Exhibit No.:
Issues: EDR Revenue
Witness: J. Matt Tracy
Sponsoring Party: Missouri Public Service
Case No.: ER-2001-672

Before the Public Service Commission
of the State of Missouri

Surrebuttal Testimony

of

J. Matt Tracy

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
SURREBUTTAL TESTIMONY OF J. MATT TRACY
ON BEHALF OF MISSOURI PUBLIC SERVICE,
A DIVISION OF UTILICORP UNITED INC.
CASE NO. ER-2001-672

Q. Please state your name and business address.

A. My name is J. Matt Tracy and my business address is 20 West 9th Street, Kansas City, Missouri, 64105.

Q. Are you the same J. Matt Tracy who provided direct and rebuttal testimony in this case on behalf of Missouri Public Service ("MPS")?

A. Yes.

Q. What is the purpose of your surrebuttal testimony in this case before the Missouri Public Service Commission ("Commission")?

A. First I will point out the problem with the economic development rider ("EDR") credits annualization proposal as set out in the rebuttal testimony of Commission Staff witness Pyatte. Second, I will respond to Ms. Pyatte's comments on rate design.

ECONOMIC DEVELOPMENT RIDER CREDITS

Q. Is there a problem with Staff witness Pyatte's annualization of EDR credits?

A. Yes. It does not account for the full level of credits that MPS will provide to EDR customers. By shifting EDR customers forward one year as proposed by Staff, MPS cannot recover the 12 months of 30% credit given to customers during their first year on the EDR.

Q. Can you provide an example that shows the impact of Staff's method?

A. Yes. On my attached Schedule JMT-2, I provide a simplified example of the impact of Staff's method on the level of allowed EDR credits. The detail of the example follows, but it shows that the Staff's method accounts for less than the expected going forward level of EDR credits.

Q. Please explain the schedule.

A. The example in Schedule JMT-2 runs through 7 years, by month. Every month a new customer is added to the EDR, represented in the example by the row titled "New Revenue", with monthly revenues of $10, or $120 per year. So in Year 1, the Monthly EDR Revenues are $10, $20, $30, on up to $120 in December, which reflects 12 customers, each generating $10 of revenue per month. The row below shows the Monthly EDR Credits @ 30%, running $3, $6, $9, on up to $36 for December.

The first month of Year 2 adds another customer, but the first customer from Year 1 now moves down to the second row on the EDR, and their associated credits move to the 25% level. The $10's in the boxes in the first month of the first 5 years all reflect the same customer moving through the 5 levels of the EDR. The $3, $2.5, $2, $1.5, and $1 in boxes are the EDR credits for that customer. This shows the basic premise of the EDR, providing 1 period free, over 5 periods (3+2.5+2+1.5+1=10). In the first month of Year 6 the first customer receives no more credits.

Year 6 achieves ongoing stability, with a customer being added, and a customer dropping off the EDR each month. The Sum of EDR Credits is $120 each month, for an Annual Sum of EDR Credits of $1440.

Q. How would you characterize this sum?

A. Conceptually, this is the value I believe is most appropriate for MPS to collect. It reflects the ongoing stable level of EDR credits. Staff's proposal rolls through another year, but no longer adds any customers; it only allows them to drop off the EDR. Year 7 shows the impact, as New Revenue is set to $0 each month. The Monthly EDR Credits @ 30% drop $3 each month, falling from $36 in December of Year 6, to $0 in December of Year 7. The Annual Sum of EDR Credits for Year 7 is only $1206, less than the $1440 from Year 6.

Q. Does MPS expect to add a new EDR customer each month, and do you expect each such customer to be the same size?

A. No, and no. Additions to the EDR are more random, both in timing, and in size. But the principal difference between Staff's method and the one we propose is most easily seen using the simple example.

Q. Is it your opinion that MPS will continue to add EDR customers?

A. Yes. For example, as of January 15, 2002, we are waiting for a customer to return a signed copy of an EDR contract. The recent experience of MPS also shows that we will continue to add EDR customers.

Q. What evidence is there that MPS will continue to add EDR customers?

A. On December 20, 2001, I sent a highly confidential file with detailed EDR customer information to Ms. Pyatte. I later updated that file in response to Staff DR-3537. That file included the graph attached as Schedule JMT-3. The graph shows the rolling 12-month total MPS EDR Discount Dollars, which is analogous to the Annual Sum of EDR Credits from the example. The first value at the left is for December of 1997, and reflects information from January through December of 1997. The last value at the right is for November of 2001, so the graph represents one month less than 5 years of information.

The graph provides evidence that the annual sum of EDR credits is increasing. Though there are some level periods, and some declines, the overall trend is distinctly one of growth. To treat MPS as if it will have no additional EDR customers is not supported by the last five years of MPS's actual experience as shown in the graph.

Q. What is your recommendation regarding calculation of the EDR credit?

A. I recommend that the EDR credit be calculated based on the 12 months of actual EDR credits ending January 31, 2002. This will allow MPS to recover the full amount of the credit provided through the EDR tariff.

RATE DESIGN

Q. Do you agree with Staff witness Pyatte's factor-up method to calculate new rate values?

A. Yes. The values on the tariff sheets filed in this case were calculated as Ms. Pyatte described. My expression of those calculations in words was apparently less precise, "strictly speaking," than possible, but I believe we are agreed on applying the change only to those values to be changed.

Q. Is the lesser of test for Small General Service ("SGS") in place because of cost-of-service considerations?

A. No. The lesser of test is a price ceiling, reducing the amount that customers with load factors less than 25% pay for demand costs they impose on the electric system. Maintaining the test is inconsistent with the goal of having cost-of-service based rates.

Q. Does this conclude your surrebuttal testimony?

A. Yes it does.

Economic Development Credit Example

Year		**1**												**2**											
Month		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
New Revenue		10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Monthly EDR Revenue	1	10	20	30	40	50	60	70	80	90	100	110	120	120	120	120	120	120	120	120	120	120	120	120	120
Monthly EDR Revenue	2													10	20	30	40	50	60	70	80	90	100	110	120
Monthly EDR Revenue	3																								
Monthly EDR Revenue	4																								
Monthly EDR Revenue	5																								
Monthly EDR Credits @	30%	3	6	9	12	15	18	21	24	27	30	33	36	36	36	36	36	36	36	36	36	36	36	36	36
Monthly EDR Credits @	25%	0	0	0	0	0	0	0	0	0	0	0	0	2.5	5	7.5	10	12.5	15	17.5	20	22.5	25	27.5	30
Monthly EDR Credits @	20%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Monthly EDR Credits @	15%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Monthly EDR Credits @	10%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sum of EDR Credits		3	6	9	12	15	18	21	24	27	30	33	36	38.5	41	43.5	46	48.5	51	53.5	56	58.5	61	63.5	66
Annual Sum of EDR Credits													234												627

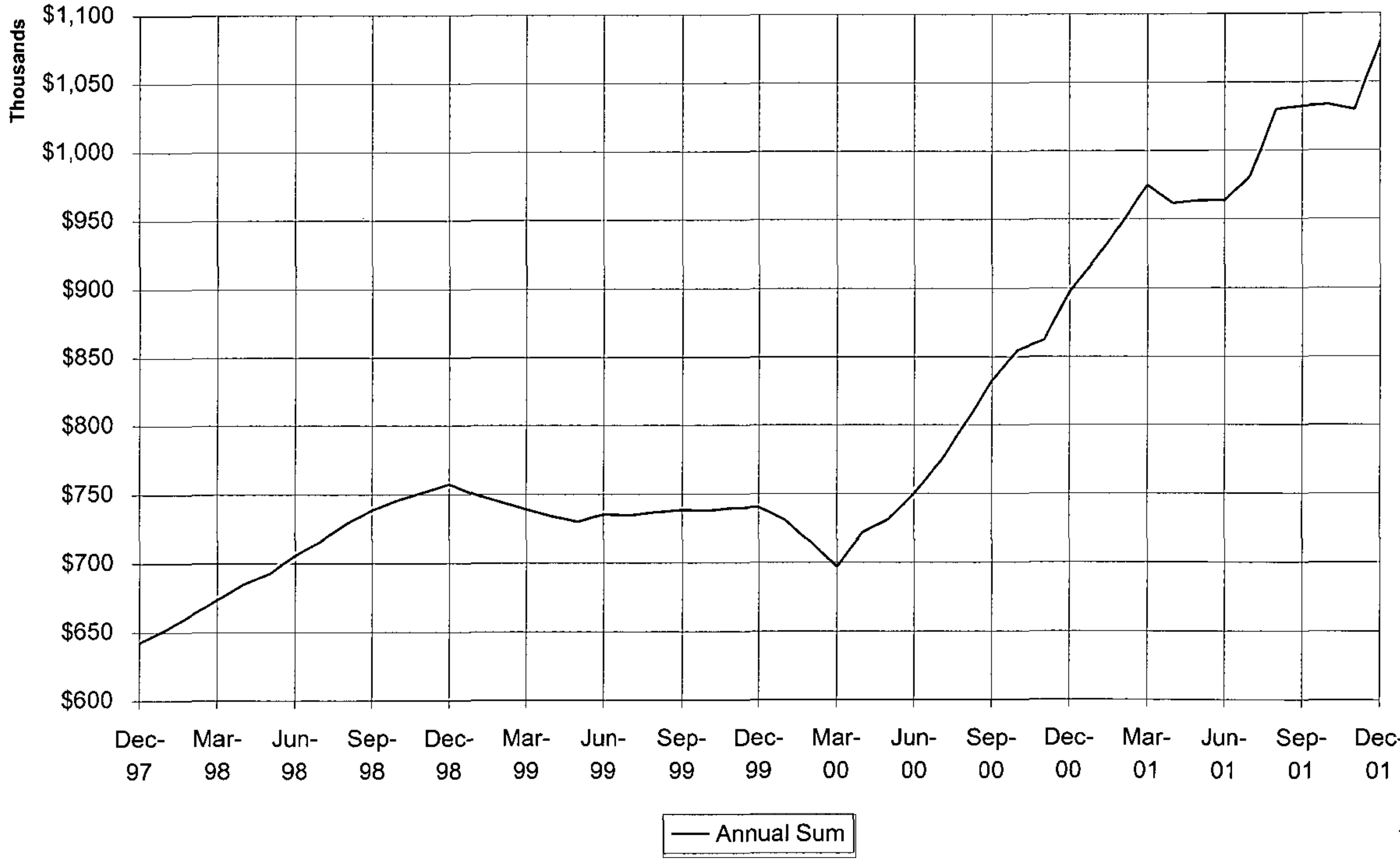
Year		**3**												**4**											
Month		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
New Revenue		10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Monthly EDR Revenue	1	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
Monthly EDR Revenue	2	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
Monthly EDR Revenue	3	10	20	30	40	50	60	70	80	90	100	110	120	120	120	120	120	120	120	120	120	120	120	120	120
Monthly EDR Revenue	4													10	20	30	40	50	60	70	80	90	100	110	120
Monthly EDR Revenue	5																								
Monthly EDR Credits @	30%	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36
Monthly EDR Credits @	25%	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Monthly EDR Credits @	20%	2	4	6	8	10	12	14	16	18	20	22	24	24	24	24	24	24	24	24	24	24	24	24	24
Monthly EDR Credits @	15%	0	0	0	0	0	0	0	0	0	0	0	0	1.5	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18
Monthly EDR Credits @	10%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sum of EDR Credits		68	70	72	74	76	78	80	82	84	86	88	90	91.5	93	94.5	96	97.5	99	100.5	102	103.5	105	106.5	108
Annual Sum of EDR Credits													948												1197

Economic Development Credit Example

Year		**5**												**6**											
Month		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
New Revenue		10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Monthly EDR Revenue	1	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
Monthly EDR Revenue	2	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
Monthly EDR Revenue	3	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
Monthly EDR Revenue	4	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
Monthly EDR Revenue	5	10	20	30	40	50	60	70	80	90	100	110	120	120	120	120	120	120	120	120	120	120	120	120	120
Monthly EDR Credits @	30%	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36
Monthly EDR Credits @	25%	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
Monthly EDR Credits @	20%	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24
Monthly EDR Credits @	15%	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18
Monthly EDR Credits @	10%	1	2	3	4	5	6	7	8	9	10	11	12	12	12	12	12	12	12	12	12	12	12	12	12
Sum of EDR Credits		109	110	111	112	113	114	115	116	117	118	119	120	120	120	120	120	120	120	120	120	120	120	120	120
Annual Sum of EDR Credits													1374												1440

Year		**7**												
Month		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	
New Revenue		0	0	0	0	0	0	0	0	0	0	0	0	
Monthly EDR Revenue	1	110	100	90	80	70	60	50	40	30	20	10	0	
Monthly EDR Revenue	2	120	120	120	120	120	120	120	120	120	120	120	120	
Monthly EDR Revenue	3	120	120	120	120	120	120	120	120	120	120	120	120	
Monthly EDR Revenue	4	120	120	120	120	120	120	120	120	120	120	120	120	
Monthly EDR Revenue	5	120	120	120	120	120	120	120	120	120	120	120	120	
Monthly EDR Credits @	30%	33	30	27	24	21	18	15	12	9	6	3	0	
Monthly EDR Credits @	25%	30	30	30	30	30	30	30	30	30	30	30	30	
Monthly EDR Credits @	20%	24	24	24	24	24	24	24	24	24	24	24	24	
Monthly EDR Credits @	15%	18	18	18	18	18	18	18	18	18	18	18	18	
Monthly EDR Credits @	10%	12	12	12	12	12	12	12	12	12	12	12	12	
Sum of EDR Credits		117	114	111	108	105	102	99	96	93	90	87	84	
Annual Sum of EDR Credits													1206	84%

MPS EDR Discount Dollars



BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Missouri Public Service of Kansas City, Missouri, for authority to file tariffs increasing electric rates for service provided to customers in the Missouri Public Service area	)))))	Case No. ER-2001-672

County of Jackson)
) ss
State of Missouri)

AFFIDAVIT OF J. MATT TRACY

J. Matt Tracy, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Surrebuttal Testimony of J. Matt Tracy;" 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.

J. Matt Tracy
J. Matt Tracy

Subscribed and sworn to before me this 16th day of January, 2002.

Sandra L. Horvat
Notary Public

My Commission expires:

8/16/2003

"NOTARY SEAL"
Sandra L. Horvat, Notary Public
Jackson County, State of Missouri
My Commission Expires 8/16/2003