Exhibit No.:
Issues: Class Cost of Service

Witness: James A. Busch
Sponsoring Party: MO PSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: EO-2002-384
Date Testimony Prepared: October 14, 2005

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

JAMES A. BUSCH

AQUILA, INC

CASE NO. EO-2002-384

Jefferson City, Missouri
October 2005

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of an Examination of the Class Cost of Service and Rate Design in the Missouri Jurisdictional Electric Service Operations of Aquila, Inc., formerly known as UtiliCorp United, Inc.	)))))	Case No. EO-2002-0384

AFFIDAVIT OF JAMES A. BUSCH

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

James A. Busch, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 5 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal 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.

James A. Busch

Subscribed and sworn to before me this 13th day of October, 2005.

ROSEMARIE RIEDL
MY COMMISSION EXPIRES
June 1, 2009
NOTARY SEAL
#05509536
COLE COUNTY
NOTARY PUBLIC, STATE OF MISSOURI

Rosemarie Riedl
Notary Public

My commission expires June 1, 2009

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REBUTTAL TESTIMONY

OF

JAMES A. BUSCH

AQUILA, INC

CASE NO. EO-2002-384

Q. Please state your name and business address.

A. My name is James A. Busch and my business address is P. O. Box 360, Jefferson City, Missouri 65102.

Q. Are you the same James A. Busch that filed direct testimony in this proceeding?

A. Yes I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the direct testimony of Aquila witness David Stowe, SIEUA/Ag Processing/FEA (Intervenors) witness Maurice Brubaker, and Office of the Public Counsel (Public Counsel) witness Barbara Meisenheimer. Further, as a result of discussions among the Parties during the prehearing/settlement conference, I have updated the Staff's Class Cost of Service (CCOS) Studies for Aquila Networks-L&P (L&P) and Aquila Networks-MPS (MPS).

I. Differences among the Parties' Class Cost of Service Studies

Q. What are the major differences in the various studies that you identified in your review of the studies prepared by the other parties?

A. The single major difference among the studies is in the allocation of production and transmission costs. Staff witness James Watkins will address the appropriate basis for allocating production and transmission costs.

Q. Did you identify other differences between the Parties' CCOS studies?

A. Yes; however, the other differences are for the most part not very significant in determining that Party's recommended revenue shifts.

Q. Other than the allocation of production and transmission cost, what is the main difference between the Staff's studies and the studies provided by Mr. Brubaker?

A. The main difference between the Staff and Mr. Brubaker is the determination of what the classes are for certain allocation purposes. This affects primarily the residential class in the allocation of costs based on class peak. Class peak is defined as the highest load of the class no matter when it occurs. Mr. Brubaker treats each of the residential sub-classes as if they were classes in and of themselves. Thus, Mr. Brubaker in essence sums the "class" peaks of each sub-class to derive the residential class peak. For example, the residential class on the MPS system is made up of residential-general customers and residential-space heating customers. Mr. Brubaker treated each of these sub-classes as separate classes. He added the residential-general's "class" peak in August to the residential-space heating's peak in January to come up with the residential class peak. The same is true of the small general service class. This has the effect of reducing the diversity benefits within the residential and small general service classes and, thereby, increasing the amount of costs allocated to those classes and reducing the amount of costs allocated to his clients. A "diversity benefit" is that plant doesn't have to be installed to meet the residential general peak in August, plus the

residential space heating peak in January. Only enough plant has to be installed to meet the combined peak, whenever that occurs.

Q. What is the main difference between Staff's CCOS studies and Public Counsel's studies?

A. For the distribution accounts (FERC accounts 364 – 367), Staff, as well as the Company and the Intervenors, functionalized the costs as primary or secondary costs and demand-related or customer-related costs. This recognizes that the capacity of the distribution system is determined by the size of the load, but the length of the distribution system is determined by the number of customers and their density. Public Counsel witness Barbara Meisenheimer, allocated all of the primary costs as if they were demand-related. This is not a reasonable assumption.

II. Class Cost of Service Study – Updates

Q. What changes has the Staff made to update its CCOS Studies?

A. I have listed the changes below with an explanation of the change:

1. Allocated to the lighting class a portion of the costs recorded in certain distribution accounts based on Aquila's representation of how distribution facilities serving lighting customers were recorded in its accounting system.

2. Functionalized certain costs recorded in a sub-account of Account 368 as "Distribution Transformers-Primary" based on Aquila's representation that the cost of capacitors had been recorded in this sub-account.

3. Corrected a data entry error in the customer weights that were input into the L&P study for allocating Accounts 364 and 365.

4. Corrected a data entry error in the functionalization of certain production payroll expenses to follow plant.

Q. Please describe the results of Staff's updated CCOS studies.

A. The results for MPS are provided in Schedule 1 and for L&P in Schedule 2. Table 1 and Table 2 below summarize those results.

Table 1 – MPS CCOS Class Revenues

	TOTAL	Residential	SGS	LGS	LPS	Other
Revenue Deficiency	$0	$4,533,994	($2,245,612)	($3,738,907)	$1,103,191	$69,555
%	0.00%	2.67%	-4.17%	-8.46%	2.16%	12.33%

Table 2 – L&P CCOS Class Revenues

	TOTAL	Residential	SGS	LGS	LPS
Revenue Deficiency	$0	$2,066,124	($989,163)	($1,704,135)	$569,029
%	0.00%	5.03%	-13.06%	-9.61%	2.48%

For comparison, Table 3 and Table 4 below show the results from Staff's previous CCOS studies.

Table 3 – MPS CCOS Class Revenues

	TOTAL	Residential	SGS	LGS	LPS	Other
Revenue Deficiency	$0	$5,382,207	($1,880,429)	($3,463,580)	$1,418,776	$74,534
%	0.00%	3.16%	-3.49%	-7.84%	2.78%	13.21%

Table 4 – L&P CCOS Class Revenues

	TOTAL	Residential	SGS	LGS	LPS
Revenue Deficiency	$0	$3,167,745	($1,206,592)	($1,753,980)	$839,838
%	0.00%	7.71%	-15.93%	-9.89%	2.76%

Q. Are there also corrections that you want to make to your direct testimony at this time?

A. Yes. On page 6, lines 10 and 11, I made reference to a schedule 2 that was not attached to my testimony and therefore that reference should be stricken.

On page 15, lines 6 – 13, in my discussion of how I allocated services and meters, I indicated that the costs were allocated based on a service-weighted allocator. It should have stated that it was a meter-weighted allocator.

Q. What is your recommendation to the Commission?

A. I recommend that the Commission adopt the Staff's updated CCOS studies for MPS and L&P as the most reasonable studies upon which to base its determination of the cost of serving each customer class.

Q. Does this conclude your direct testimony?

A. Yes.

STAFF CLASS COST-OF-SERVICE RESULTS

(At Revenue Neutral ROR 8.62%)

AQUILA NETWORKS - MPS

CASE NO. EO-2002-384

FUNCTIONAL CATEGORY			RES	SGS	LGS	LPS	Other	Lighting	TOTAL	% OF TOTAL
PRODUCTION	CAPACITY		$52,578,063	$16,618,423	$15,318,103	$20,752,525	$241,481	$432,674	$105,941,269	30.82%
PRODUCTION	ENERGY		$47,510,360	$15,789,899	$15,880,523	$22,900,632	$258,781	$762,800	$103,102,997	30.00%
TRANSMISSION	CAPACITY		$13,397,158	$4,403,860	$4,400,486	$6,218,959	$70,495	$197,193	$28,688,150	8.35%
DISTRIBUTION	SUBSTATIONS	DEMAND	$5,942,571	$1,738,603	$1,361,226	$1,605,774	$24,039	$79,599	$10,751,813	3.13%
DISTRIBUTION	POLES AND CONDUCTORS	PRI. FEEDER - DEMAND	$0	$0	$0	$0	$0	$0	$0	0.00%
DISTRIBUTION	POLES AND CONDUCTORS	PRI. TAP -CUSTOMER	$6,681,107	$2,891,270	$232,601	$46,130	$0	$467,837	$10,318,945	3.00%
DISTRIBUTION	POLES AND CONDUCTORS	SEC. CUSTOMER	$5,699,911	$2,466,007	$194,191	$29,932	$308	$0	$8,390,350	2.44%
DISTRIBUTION	POLES AND CONDUCTORS	PRI. TAP - DEMAND	$10,351,575	$3,028,535	$2,371,168	$2,797,155	$41,874	$138,656	$18,728,964	5.45%
DISTRIBUTION	POLES AND CONDUCTORS	SEC. DEMAND	$4,794,269	$1,400,745	$1,057,921	$628,086	$19,394	$0	$7,900,415	2.30%
DISTRIBUTION	TRANSFORMERS	SEC. CUSTOMER	$11,342,584	$2,150,908	$909,554	$479,938	$13,833	$0	$14,896,817	4.33%
DISTRIBUTION	TRANSFORMERS	DEMAND	$504,949	$134,304	$94,654	$51,219	$1,554	$0	$786,681	0.23%
DISTRIBUTION	CUSTOMER INSTALLATIONS		$1,508,470	$217,541	$8,585	$880	$16	$0	$1,735,474	0.50%
DISTRIBUTION	SERVICES		$6,860,242	$845,348	$118,973	$39,923	$324	$410,357	$7,273,165	2.12%
DISTRIBUTION	METERS		$3,974,736	$573,360	$79,338	$27,078	$220	$278,326	$4,933,058	1.44%
	CUSTOMER DEPOSITS		($258,936)	($37,063)	($1,491)	($197)	($3)	($17,992)	($313,682)	-0.09%
	METER READING		$1,165,033	$504,172	$40,560	$8,044	$63	$81,580	$1,799,452	0.52%
	BILLING, SALES, SERVICE		$5,623,677	$811,221	$32,631	$4,314	$61	$393,792	$6,865,696	2.00%
	ASSIGNED LGS/LPS/SC		$0	$0	$1,035,337	$136,888	$1,928	$0	$1,174,153	0.34%
	ASSIGNED RES/SGS		$7,349,251	$1,060,137	$0	$0	$0	$0	$8,409,388	2.45%
	Assigned Lighting		$0	$0	$0	$0	$0	$2,342,925	$2,342,925	0.68%
	TOTAL		$184,027,021	$54,597,268	$43,132,340	$55,727,282	$674,369	$5,567,748	$343,726,028	100.00%
	Allocate Cost of Service for Others		$0	$0	$0	$0	$0	$0	$0	
	TOTAL COST OF SERVICE		$184,027,021	$54,597,268	$43,132,340	$55,727,282	$674,369	$5,567,748	$343,726,028	
	%		53.54%	15.88%	12.55%	16.21%	0.20%	1.62%	100%	
	RATE REVENUE		$170,064,667	$53,861,537	$44,188,703	$51,095,135	$564,116	$5,167,156	$324,941,314	
	Allocate Rate Revenues for Others		$0	$0	$0	$0	$0	$0	$0	
	NON RATE REVENUE		$2,034,732	$844,424	$528,694	$611,326	$6,749	$61,822	$3,887,748	
	Interruptible Credit		$0	$0	$0	$0	$0	$0	$0	
	OffSystem Revenue		$7,386,948	$2,334,803	$2,152,115	$2,915,823	$33,927	$60,788	$14,884,205	
	Excess Facility Revenue		$0	$0	$0	$0	$0	$0	$0	
	Interdepartmental Sales		$6,679	$2,115	$1,735	$2,007	$22	$203	$12,761	
	Allocate Non Rate Revenues for Others		$0	$0	$0	$0	$0	$0	$0	
	TOTAL REVENUE		$179,493,026	$56,842,880	$46,871,247	$54,624,091	$604,814	$5,289,970	$343,726,028	
	%		52.22%	16.54%	13.64%	15.89%	0.18%	1.54%	100%	
	REVENUE DEFICIENCY		$4,533,994	($2,245,612)	($3,738,907)	$1,103,191	$69,555	$277,779	$0	
	% CHANGE		2.67%	-4.17%	-8.46%	2.16%	12.33%	5.38%	0.00%	

STAFF CLASS COST-OF-SERVICE RESULTS

(At Revenue Neutral ROR 8.58%)

AQUILA NETWORKS - L&P

CASE NO. EO-2002-384

FUNCTIONAL CATEGORY			RES	SGS	LGS	LPS		Lighting	TOTAL	% OF TOTAL
PRODUCTION	CAPACITY		$13,950,182	$1,977,236	$6,667,427	$10,539,030	$0	$280,615	$33,414,490	34.49%
PRODUCTION	ENERGY		$9,996,674	$1,445,844	$5,134,745	$8,610,374	$0	$301,949	$25,489,586	26.31%
TRANSMISSION	CAPACITY		$3,119,436	$442,135	$1,490,920	$2,356,660	$0	$62,749	$7,471,900	7.71%
DISTRIBUTION	SUBSTATIONS	DEMAND	$2,253,555	$322,524	$930,131	$1,207,822	$0	$60,506	$4,774,537	4.93%
DISTRIBUTION	POLES AND CONDUCTORS	PRI. FEEDER - DEMAND	$0	$0	$0	$0	$0	$0	$0	0.00%
DISTRIBUTION	POLES AND CONDUCTORS	PRI. TAP -CUSTOMER	$1,121,743	$358,564	$130,169	$10,267	$0	$138,394	$1,759,136	1.82%
DISTRIBUTION	POLES AND CONDUCTORS	SEC. CUSTOMER	$1,203,193	$384,599	$138,976	$10,240	$0	$0	$1,737,008	1.79%
DISTRIBUTION	POLES AND CONDUCTORS	PRI. TAP - DEMAND	$2,795,642	$400,106	$1,153,872	$1,498,360	$0	$75,060	$5,923,041	6.11%
DISTRIBUTION	POLES AND CONDUCTORS	SEC. DEMAND	$679,928	$97,310	$279,113	$309,054	$0	$0	$1,365,404	1.41%
DISTRIBUTION	TRANSFORMERS	SEC. CUSTOMER	$2,166,549	$365,091	$395,139	$296,729	$0	$0	$3,223,509	3.33%
DISTRIBUTION	TRANSFORMERS	DEMAND	$95,440	$13,869	$33,751	$40,937	$0	$0	$183,997	0.19%
DISTRIBUTION	CUSTOMER INSTALLATIONS		$79,136	$51,083	$123,805	$126,867	$0	$0	$380,890	0.39%
DISTRIBUTION	SERVICES		$1,201,251	$218,868	$99,203	$6,255	$0	$148,203	$1,673,780	1.73%
DISTRIBUTION	METERS		$982,065	$178,932	$81,102	$5,113	$0	$121,161	$1,368,373	1.41%
	CUSTOMER DEPOSITS		($29,124)	($3,103)	($563)	($30)	$0	($3,593)	($36,413)	-0.04%
	METER READING		$305,668	$97,706	$35,470	$2,798	$0	$37,711	$479,353	0.49%
	BILLING, SALES, SERVICE		$2,737,730	$291,704	$52,948	$2,784	$0	$337,765	$3,422,931	3.53%
	ASSIGNED LGS/LPS/SC		$0	$0	$373,081	$19,618	$0	$0	$392,698	0.41%
	ASSIGNED RES/SGS		$2,759,041	$293,975	$0	$0	$0	$0	$3,053,016	3.15%
	Assigned Lighting		$0	$0	$0	$0	$0	$807,417	$807,417	0.83%
	TOTAL		$45,418,108	$6,936,442	$17,119,288	$25,042,878	$0	$2,367,938	$96,884,654	100.00%
	Allocate Cost of Service for Others		$0	$0	$0	$0	$0	$0	$0	
	TOTAL COST OF SERVICE		$45,418,108	$6,936,442	$17,119,288	$25,042,878	$0	$2,367,938	$96,884,654	
	%		46.88%	7.16%	17.67%	25.85%	0.00%	2.44%	100%	
	RATE REVENUE		$41,106,120	$7,575,521	$17,728,841	$22,910,401	$0	$2,238,976	$91,559,859	
	Allocate Rate Revenues for Others		$0	$0	$0	$0	$0	$0	$0	
	NON RATE REVENUE		$746,413	$137,558	$382,853	$442,966	$0	$40,656	$1,750,448	
	Interruptible Credit		$0	$0	($4,927)	($12,317)	$0	$0	($17,244)	
	OffSystem Revenue		$1,499,451	$212,525	$716,656	$1,132,799	$0	$30,162	$3,591,593	
	Excess Facility Revenue		$0	$0	$0	$0	$0	$0	$0	
	Sale of Emission		$0	$0	$0	$0	$0	$0	$0	
	Allocate Non Rate Revenues for Others		$0	$0	$0	$0	$0	$0	$0	
	TOTAL REVENUE		$43,351,984	$7,925,604	$18,823,423	$24,473,849	$0	$2,309,794	$96,884,654	
	%		44.75%	8.18%	19.43%	25.26%	0.00%	2.38%	100%	
	REVENUE DEFICIENCY		$2,066,124	($989,163)	($1,704,135)	$569,029	$0	$58,144	$0	
	% CHANGE		5.03%	-13.06%	-9.61%	2.48%		2.60%	0.00%	