

FILED³

JUN 21 2004

Missouri Public
Service Commission

Exhibit No.:

Issue: *Cash Working Capital*

Witness: *Lesley R. Preston*

Sponsoring Party: *MoPSC Staff*

Type of Exhibit: *Rebuttal Testimony*

Case No.: *GR-2004-0072*

Date Testimony Prepared: *February 13, 2004*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

LESLEY R. PRESTON

AQUILA, INC.

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

CASE NO. GR-2004-0072

*Jefferson City, Missouri
February 2004*

Exhibit No. 50
Date 3-30-04 Case No. GR-2004-0072
Reporter KP

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

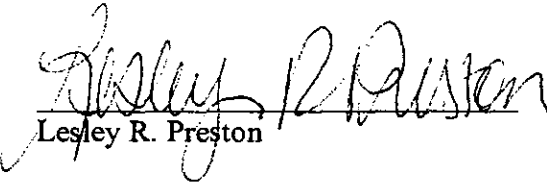
In the Matter of Aquila, Inc. d/b/a Aquila)
Networks-MPS and Aquila Networks-L&P,)
Natural Gas General Rate Increase)

Case No. GR-2004-0072

AFFIDAVIT OF LESLEY R. PRESTON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Lesley R. Preston, being of lawful age, on her oath states: that she has participated in the preparation of the following rebuttal testimony in question and answer form, consisting of 3 pages to be presented in the above case; that the answers in the following rebuttal testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.



Lesley R. Preston

Subscribed and sworn to before me this 9th day of February 2004.





Notary

TONI M. CHARLTON
NOTARY PUBLIC STATE OF MISSOURI
COUNTY OF COLE
My Commission Expires December 28, 2004

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REBUTTAL TESTIMONY

OF

LESLEY R. PRESTON

**AQUILA, INC. d/b/a AQUILA NETWORKS-MPS – (NATURAL GAS)
AND AQUILA NETWORKS – L&P – (NATURAL GAS)**

CASE NO. GR-2004-0072

Q. Please state your name and business address.

A. My name is Lesley R. Preston, 3675 Noland Road Suite 110, Independence, Missouri 64055.

Q. Are you the same Lesley R. Preston who previously filed direct testimony in this case?

A. Yes. I filed direct testimony on January 6, 2004.

Q. What is the purpose of your rebuttal testimony?

A. This testimony will clarify statements made in my direct testimony regarding Cash Working Capital (CWC), specifically the billing lag for Aquila, Inc. (Aquila or Company) d/b/a Aquila Networks-MPS (MPS) and Aquila Networks-L&P (L&P).

CASH WORKING CAPITAL

Q. Please explain the clarification of the billing lag for CWC.

A. On page 9 of my direct testimony I state, "Staff accepted the Company's proposed billing lag of two days." The Company has actually proposed a billing lag that is significantly longer than two days and has reflected that in the revenue lag component of its cash working capital amount requested in this case. The Staff has recalculated the billing lag taking into consideration "cycle 21," or transportation customers. In the future this portion of

Rebuttal Testimony of
Lesley R. Preston

1 the billing lag should be reviewed for reasonableness. Below is the breakdown between the
2 Staff's and the Company's individual components of the revenue lag:

	<u>Staff-Direct</u>	<u>Staff-Rebuttal</u>	<u>Company</u>
3 Usage Lag	15.21 days	15.21 days	15.20 days
4 Billing Lag	2.00 days	4.82 days	6.24 days
5 Collection Lag	<u>4.38 days</u>	<u>4.38 days</u>	<u>21.18 days</u>
6			
7			
8 Total	<u>21.59 days</u>	<u>24.41 days</u>	<u>42.62 days</u>

9 Q. Please explain the remaining difference in the billing lag.

10 A. The remaining difference in the billing lag is regarding the "non-cycle 21," or
11 metered customers. The Company has proposed 4.516 days for these customers, while the
12 Staff has calculated 2.90 days. Below is the calculation for the overall billing lag:

Company			
A	B	C	D
Bill Cycle	Days Processing	Annual Payment	Weighted Average
Cycle 21	18.52	\$ 10,621,830.38	\$ 196,716,298.64
Non Cycle 21	4.516	\$ 75,430,620.82	\$ 340,644,683.62
		\$ 86,052,451.20	\$ 537,360,982.26
		D/C=	6.24

Staff			
A	B	C	D
Bill Cycle	Days Processing	Annual Payment	Weighted Average
Cycle 21	18.52	\$ 10,621,830.38	\$ 196,716,298.64
Non Cycle 21	2.90	\$ 75,430,620.82	\$ 218,434,506.12
		\$ 86,052,451.20	\$ 415,150,804.76
		D/C=	4.82

13 The 2.90 days were calculated using information received in the response to Data
14 Request No. 64 using the "Last Day to Read & Transmit Meter Reads Before Billing" and
15 "Last Day of Billing Window" columns.

16 Q. What is the basis for the 4.516 assumption used by the Company for non-cycle
17 21 customers?

Rebuttal Testimony of
Lesley R. Preston

1 A. Stated on page 3 of Exhibit RJA-1, of Company witness Robert J. Amdor's
2 direct testimony, the Company "is able to read a customer's meter in a three-day period and
3 generally produce a bill within 24-48 hours."

4 Q. Why do you take issue with the 4.516 billing lag assumption for non-cycle 21
5 customers?

6 A. Based on the meter-reading schedule provided in the response to Data Request
7 No. 64, the Company's billing lag includes close to the entire three-day window for meter
8 reading and the two-day window for bill preparation. This seems unreasonable, especially
9 when compared to the Company's billing lag for the electric divisions, which filed a two-day
10 billing lag component. The Staff has calculated a billing lag of 2.90 days, which is
11 conservative when compared to the electric divisions.

12 Q. What accounts for the significant difference in the collection lag between the
13 Staff and Company?

14 A. The Company, in Exhibit RJA-1, has calculated the collection lag by dividing
15 the "Weighted Bill Collection Period by the Annual Payment Amount." The Staff has used a
16 collection lag of 4.38 days to reflect the assumption of an accounts receivable program as
17 discussed in my direct testimony.

18 Q. Does this conclude your rebuttal testimony?

19 A. Yes, it does.