

Exhibit No.:
Issues: Revenues, Rate Design
Witness: Janice Pyatte
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: EC-2002-1
Date Testimony Prepared: June 24, 2002

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

JANICE PYATTE

UNION ELECTRIC COMPANY d/b/a

AMERENUE

CASE NO. EC-2002-1

**Jefferson City, Missouri
June 24, 2002**

Exhibit No. 35
Date 7/10/02 Case No. EC-2002-1
Reporter Kem

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

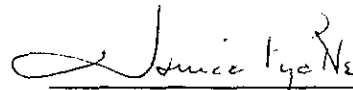
The Staff of the Missouri Public Service)
Commission,)
Complainant,)
vs.)
Union Electric Company, d/b/a)
AmerenUE,)
Respondent.)

Case No. EC-2002-1

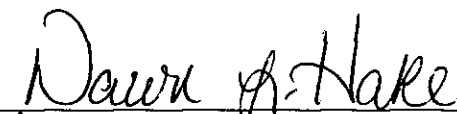
AFFIDAVIT OF JANICE PYATTE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Janice Pyatte, of lawful age, on her oath states: that she has participated in the preparation of the following written Surrebuttal Testimony in question and answer form, consisting of 20 pages to be presented in the above case, that the answers in the attached written Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.


Janice Pyatte

Subscribed and sworn to before me this 24th day of June, 2002.


Notary Public

DAWN L. HAKE
Notary Public – State of Missouri
County of Cole

My commission expires Jan 2, 2005

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1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **JANICE PYATTE**

4 **UNION ELECTRIC COMPANY**

5 **d/b/a AMERENUE**

6 **CASE NO. EC-2002-1**

7 Q. Please state your name and business address.

8 A. My name is Janice Pyatte and my business address is Missouri Public Service
9 Commission, P. O. Box 360, Jefferson City, Missouri 65102.

10 Q. Are you the same Janice Pyatte who previously filed prepared direct testimony in
11 this case on July 2, 2001 and March 1, 2002?

12 A. Yes, I am.

13 Q. What issues will you address in your surrebuttal testimony?

14 A. My surrebuttal testimony will address issues relating to Revenues and Rate
15 Design.

16 **Revenues**

17
18 Q. What is the purpose of your surrebuttal testimony on the issue of Revenues?

19 A. My surrebuttal testimony on the issue of revenues will: (1) sponsor an adjustment
20 to the Staff's rate revenues made in response to the rebuttal filing of AmerenUE (UE or
21 Company) witness James R. Pozzo; (2) present a reconciliation of Staff's revised revenues with
22 the revenues filed in UE's "affirmative" cost of service study by UE witness Gary S. Weiss; and

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(3) respond to OPC witness David J. Effron's criticism of the method I used to calculate the weather adjustment to revenues.

Q. How does your surrebuttal testimony on the issue of Revenues relate to the surrebuttal testimony of Staff witnesses Lena M. Mantle, Stephen M. Rackers, and Greg R. Meyer?

A. These witnesses address specific Staff adjustments to test year kWh sales and revenues that have been criticized in UE's rebuttal testimony. Ms. Mantle addresses weather normalization of kilowatt-hour (kWh) sales by customer classes, while my testimony addresses the methodology used to make the corresponding adjustment to class revenue. Mr. Rackers addresses Staff's revenue adjustment for territorial agreements. Mr. Meyer addresses the Staff adjustment to reflect additional kWh sales and revenues due to the growth in customers. Mr. Meyer's surrebuttal testimony also addresses the issues relating to the specification of test year.

Q. Have you made any changes to the rate revenues you filed on March 2002, in response to UE's rebuttal testimony?

A. Yes. In the process of reconciling my computation of UE billed rate revenues with the computation done by UE witness James R. Pozzo, I discovered that I had overlooked an out-of-test-year adjustment in July 2000 for the Small General Service class. Consequently, I have added an Additional Miscellaneous Adjustment to As Billed in the amount of \$948,314 to Staff Income Statement (Accounting Schedule 9). This adjustment also affected the revenues associated with customer growth by \$15,603. The combined effect of this adjustment is to increase Staff rate revenues by \$963,917. Schedule 1, attached to this testimony, displays the revised summary of Staff's rate revenues by class.

Surrebuttal to Revenues Filed By Company

Q. Which UE witness is sponsoring UE's proposed level of normalized revenues?

A. I am not sure. Mr. Weiss has submitted a cost of service study in which the test year for revenues is the 12 months ending September 30, 2001. I have been advised that the Company's cost of service is calculated based on Mr. Weiss' filing.

Mr. Pozzo has submitted normalized billing units and rate revenues by class for the 12 months ending June 30, 2001. Mr. Pozzo's billing units and revenues were also used in the Company's rate design proposals sponsored in the rebuttal testimony of UE witness Richard J. Kovach.

Q. Does either Mr. Weiss's or Mr. Pozzo's versions of the Company's revenues contain all of the adjustments that Staff thinks are appropriately required?

A. No. Both Mr. Weiss's and Mr. Pozzo's version of the Company's revenues contain a weather adjustment, although the value of the weather adjustment is different in each version because each is based on a different historical time period. Mr. Pozzo made certain miscellaneous adjustments to account for discrepancies between reported billed revenues and individual customer billing data; Mr. Weiss did not. Neither Mr. Weiss nor Mr. Pozzo included any adjustments in their computation of rate revenues to adjust to a 365-day calendar year (unbilled), for rate switching by customers, for territorial agreements, or for customer growth.

Q. Did the Company's rebuttal testimony address the Staff's inclusion of non-weather-related adjustments to revenue?

A. The Company's rebuttal testimony addressed only the Staff's adjustment for customer growth (UE witness Richard J. Kovach) and territorial agreements (UE witness Martin J. Lyons).

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1 Q. Have you prepared a reconciliation between Staff's computation of current
2 revenues and UE's revenues?

3 A. Yes, I have prepared a reconciliation between Staff and UE revenues (excluding
4 interchange) in this case. It is attached to my testimony as Schedule 2.

5 Q. How was the reconciliation of revenue prepared?

6 A. A simple comparison between Staff's current revenues and UE's current revenues
7 was not possible because Staff and UE used data corresponding to different historical time
8 periods. Staff's starting point was UE booked and billed kWh sales and revenues recorded for
9 the 12 months ending June 30, 2001. Mr. Weiss's starting point was UE booked and billed kWh
10 sales and revenues recorded for the 12 months ending September 30, 2001. To present a
11 meaningful comparison, I based my comparison on the rate revenues submitted by UE witness
12 Pozzo, which was based on the same 12-month period used by Staff. Any difference between
13 Mr. Weiss and Mr. Pozzo is labeled as "movement of test year" in the reconciliation presented in
14 Schedule 2, attached to this testimony.

15 Q. What does the reconciliation show?

16 A. The reconciliation shows that there is a net \$16.4 million difference between Staff
17 and Company revenues, excluding interchange. Some of the specific revenue differences in this
18 case are (1) weather normalization \$19.4 million, (2) customer growth \$18.1 million, and (3)
19 other revenue \$21.9 million. This reconciliation is my best attempt to identify the differences in
20 revenues given the Company's test year position. The Company has not provided to the Staff a
21 revenue reconciliation to verify my calculation. Therefore, the reconciliation described above is
22 the Staff's attempt to delineate revenue differences given different test year/update balances.

23

Surrebuttal to OPC Witness David J. Effron

Q. Does OPC criticize Staff's method for determining the weather adjustment to UE's test-year revenues?

A. Yes. OPC Witness Effron correctly points out in his rebuttal testimony that, in calculating the adjustment, Staff assumed that the adjustment would only affect the kWh sales that take place within a single rate block.

Q. Does Mr. Effron explain his view of the impact of this assumption on the accuracy of the Staff's weather adjustment?

A. Yes, he states that the Staff's assumption leads to a result that both (1) overstates the weather adjustment to revenues for the UE Residential and Small General Service classes, and (2) understates the weather adjustment to revenues for the UE Large General Service and Small Primary Service classes.

Q. Do you agree with OPC Witness Effron's explanation of the impact of the Staff's assumption?

A. It is true that Staff's method results in the largest possible revenue adjustment for the UE Residential and Small General Service classes, and results in the smallest possible revenue adjustment for the UE Large General Service and Small Primary Service classes.

Q. Does Mr. Effron propose an alternative method to determine the appropriate weather adjustment to be made to UE's test-year revenues?

A. Yes. He proposes that, where there are multiple rate blocks, a method known as "average realization" be used to determine the weather adjustment to UE's test-year revenues. Rather than assuming that all adjustments occur in a single rate block, this method assumes that

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1 the adjustment to kWh sales due to weather affects each rate block in direct proportion to the
2 total kWh sales billed in that rate block during the test year.

3 Q. Has Mr. Effron proposed a weather adjustment to UE's test-year revenues?

4 A. No. Mr. Effron has criticized the approach used by Staff and UE, has proposed
5 an alternative approach, and has demonstrated that approach only for the Residential class. He
6 has neither applied his approach to any other class, nor has he recommended an overall weather
7 adjustment to UE's test-year revenues.

8 Q. Have you evaluated the reasonableness of the Staff's weather adjustment to UE's
9 test-year revenues?

10 A. Yes. In situations where there are two rate blocks, the weather adjustment will lie
11 between two extremes; namely, (1) all of the weather adjustment is due to kWh sales made in the
12 first rate block, or (2) all of the weather adjustment is due to kWh sales made in the second rate
13 block. In this case, the values of these two extremes are \$53.7 million (first rate block) and
14 \$65.5 million (second rate block). Therefore, any method that results in a weather adjustment
15 outside the range of \$53.7 million and \$65.5 million is unreasonable. The Staff's adjustment is
16 \$60.7 million, well within this range.

17 **Rate Design**
18

19 Q. What is the purpose of your surrebuttal testimony on the issue of rate design?

20 A. My surrebuttal testimony will address certain rate design issues raised in the
21 rebuttal testimony of UE witnesses Richard J. Kovach and William M. Warwick. My testimony
22 specifically focuses on Mr. Kovach's proposals (1) to change class revenue responsibility by
23 collecting a greater proportion of annual revenues from the residential class and a lesser
24 proportion from the non-residential classes (UE's class revenue proposal); and (2) to non-

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1 uniformly change the rate levels (\$ per bill, ¢ per kWh, \$ per kW, etc.) used to compute
2 customer electric bills (UE's rate design proposal). My testimony will point out various features
3 of the UE's rate design proposal that may not be apparent from reading Mr. Kovach's testimony.

4 Q. How does your surrebuttal testimony on the issue of rate design relate to the
5 surrebuttal testimony of Staff witness James C. Watkins?

6 A. Taken together, my testimony and that of Mr. Watkins address all rate design
7 issues that were raised in the rebuttal testimony filings made in response to the Staff's direct
8 case.

9 Q. What rate design changes has the Company proposed in its rebuttal testimony?

10 A. UE Witness Richard J. Kovach has presented rate proposals for the following
11 classes: Residential (RES), Small General Service (SGS), Large General Service (LGS), Small
12 Primary Service (SPS), Large Primary Service (LPS), and Lighting (LGT). Mr. Kovach's
13 rebuttal testimony, pages 87-102, describes the process that he used to design the rates that are
14 shown on his Schedules 11, 12, 14, and 15. The rates shown on Mr. Kovach's schedules reflect
15 the combined effect of UE's class revenue proposal and UE's rate design proposal. Mr.
16 Kovach's proposed rates do not reflect any overall change to total UE revenues.

17 **UE Class Revenue Proposal**
18

19 Q. How is Mr. Kovach's class revenue proposal related to the class cost-of-service
20 study submitted by Mr. Warwick and to the normalized billing units submitted by Mr. Pozzo?

21 A. Mr. Kovach's class revenue proposal was based on each class' cost of service, as
22 determined in Mr. Warwick's study. The proposal was designed to be "revenue neutral" (to the
23 Company), i.e., the total cost is the same as the total revenue collected by current rates. In
24 general, Mr. Kovach's proposed rates, when applied to Mr. Pozzo's normalized billing units,

1 collect approximately the class revenue requirements that result from Mr. Warwick's class cost-
2 of-service study.

3 Q. What information does UE's class cost-of-service study provide about each class'
4 share of costs?

5 A. The UE class cost-of-service study determined each class' share of total UE
6 Missouri costs. Since rates are designed to recover costs, it is correct to say that each class' share
7 of costs would also be that class' share of revenues. The following table shows the class revenue
8 responsibility resulting from UE's class cost-of-service study, as compared with current class
9 revenues.

Class	Current	CCOS	Difference (% points)
RES	43.7 %	48.5 %	4.82
SGS	12.6 %	12.0 %	-0.61
LGS	21.9 %	20.6 %	-1.23
SPS	11.4 %	9.5 %	-1.88
LPS	9.1 %	8.0 %	-1.04
LGT	1.4 %	1.4 %	0
	100 %	100 %	

11
12 Q. What other information does the UE's class cost-of-service study provide
13 decision-makers?

14 A. Another interpretation of the results of Mr. Warwick's class cost-of-service study
15 is that, on a revenue-neutral (to the Company) basis, it would be necessary to increase residential
16 revenues by approximately \$80 million and to decrease the revenues collected from the four non-
17 residential classes (combined) by the same amount to equalize rates of return. The following
18 table shows these class revenue "shifts" that result from Mr. Warwick's class cost-of-service

(CCOS) study and the class revenue "shifts" that would result from adopting Mr. Kovach's class revenue proposal.

Class	Results of UE CCOS		UE Class Revenue Proposal	
	\$ Shift	%	\$ Shift	%
Residential	\$80,639,731	10.3 %	\$82,448,490	10.5 %
Small General Service	-\$10,125,384	-4.5 %	-\$10,140,138	-4.5 %
Large General Service	-\$20,297,555	-5.2 %	-\$29,845,359	-7.6 %
Small Primary Service	-\$32,539,425	-15.9 %	-\$22,913,824	-11.2 %
Large Primary Service	-\$17,677,860	-10.9 %	-\$17,673,688	-10.8 %
Total Missouri	\$0	0 %	\$0	0.0 %

UE's class revenue proposal includes the Lighting class, which is not shown on the above table. UE proposes that revenues for that class remain at its current level.

Q. Did Mr. Kovach's testimony explain why there is a large discrepancy between the costs allocated to the LGS and SPS customers in the UE class cost-of-service study and the revenues collected from these same customers in its proposed rates?

A. No. There is no explanation of the shift of \$9.6 million from the costs allocated to the LGS and SPS classes, as shown in Mr. Warwick's class cost-of-service study, and the revenues collected from these same customers in Mr. Kovach's proposed rates.

UE Rate Design Proposal

Q. Please describe some of the features of UE's proposed rates.

A. Mr. Kovach has presented proposed rates in his rebuttal Schedules 11, 12, 14, and 15. UE's proposed rates have these features: (1) all proposed customer charges are substantially higher than current customer charges; (2) all proposed winter energy charges are lower than existing winter energy charges; (3) the proposed summer energy charges for RES and SGS customers are higher than current summer energy charges; (4) the proposed summer energy

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1 charges for the LGS, SPS, and LPS customers are lower than current summer energy charges;
2 (5) all proposed demand charges for the LGS and SPS customers are higher than current demand
3 charges; and (6) the credits for customer ownership of substations are lower than current credits.
4 Mr. Kovach's proposed rates reflect both the effects of UE's class revenue proposal and UE's
5 rate design proposal.

6 Q. Have you prepared an analysis of UE's proposed rates?

7 A. To aid the Commission in understanding UE's rate design, I have prepared a
8 series of short tables that show the effect of the UE rate design proposal separately from the
9 effect of the UE proposal to shift revenues between classes.

10 The portion of the total proposed change that is attributable to the class revenue proposal
11 is identified on the following tables under the heading "Difference due to Revenue Shift". I
12 calculated the change due to the class revenue proposal by proportionally adjusting current rate
13 values by the ratio of each class' proposed revenues to its current revenues. UE Witness Pozzo's
14 normalized billing units were used in my analysis. The change due to the UE class revenue
15 proposal is identified on the tables in terms of both changes to rate levels (\$ per bill, ¢ per kWh
16 or \$ per kW) and in terms of percent.

17 The portion of the total proposed change that is attributable to UE's rate design proposal
18 is identified on the following tables under the heading "Difference due to Rate Design". It is
19 also identified on the tables in terms of both changes to rate levels and in terms of percent. It
20 was residually determined.

21 As an example, the following table presents a breakdown of UE's proposal for the
22 residential summer energy charge:
23

Class	Current	Proposed	Difference due to Revenue Shift		Difference due to Rate Design	
RES – Rate per kWh	8.13¢	9.48¢	0.85¢	10.5%	0.50¢	6.1%

This table should be interpreted as follows. UE is proposing that the residential summer rate, which is currently 8.13 cents per kWh, be increased to 9.48¢. Of the total increase of 1.35 cents per kWh (9.48¢ less 8.13¢), 0.85¢ per kWh is due to the Company proposal that the residential class should pay a greater proportion of total revenues (UE's class revenue proposal) and the remaining 0.50¢ per kWh is due to the Company's rate design proposal. Note that 0.85¢ plus 0.50¢ equals 1.35¢, the total difference between the proposed rate and the current rate.

Similarly, the sum of the differences shown in percent equals the total proposed percent change in the rate. In this example, the UE class revenue proposal would increase the summer energy charge by 10.5%; the UE rate design proposal would increase the rate by 6.1%; and the overall percent change is 16.6% (10.5% plus 6.1%).

Q. Please describe how UE's rate design would affect UE's customer charges.

A. The customer charge is a "per bill" charge that is independent of the customer's usage (kWh) or demand (kW). Usually the customer charge recovers the costs associated with such functions as meter reading, billing and customer service, as well as a portion of the costs related to meters and service lines. UE's proposed customer charges are substantially higher than the level of existing customer charges for all classes. A comparison of the current customer charge and the proposed customer charge for each class is shown below.

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Class	Current	Proposed	Difference due to Revenue Shift		Difference due to Rate Design	
RES	\$7.25	\$11.30	\$0.76	10.5%	\$3.29	45.4%
SGS – 1 phase	\$7.25	\$12.75	-\$0.32	-4.5%	\$5.82	80.3%
SGS – 3 phase	\$15.10	\$25.50	-\$0.68	-4.5%	\$11.08	73.3%
LGS	\$66.00	\$89.46	-\$5.01	-7.6%	\$28.47	43.1%
SPS	\$210.00	\$190.20	-\$23.55	-11.2%	\$3.75	1.8%
LPS	\$210.00	\$385.00	-\$22.78	-10.8%	\$197.78	94.2%

Q. Please describe the effect of UE's rate design proposal on the energy charges to be paid by Residential and Small General Service customers.

A. The electricity bill of Residential and Small General Service customers is composed of both a customer charge and an energy charge. The dollar amount of the energy charge is based upon each customer's usage, measured in kWh, during each billing month and the seasonal rate(s) in effect during that month. There is a different (higher) rate per kWh charged in the summer (June-September) billing months than is charged in the winter (October-May) billing months. There is a single rate per kWh in the summer and a two-block rate structure in the winter.

UE proposes summer energy rates for RES and SGS that are higher than current summer rates:

Class	Current	Proposed	Difference due to Revenue Shift		Difference due to Rate Design	
RES – Rate per kWh	8.13¢	9.48¢	0.85¢	10.5%	0.50¢	6.1%
SGS – Rate Per kWh	7.99¢	8.46¢	-0.36¢	4.5%	0.83¢	10.4%

UE proposes winter energy rates for RES and SGS that are lower than current winter rates:

Class	Current	Proposed	Difference due to Revenue Shift		Difference due to Rate Design	
RES – First Block	5.77¢	5.41¢	0.60¢	10.5%	-0.96¢	-16.7%
RES – Tail Block	3.89¢	3.70¢	0.41¢	10.5%	-0.60¢	-15.4%
SGS – First Block	5.96¢	4.59¢	-0.27¢	-4.5%	-1.10¢	-18.5%
SGS – Tail Block	3.45¢	2.90¢	-0.15¢	-4.5%	-0.40¢	-11.5%

Q. Please describe the effect of UE's rate design proposal on the charges to be paid by the LGS, SPS, and LPS customers.

A. The electricity bill of Large General Service, Small Primary Service, and Large Primary Service customers is composed of a customer charge, an energy charge and a demand charge. The LGS and SPS energy charge has three hours use rate blocks in both summer and winter, plus a "seasonal" rate block in the winter. Both the current energy charge and the current demand charge are seasonally differentiated, with higher summer rate(s) than winter rate(s).

UE proposes summer energy rates for LGS, SPS, and LPS that are lower than current summer rates:

Class	Current	Proposed	Difference due to Revenue Shift		Difference due to Rate Design	
LGS – First Block	7.84¢	7.04¢	-0.59¢	-7.6 %	-0.21¢	-2.6 %
LGS – Second Block	5.91¢	5.47¢	-0.45¢	-7.6 %	0.01¢	0.1 %
LGS – Third Block	3.96¢	2.72¢	-0.30¢	-7.6 %	-0.94¢	-23.7 %
SPS – First Block	7.45¢	6.72¢	-0.84¢	-11.2 %	0.11¢	1.4 %
SPS – Second Block	5.62¢	5.22¢	-0.63¢	-11.2 %	0.23¢	4.1 %
SPS – Tail Block	3.76¢	2.59¢	-0.42¢	-11.2 %	-0.75¢	-19.9 %
LPS	2.62¢	2.20¢	-0.28¢	-10.8%	-0.14¢	-5.2%

UE proposes winter energy rates for LGS, SPS and LPS that are lower than current winter rates:

1

Class	Current	Proposed	Difference due to Revenue Shift		Difference due to Rate Design	
LGS – First Block	4.91¢	3.67¢	-0.37¢	-7.6 %	-0.87¢	-17.7%
LGS – Second Block	3.68¢	3.11¢	-0.28¢	-7.6 %	-0.29¢	-7.9%
LGS – Third Block	2.86¢	2.11¢	-0.22¢	-7.6 %	-0.53¢	-18.6%
LGS – Fourth Block	2.86¢	2.11¢	-0.22¢	-7.6 %	-0.53¢	-18.6%
SPS – First Block	4.69¢	3.53¢	-0.53¢	-11.2 %	-0.63¢	-13.5%
SPS – Second Block	3.49¢	2.98¢	-0.39¢	-11.2 %	-0.12¢	-3.4%
SPS – Third Block	2.73¢	2.02¢	-0.31¢	-11.2 %	-0.40¢	-14.8%
SPS – Fourth Block	2.73¢	2.02¢	-0.31¢	-11.2 %	-0.40¢	-14.8%
LPS	2.31¢	1.85¢	-0.25¢	-10.8%	-0.21¢	-9.1%

2

3 Q. Please describe how UE's rate design proposal would affect UE's demand
4 charges.

5 A. Demand charges only apply to UE's Large General Service, Small Primary
6 Service, and Large Primary Service classes. The dollar amount of the demand charge in any
7 given month is based on each customer's billing demand, measured in kilowatts (kW), and the
8 seasonal rate in effect that month. UE's rate design proposal will result in higher demand
9 charges. A comparison of the current demand rates and the proposed demand rates for each class
10 is shown below.

Class	Current	Proposed	Difference due to Revenue Shift		Difference due to Rate Design	
LGS – Summer	\$3.79	\$4.94	-\$0.29	-7.6%	\$1.44	37.9%
LGS – Winter	\$1.35	\$2.47	-\$0.10	-7.6%	\$1.22	90.5%
SPS – Summer	\$3.01	\$4.04	-\$0.34	-11.2%	\$1.37	45.4%
SPS – Winter	\$1.10	\$2.02	-\$0.12	-11.2%	\$1.04	94.9%
LPS – Summer	\$15.67	\$14.74	-\$1.70	-10.8%	\$0.77	4.9%
LPS – Winter	\$7.11	\$7.36	-\$0.77	-10.8%	\$1.02	14.4%

11

12 Since each rate schedule has a minimum demand provision, i.e., each customer is obliged
13 to pay for a certain level of demand whether the customer's maximum metered demand actually

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1 equals or exceeds the minimum demand threshold or not, UE's rate design proposal will also
2 result in higher minimum demand charges for the LGS, SPS, and LPS customers.

3 Q. Is the minimum demand charge the only component of each customer's monthly
4 minimum bill?

5 A. For the LGS, SPS, and LPS customers, the minimum bill is the sum of the
6 minimum monthly demand charge plus the customer charge. Since UE is proposing to increase
7 both the demand charge and the customer charge, the minimum bill would be increased for each
8 customer in these classes.

9 The customer charge is the minimum bill for RES and SGS customers, so UE's proposal
10 to increase the customer charge is also a proposal to increase the minimum bill for these
11 customers.

12 Q. Have you quantified the seasonal effect of UE's rate design proposal?

13 A. Yes. I have calculated a measure of the relationship between summer rates and
14 winter rates known as the seasonal, or summer-winter, rate differential. I calculated the seasonal
15 rate differential as the percentage difference between the average summer rate and the average
16 winter rate (excluding customer charges) for each class. The interpretation of a seasonal rate
17 differential of 65%, for example, is that the average summer rate is 65% higher than the average
18 winter rate. Similarly, a 100% seasonal rate differential means that the average summer rate is
19 twice as high as the average winter rate.

20 Q. What seasonal rate differentials are implicit in the UE rate design proposal?

21 A. The rate design proposal submitted by Mr. Kovach contains seasonal rate
22 differentials for all non-lighting classes that are higher than the seasonal differentials implicit in

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existing rates. A comparison of the current seasonal rate differentials and the rate differentials UE proposes is shown below.

Class	Current Differential	Proposed Differential
Residential	64.5 %	103.6 %
Small General Service	48.1 %	101.0 %
Large General Service	69.2 %	80.9 %
Small Primary Service	66.6 %	80.3 %
Large Primary Service	52.0 %	53.4 %

Q. Did UE perform a seasonal cost study or present any other evidence to support the seasonal rate differentials implicit in its rate design proposal?

A. No. Mr. Kovach merely states that 60% of annual demand-related production, transmission, and distribution costs are attributable to the summer billing season “[b]ased on the Company’s historic position.” [page 89, lines 8-10].

Q. Does UE provide any other rationale for the higher seasonal rate differentials in its proposed rates?

A. No, but on page 85 of his rebuttal testimony, Mr. Kovach states that “[c]ost-based electric rates are essential for the Company to compete effectively with alternative fuels, co-generation and with other electric utilities for new commercial and industrial customers.”

Q. Does this statement raise any concerns?

A. Yes. In UE’s efforts to “compete effectively” with natural gas for winter space heating load, it is essential that the Commission not allow UE to subsidize below-cost winter rates by increasing summer rates. As no seasonal cost study has been presented in this case, the Staff cannot assure the Commission that below-cost winter rates will not result from UE’s proposal, particularly if the revenue-neutral rates it proposes in Mr. Kovach’s testimony are reduced for any overall revenue reduction the Commission may order in this case.

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1 Q. Please describe how UE's rate design proposal would affect Rider B credits.

2 A. Rider B credits are discounts to customers who receive service at high (above
3 primary) voltage levels. The official name for Rider B credits, "*Discounts Applicable for*
4 *Service to Substations Owned by Customer in Lieu of Company Ownership*," accurately
5 describes its purpose.

6 UE, as part of its rate design proposal, has proposed to reduce the current level of Rider B
7 credits, independent of any reduction to revenues. The stated rationale is that "This discount
8 should reflect the Company's avoided substation transformation costs that are not required to
9 provide service to these high voltage customers." [Kovach, p.100, lines 13-15] [emphasis added].

10 Q. What type of analysis would be required to determine the proper level of Rider B
11 credits?

12 A. It would be necessary to perform a study of the costs that are actually avoided
13 when a customer provides its own substation.

14 Q. Did UE perform a study that analyzed avoided substation costs?

15 A. No. Mr. Kovach only analyzed the distribution substation costs from UE's class
16 cost-of-service study. This approach determines the average cost of all of the substations that
17 UE owns, not the replacement cost that UE avoids when a customer provides its own substation.

18 Q. Please summarize how UE's proposed rate design would affect class revenues
19 and UE's existing rates.

20 A. In summary, UE's proposed rate design would: (1) increase the total revenue
21 collected from the residential class; (2) decrease the total revenue collected from the non-
22 residential classes (SGS, LGS, SPS, LPS); (3) maintain the total revenue collected from the
23 Lighting class at its current level; (4) substantially increase all existing customer charges; (5)

1 lower all existing winter energy charges; (6) increase existing summer energy charges for RES
2 and SGS customers; (7) lower existing energy charges for LGS, SPS, and LPS customers; (8)
3 increase existing demand charges for LGS and SPS customers; (9) increase the seasonal
4 differential for all customer classes; (10) increase the minimum bill for all classes; and (11)
5 reduce the level of credits to customers who own their own substation.

6 **Rate Switching**
7

8 Q. Is it reasonable to assume that some "rate switching" between non-residential
9 classes would occur as a result of UE's class revenue and rate design proposals?

10 A. If Mr. Kovach's class revenue and rate design proposals were adopted, I would
11 expect some customers to find it financially advantageous to switch from one non-residential
12 class to another.

13 Q. Has UE accounted for any rate switching that may occur as a result of its class
14 revenue and rate design proposals?

15 A. No.

16 **Impact of UE Proposals On Customers**
17

18 Q. Has UE provided the Commission with information on the impact that its class
19 revenue and rate design proposals would have on individual customers within each class?

20 A. No. Although the percentage change in annual revenues for each class can be
21 calculated from Mr. Kovach's schedules, he provided no information on how the proposals
22 would affect the electricity bills of individual customers within a given class.

23 Q. Is it reasonable to assume that the impact of UE's rate design proposal for each
24 customer within a given class will be the same as the average impact on that class?

25 A. No. It is not reasonable to assume that each customer will experience the same
26 changes in its electric bill as the class average. The nature of the rate design changes being

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1 proposed practically guarantee that each customer will experience an impact that is different
2 from the impact experienced by any other customer.

3 Q. Would the effect of adopting UE's rate design proposal be different than
4 described, if the Commission were also to simultaneously reduce overall revenues?

5 A. The relative impacts on customers within a class would remain the same, but the
6 absolute dollar impacts would change.

7 Q. What general types of impacts on residential customers would you expect to
8 occur as the result of adopting both UE's class revenue and rate design proposals?

9 A. UE's class revenue proposal would increase annual residential revenues by
10 approximately \$80 million (10.5%). The effect of UE's rate design proposal would have a non-
11 uniform impact on each customer. As an example, UE's proposed increase in the residential
12 customer charge would disproportionately affect very low usage customers, because the
13 customer charge makes up a large percentage of the total electricity bill when energy usage is
14 very low. The proposed increase in the seasonal differential would result in higher percentage
15 increases for residential customers with summer air conditioning and natural gas space heating
16 than for residential customers who use electricity for both summer air conditioning and winter
17 space heating.

18 Q. Is it reasonable to assume that, if the Commission adopts UE's class revenue and
19 rate design proposals and simultaneously reduces total revenues, that no customer's annual
20 electric bill will increase?

21 A. No. Without information on individual customers, Staff cannot assure the
22 Commission that adopting UE's class revenue and rate design proposals, even when combined
23 with an overall reduction in total revenues, would result in all customers experiencing a

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1 decrease, or at least no increase, in their annual electric bills. Given the increases to the
2 customer charges that UE has proposed, it is likely that some low-usage customers may still
3 experience higher electricity bills, even if total revenues were reduced by the entire amount
4 proposed by the Staff.

5 Q. Does Staff have the data necessary to calculate the impact of UE's rate design on
6 individual customers?

7 A. No, we do not.

8 Q. Does this conclude your surrebuttal testimony?

9 A. Yes.

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MISSOURI RETAIL RATE REVENUES BY RATE SCHEDULE
SUMMARY TABLE

RATE SCHEDULE	Test Year Billed Revenue	Miscellaneous Adjustments	Annualization for Rate Switching	Normalization for Weather	Normalization for 365 Days	Growth Adjustments	Test Year Retail Rate Revenue
RESIDENTIAL	\$848,972,133			(\$47,477,368)	\$1,446,734		\$806,432,274
SMALL GENERAL SERVICE	\$234,842,995	\$948,314		(\$6,956,193)	(\$191,361)	\$2,263,761	\$230,907,516
LARGE GENERAL SERVICE	\$399,528,760	\$5,402		(\$4,489,852)	\$609,325	\$13,004,684	\$408,658,319
SMALL PRIMARY SERVICE	\$206,079,239		(\$544,164)	(\$1,363,537)	(\$820,846)	(\$675,006)	\$202,675,686
LARGE PRIMARY SERVICE	\$161,009,883	\$3,018,291	(\$1,620,317)	(\$386,382)	\$560,575		\$162,582,050
INTERRUPTIBLE	\$454,380	(\$454,380)					\$0
LIGHTING	\$25,633,368						\$25,633,368
PUBLIC AUTHORITY	\$56,547						\$56,547
UNKNOWN	\$4,765,442						\$4,765,442
TOTAL MO RATE REVENUE	\$1,881,342,747	\$3,517,626	(\$2,164,481)	(\$60,673,332)	\$1,604,427	\$18,084,214	\$1,841,711,201

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Reconciliation of Revenues (Excluding Interchange)			
(TY Ending 6/30/01 updated through 9/30/01)			
RATE REVENUE	Staff	UE [1]	Differences (Staff - UE)
MO Retail Revenue (Per Book)	\$1,997,644,433	\$1,997,644,433	\$0
Gross Receipts Tax	(\$93,717,686)	(\$94,958,957)	\$1,241,271
Unbilled Revenue	(\$22,584,000)	(\$22,584,000)	\$0
Billed Rate Revenue (Per Book)	\$1,881,342,747	\$1,880,101,476	\$1,241,271
Adjustment for Weather	(\$60,673,332)	(\$80,080,378)	\$19,407,046
Adjustment for 365 Days	\$1,604,427		\$1,604,427
Adj for Rate Switching	(\$2,164,481)		(\$2,164,481)
Adj for Customer Growth	\$18,084,214		\$18,084,214
Adj for Territorial Agreements	\$2,537,448		\$2,537,448
Misc Adj to As Billed	\$2,569,313	\$1,950,040	\$619,273
Add'l Misc Adj to As Billed	\$948,314	\$948,314	\$0
Movement to TYE 9/30/01 [2]		\$3,070,277	(\$3,070,277)
Total Adj to Rate Revenue	(\$37,094,097)	(\$74,111,747)	\$37,017,650
Adjusted Rate Revenue	\$1,844,248,650	\$1,805,989,729	\$38,258,921
OTHER REVENUE			
MO Other Electric Revenue [3]	\$73,140,384	\$94,187,086	(\$21,046,702)
System Revenue (As Booked)[4]	(\$49,671,073)	(\$47,991,354)	(\$1,679,719)
System Revenue (As Allocated)[4]	\$45,791,714	\$44,939,110	\$852,604
Total Adj to Other Revenue	\$69,261,025	\$91,134,842	(\$21,873,817)
Total Revenue w/o Interchange	\$1,913,509,675	\$1,897,124,571	\$16,385,104
[1] UE Values for Rate Revenue and Weather Normalization are from Workpapers of UE Witness James R. Pozzo; UE Values for Other Revenue Use Staff "Per Book" Numbers			
[2] Calculated as "Per Book" Adjusted Rate Revenues TYE 9/30 less UE adjustments.			
[3] The Difference is TYE 6/30 "Per Book" Other Revenues and TYE 9/30 "Per Book" Other Revenues			
[4] The Difference is TYE 6/30 "Per Book" System Revenues and TYE 9/30 "Per Book" System Revenues			