

Exhibit No.:
Issues: Sales and Revenue
Rate Design
Witness: Janice Pyatte
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2001-672 and
EC-2002-265
Date Testimony Prepared: January 22, 2002

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

FILED³

SURREBUTTAL TESTIMONY

JAN 22 2002

OF

**Missouri Public
Service Commission**

JANICE PYATTE

**UTILICORP UNITED, INC.
D/B/A MISSOURI PUBLIC SERVICE**

CASE NO. ER-2001-672 AND EC-2002-265

**Jefferson City, Missouri
January 2002**

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1 Tracy also states that my annualization "...imputes revenues to MPS that will not be
2 received."

3 Q. Please briefly describe the history of the MPS Economic Development Rider.

4 A. Since 1990 MPS has had a series of Economic Development Riders, each
5 with an expiration date and each with an option to file in order to restrict the availability of
6 the Rider to new loads prior to the expiration date. The specific language in the "Term"
7 section of the current MPS EDR describes these features:

8 Missouri Public Service may file to freeze the availability of this Rider with
9 respect to new loads at any time following the first anniversary of the initial
10 offering hereof. This Rider will not be available to new loads added
11 subsequent to December 31, 2003. Any customers receiving service under
12 this Rider on the date it is frozen or alternatively on December 31, 2003, will
13 continue to receive the benefits of the incentive provisions contained herein.
14 [Sheet 44.1, Effective September 17, 2001]

15 MPS restricted the availability of the first EDR on December 18, 1991, more than two years
16 prior to its expiration date.

17 Q. Is Staff's position on the annualization of EDR credits dependent upon
18 whether or not the Economic Development Rider will exist indefinitely into the future?

19 A. No. Staff's annualization of EDR credits in this case would be better
20 described as following the "known and measurable" standard of ratemaking; i.e., test year
21 results are being re-stated as if the conditions known at the end of the update period had
22 existed throughout the entire test year.

23 Q. Please explain the effect of the Economic Development Rider on rate revenue.

24 A. Each EDR contract results in a monthly bill credit that is based upon a fixed
25 percentage of the contracting customer's electricity bill. If the customer's usage is consistent
26 over the five years of the contract, the dollar amount of these bill credits will decline over

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1 time because the percentage discount on the bill declines from 30% in the first year to 10% in
2 the fifth year. Thus the dollar value of the credit, for a specific customer, declines over time.

3 An alternative way to view the revenue effect of the EDR is that each customer will
4 pay an increased percentage of its electricity bill over time, beginning with 70% in the first
5 year and increasing to 90% in the fifth year of the contract. After five years the customer will
6 pay 100% of its electricity bill and will no longer be considered an EDR customer.

7 Q. What is your response to Mr. Tracy's argument that the Staff's annualization
8 of EDR credits "...imputes revenues to MPS that will not be received."?

9 A. I disagree with Mr. Tracy. Staff's methodology simply recognizes that the
10 level of EDR credits will automatically decrease in 2002, thus automatically increasing
11 Company's revenues.

12 **Rate Design**

13 Q. Please describe MPS's rate design proposal to exclude certain rate
14 components from any overall revenue decrease that may be ordered by the Commission.

15 A. Schedule JMT-1 in Mr. Tracy's rebuttal testimony lists the specific rate values
16 that MPS proposes be excluded from any overall revenue decrease. These rate components
17 are denoted by Code A or Code B in the last column. The Company's rationale for excluding
18 these rate components from any decrease is that "...[the Company]...not [be] put in a
19 position of providing energy below cost." [Tracy, page 3, lines 3-4].

20 Q. What is Staff's position on MPS's proposal to exclude certain rate
21 components from any overall revenue decrease?

22 A. Staff agrees with the principle that no rate components should be set below
23 cost; however, Staff's analysis shows that decreasing these rate components by the same

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1 percentage it has recommended be applied to all other rate components on the same rate
2 schedule will not result in rate levels below cost when compared to MPS's estimated 2002
3 avoided costs. MPS's estimated avoided cost of energy was obtained from MPS's "2001
4 Cogeneration Filing" required by 4 CSR 240-20.060 (3)(B) 1.

5 In addition, it would be very difficult to timely implement this MPS proposal in this
6 case because of the current lack of weather-normalized billing units.

7 The Staff recommends that each rate component specified in Schedule JMT-1 (Code
8 A and Code B) be adjusted upward or downward by whatever percentage is applied to the
9 other rate components on the same rate schedule.

10 Q. What is Staff's position on MPS's proposal to exclude all rates on "frozen"
11 rate schedules from any overall revenue decrease?

12 A. A "frozen rate schedule is one that prohibits new customers from being
13 provided service under its rates and conditions. The School and Church Service rate
14 schedule and the three rate schedules devoted to miscellaneous municipal services are the
15 MPS "frozen" rate schedules. Staff does not oppose MPS's proposal to exclude all rate
16 levels on the "frozen" rate schedules from rate decreases.

17 Q. What is Staff's position on the Green Power tariff?

18 A. Wind generation is the only option offered on the existing MPS Green Power
19 tariff. The wind generation from the Gray County, Kansas wind farm is now cost-justified in
20 the Company's least-cost plan and has been included in Staff's calculation of fuel and
21 purchased power expense in this case. Thus the costs associated with wind generation will
22 be included in the rates that result from this case.

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1 Staff is opposed to the Company continuing to bill customers an additional \$5.00 per
2 month via the Green Power tariff for wind generation costs that are already included in rates.

3 The Staff agrees that the Green power tariff should be "frozen" by making it no longer
4 available to existing or additional customers until such time as additional green power
5 options are added.

6 Q. Does Staff have a position on those MPS rate design proposals that it has not
7 previously addressed in its testimony?

8 A. Yes. For the record, Staff does not object to the MPS rate design proposals
9 listed below.

- 10 • Re-design of the Time-of-Day rate schedules.
- 11 • Maintaining the \$5.00 discount on lights when installed on existing poles.
- 12 • Automatic renewal of contracts on the Voluntary Load Reduction Rider.
- 13 • Allowing load reduction to be requested throughout the year on the Voluntary
14 Load Reduction Rider.
- 15 • Preserving the avoided cost rates on the Cogeneration Purchase Schedule at
16 existing levels.
- 17 • Elimination of language on the Large Power rate schedule that describes the
18 now completed conversion of customers from 30-minute to 15-minute
19 reactive demands.
- 20 • Updating the Tariff Index.
- 21 • Filing tariff sheets R-35, R-36, R-37, R-40, and R-41 as blank sheets.

22 Q. Does this conclude your surrebuttal testimony in this case?

23 A. Yes, it does.

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

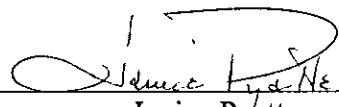
In The Matter Of The Tariff Filing Of)
Missouri Public Service (MPS) A Division)
Of UtiliCorp United Inc., To Implement A)
General Rate Increase For Retail Electric)
Service Provided To Customers In The)
Missouri Service Area Of MPS.

Case No. ER-2001-672

AFFIDAVIT OF JANICE PYATTE

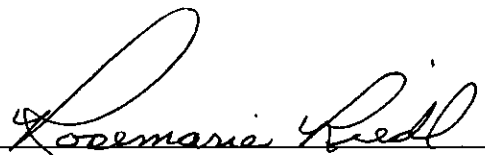
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Janice Pyatte, of lawful age, on her oath states: that she has participated in the preparation of the foregoing 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 foregoing 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.



Janice Pyatte

Subscribed and sworn to before me this 18th day of January, 2002.



Notary Public

My commission expires June 1, 2005

