

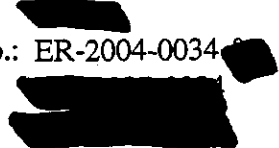
Exhibit No.: 25

Issues: Revenues

Witness: Eric L. Watkins

Sponsoring Party: Aquila Networks-MPS

Case No.: ER-2004-0034



Before the Public Service Commission  
of the State of Missouri

Surrebuttal Testimony

of

Eric L. Watkins

Exhibit No. 1025  
Case No(s) ER-2004-0034  
Date 3-1-04 Rptr YL

**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 9<sup>th</sup> 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.<br>MPS Electric | Cust_Sep03<br>(Actual) | Aquila-MPS<br>(Act. Mo. Cust.) | Staff-MPS<br>(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           |
| <b>TOTAL</b>                            | <b>222,182</b>         | <b>\$ 10,827,068</b>           | <b>\$ 11,228,224</b>            | <b>\$ 401,156</b>    |

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.

