BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
SURREBUTTAL TESTIMONY OF ERIC L. WATKINS
ON BEHALF OF AQUILA, INC.
D/B/A AQUILA NETWORKS-MPS AND AQUILA NETWORKS-L&P
CASE NOS. ER-2004-0034 AND HR-2004-0024 (CONSOLIDATED)

1   Q.   Please state your name and business address.

2   A.   My name is Eric L. Watkins and my business address is 20 West 9th Street, Kansas

3   City, MO, 64105 USA.

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

5   A.   I am employed by Aquila Inc. ("Aquila") as Vice President-Commodity Risk

6   Management, reporting to the Chief Financial Officer of Aquila Inc.

7   Q.   Are you the same Eric L Watkins who previously filed direct testimony in this

8   proceeding before the Missouri Public Service Commission ("Commission")?

9   A.   Yes, I am.

10   Q.   What is the purpose of your surrebuttal testimony in this proceeding?

11   A.   The purpose of my surrebuttal testimony is to respond to certain customer

12   annualization adjustments presented in rebuttal testimony of Commission Staff

13   ("Staff") witness Amanda McMellen.

14   Q.   Please describe the customer annualization adjustments, presented by the Staff

15   witness with which you have concerns?

16   A.   As pointed out in Ms. McMellen's rebuttal testimony, Staff uses a mid-month

17   customer average to determine revenue/customer. This method causes customers not

18   to match properly to normalized calendar month revenue which violates the principle

1   of using billing month customer counts that are consistent with billing month revenue

2   to accurately calculate billing month revenue per customer.

3 Q.   What is the significance of this?

4 A.   Use of mid-month average customers by Ms. McMellen results in overstated

5   revenue/customer levels. For rate codes that are adding customers over time, Ms.

6   McMellen's mid-month number of customers will be lower than the billing month

7   customer counts used by Aquila. A lower customer number divided into the same

8   normalized revenue will result in higher revenue per customer levels. These higher

9   revenue per customer levels result in overstated revenue. Relative to Aquila's

10   adjustment the overstatement is $401,156. The results are shown as Surrebuttal

11   Schedule ELW-1 attached to my testimony.

12 Q.   What is your recommendation to the Commission?

13 A.   I recommend that the Commission adopt Aquila's method for matching customers

14   and revenue for determining customer annualization adjustments.

15 Q.   Does this conclude your testimony?

16 A.   Yes, it does.