) ER-2004-0034
Date 3-1-04 Rptr JT

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
DIRECT TESTIMONY OF J. MATT TRACY
ON BEHALF OF AQUILA, INC.
D/B/A AQUILA NETWORKS-MPS
CASE NO. _____**

1 Q. Please state your name and business address.

2 A. My name is J. Matt Tracy and my business address is 10700 East 350 Highway, Kansas
3 City, Missouri, 64138.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by Aquila, Inc. ("Aquila") as a Senior Regulatory Analyst in the
6 Regulatory Services Department.

7 Q. What are your duties and responsibilities at Aquila?

8 A. I am responsible for the collection and analysis of load research, tariff page filings,
9 supporting cost-of-service studies, and other analyses as needed.

10 Q. Please state your educational background and experience.

11 A. I have an M.A. in Economics from the University of Missouri - Kansas City and a B.A.
12 in Psychology and Religion from William Jewell College. From 1985 to 1996, I
13 worked in load research at Missouri Public Service a division of Aquila, (then UtiliCorp
14 United Inc.), and at Aquila. Duties during that time included load research sample
15 design and analysis, cost-of-service preparation, load forecasting, and weather
16 normalization. In 1996, I accepted a position in the analytical section of UtiliCorp's
17 Regulatory Services. In 2002, I was again given responsibility for load research.

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

3 A. I am sponsoring the minimum filing requirements of 4 CSR 240-3.030, and the tariff
4 sheets filed by Aquila in this case.

5

6 . The tariff
7 sheets implementing the changes proposed in this filing are included in the minimum
8 filing requirements.

9 Q. Have the minimum filing requirements for a general rate increase under 4 CSR 240-
10 3.030 been filed?

11 A. Yes. On July 3, 2003, an application for a general rate increase along with the
12 minimum filing requirements were filed and are made a part of this case by reference.

13 Q. Are updates to MPS's Electric P.S.C. MO. No. 2
14 tariffs, both rates, and rules and regulations, being filed?

15 A. No. This filing cancels all sheets of those tariffs, and replaces them with Aquila
16 Networks Electric P.S.C. MO. No. 1

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19 Q. Identify other MPS rates?

20 A. the Voluntary Load Reduction
21 Rider ("VLR"), the Curtailable Demand Rider ("CDR"), the Cogeneration Purchase
22 Schedule ("Cogen"), Special Isolated Generating Plant Electric Service ("SIGP"), the

1 Municipal Underground Cost Recovery Rider (“MUCR”), and the Tax and License
2 Rider (“TLR”).

3 Q.

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23 Q. How do the tariff sheets implement the proposed increase in revenue?

1 A. All tariff charges, other than as described below, were multiplied by the ratio of the total
2 proposed increase minus the proposed increase to other revenues, divided by the total
3 annualized revenue minus annualized other revenues.

4

5 For Aquila Networks – MPS, (“MPS”), the equation is
6 $(\$65,000,000 - \$244,497) / (\$337,990,694 - \$32,601,920)$. This is an increase of
7 21.20%.

8 Q. What tariff charges were excluded from the increase?

9 A. The following items were not changed.

10 \$5.00 reductions for various area lights when installed on existing distribution poles, on
11 tariff sheets 88, 89, and 91. These charges did not change in the rate reduction ordered
12 in combined cases No. ER-97-394 and No. ET-98-103, or in case No. ER-2001-672.
13 The Cogeneration Purchase Schedule, tariff sheet 102. The tariff provisions did not
14 change in the prior case and are reviewed on a bi-annual basis. There are no customers
15 presently served on this tariff sheet.

16 Q. Were changes in the charges in the rules implemented at the across-the-board rate?

17 A. No.

18 Q. What changes in the charges in the rules were implemented?

19 A. Sheets R-66 and R-67 are the Summary of Types and Amount of Charges Allowed.

20 Working in the order listed, we are proposing a reconnect charge of \$30 during business
21 hours, and \$50 outside of normal business hours, to reflect the cost of providing the
22 service. an increase from \$17 for MPS during business

23 hours, and an increase from \$31 for MPS for other hours.

1 The connection charge outside of normal business hours is \$50. We do not charge new
2 customers at an existing location to connect to our system during business hours, but if a
3 customer wants to connect during other hours, this charge covers our cost of providing
4 the service.

5 The collection charge is \$30. This would be charged to customers who do not pay their
6 bill until we send someone out to disconnect them, at which point they pay rather than
7 have service disconnected. If we do not disconnect the customer, we receive no
8 compensation for the cost of sending someone to the site. Some customers seem to
9 prefer paying someone in person rather than using one of the other, less costly options.
10 We expect this charge will discourage the waste of Company resources, or alternatively,
11 reimburse the Company for the expense incurred.

12 The Returned Check Charge is \$20. This is an increase for MPS, and
13 reflects the cost of handling returned checks.

14 Special Meter Reading charges are \$30 during normal business hours, and \$50 during
15 other hours. This is an increase for MPS, and reflects the cost of the
16 service.

17 The Late Payment Charge is 1.50%. This is no change for MPS,
18 . This reflects the cost of dealing with late payments. Please note,
19 though it is implemented as a percentage, the charge covers our internal costs of dealing
20 with late payments, and does not reflect an interest rate on the time value of money.

21 Q. Do the \$30 and \$50 values recur in several of the charges by coincidence?

22 A. No. Though the charges are all near the levels we selected, we deliberately chose \$30
23 and \$50 as common values to ease learning and application for both customers and

1 Company personnel. We considered setting the returned check charge to \$30, but \$20 is
2 closer to our actual cost.

3 Q. What other changes are proposed by the tariffs?

4 A. The Deposit Interest Rate, sheet R-9, section 2.04 G (2), is 6.0%.

5 a decrease from 9.5% for MPS. The MPS rate is much higher than a
6 customer could expect from any other similar investment.

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11 Section 6.05 adopts the MPS Level Payment Plan

12 We may review this in the future and file for a change.

13 Section 7 implements the MPS Extension of Electric Facilities.

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16 Section 8, Electric Power and Curtailment Plan, is from the MPS rates,

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18 Section 9, Promotional Practices, is from the MPS rates

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20 Section 10, Energy Audit Program, is from the MPS rates,

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22 Language from the MPS rules regarding Service Extenders was removed. The service
23 extenders are no longer used.

1 Q. Does that cover all of the changes in the tariffs?

2 A. All of the substantive changes have been listed. There were additional changes of less
3 interest, including harmonizing references to rules from the rates; specific listings of
4 "Missouri Public Service," changing to
5 "Company"; an attempt to present a single format, including a larger type, in the
6 tariffs; and other similar changes.

7 Q. Does this conclude your testimony?

8 A. Yes it does.

