

Exhibit No.:
Witnesses: Straub
Type of Exhibit: Direct Testimony
Sponsoring Party: MOPSC Staff
Company: St. Joseph Light & Power Co.
Case No.: HR-88-116

MISSOURI PUBLIC SERVICE COMMISSION
UTILITY DIVISION

ST. JOSEPH LIGHT & POWER COMPANY
CASE NO. HR-88-116

Jefferson City, Missouri
February, 1988

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PUBLIC SERVICE COMMISSION

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Date 12-19-89 Case No. HM-90-4
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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of St. Joseph Light & Power)
Company of St. Joseph, Missouri, for)
authority to file tariffs increasing rates)
for steam service provided to customers in)
the Missouri service area of the Company.)

Case No. HR-88-116

AFFIDAVIT OF MICHAEL W. STRAUB

STATE OF MISSOURI)
COUNTY OF COLE) ss

Michael W. Straub, of lawful age, on his oath states: that he has participated in the preparation of the attached written testimony in question and answer form consisting of 6 pages, to be presented in the above case; that the answers in the attached written testimony were given by him; that he has knowledge of the matters set forth in such statements: and that such matters are true to the best of his knowledge and belief.

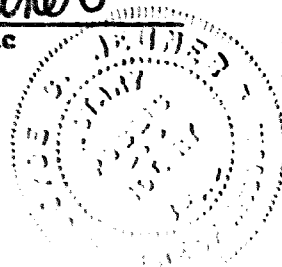

Michael W. Straub

Subscribed and sworn to before me this 17th day of February 17, 1988.

Joyce C. Neuner
Notary Public

My Commission expires

June 18, 1984



**Joyce C. Newner, Notary Public
Ozage County, State of Missouri
My Commission Expires June 18, 1989**

1 PREPARED TESTIMONY

2 OF

3 MICHAEL W. STRAUB

4 ST. JOSEPH LIGHT & POWER COMPANY

5 CASE NO. HR-88-116

6 Q. Please state your name and give your business address.

7 A. Michael W. Straub, 301 West High Street, Jefferson City,
8 Missouri.

9 Q. By whom are you employed and what is your job
10 classification?

11 A. I am employed by the Missouri Public Service Commission and
12 my job classification is a Rate & Tariff Examiner in the Utility Division.

13 Q. How long have you been employed by the Commission?

14 A. Since August, 1970.

15 Q. Have you ever testified before this Commission?

16 A. Yes I have, in the cases outlined in Straub Schedule 1.

17 Q. Give your qualifications, education and experience.

18 A. In 1970, I graduated from Capital Business College with a
19 two-year degree in accounting. Upon graduation, I was employed by the
20 Missouri Public Service Commission as an Engineering Aide in the
21 Depreciation and Valuation Section, where my duties consisted of assisting
22 in and preparing studies relating to depreciation rates, trended original
23 cost and trended original cost less depreciation. Since 1976, my primary
24 responsibility with the Utility Division has been the review of rate
25 increase proposals for the purpose of preparing testimony in rate cases
26 before the Commission.

27 Q. What is the purpose of your testimony in this case?

28

1 A. I will be addressing all proposed changes to the current
2 tariffs with the exception of rates and rate design.

3 Q. Have you reviewed the proposed tariffs?

4 A. Yes.

5 Q. Excluding rate design, in your opinion are there any problem
6 areas with the changes proposed by the company in its filed tariffs.

7 A. Yes. There are two problem areas.

8 The first area is on Sheet No. 6, Item #8 - Non-Payment. The
9 tariff states the following:

10 "If any bill rendered by the Company is not paid within thirty
11 (30) days after the date thereof, the Company may discontinue
12 service in accordance with appropriate notice. In case of loss
13 of, or failure to receive a bill, the Company shall, upon
14 request by the customer, make a duplicate thereof."

15 In my opinion appropriate notice should be defined in a manner
16 which would describe what the company must do in order to be in compliance
17 with appropriate notice.

18 The second area of concern begins on Sheet No. 9 Item #16 - Line
19 Extensions.

20 The third paragraph states the following:

21 "In circumstances, when the application of these rules appear
22 impractical or unjust to either party or discriminatory to other
23 customers and when a mutual agreement between the Company and
24 applicant can not be reached, the Company or applicant shall
25 refer the matter to the Commission for special ruling. An
26 example of such a circumstance would be when the line extension
27 is of such length as to make it doubtful whether the extension
28 would ever earn a fair return on the fair value of the
property."

29 In my opinion this paragraph explains the purpose of having the
30 line extension policy in the tariffs, but it should go further and mention
31 how long or how much the line extension costs before the customer would be
32 required to contribute. Also it goes without saying an applicant may
33 refer the matter to the Commission.

1 Q. What is your recommendation concerning these two areas?

2 A. For Item #8 Non-Payment. By the time this part of the
3 tariff is activated the customer has had thirty (30) days to pay the bill.
4 In my opinion appropriate notice should give the customer at least one
5 business day's notice of the intent to disconnect.

6 For Item #16 Line Extensions, I recommend the third paragraph be
7 removed from the tariffs and in its place the Company be required to
8 submit for staff review a paragraph that would define the maximum length
9 in feet or the maximum dollars invested by the Company before a customer
10 would be required to contribute towards the cost of the extension.

11 Q. Are there any other items in the proposed steam tariffs you
12 need to address?

13 A. Yes. The proposed Fuel Adjustment Clause (FAC) on Sheet No.
14 3.

15 Q. Would you please explain the Company's fuel adjustment
16 clause?

17 A. Yes. The monthly cost factor is determined from the
18 following formula found on Sheet No. 3:

19 FUEL COST ADJUSTMENT

20 "The fuel adjustment shall be decreased or increased for each
21 \$.0001 (or major fraction thereof) in the cost of fuel below or
22 above \$2.13 per million BTU of sales in accordance with the
23 following formula:

24
$$FCA(n) = (FC - (2.13 \text{ \$/million BTU} * PMS) + (FCA_{(n-1)} * (PMB - PMS))) + CMB$$

25 FCA(n) = Fuel Cost Adjustment
26 FC = Fuel cost for production of steam for previous month
27 PMS = Previous month actual sales in million BTU's
28 PMB = Previous month budgeted sales in million BTU's
CMB = Current month budgeted sales in million BTU's"

26 The use of this FAC allows for the adjustment of the steam rates
27 to retail customers of St. Joseph Light & Power Company without a hearing
28 by this Commission or without consideration of costs other than fuel.

1 Also, this FAC doesn't require an audit by the Commission staff of the
2 fuel costs passed through the FAC or the monthly factor calculation.

3 Q. Mr. Straub, would you please give a brief history of the
4 Fuel Adjustment Clause that has applied to electric utilities in the State
5 of Missouri?

6 A. Yes. A fuel adjustment clause for steam and electric
7 services was in effect for many years in Missouri. It originally started
8 as a coal adjustment that applied to only Large General Service and
9 Industrial Customers. Later it was expanded to allow for automatic
10 adjustments to the electric bills rendered as a result of fluctuations,
11 upward or downward, in the cost of all fuels used to generate electricity,
12 still being applied to only Large General Service and Industrial
13 Customers.

14 In 1973 a case was established to investigate the fuel
15 adjustment method for the recovery of fuel costs. A result of this case
16 was a uniform fuel adjustment that applied to all customers. Without
17 going into a lot of detail, the fuel adjustment allowed for the recovery
18 of fuel costs through an automatic adjustment. It was calculated by a
19 formula found in the Company's tariffs that had been approved by this
20 Commission. It also allowed for the adjustments to be made without
21 considering costs other than fuel, and a hearing was not necessary each
22 time the monthly factor fluctuated.

23 In 1976 the FAC was again looked at by the Commission and some
24 minor modifications were made to the clause to better reflect a more
25 timely recovery of the fuel costs, and to allow only coal costs to be
26 recovered through the clause.

27 In 1979 the FAC was abolished by the Missouri Supreme Court in
28 the UCCM Case. Even though the Supreme Court Case applied only to

1 residential customers, the parties in the Commission Case agreed to
2 eliminate the FAC for all retail customers of electric utilities in
3 Missouri.

4 Q. In your opinion what would be some of the advantages and
5 disadvantages of continuing the current Steam FAC for St. Joseph Light &
6 Power Company?

7 A. In my opinion the two major advantages are:

- 8 1. May reduce the frequency of General Rate Cases.
9 2. If fuel costs decrease, the customer will receive the
10 benefit sooner.

11 The major disadvantages are:

- 12 1. It allows for a rate change without a hearing.
13 2. It doesn't consider costs other than fuel.
14 3. The utility may lose incentive to keep down fuel costs.

15 Q. Mr. Straub what is your recommendation concerning the
16 present FAC of St. Joseph Light & Power Company, and why?

17 A. I recommend the clause be eliminated from the Company's
18 tariffs. In my opinion the disadvantages of the FAC outweigh the
19 advantages.

20 Without the FAC the Company still has the normal procedure plus
21 an emergency procedure to get rate relief if fuel costs or any other costs
22 change in an amount that would require additional revenues.

23 Q. Mr. Straub please summarize your recommendations?

24 A. I have three recommendations:

- 25 1. Non-Payment - the appropriate notice be stated in the
26 tariffs.
27 2. Line Extensions - the Company more accurately define the
28 extension made prior to customer contribution.

1

3. The fuel adjustment clause be eliminated.

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Q. Does this conclude your prefiled direct testimony?

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A. Yes, it does.

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STRAUB SCHEDULE I

Empire District Electric Company	ER-77-210
Sho-Me Power Corporation	ER-78-272
Sho-Me Power Corporation	ER-78-293
Sho-Me Power Corporation	ER-79-37
Glenwood Light & Power Company	ER-78-300
Missouri Public Service Company	ER-79-60
Missouri Public Service Company	ER-79-61
Sho-Me Power Corporation	ER-79-106
The Gas Service Company	GR-79-114
Kansas City Power & Light Company	ER-80-48
Peoples Natural Gas Division	GR-80-155
Kansas City Power & Light Company	ER-80-204
Missouri Utilities Company	ER-80-215
Missouri Public Service Company	ER-80-231
St. Joseph Light & Power Company	HR-81-45
St. Joseph Light & Power Company	ER-81-43
Missouri Public Service Company	ER-81-85
Sho-Me Power Corporation	ER-81-115
Missouri Public Service Company	ER-81-154
Missouri Edison Company	ER-81-276
Missouri Utilities Company	ER-81-346
Kansas City Power & Light Company	ER-82-66
Kansas City Power & Light Company	HR-82-67
Missouri Public Service Company	EC-82-213
Missouri Utilities Company	ER-82-246
Missour Public Service Company	ER-83-40
Union Electric Company	EM-83-248
Union Electric Company	ER-84-168
Kansas City Power & Light Company	ER-85-128
Sho-Me Power Corporation	EA-87-49
Consolidated Electric Service Company	EA-87-85
Boone Electric Service Company	EA-87-99