

**BEFORE THE PUBLIC SERVICE COMMISSION  
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 )      Case No. EO-2002-384  
known as UtiliCorp United, Inc. )

**STAFF’S SURREPLY TO AQUILA’S REPLY TO  
STAFF’S RESPONSE TO AQUILA’S NOTICE AND RENEWAL  
OF REQUEST TO ESTABLISH PROCEDURAL SCHEDULE**

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”) and, in surreply to Aquila’s reply to Staff’s response to Aquila’s Notice and Renewal of Request to Establish Procedural Schedule filed Friday, August 19, 2005, states:

1. In its Reply Aquila states:

1. It is difficult to hit a moving target. In its Motion for Procedural Schedule (“Motion”) filed with the Commission July 21, 2005, the Staff stated that thirty (30) days prior to the filing of direct testimony it would need “certain billing unit data.” (See paragraphs 4, 14, 15, 16, 18 and Prayer of Motion) In providing to the Staff and other parties on August 19, 2005, the Company’s proposed rate structure changes, billing unit data and related proof of revenue, Aquila has submitted more than the Staff actually requested.

2. The Staff now changes its request and states that it must have Aquila’s “proposed rates” 30 days in advance of the filing of direct testimony. This is not only inconsistent with the Staff’s prior demands, but would be unprecedented. Aquila’s proposed new rate design in this class cost of service and rate design proceeding should be expected to be and will be provided as a part of the Company’s direct testimony. Aquila should not be expected to submit the heart of its evidence and the essence of its direct case (new rate design) 30 days prior to the time that all parties are expected to file direct testimony. Aquila never agreed to do this and to suggest otherwise makes absolutely no sense.

2. The Staff’s target is not a moving target as Aquila states. Attached is an e-mail response from an employee of Aquila to the Staff’s request for information from Aquila needed

for the Staff to prepare its direct testimony. As stated in the e-mail the Staff specifically referenced “accounting for rate switchers” as “proof of revenue.” As the Staff set out its response to Aquila’s notice yesterday, determining proof of revenues entails an iterative process to account for rate switching. That process requires the use of proposed rates.

3. The essence of the related proof of revenue consists of first, determining the monthly bills of each customer on each of the proposed rates schedules that are available to that customer; second, determining which of those rate schedules results in the lowest annual bill; third, if it is determined that the customer is better off on a different rate schedule than the one the customer is currently being served under, switching the customer to the lowest cost rate schedule; fourth, adjusting the proposed rate levels to make up for the “lost revenues” (i.e., the difference between the customer’s annual bill on the customer’s current rate schedule and the customer’s annual bill on the rate schedule that produces the lowest annual cost); then repeating this process until no more rate switching occurs. The proof of revenue is when no more rate switching occurs and the total of all of the bills is equal to the revenue produced by the current rate schedules.

4. Before this process can even begin, initial rate values must be established for each rate component of each of the proposed rate structures (even if the proposed rate structure is the current rate structure) based on the results of the customer class cost-of-service study. This requires classifying each cost component by rate component and allocating each cost component between the summer and winter seasons.

5. The Staff and other parties cannot begin their review this process or use the Company’s cost information to develop their own rate proposals until this analysis has been completed and provided to the parties.

6. Regardless of what Aquila has agreed to do, information necessary for the foregoing analysis is needed by the Staff for it to prepare its case within the thirty (30) days allotted in the procedural schedule proposed by Aquila.

7. This is a “rate design case.” The scope goes well beyond determining inter-class revenue responsibility. It must also address intra-class revenue responsibility by determining a cost based rate design for customers within each class. Without time to address rate design, the Staff will not be able to adequately advise the Commission on whether the rate designs that will be proposed in this case will result in just and reasonable rates.

**WHEREFORE**, the Staff respectfully renews its motion to the Commission to reject the procedural schedules proposed by SIEUA, FEA and Aquila, and, instead, consolidate Case Nos. EO-2002-384 and ER-2005-0436, and adopt the consolidated procedural schedule proposed by the Staff as set forth in the Staff’s July 21, 2005 Motion for Procedural Schedule, Motion to Consolidate Case Nos. EO-2002-384 and ER-2005-0436, and Response to SIEUA and FEA’s Joint Motion for Procedural Schedule.

Respectfully submitted,

DANA K. JOYCE  
General Counsel

**/s/ Nathan Williams**

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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 23<sup>rd</sup> day of August 2005.

**/s/ Nathan Williams**