

Exhibit No.:  
Issues: Class Cost of Service  
Rate Design  
Witness: Thomas M. Imhoff  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Rebuttal Testimony  
Case No.: GR-2004-0072  
Date Testimony Prepared: February 13, 2004

**MISSOURI PUBLIC SERVICE COMMISSION  
UTILITY OPERATIONS DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**THOMAS M. IMHOFF**

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

**CASE NO. GR-2004-0072**

**Jefferson City, Missouri  
February 2004**

**FILED**

JUN 21 2004

Missouri Public  
Service Commission

exhibit no. 39  
Date 3-30-04 Case No. GR-2004-0072  
Reporter KF

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

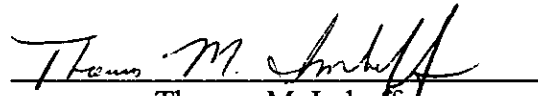
In the Matter of Aquila, Inc. d/b/a Aquila )  
Networks - MPS and Aquila Networks - L&P )  
Natural Gas General Rate Increase )

Case No. GR-2004-0072

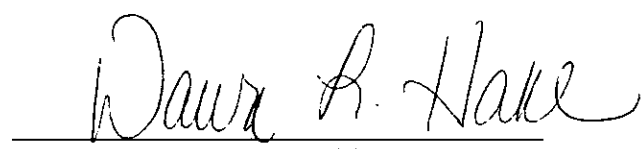
**AFFIDAVIT OF THOMAS M. IMHOFF**

STATE OF MISSOURI     )  
  ) ss  
COUNTY OF COLE     )

Thomas M. Imhoff, 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 4 pages of testimony to be presented in the above case, that the answers in the following 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.

  
\_\_\_\_\_  
Thomas M. Imhoff

Subscribed and sworn to before me this 10<sup>th</sup> day of February, 2004.

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

DAWN L. HAKE  
Notary Public - State of Missouri  
County of Cole  
Commission Expires Jan 9, 2005

My commission expires \_\_\_\_\_

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**REBUTTAL TESTIMONY**

**OF**

**THOMAS M. IMHOFF**

**AQUILA, INC**

**d/b/a AQUILA NETWORKS-MPS**

**d/b/a AQUILA NETWORKS-L&P**

**CASE NO. GR-2004-0072**

Q. Please state your name and business address.

A. Thomas M. Imhoff, P.O. Box 360, Jefferson City, Missouri 65102.

Q. Are you the same Thomas M. Imhoff who filed Direct Testimony in this case?

A. Yes I am.

Q. What is the nature of your Rebuttal Testimony as it relates to this case?

A. My Rebuttal Testimony will address certain aspects of Aquila, Inc. (Aquila or Company) d/b/a Aquila Networks-MPS (MPS) and d/b/a Aquila Networks-L&P (L&P) witness Thomas J. Sullivan's class cost of service (COS) Direct Testimony.

Q. Have you reviewed the COS filed by Company witness Sullivan?

A. Yes I have.

Q. Do you agree with the Company's calculation of the COS for the MPS portion?

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1           A.     No.     Staff's major disagreement with this computation was the  
2 combination of the MPS's Northern, Southern and Eastern Districts into one COS study.  
3 In the Commission's Order of GA-94-325, the Commission ordered the Company to  
4 maintain and provide to the Staff, a separate and complete accounting upon proper  
5 request in any future rate or complaint proceeding. This was established to provide and  
6 ensure that no subsidization had occurred. The Staff computed a separate COS and  
7 revenue requirement of the Eastern district in compliance with the Commission's Order  
8 in GA-94-325. The Company did not compute a separate COS for the Eastern district;  
9 thereby, not following the Commission's Order in GA-94-325 that would ensure that the  
10 Northern/Southern districts were subsidizing the Eastern district. The Staff's COS and  
11 revenue requirement indicated that the Eastern district was not covering their costs under  
12 the current Northern/Southern based rates and would need an approximately 75%  
13 increase in margin rates, while the Northern/Southern districts require an approximately  
14 15% increase in margin rates. The Staff recommended the adoption of the  
15 Northern/Southern districts rates for the Eastern district, but has ensured that the  
16 Northern/Southern districts were not subsidizing the Eastern district's operations.

17           Q.     Does Staff have other concerns relating to Aquila's COS?

18           A.     Yes. When computing the COS for the large customers, the Company did  
19 not allocate any costs to the Special Contracts customers. Instead, the Company  
20 allocated all of the costs to the remaining customers and simply credited the revenue from  
21 the Special Contract customers to the remaining customer classes. The Special Contract  
22 customers use approximately 41% of the total transportation volumes and approximately  
23 18% of the North/South system volumes. These Special Contract customers are large

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1 volume users, and should be classified as such. This ensures that costs are properly  
2 assigned and allocated to the individual customer classes.

3 Staff notes one other disagreement with the Company in its COS, and that relates  
4 to the inclusion of gas costs in their COS. Gas costs are collected from customers  
5 through the PGA/ACA process and should not be a factor in computing the COS for the  
6 Company. The COS should only reflect margin related costs, and not PGA/ACA related  
7 costs.

8 Q. Does Staff have any other comments relating to the Direct Testimony of  
9 Company witness Sullivan?

10 A. Yes. For a couple of reasons Staff cannot adequately evaluate, at this  
11 time, the proposed rate structure that would create the Small Commercial, Small Volume  
12 and Large Volume rates. First, given the Company's choice to combine the  
13 Northern/Southern districts with the Eastern district, Staff does not have access to or had  
14 the opportunity to evaluate the billing units and customer data that would be needed to  
15 evaluate this proposal for the three districts that Staff believes are appropriate. Second,  
16 given the large differences between the Staff and the Company regarding the revenue  
17 requirement increase as well as the assignment of that revenue increase to the classes, the  
18 real impact on customers cannot be determined. Therefore, Staff cannot support the  
19 Company's proposed rate structure at this time.

20 Q. Do you have any comments regarding the testimony of Sedalia Industrial  
21 Energy Users Association witness Maurice Brubaker?

22 A. Yes. Mr. Brubaker relied on the Company's CCOS study as the basis for his  
23 recommendations. I have discussed several fundamental problems in the Company's

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1 study earlier in my testimony. Since this study is flawed and is the basis for  
2 Mr. Brubaker's recommendations, these same criticisms are also directed to  
3 Mr. Brubaker.

4 It should also be noted that Mr. Brubaker's Schedules 1 and 2 purport to show  
5 "Cost-Based Increases Compared to Increases proposed by MPS". However, these  
6 schedules do not include the revenues that the Company identifies as "other operating  
7 revenues" which include forfeited discounts, miscellaneous service revenue, and special  
8 contract revenues, which account for over \$1,000,000 of revenue in the  
9 Northern/Southern system. Since other operating revenues are collected from Aquila's  
10 customers and these revenues are part of this case, these should be included in this  
11 analysis. These schedules also include gas costs, which are PGA/ACA costs that are not  
12 part of this case. Since gas costs make up more than half of the costs shown in the  
13 schedules, these schedules do not reflect the true costs or increases in this case.

14 Q. Does this conclude your Rebuttal Testimony?

15 A. Yes it does.