

Exhibit No.:
Issues: Revenues
Witness: Eric L. Watkins
Sponsoring Party: Aquila Networks-MPS

Case No.: ER-2004-0034
[REDACTED]

Before the Public Service Commission
of the State of Missouri

Surrebuttal Testimony

of

Eric L. Watkins

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
SURREBUTTAL TESTIMONY OF ERIC L. WATKINS
ON BEHALF OF AQUILA, INC.
D/B/A AQUILA NETWORKS-MPS [REDACTED]
CASE NOS. ER-2004-0034 [REDACTED]**

1 Q. Please state your name and business address.

2 A. My name is Eric L. Watkins and my business address is 20 West 9th Street, Kansas
3 City, MO, 64105 USA.

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

5 A. I am employed by Aquila Inc. ("Aquila") as Vice President-Commodity Risk
6 Management, reporting to the Chief Financial Officer of Aquila Inc.

7 Q. Are you the same Eric L Watkins who previously filed direct testimony in this
8 proceeding before the Missouri Public Service Commission ("Commission")?

9 A. Yes, I am.

10 Q. What is the purpose of your surrebuttal testimony in this proceeding?

11 A. The purpose of my surrebuttal testimony is to respond to certain customer
12 annualization adjustments presented in rebuttal testimony of Commission Staff
13 ("Staff") witness Amanda McMellen.

14 Q. Please describe the customer annualization adjustments, presented by the Staff
15 witness with which you have concerns?

16 A. As pointed out in Ms. McMellen's rebuttal testimony, Staff uses a mid-month
17 customer average to determine revenue/customer. This method causes customers not
18 to match properly to normalized calendar month revenue which violates the principle

1 of using billing month customer counts that are consistent with billing month revenue
2 to accurately calculate billing month revenue per customer.

3 Q. What is the significance of this?

4 A. Use of mid-month average customers by Ms. McMellen results in overstated
5 revenue/customer levels. For rate codes that are adding customers over time, Ms.
6 McMellen's mid-month number of customers will be lower than the billing month
7 customer counts used by Aquila. A lower customer number divided into the same
8 normalized revenue will result in higher revenue per customer levels. These higher
9 revenue per customer levels result in overstated revenue. Relative to Aquila's
10 adjustment the overstatement is \$401,156. The results are shown as Surrebuttal
11 Schedule ELW-1 attached to my testimony.

12 Q. What is your recommendation to the Commission?

13 A. I recommend that the Commission adopt Aquila's method for matching customers
14 and revenue for determining customer annualization adjustments.

15 Q. Does this conclude your testimony?

16 A. Yes, it does.

Schedule ELW-1

Cust Annualization Adj. MPS Electric	Cust_Sep03 (Actual)	Aquila-MPS (Act. Mo. Cust.)	Staff-MPS (2-Mo. Avg. Cust.)	Diff. (Staff-Aquila)
MO710/MO711 COMBINED	26,669	\$ 2,557,686	\$ 2,621,310	\$ 63,624
MO720	1,095	\$ 2,908,890	\$ 3,055,129	\$ 146,239
MO740	817	\$ (554,534)	\$ (562,156)	\$ (7,623)
MO800	182	\$ (41,366)	\$ (41,772)	\$ (407)
MO810	203	\$ (15,954)	\$ (16,090)	\$ (136)
MO811	93	\$ 3,115	\$ 573	\$ (2,542)
MO860	147,632	\$ 658,506	\$ 684,584	\$ 26,078
MO870	45,491	\$ 5,310,725	\$ 5,486,647	\$ 175,922
TOTAL	222,182	\$ 10,827,068	\$ 11,228,224	\$ 401,156

Analysis: Staff used rolling 2-month average customers to compute TY normalized revenue per customer and customer annualization adj. at Sep-03, rather than actual monthly customers. Staff's results overstate customer annualization adj. for MPS revenue by \$401,105.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Aquila, Inc. d/b/a Aquila
Networks-MPS [REDACTED]
for authority to file tariffs increasing electric
rates for the service provided to customers in
the Aquila Networks-MPS [REDACTED]
[REDACTED]

Case No. ER-2004-0034

[REDACTED]

[REDACTED]

County of Jackson)
State of Missouri)

ss

AFFIDAVIT OF ERIC L. WATKINS

Eric L. Watkins, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Surrebuttal Testimony of Eric L. Watkins;" that said testimony was prepared by him and under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge, information, and belief.

Eric L. Watkins
Eric L. Watkins

Subscribed and sworn to before me this 13th day of February, 2004.

Terry D. Lutes
Notary Public
Terry D. Lutes

My Commission expires:

8-20-2004

