

Exhibit No.:
Issues: Rate Design
Witness: J. Matt Tracy
Sponsoring Party: Missouri Public
Service
Case No.: ER-

Before the Public Service Commission
of the State of Missouri

Direct Testimony

of

J. Matt Tracy

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

1 Q. Please state your name and business address.

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

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by UtiliCorp United Inc. ("UtiliCorp") as a Senior Regulatory Analyst in
6 the Regulatory Services Department.

7 Q. What are your duties and responsibilities at UtiliCorp?

8 A. I am responsible for the analysis and preparation of cost-of-service studies, tariff page
9 filings, and other analyses as needed.

10 Q. Please state your educational background and experience.

11 A. I have an M.A. in Economics from the University of Missouri - Kansas City and a B.A. in
12 Psychology and Religion from William Jewell College. From 1985 to 1996, I worked in
13 load research at Missouri Public Service ("MPS") a division of UtiliCorp, and at
14 UtiliCorp. Duties during that time included load research sample design and analysis,
15 cost-of-service preparation, load forecasting, and weather normalization. In 1996, I
16 accepted a position in the analytical section of UtiliCorp's Regulatory Services.

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

1 A. I am sponsoring the minimum filing requirements, tariff sheets filed by MPS in this case,
2 testifying about the across-the-board change in rates, revenue neutral changes to the
3 Time-of-Day ("TOD") rates, and various other tariff sheet updates. The tariff sheets
4 implementing the changes proposed in this filing are included in the minimum filing
5 requirements of this case.

6 Q. Have the minimum filing requirements for a general rate increase under 4 CSR 240-10-
7 070 been filed?

8 A. Yes. On June 8, 2001, an application for a general rate increase along with the minimum
9 filing requirements were filed and are made a part of this case by reference.

10 Q. How do the tariff sheets implement the proposed increase in revenue?

11 A. All tariff charges, other than as described below, were multiplied by the ratio of the sum
12 of the Operating Revenues and Revenue Requirement, divided by the Operating
13 Revenues, $(\$308,202,776 + \$49,352,769) / \$308,202,776$. This is an increase of 16.01%.

14 Q. What tariff charges were excluded from the increase?

15 A. The following items were not changed.
16 \$5.00 reductions for various area lights when installed on existing distribution poles, on
17 tariff sheets 27, 28, 30, and 31. These charges did not change in the rate reduction
18 ordered in combined cases No. ER-97-394 and No. ET-98-103.
19 The Cogeneration Purchase Schedule, tariff sheet 38. The tariff provisions did not
20 change in the prior reduction and are reviewed on a bi-annual basis. There are no
21 customers presently served on this tariff sheet.

1 The Green Power Schedule, tariff sheet 62. The only alternative currently available is
2 wind power, and it has not proven as popular as we hoped. Given our participation in a
3 lower-cost wind farm being built, we expect to withdraw wind power as an option under
4 this tariff, so an increase in it would soon be moot.

5 Q. Were any items increased, but not at the across-the-board rate?

6 A. Yes. On sheets R-15 and R-39, reconnections during and after business hours, increase
7 the rates to \$30 and \$55, respectively, to reflect the cost of providing the service.

8 On sheets R-28 and R-39, meter reads during and after business hours, increase the rates
9 to \$20 and \$30, respectively, to reflect the cost of providing the service.

10 Q. Do you propose additional changes to the TOD rates, tariff sheets 19, 21, 22, and 23?

11 A. Yes. We are proposing revenue neutral changes to increase the differences between the
12 on-peak and off-peak periods. The rates currently have two customers, both ball fields,
13 characterized by high demands, and low energy use concentrated in off-peak times. By
14 increasing the on-peak to off-peak differential, we expect more customers will find it
15 beneficial to use the rates.

16 Q. What guidelines did you use in making the changes?

17 A. Summer on-peak to off-peak energy is based on a ratio of 3:1. Summer shoulder-peak to
18 off-peak energy is based on a ratio of 1.667:1. Winter on-peak to off-peak energy is
19 based on a ratio of 2.5:1. Demand is only charged during summer on-peak periods. The
20 on-peak to off-peak ratios generally follow the ratios of marginal costs we are
21 experiencing during those periods. Shoulder energy was set between the other two, and
22 demand was maximized as a residual, constrained by overall revenue neutrality.

1 Q. With only two customers, what was the basis for saying the changes are revenue neutral?

2 A. Changes were based on the revenue generated using the 1997 load research average load
3 shapes by class.

4 Q. Did you eliminate a "lesser of" test?

5 A. Yes. Sheet 23 of the existing tariff includes a provision that demand will be the lesser of
6 the maximum 15-minute demand any time during the month, and the customer's monthly
7 energy divided by 50. This limits the demand to a comparable 7% load factor. By
8 changing the demand period to only include peak hours, we felt this was no longer
9 appropriate, and will more accurately allow customers' bills to follow the costs they
10 impose on the system.

11 Q. What other changes are proposed by the tariffs?

12 A. The following additional changes are contained in the tariff sheets.
13 On sheet 7, Small General Service with Demand, Monthly Base Billing Demand section,
14 remove the lesser of test. This will eliminate a de facto floor of 25% for the customer
15 load factor, and so more accurately allow customers' bills to follow the costs they impose
16 on the system.

17 On sheet 15, Large Power Service, Reactive Demand Adjustment section, remove the
18 paragraph regarding conversion from 30-minute to 15-minutes reactive demands. The
19 change has occurred, so the paragraph is moot.

20 On sheets 73 and 74, change the requirement of signing new contracts each year, to an
21 automatic renewal with a provision to end the contract. This will ease the administrative
22 work on the part of MPS, and our customers. Also on sheet 73, change the limitation of

1 only being able to request a load reduction between May 1 and September 30, inclusive,
2 to being allowed to request one at any time. While we do not expect to call for reductions
3 outside the summer season, there is no reason to limit the ability to request a voluntary
4 reduction at other times.

5 On sheet R-2, update the Index.

6 On sheets R-35, R-36, R-37, and R-40, file as blank, as they refer to superceded policy.

7 On sheet R-41, file as blank, as the small amount of text was moved to sheet R-39, since
8 sheet R-40 is now blank between the two.

9 Q. Does this conclude your testimony?

10 A. Yes it does.

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)

[illegible]

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

Subscribed and sworn to before me this 21st day of May, 2001.

My Commission expires:

8/16/2003

