

Exhibit No.:

Issues: Jurisdictional
Allocations

Witness: Alan J. Bax

Sponsoring Party: MO PSC Staff

Type of Exhibit: Surrebuttal Testimony

Case Nos.: ER-2004-0034
& HR-2004-024

Date Testimony Prepared: February 13, 2004

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

FILED³

OF

APR 28 2004

ALAN J. BAX

**Missouri Public
Service Commission**

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

CASE NOS. ER-2004-0034 & HR-2004-024

**Jefferson City, Missouri
February 2004**

Exhibit No. 71
Case No(s) ER-2004-0034
Date 2/23/04 Rptr KF

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

In The Matter Of Aquila, Inc. D/B/A Aquila)
 Networks L&P And Aquila Networks MPS)
 To Implement A General Rate Increase In) Case No. ER-2004-0034 &
 Electricity) HR-2004-0024 Consolidated

AFFIDAVIT OF ALAN J. BAX

STATE OF MISSOURI)
) ss
 COUNTY OF COLE)

Alan J. Bax, of lawful age, on his oath states: that he has participated in the preparation of the following written testimony in question and answer form, consisting of 3 pages of testimony to be presented in the above case, that the answers in the attached written 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.

Alan J. Bax

Alan J. Bax

Subscribed and sworn to before me this 10th day of February, 2004.

Dawn L. Hale

Notary Public

DORIS L. HAKE
 Notary Public - State of Missouri
 County of Cole

My commission expires Jan 9, 2005

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **ALAN J. BAX**

4 **AQUILA, INC.**

5 **D/B/A AQUILA NETWORKS-MPS**

6 **AND AQUILA NETWORKS-L&P**

7 **CASE NOS. ER-2004-0034 and HR-2004-0024**

8 **(CONSOLIDATED)**

9 Q. Please state your name and business address.

10 A. Alan J. Bax, P.O. Box 360, Jefferson City, Missouri, 65102.

11 Q. Are you the same Alan Bax who previously filed direct testimony in this
12 case?

13 A. Yes.

14 Q. What is the purpose of your surrebuttal testimony in the Aquila, Inc.
15 (Company) Rate Case, Case No. ER-2004-0034?

16 A. The purpose of this surrebuttal testimony is to respond to the rebuttal
17 testimony filed by Company witness Dennis R. Williams. In his rebuttal testimony,
18 Mr. Williams proposes that the Aquila Networks – MPS (MPS) wholesale customer, City
19 of Odessa (Odessa), not be included in the calculation of the jurisdictional allocation
20 factors. In particular, the purpose of my testimony is to explain why Staff included the
21 peak demand and energy usage of Odessa in the calculation of Staff's demand and energy
22 allocation factors.

Surrebuttal Testimony of
Alan J. Bax

1 Q. Why did the Company exclude Odessa in performing its calculation of the
2 jurisdictional allocation factors?

3 A. As indicated on page 22 – lines 11-13 of the rebuttal testimony of
4 Mr. Williams, Odessa notified MPS in March 2003 of its intention not to renew the
5 existing service contract upon its expiration date of April 1, 2004. Further, in line 13,
6 Mr. Williams asserts that this notification represents a “known and measurable” item
7 prior to the end of the update period in this case (September 30, 2003). Mr. Williams
8 states that it is “known” that Odessa would not be taking service from MPS under the
9 current contract. Furthermore, the impact of this on jurisdictional allocation factors can
10 be “measured”; therefore, Mr. Williams concludes that Odessa’s energy and demands
11 should be excluded in a calculation of jurisdictional allocation factors for MPS.

12 Q. Why did the Staff include Odessa in its calculation of jurisdictional
13 allocation factors?

14 A. The Staff included Odessa in its calculations because Odessa was a
15 customer for the entire test year and update period (calendar year 2002 and January
16 through September 2003 respectively) ordered by the Commission in this case. Any
17 event that occurs “outside” of this period, such as the subsequent loss of Odessa as a
18 wholesale customer, is not considered. For a more detailed discussion concerning the
19 determination of rates based on known and measurable changes, see the rebuttal
20 testimony of Staff witness Dana E. Eaves, beginning on page 4, line 22 and continuing
21 through page 5, line 12.

22 Q. Is there a similar example of a known and measurable event that occurred
23 within the test year and update period that was reflected in the Staff’s calculations?

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Alan J. Bax

1 A. Yes. The City of Harrisonville was no longer a wholesale customer of
2 MPS as of May 2003. This is a “known and measurable” item that occurred within the
3 time frame of the test year and update period, and thus the City of Harrisonville’s energy
4 and peak demands were not included in Staff’s jurisdictional allocation factor analyses.

5 Q. Why is it not appropriate to consider items that occur outside the test year
6 and update period?

7 A. It is imperative in the development of a utility’s revenue requirement to
8 maintain the relationships between revenue, expense and rate base “at a consistent point
9 in time”. This is known as the “matching principal”. For a more detailed description of
10 this concept, see the rebuttal testimony of Staff witness Eaves, beginning on page 8, line
11 9 and continuing through page 9, line 16.

12 Q. Does this conclude your surrebuttal testimony?

13 A. Yes.