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Service Commission

Exhibit No.:
Issues: Miscellaneous Charges;
Miscellaneous Tariff
Issues

Witness: William L. McDuffey
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2004-0034 &
HR-2004-0024
(Consolidated)
Date Testimony Prepared: February 13, 2004

**MISSOURI PUBLIC SERVICE COMMISSION
UTILITY OPERATIONS DIVISION**

SURREBUTTAL TESTIMONY

OF

WILLIAM L. MCDUFFEY

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

**CASE NO. ER-2004-0034 & HR-2004-0024
(CONSOLIDATED)**

Jefferson City, Missouri
February 2004

Exhibit No. 133
Case No(s) ER-2004-0034
Date 2/23/04 Rptr 35

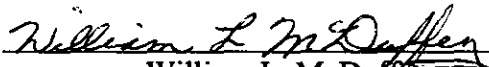
**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

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

AFFIDAVIT OF WILLIAM L. MCDUFFEY

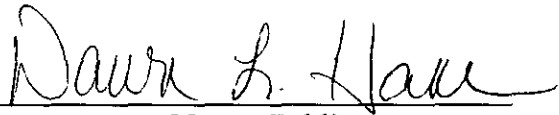
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

William L. McDuffey, of lawful age, on his oath states: that he has participated in the preparation of the following 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 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.



William L. McDuffey

Subscribed and sworn to before me this 10th day of February 2004.



Notary Public

My commission expires _____
Dawn L. Hake
Notary Public - State of Missouri
County of Cole
My Commission Expires Jan 9, 2005

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SURREBUTTAL TESTIMONY
OF
WILLIAM L. MCDUFFEY
AQUILA, INC.
D/B/A AQUILA NETWORKS-MPS
AND AQUILA NETWORKS-L&P
CASE NOS. ER-2004-0034 AND HR-2004-0024
(CONSOLIDATED)

Q. Please state your name and business address.

A. William "Mack" L. McDuffey, 200 Madison Street, Jefferson City, Missouri 65101.

Q. Are you the same William L. McDuffey who previously filed Direct and Rebuttal Testimony in this case?

A. Yes.

Q. What is the purpose of your Surrebuttal Testimony in this case?

A. The purpose of my Surrebuttal Testimony is to address the late payment charges (LPC) applicable to the electric operations of Aquila, Inc. ("Aquila") d/b/a Aquila Networks-L&P ("L&P") and Aquila Networks-MPS ("MPS") filed by Aquila, Inc. witness J. Matt Tracy in his Rebuttal Testimony.

LATE PAYMENT CHARGE

Q. What is Aquila witness Tracy's position regarding the LPC?

Surrebuttal Testimony of
William L. McDuffey

1 A. In his Rebuttal Testimony, Mr. Tracy stated,

2 "Mr. McDuffey's analysis looks at the proposed charge as the
3 Company's carrying cost, as an interest payment on the
4 Company's involuntary loan to the customer. As I explained in my
5 Direct Testimony, page 5, lines 18-20 (should be lines 16-18), the
6 Company's LPC reimburses the Company for the handling cost,
7 with no provision for the time value of money. The 0.5% Mr.
8 McDuffey proposes should be added to the 1.5% currently charged
9 by Aquila Networks - MPS, because it recovers a different cost."

10

11 Q. Do you agree with Aquila's position relating to the handling costs and
12 time value of money for the LPC?

13 A. No. The LPC should be based on a reasonable level of cost. The present
14 monthly charge of 1.5% that is compounded is not reflective of the current monetary
15 borrowing environment. Administrative costs to handle customer billings are already
16 included in the cost of service.

17 Q. On page 2 of Mr. Tracy' Rebuttal Testimony he states that,

18 "Missouri's three other investor owned utilities ("IOU's") all have
19 charges that equal or exceed what the Company is proposing.
20 KCPL charges residential customers 2% on the first \$50, 1% on
21 the remainder, and may charge interest at an additional 6% per
22 annum. For non-residential service, the first \$50 is charged 5%.
23 AmerenUE charges 1.5%, compounded. Empire charges
24 residential customers 1.5%, small commercial customers 5%, and
25 large commercial customers 2%. As I noted in my Direct
26 Testimony, page 5, lines 15-16, Aquila Networks-L&P's current
27 LPC is 1.25%, and Aquila Networks - MPS's is 1.5%."

28

29 Do you agree with that assessment?

30

31 A. Yes. Mr. Tracy's reference for the LPC in the present tariffs of the other
32 regulated electric companies is true. The Staff is currently proposing the position that the
33 LPC should reflect the current monetary borrowing environment for each electric and gas
34 utility. Staff proposed this position in a gas company rate case with positive results.

Surrebuttal Testimony of
William L. McDuffey

1 Q. On page 2 of Mr. Tracy's Rebuttal Testimony, he poses the question of
2 who should pay for the cost imposed on the Company. He also states that customers
3 subject to the LPC are imposing an administrative cost and a carrying cost on the
4 Company. Those costs do not stop after the first month, but in fact increase. Failing to
5 compound the LPC simply shifts those costs to customers that pay their bills on time.
6 Has he provided any studies to support this assertion?

7 A. No. The Company has not provided, to date, any supporting
8 documentation detailing the additional costs the Company incurs for the LPC. The
9 Company assumes that because every other utility has a 1.5% LPC in their tariffs, then
10 that is an appropriate amount to charge.

11 Q. On page 3 of Mr. Tracy's Rebuttal Testimony, he asserts that the
12 Company incurs additional costs by waiving the LPC when energy assistance money is
13 being credited against a customer's bill. Do you agree?

14 A. No. The Company receives energy assistance payments already and
15 should be able to track those currently in their books. As I have stated previously, there
16 should not be additional costs related to the record keeping of energy assisted payments.
17 Aquila has not provided any support for the 1.5% monthly LPC.

18 Q. Mr. McDuffey, has your position regarding the LPC changed from your
19 Direct Testimony?

20 A. No, I will summarize my position:

- 21 1. LPC equal to 0.5% of that month's current delinquent amount
22 2. No charge during energy assistance payments
23 3. Charge reflects Company cost to carry additional month
24

Surrebuttal Testimony of
William L. McDuffey

1 4. Aquila's rates adjusted to reflect any change in charge

2 Q. Does this conclude your Surrebuttal Testimony?

3 A. Yes, it does.