

Exhibit No.:
Issues: Sales and Revenue
Rate Design
Witness: Janice Pyatte
Sponsoring Party: MO PSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2001-672
Date Testimony Prepared: January 8, 2002

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

JANICE PYATTE

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

CASE NO. ER-2001-672

**Jefferson City, Missouri
January 2002**

FILED²
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Missouri Public
Service Commission

1
2
3
4
5

TABLE OF CONTENTS

Sales and Revenue.....	2
Rate Design	5

Rebuttal Testimony of
Janice Pyatte

- Explain why the Staff's method of annualizing the revenue associated with economic development credits (EDR) is more appropriate than the method proposed by MPS.

Q. Please describe the summary tables shown on Schedule 1 and Schedule 2.

A. Schedule 1 attached to this testimony shows a summary of Staff's calculation of MPS Missouri jurisdictional test-year kWh sales. Schedule 2 shows a summary of Staff's calculation of MPS Missouri jurisdictional retail rate revenue.

Q. How do the summary tables presented in this testimony differ from the summary tables presented in Schedules 2 and 3 of your direct testimony?

A. The summary tables presented in this testimony each include an additional column entitled Leap Year Adjustment. This additional column reflects an adjustment made to kWh sales (Schedule 1) and to rate revenue (Schedule 2) to annualize the 366-day test year ending December 31, 2000, a leap year, to 365 days. The rationale for this additional adjustment is described in the rebuttal testimony of Staff witness Lena M. Mantle. Total Missouri kWh sales and Missouri retail rate revenue were decreased by the amount of the leap year adjustment. None of the other annualizations and normalizations done to kWh sales or to rate revenue have changed from the filed values presented in my direct testimony.

Q. What are the differences between the Staff's adjustment to rate revenue and the Company's adjustment to rate revenue?

A. Ms. Mantle's rebuttal testimony describes the differences between the Staff's computation of weather-normalized kWh sales and the computation done by MPS. The Staff and MPS also differ in the computation of the rate revenue associated with the weather adjustment to kWh sales.

Rebuttal Testimony of
Janice Pyatte

1 Since the weather adjustment is only to kWh sales, revenues are affected by only
2 those charges directly related to kWh usage, i.e., the energy charges. Mr. Adkins' revenue
3 calculation is flawed because he included fixed charges, such as billing demand charges, in
4 his calculation. The Staff used only the energy-charge component of the rate in the
5 calculation of the weather adjustment to rate revenue.

6 In addition, Mr. Adkins neglected to account for the billing corrections and/or
7 recording errors that MPS made during the test year before he performed his pricing analysis.

8 Q. What is the difference between the Staff's and the Company's annualization
9 of Economic Development Rider credits?

10 A. Staff's treatment of the revenue associated with Economic Development
11 Rider credits was to estimate the dollar amount of each EDR discount based upon the
12 customer's test year electricity bill before any discount is applied and the percentage(s) that
13 will be applicable in calendar year 2002. Because the EDR discount for each customer
14 declines over time (from 30% in the first year to 10% in the fifth and final year of the
15 customer's contract), the amount of each customer's discount will also decline over time.
16 Included in my calculations are all active EDR customers at the end of the update period,
17 adjusted to a 12-month basis, if necessary. In the true-up filing in this case, I will update the
18 amount of EDR credits to include all active EDR customers as of January 31, 2002.

19 MPS's case reflects the actual level of EDR credits incurred during the test year,
20 without adjusting for the declining percentage discount.

21 Q. Do you have any recommendations for the Commission on the issue of Sales
22 and Revenue?

Rebuttal Testimony of
Janice Pyatte

1 A. Yes. I recommend that the Commission adopt the Staff's method for
2 calculating the weather adjustment to rate revenue because Staff correctly uses only the
3 energy charges in pricing the adjustment to kWh sales.

4 I also recommend that the Commission adopt the Staff's annualization of the
5 Economic Development Rider credits because Staff's method accounts for known changes in
6 the discount rate applicable to existing customers and is thus a better reflection of the future
7 level of credits.

8 **Rate Design**

9 Q. What is the purpose of your rebuttal testimony on the issue of Rate Design in
10 this case?

11 A. My rebuttal testimony on the issue of Rate Design will:

- 12 • Explain why the Company's description of the "factor-up" method of
13 calculating new rate values is incorrect; and
- 14 • Explain why Staff opposes the Company's proposal to eliminate the "lesser
15 of" provision of the Small General Service rate schedule.

16 Q. Is the description of the "factor-up" method of calculating new rates contained
17 in the direct testimony of MPS witness J. Matt Tracy accurate?

18 A. No. On page 2, lines 10-13, Mr. Tracy described his method for determining
19 proposed tariff charges as "... all tariff charges. ... were multiplied by the ratio of the sum of
20 the Operating Revenues and Revenue Requirement, divided by the Operating Revenues ..."

21 This method of "factoring-up" rates is incorrect, because it assumes that both revenue
22 from sales of electricity (rate revenue) and revenue from providing other services (other
23 revenue) will be increased as a result of the Commission's order in this case. In fact, only the

Rebuttal Testimony of
Janice Pyatte

1 Company's revenue from sales of electricity to Missouri retail customers will increase by the
2 relevant factor.

3 Q. What is the correct way to calculate new rates when using the "factor-up"
4 method?

5 A. The proper way to calculate new rates when using the "factor-up" method is
6 to use rate revenue, rather than operating revenue, in the computation of the factor to be
7 applied to existing rates. Rate revenue only includes that revenue the Company collects from
8 the sales of electricity to Missouri retail customers. Using rate revenue in the computation of
9 the factor to be applied to existing rates assumes that the "other revenue" the Company
10 receives for providing other services will not change as a result of the Commission's order
11 regarding retail rates for the sale of electricity.

12 Q. Is there another inaccuracy in Mr. Tracy's description of the "factor-up"
13 method of calculating new rates?

14 A. Strictly speaking, the term "revenue requirement" refers to total cost of
15 service, although it is commonly used incorrectly to refer to the change in revenue that is
16 required to equate revenue to cost of service. Thus the proper way to compute the new rates
17 that result from this case is to multiply each existing rate component by the ratio of rate
18 revenue plus the allowed change in revenue, divided by rate revenue.

19 Q. Please explain MPS's proposal to eliminate the "lesser of" test.

20 A. The current Small General Service (SGS) rate schedule consists of two rates
21 for small (those having demands less than 100 kW) commercial customers. There is an
22 energy-only rate and a demand-plus-energy rate. Customers have been assigned to these rate

Rebuttal Testimony of
Janice Pyatte

1 codes based on the type of metering present at each customer's premise, rather than by a
2 specific usage-related or demand-related criterion.

3 To ensure that a small customer equipped with a demand meter will not pay more on
4 the demand-metered SGS rate than that same customer would pay on the energy-only SGS
5 rate, the Small General Service rate schedule contains the following provision:

6 *Monthly billing demand for customers with demand meters shall be the lesser of*
7 *the customer's maximum 15-minute integrated demand measured during the*
8 *current billing period and the customer's monthly energy usage divided by 180*
9 *hours only during billing periods when the customer's maximum measured*
10 *demand does not exceed 100 kW. [emphasis added]*

11 MPS's proposal in this case is to eliminate the "lesser of" provision of the Small
12 General Service rate schedule because doing so will "... more accurately allow customers'
13 bills to follow the costs they impose on the system." [Tracy, direct, page 4, lines 15-16]

14 Q. What studies have MPS provided in support of the proposal to eliminate the
15 "lesser of" provision?

16 A. MPS has not provided any cost study to support its contention that billing
17 small SGS customers on the demand-metered rate, without the "safety net" afforded by the
18 "lesser of" provision, is cost-justified.

19 MPS has not provided any analysis that would allow the revenue effect associated
20 with its proposed change, if adopted in this case, to be properly accounted for. In response to
21 Staff Data Request No.MPSC-3512 and OPC Data Request No.OPC-741, MPS stated that
22 they did "... not expect this change to create a significant increase in revenue, as the
23 commercial customers most likely to be effected are small users."

24 MPS has not provided any study that examined the impact that its proposal would
25 have on individual customers.

Rebuttal Testimony of
Janice Pyatte

1 Q. What is Staff's position on the MPS proposal to eliminate the "lesser of" test?

2 A. Staff is opposed to the elimination of the "lesser of" provision of the Small
3 General Service rate schedule in this case because MPS has not provided any evidence to
4 support its proposal. This proposal would be more appropriately examined within the
5 context of a subsequent class cost of service and rate design case, where the necessary cost
6 study can be performed, the revenue effects can be accounted for, and the impact of such a
7 change on individual customers can be examined.

8 Q. Do you have any recommendations for the Commission on the issue of Rate
9 Design?

10 A. Yes. I recommend that the Commission deny the Company's request to
11 eliminate the "lesser of" provision of the Small General Service rate schedule. I also
12 recommend that the Commission reject as incorrect MPS's proposed "factor-up" method of
13 calculating new rates.

14 Q. Does this conclude your rebuttal testimony in this case?

15 A. Yes, it does.

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

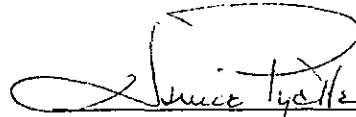
In The Matter Of The Tariff Filing Of)
Missouri Public Service (MPS) A Division)
Of UtiliCorp United Inc., To Implement A)
General Rate Increase For Retail Electric)
Service Provided To Customers In The)
Missouri Service Area Of MPS.)

Case No. ER-2001-672

AFFIDAVIT OF JANICE PYATTE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

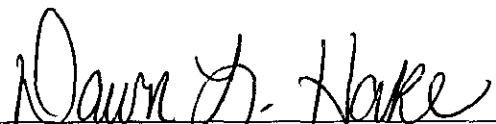
Janice Pyatte, of lawful age, on her oath states: that she has participated in the preparation of the foregoing rebuttal testimony in question and answer form, consisting of 8 pages of rebuttal testimony to be presented in the above case, that the answers in the foregoing rebuttal testimony were given 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 7th day of January, 2002.

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



Notary Public

My commission expires _____

**MISSOURI PUBLIC SERVICE - CASE NO. ER-2001-672
ADJUSTED MISSOURI KWH SALES BY RATE CODE
(CALENDAR YEAR 2000, ADJUSTED THROUGH JUNE 30, 2001)**

RATE ID		As Billed (kWh)	Annualizations to kWh Sales	Normalizations to to kWh Sales	Effect of Growth to kWh Sales	Leap Year Adjustment	Total kWh Sales
060/MO860	Residential General Use	1,551,362,456		(21,606,729)	7,960,710	(4,201,411)	1,533,515,026
070/MO870	Residential w/ Space Heat	560,138,187		26,438,397	54,884,930	(1,752,627)	639,708,887
310/MO710	Small GS (no kW meter)	145,879,483		704,520	2,553,691	(407,480)	148,730,214
311/MO711	Small GS w/kW mtr, Sec	523,263,747	1,264,080	(467,013)	69,650,626	(1,622,162)	592,089,278
316/MO716	Small GS w/kW mtr, Pri	2,168,261	512,480	31,217	39,843	(7,519)	2,744,282
611/MO611	TOD (GS) - 1 phase	84,440			(21,520)		62,920
320/MO720	Large GS, Secondary	705,679,378	(1,014,600)	(1,664,410)	25,934,820	(1,991,626)	726,943,562
325/MO725	Large GS, Primary	33,591,546	(179,480)	(161,975)	1,738,467	(95,597)	34,892,960
420/MO721	RTP (721)	312,550	3,199,841		(60,550)		3,451,841
631/MO631	TOD (GS) - 3 phase, Sec	923,760			(263,600)		660,160
330/MO730	Large PS, Secondary	454,767,384			6,738,022		461,505,406
335/MO735	Large PS, Primary	546,364,706			(21,410,404)		524,954,302
430/MO731	RTP (731)	26,366,077			2,774,000		29,140,077
435/MO737	RTP (737)	34,582,327			(5,019,057)		29,563,270
219/MO919	Special Contract (Modline)	7,636,838			718,959		8,355,797
450/MO950	Special Contract	67,528,693			(2,431,401)		65,097,292
651/MO651	Thermal Energy	7,007,594			(236,960)		6,770,634
340/MO740	Schools & Churches, Sec	61,087,743	(8,357,800)	927,460	382,759	(147,651)	53,892,512
345/MO745	Schools & Churches, Pri	170,840			4,400		175,240
500/MO800	Muni Water Pumps	9,382,910			(225,720)		9,157,190
510/MO810	Muni Park & Rec	2,503,631			135,332		2,638,963
511/MO811	Muni Park & Rec, 3-phase	2,591,389			348,057		2,939,446
	Unaccounted for	1,622,000					1,622,000
300/MO888	Interdepartmental Lighting	40,482,864			406,796		40,889,660
	Total MO Retail Sales	4,785,498,804	(4,575,479)	4,201,467	144,602,200	(10,226,073)	4,919,500,919
283	Wholesale - Sales to Munis	218,771,000		(4,889,301)		(584,376)	213,297,323
	Total MO Sales	5,004,269,804	(4,575,479)	(687,834)	144,602,200	(10,810,449)	5,132,798,242

MISSOURI PUBLIC SERVICE - CASE NO. ER-2001-672
ADJUSTED MISSOURI RETAIL RATE REVENUES BY RATE ID
(CALENDAR YEAR 2000, ADJUSTED THROUGH JUNE 30, 2001)

		As Billed w/o Taxes	Annualizations to Rate Revenue	Normalizations to to Rate Revenue	Effect of Growth to Rate Revenue	Leap Year Adjustment	Total Rate Revenue
060/MO860	Residential General Use	\$116,660,296		(\$1,730,128)	\$606,662	(\$315,674)	\$115,221,155
070/MO870	Residential w/ Space Heat	\$33,885,299		\$672,783	\$3,129,737	(\$102,972)	\$37,584,847
310/MO710	Small GS (no kW meter)	\$11,983,195		(\$51,105)	\$190,777	(\$33,123)	\$12,089,745
311/MO711	Small GS w/kW mtr, Sec	\$32,080,482	\$64,529	(\$90,106)	\$4,230,083	(\$99,139)	\$36,185,848
316/MO716	Small GS w/kW mtr, Pri	\$117,037	\$28,119	\$982	\$1,230	(\$403)	\$146,966
	EDR Discounts (711)	(\$2,244)	(\$15,384)				(\$17,628)
611/MO611	TOD (GS) - 1 phase	\$6,133			(\$1,765)		\$4,368
320/MO720	Large GS, Secondary	\$36,032,258	(\$48,329)	(\$108,661)	\$1,275,537	(\$101,505)	\$37,049,300
325/MO725	Large GS, Primary	\$1,599,858	(\$9,992)	(\$9,233)	\$88,485	(\$4,560)	\$1,664,558
420/MO721	RTP (721)	\$12,891	\$135,496		\$40,921		\$189,308
	EDR Discounts (720)	(\$113,627)	\$49,107				(\$64,519)
	EDR Discounts (725)	(\$4,021)	\$4,021				
631/MO631	TOD (GS) - 3 phase, Sec	\$54,060			(\$15,835)		\$38,225
330/MO730	Large PS, Secondary	\$20,047,793			\$208,840		\$20,256,633
335/MO735	Large PS, Primary	\$21,691,499			(\$105,718)		\$21,585,782
430/MO731	RTP (731)	\$1,037,620			\$489,901		\$1,527,521
435/MO737	RTP (737)	\$1,454,671			\$320,814		\$1,775,485
	EDR Discounts (730)	(\$542,438)	\$300,465				(\$241,973)
	EDR Discounts (735)	(\$258,594)	(\$25,241)				(\$283,835)
219/MO919	Special Contract (Modine)	\$307,675			\$29,986		\$337,661
450/MO950	Special Contract	\$2,367,685			(\$47,773)		\$2,319,913
651/MO651	Thermal Energy	\$300,439			(\$4,875)		\$295,564
340/MO740	Schools & Churches, Sec	\$3,585,069	(\$261,599)	(\$9,269)	\$20,274	(\$9,111)	\$3,325,364
345/MO745	Schools & Churches, Pri	\$9,377			\$112		\$9,489
500/MO800	Muni Water Pumps	\$560,473			(\$13,198)		\$547,275
510/MO810	Muni Park & Rec	\$192,188			\$10,261		\$202,449
511/MO811	Muni Park & Rec, 3-phase	\$200,515			\$25,490		\$226,005
	Unaccounted for	(\$48,617)					(\$48,617)
	Interdepartmental						
	Lighting	\$4,908,066			\$74,170		\$4,982,236
	TOTAL MO RATE REVENUE	\$288,125,042	\$221,192	(\$1,324,737)	\$10,554,114	(\$666,487)	\$296,909,123