

Exhibit No.:

Issues: Rate Design

Witness: Janice Pyatte

Sponsoring Party: MO PSC Staff

Type of Exhibit: Direct Testimony

Case Nos.: ER-2004-0034  
& HR-2004-0024  
(Consolidated)

Date Testimony Prepared: December 18, 2003

**FILED<sup>4</sup>**

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Missouri Public  
Service Commission

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**DIRECT TESTIMONY**

**OF**

**JANICE PYATTE**

**AQUILA, INC.**

**D/B/A AQUILA NETWORKS--MPS  
AND AQUILA NETWORKS--L&P**

**CASE NOS. ER-2004-0034 & HR-2004-0024**

Jefferson City, Missouri

December 2003

Exhibit No. 124  
Case No(s) ER-2004-0034  
Date 2/23/04 Rptr xf

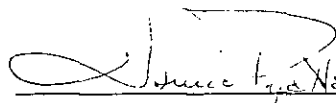
**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In The Matter Of Aquila, Inc. D/B/A Aquila Networks L&P And Aquila Networks MPS )  
To Implement A General Rate Increase In Electricity ) Case No. ER-2004-0034 &  
 ) HR-2004-0024 (Consolidated)  
 )

**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 following written Direct Testimony in question and answer form, consisting of 4 pages of Direct Testimony to be presented in the above case, that the answers in the attached written Direct 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 17<sup>th</sup> day of December, 2003.

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

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

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

1 **DIRECT TESTIMONY**

2 **OF**

3 **JANICE PYATTE**

4 **AQUILA, INC.**

5 **D/B/A AQUILA NETWORKS-MPS**

6 **AND AQUILA NETWORKS-L&P**

7 **CASE NOS. ER-2004-0034 AND HR-2004-0024**

8 **(CONSOLIDATED)**  
9

10 Q. Are you the same Janice Pyatte who filed direct testimony on  
11 December 9, 2003 on the issue of Sales and Rate Revenue?

12 A. Yes, I am.

13 Q. What is the purpose of your direct testimony in this filing?

14 A. The purpose of this testimony is to present the Staff's rate design  
15 recommendation for Aquila, Inc. d/b/a Aquila Networks-L&P ("L&P") steam service.

16 The rate designs for Aquila Networks-L&P electric operations and Aquila  
17 Networks-MPS electric operations are presented in a Non-Unanimous Stipulation and  
18 Agreement Pertaining to Rate Design and Class Cost of Service, filed separately in this  
19 case.

20 Q. Please describe L&P's steam operations.

21 A. The steam operations of L&P provide service to a small number of  
22 industrial customers located in the vicinity of the Lake Road power plant in St. Joseph,  
23 Missouri. Prior to December 30, 2000, these customers were served by St. Joseph Light  
24 & Power Company ("SJLP"). UtiliCorp, United acquired SJLP, including its steam

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1 operations, on December 30, 2000, and, in February 2002, UtiliCorp changed its name to  
2 Aquila, Inc. Aquila, Inc. is authorized by this Commission to provide electric and steam  
3 service in the St. Joseph, Missouri area as Aquila Networks—L&P.

4 Q. Please provide a brief history of L&P's steam rate case activity since  
5 1988.

6 A. The steam rates for SJLP that resulted from Case No. HR-88-116 were in  
7 effect from 1988 until 1993. In 1993, the Commission, in Case No. HR-94-177,  
8 authorized SJLP to increase its steam revenue by \$800,000 annually.

9 In 1995 the Staff, the Office of the Public Counsel, SJLP, and Ag Processing, Inc.  
10 ("AGP") participated in Case No. EO-94-36. The purpose of this case was to evaluate  
11 the cost assignment of plant and expenses for common uses between SJLP's electric,  
12 industrial steam and natural gas operations. Detailed allocation procedures were  
13 developed and approved by the Commission in that proceeding. In the associated case  
14 (Case No. EO-93-351) that implemented these allocation procedures, the Commission  
15 ordered a \$550,000 reduction in revenue from SJLP's industrial steam operations, a  
16 \$500,000 increase in SJLP's electric revenue, and a \$50,000 increase in SJLP's gas  
17 revenue.

18 In Case No. HR-99-245, steam revenue was reduced by \$25,000. The steam rates  
19 resulting from this case are still in effect.

20 Q. Please describe the L&P steam rate schedules.

21 A. L&P has three steam rate schedules: Steam Service (Schedule 810);  
22 Standby or Supplementary Service (Schedule 811); and Contract Service (Schedule 812).

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1 All but one of the current industrial steam customers was served under Schedule  
2 810 during the entire test year. The remaining customer was served under Schedule 812  
3 during the first part of the test year and under Schedule 810 during the later months of the  
4 test year. Staff has annualized rate revenue, treating all customers as if they had been  
5 served under Schedule 810 during all months of the test year, to more accurately depict  
6 required revenue on a going-forward basis. For more information on the annualizations  
7 to steam rate revenue included in Staff's case, please see my direct testimony on the issue  
8 of Sales and Rate Revenue filed December 9, 2003.

9 Q. Please describe Staff's analysis of the overall revenue adequacy of L&P's  
10 steam revenue.

11 A. Staff filed direct testimony on December 9 and Accounting Schedules on  
12 December 10, 2003 that quantified the revenue shortfall associated with L&P's industrial  
13 steam operation at approximately \$1.7 million. As a result, an increase in annual steam  
14 revenue of \$1.7 million (24.7%) would be required to cover the total costs of providing  
15 industrial steam service, based on Staff's recommended level of annualized revenue.

16 Q. Do you have a recommendation for the Commission regarding how any  
17 increase in L&P steam revenue should be applied to rate components?

18 A. I recommend that any overall increase in annual steam rate revenue be  
19 achieved by increasing all rate components on the steam service rate schedules by an  
20 equal percentage.

21 Q. Has Aquila proposed tariff sheets to increase annual steam revenue?

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1           A.     Yes. Aquila proposed to increase each rate component of its steam tariff  
2 by 19.3%, which is \$1.8 million less than Aquila's determination of the steam customer's  
3 actual cost of service.

4           Q.     Have you prepared illustrative steam tariff sheets to show the results of  
5 implementing the Staff's proposed rate design?

6           A.     No. The Company's proposed tariff sheets were developed by increasing  
7 all rate components by an equal 19.3% percentage and, if adopted, would implement the  
8 Staff's proposed rate design for the rate increase requested by the Company. Staff is not  
9 proposing a larger revenue increase in annual steam revenue than Company has  
10 requested.

11          Q.     Does this conclude your direct testimony on rate design issues in this  
12 case?

13          A.     Yes, it does.