

Exhibit No.:  
Issues: Resource Planning  
Low Income  
Weatherization  
Energy Efficiency  
Programs  
Witness: Lena M. Mantle  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Surrebuttal Testimony  
Case No.: ER-2005-0436  
Date Testimony Prepared: December 13, 2005

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**SURREBUTTAL TESTIMONY**

**OF**

**LENA M. MANTLE**

**AQUILA, INC. D/B/A AQUILA NETWORKS-MPS  
AND AQUILA NETWORKS-L&P**

**CASE NO. ER-2005-0436**

**Jefferson City, Missouri  
December 2005**

**FILED**

**FEB 24 2006**

**Missouri Public  
Service Commission**

Exhibit No. 57  
Case No(s). ER-2005-0436  
Date 1-02-06 Rptr XF

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

In the Matter of Aquila, Inc. d/b/a Aquila )  
Networks-MPS and Aquila Networks- )  
L&P, for Authority to File Increasing )  
Electric Rates For the Service Provided to )  
Customers in the Aquila Networks-MPS )  
and Aquila Networks-L&P Area. )

Case No. ER-2005-0436

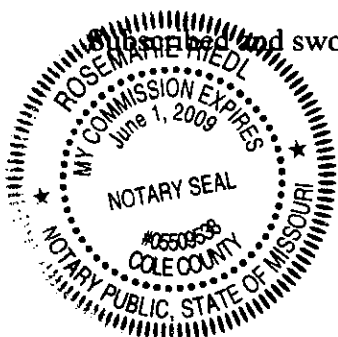
**AFFIDAVIT OF LENA M. MANTLE**

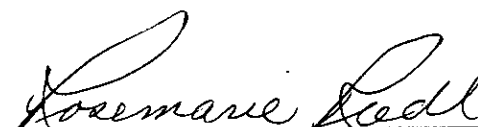
STATE OF MISSOURI     )  
                                  ) ss  
COUNTY OF COLE     )

Lena M. Mantle, of lawful age, on her oath states: that she has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 6 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.

  
\_\_\_\_\_  
Lena M. Mantle

I declare and sworn to before me this 12<sup>th</sup> day of December, 2005.



  
\_\_\_\_\_  
Notary Public

My commission expires June 1, 2009 <sup>or</sup>

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1           A. Mr. Boehm does not agree with the Staff that Aquila should have built five  
2 combustion turbines (Boehm rebuttal, page 2, l. 3-6) because he does not believe Staff  
3 can adequately analyze Aquila's resource plans without a resource plan model like  
4 MIDAS Gold (Boehm rebuttal, page 2, l. 19-20). He believes Aquila's current resource  
5 plan which includes meeting 18.6% of Aquila's capacity needs through capacity  
6 purchases (Boehm rebuttal, page 2, l. 10) provides "stability for Aquila's Missouri  
7 customers while taking advantage of a 'buyers' market for PPAs." (Boehm rebuttal, page  
8 2, l. 16-17)

9           Q. Is a model such as MIDAS Gold necessary for Staff to make a determination  
10 that building five combustion turbines would have been better than Aquila's decision to  
11 meet its capacity needs by building three turbines and purchasing power to address its  
12 remaining needs?

13           A. Having a model like MIDAS Gold would allow Staff to independently  
14 develop scenarios and do the type of analysis that Mr. Boehm describes in his testimony.  
15 However, this is not the type of analysis that the Staff did to come to its conclusion that  
16 Aquila should have built five combustion turbines. The Staff did not engage in a 20/20  
17 hindsight detailed review of what should have been done. Instead, the Staff reviewed the  
18 various analyses and scenarios that Aquila performed and presented at the IRP Meetings  
19 in 2002 through 2004. In that time frame, Aquila had presented to the Staff that the five  
20 combustion turbine scenario developed and run by Aquila was the "least-cost" plan.  
21 Staff also reviewed the supporting documentation for why Aquila chose the combination  
22 of three combustion turbines and purchased power contracts as its "preferred plan." The  
23 Staff does not believe that running the analysis such as described by Mr. Boehm in his

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1 testimony would lead to a different result because the decision was not based on the  
2 results of the analysis but on non-quantitative values such as those that Aquila says  
3 moved it from the "least cost" plan to its "preferred" plan.

4 Q. Does Aquila's choice of building three combustion turbines and entering into  
5 short-term purchased power contracts provide stability for customers while taking  
6 advantage of a buyers' market as Mr. Boehm suggests in his rebuttal testimony?

7 A. While relying on purchased power contracts may provide short-term rate  
8 stability, Staff believes relying on purchased power contracts is neither, in the long-term  
9 best economic interests of electric utilities' customers, nor provides them a reliable  
10 source of power. Staff has made it known to each of the electric utilities the Commission  
11 regulates, that the Staff prefers utilities to own generation, rather than serve customers  
12 with electricity obtained by purchased power contracts. Staff understands that in the  
13 short-run (the initial one to five years) electricity obtained by purchased power contracts  
14 is cheaper than electricity obtained by building generation plants that are put into rate  
15 base. But in the long run (over the entire thirty to forty year life of the plant), it is less  
16 expensive, on a present value basis, for utility customers if the utility builds capacity. In  
17 addition, relying on electricity from utility-owned plants to serve customers is less risky  
18 than relying on electricity from purchased power contracts because the utility has more  
19 control over the source of the electricity.

20 Q. What is Staff's recommendation regarding the capacity and energy  
21 replacement for the Aries contract?

22 A. Although Staff does not have the MIDAS model and did not run a resource  
23 planning model, Staff believes, based on the results of Aquila's model runs made before

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1 the Aries contract expired, that Aquila should have replaced the power it was taking  
2 under the Aries contract with five Aquila-owned combustion turbine electricity  
3 generating plants.

4 **Low-Income Weatherization and Energy Efficiency**

5 Q. Would you summarize the rebuttal testimony of Aquila witness Matthew  
6 Daunis that you address in this testimony?

7 A. In his rebuttal testimony Mr. Daunis requests that the Commission order the  
8 implementation of a two year "pilot" for low-income and energy-efficiency programs  
9 funded by a surcharge (Daunis rebuttal page 3, l. 12-15) similar to that used by Aquila in  
10 Iowa (Daunis rebuttal, page 2, l. 17). I will also address Mr. Daunis' assertion that Staff  
11 is not willing to work collaboratively with Aquila to adopt a rate surcharge to fund  
12 energy efficiency programs. (Daunis rebuttal page 3, l. 2-3).

13 Q. Are you aware of the programs that Mr. Daunis is referring?

14 A. No. Mr. Daunis does not provide a detailed description of these programs.  
15 However, I suspect that he is referring to the programs that were a part of the resource  
16 plan that Aquila submitted to the Staff in April 2005. Staff met with Aquila regarding  
17 these programs several times; both before Aquila submitted its resource plan to Staff and  
18 after. However, because Mr. Daunis did not identify these programs, I can only guess  
19 that these are the programs to which he is referring.

20 Q. Are you familiar with the surcharge that Mr. Daunis is referring to in his  
21 rebuttal testimony?

22 A. On July 20, 2005, Staff, along with representatives of the Office of Public  
23 Counsel (OPC) and Department of Natural Resources – Energy Center (DNR-EC) met

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1 with Mr. Daunis at Aquila's Raytown office where Mr. Daunis presented to the group a  
2 surcharge concept that he said was similar to what Aquila has in Iowa.

3 However, since Mr. Daunis did not present any evidence regarding the surcharge  
4 that he is now recommending in his rebuttal testimony, I cannot be sure that this  
5 surcharge is the same as the one that he presented in our July 20 meeting.

6 Q. Do you know to what Mr. Daunis is referring to when he states that the Staff  
7 did not work collaboratively with Aquila to find a way to implement a rate surcharge?

8 A. I believe that Mr. Daunis is referring to the July 20, 2005 meeting. In that  
9 meeting I told Mr. Daunis that I doubted that the surcharge that he was proposing would  
10 be lawful in Missouri. The Staff and OPC proposed several viable alternative methods  
11 for Aquila to recover its demand-side program costs - none of which has Aquila chosen  
12 to pursue.

13 Staff is willing to work with Aquila in the development of all aspects of energy  
14 efficiency and demand response programs, including program cost recovery, as it has  
15 with all the other electric utilities.

16 Q. Should the program costs of Aquila's proposed programs or the DNR-EC  
17 recommended programs, if approved, be recovered via a rate surcharge as proposed by  
18 Mr. Daunis (Daunis rebuttal, page 3, l.12-13)?

19 A. No. Mr. Daunis did not present sufficient information for the Commission to  
20 know what the "Aquila's proposed programs" are and what amount of funding would be  
21 required. He did not present any evidence about whether or not these programs had been  
22 through Aquila's integrated resource planning process. For these reasons, I do not



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1 believe that the Commission should give Aquila a blank check to spend on "Aquila's  
2 proposed programs."

3 I have similar concerns for the "rate surcharge." Mr. Daunis gives no details on  
4 his proposed rate surcharge but expects the Commission to approve one merely because  
5 Aquila has one in Iowa.

6 Q. What do you recommend the Commission order regarding the low-income  
7 and energy efficiency programs?

8 A. I recommend that the Commission order Aquila to implement the low-  
9 income weatherization, Change-a-Light, and a commercial audit program as proposed by  
10 DNR-EC witness Anita Randolph and fund the programs fifty percent by ratepayers and  
11 fifty percent by Aquila shareholders.

12 Q. Does this conclude your surrebuttal testimony?

13 A. Yes, it does.