

Exhibit No.:

Issues:

Payroll Expense, Payroll
Taxes, Employee Benefits,
Annualization of Gas
Revenues, Income Taxes

Witness:

Larry G. Cox

Sponsoring Party:

MoPSC Staff

Case No.:

GR-93-172

MISSOURI PUBLIC SERVICE COMMISSION
UTILITY SERVICES DIVISION

DIRECT TESTIMONY
OF
LARRY G. COX

MISSOURI PUBLIC SERVICE,
A DIVISION OF UTILICORP UNITED, INC.

CASE NO. GR-93-172

Jefferson City, Missouri
May, 1993

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ACCOUNTING DEPT.
PUBLIC SERVICE COMMISSION

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Larry G. Cox

1 A. Under the direction of the Manager of the Accounting Department, I
2 have assisted with audits and examinations of the books and records of utility
3 companies operating within the state of Missouri.

4 Q. With reference to Case No. GR-93-172, have you made an investigation
5 of the books and records of Missouri Public Service (MPS or Company), a division
6 of UtiliCorp United, Inc. (UtiliCorp)?

7 A. Yes, with the assistance of other members of the Commission Staff
8 (Staff).

9 Q. What was the test year period used by the Staff in Case No.
10 GR-93-172?

11 A. Pursuant to the Commission's Order on the test year in this proceeding,
12 the Staff utilized a test year period of twelve months ended September 30, 1992,
13 updated through April 30, 1993.

14 Q. What items were updated through April 30, 1993?

15 A. The major items that were updated include plant in service, depreciation
16 reserve, depreciation expense, miscellaneous rate base items, payroll expense, payroll
17 benefits, payroll taxes, revenues, and income tax expense.

18 Q. Does the Staff propose any type of true-up proceedings for Case No.
19 GR-93-172?

20 A. No. The Staff has updated all material known and measurable events
21 at least through the April 30, 1993, test year update period ordered by the
22 Commission. At this time, the Staff is unaware of any new or pending material events

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1 that would require a true-up audit. At this time the Staff does not believe that trueing-
2 up of other items would be of much benefit.

3 Q. Is the Staff recommending a true-up audit in this proceeding?

4 A. No. The Staff believes that the updated test year provides appropriate
5 levels of revenue, expense and rate base to set rates.

6 Q. With reference to Case No. GR-93-172, what are your principal areas
7 of responsibility?

8 A. I am responsible for the annualization of gas revenues, the annualization
9 of purchased gas expense, the calculation of the appropriate level of payroll expense
10 and the payroll-related items of payroll taxes and employee benefits, and the
11 calculation of income taxes. Additionally, I am responsible for computing the
12 appropriate level of office lease expense and the interest expense associated with the
13 Company factoring (selling) its accounts receivable.

14 Q. Which Accounting Schedules are you sponsoring?

15 A. I am sponsoring Accounting Schedule 1, Revenue Requirement;
16 Accounting Schedule 9, Income Statement; Accounting Schedule 10, Adjustments to
17 Income Statement; and Accounting Schedule 11, Income Taxes.

18 Q. Please explain Accounting Schedule 1.

19 A. Accounting Schedule 1 is the calculation of the Staff's Revenue
20 Requirement. This computation is performed by first multiplying the amount of total
21 rate base from Accounting Schedule 2 (on line 1) by the Staff's recommended rate of
22 return (on line 2), as sponsored by Staff witness Jay M. Moore of the Financial

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1 Analysis Department. The result is the Net Operating Income Requirement (line 3).
2 From this amount the Net Income Available from Accounting Schedule 9 (line 4) is
3 subtracted from the Net Operating Income Before Taxes Needed (line 5).

4 Lines 6 through 13 on Accounting Schedule 1 are a summary of tax
5 information from Accounting Schedule 11. Required Current Income Taxes are
6 calculated on Accounting Schedule 11 and transferred to line 7 on Accounting
7 Schedule 1. Test year current income taxes (line 8) are then subtracted to produce the
8 additional Current Tax Required (line 9).

9 The Tax Reform Act of 1986 removed the availability of investment tax credits
10 (ITC) from the tax code so the lines for Required Deferred ITC (line 10), Test Year
11 ITC (line 11), and Additional Deferred ITC Required (line 12) are all set at zero.
12 Therefore, the Total Additional Tax Required (line 13) is the same as the Additional
13 Current Tax Required (line 9). The total Gross Revenue Requirement is the sum of
14 Additional Net Operating Income Before Taxes Needed (line 5) and the Total
15 Additional Tax Required (line 13).

16 Q. Please explain Accounting Schedule 9.

17 A. Accounting Schedule 9, Income Statement, is the calculation of the
18 Staff's adjusted net operating income. The income statement lists the Company's
19 Missouri jurisdictional revenues and expenses as of the twelve months ended
20 September 30, 1992, by account in Column B. Column C is the Staff's jurisdictional
21 adjustments to test year revenues and expenses which are detailed on Accounting

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1 Schedule 10. Column D is the Staff's adjusted jurisdictional revenues and expenses
2 which produces the Staff's adjusted net operating income.

3 Q. Please describe Accounting Schedule 10, Adjustments to Income
4 Statement.

5 A. This Accounting Schedule is an itemized listing of the Staff's
6 adjustments on Accounting Schedule 9, Income Statement. Each adjustment has a
7 short explanation, the sponsor's name, and the amount of the Missouri jurisdictional
8 gas adjustment.

9 Q. Please describe Accounting Schedule 11, Income Taxes.

10 A. Accounting Schedule 11 calculates the Company's Federal and state
11 income tax expense based on the Staff's direct case. Column A contains a description
12 of each line item, Column B shows the tax calculation based on the Staff's normalized
13 test year, and Column C contains the tax calculations based on the rate of return
14 supported by Staff witness Moore.

15 Q. Please describe the computation of net taxable income on Accounting
16 Schedule 11.

17 A. Net income before taxes is calculated on Accounting Schedule 9,
18 Income Statement, and is transferred to line 1 of Accounting Schedule 11. Since the
19 Company is allowed to deduct liberalized tax depreciation in its computation of taxable
20 income, book depreciation (which has previously been subtracted in the income
21 statement) are added back to net income before taxes (on line 2) along with the portion
22 of depreciation which was cleared to O&M accounts (on line 3). Additionally, gas

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1 advances (line 4) and contributions in aid of construction (line 5) are added to net
2 income before taxes. Tax timing differences are then subtracted from net income
3 before taxes, consisting of interest expense (line 7), coal gasification expense (line 8),
4 tax depreciation (lines 9 and 10), cost of removal (line 11), stock purchase plan (line
5 12) and stock options exercised (line 13). When these items are subtracted from net
6 income before taxes, net taxable income is achieved.

7 Q. Please explain the calculation of Federal tax (line 18) and Missouri tax
8 (line 23) and city tax (line 28).

9 A. Since state income taxes are deductible in the determination of Federal
10 income taxes and Federal income taxes are deductible in the determination of state
11 income taxes, a simultaneous calculation is performed to calculate the correct level of
12 each tax. The Staff's computer program applies the appropriate tax rates to taxable
13 income to derive the Federal and state tax expense. These computations occur on lines
14 14 through 28 on Accounting Schedule 11. Although the computer program performs
15 a calculation for City Tax, no such tax is levied against the Company. A summary of
16 provision for income tax appears on lines 29 through 31 of Accounting Schedule 11.

17 Q. Please explain the calculation of Deferred Income Taxes which appears
18 at the bottom of Accounting Schedule 11, Income Taxes.

19 A. These are the taxes that are deferred until some future period due to the
20 accelerated tax depreciation that the Company substitutes for book depreciation in the
21 calculation of income taxes. The amount that appears on line 34 of Accounting

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1 Schedule 11 is the difference in the tax depreciation and the book depreciation
2 multiplied by the effective tax rate of 36.22%.

3 Q. Why does the ratepayer pay for deferred income taxes currently?

4 A. The ratepayer is required by the Internal Revenue Service to supply the
5 amount of deferred tax expense currently in order for the Company to take advantage
6 of accelerated tax depreciation.

7 Q. Please describe the amounts for amortization of deferred tax depreciation
8 (line 35) and amortization of deferred ITC.

9 A. These amounts represent the amortization of tax items deferred from
10 prior tax periods.

11 Q. Does this complete your description of Accounting Schedule 11, Income
12 Taxes?

13 A. Yes, it does.

14 Q. Are you sponsoring any of the items on Accounting Schedule 2, Rate
15 Base?

16 A. Yes. I am sponsoring the amount on line 16 on Accounting Schedule
17 2 for Deferred Income Taxes - Depreciation. This amount represents the April 30,
18 1993 balances of Accumulated Deferred Income Taxes that have been normalized for
19 ratemaking purposes and are utilized as a rate base offset.

20 Q. Which adjustments on Accounting Schedule 10, Adjustments to the
21 Income Statement, are you sponsoring?

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A. I am sponsoring the following adjustments:

Revenues	- S-1.1, S-1.2 and S-1.3
Purchased Gas Expense	- S-2.1
Payroll Expense	- S-3.2, S-4.2, S-5.2, S-6.2, S-7.2 and S-8.12
Incentive Pay Awards	- S-3.3, S-4.3, S-5.3, S-6.3, S-7.3, and S-8.13
Interest on Accounts Receivable	- S-5.4
General Office Lease Expense	- S-8.14, S-8.15, and S-8.16
Group Insurance	- S-8.17
Deferred Savings	- S-8.18
Employee Stock Option Plan	- S-8.19
Payroll Tax Expense	- S-11.2
Franchise Tax Expense	- S-11.3
Income Taxes	- S-12.1
Deferred Income Taxes	- S-13.1

Q. Please describe adjustment S-1.1 on Accounting Schedule 10, Adjustments to the Income Statement.

A. This adjustment removes city franchise taxes from operating revenues. Adjustment S-11.3 removes city franchise taxes from taxes other than income taxes.

Q. Please describe adjustment S-1.2 on Accounting Schedule 10, Adjustments to the Income Statement.

A. This adjustment removes revenues associated with the refund created by the Wyoming Light Sands settlement from that year revenues. The refund was passed to the ratepayers from January, 1991 through December, 1992. It has, therefore, expired and is a nonrecurring item.

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1 Q. Please describe Adjustment S-1.3.

2 A. This adjustment annualized revenues based on customer growth and
3 normalized usage.

4 Q. Please describe how revenues are annualized for customer growth.

5 A. Customer growth was computed by comparing the number of residential
6 and commercial customers for each month subsequent to the end of the test period of
7 September 30, 1992 through the end of the update period of April 30, 1993 to the
8 corresponding months within the test year. The difference in the number of customers
9 is then divided by the number of customers within the seven month period of the test
10 year update to develop a growth factor. This growth factor is then annualized by
11 multiplying it by the seven months of the update period and then dividing that result
12 by twelve.

13 Q. Why is growth measured this way?

14 A. Because seasonal fluctuation makes it difficult to annualize customer
15 levels at any one point in time.

16 Q. Was there any growth in industrial customers?

17 A. The Staff is making an adjustment for one industrial customer that is
18 making a change in its operations that will result in increased gas usage.

19 Q. How was usage adjusted for weather normalization?

20 A. These calculations were performed by Staff witnesses James Gray
21 (residential and small commercial customers) and Dr. Henry Warren (industrial and

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1 large commercial customers), both of the Commission's Economic Analysis
2 Department. The calculations are described in their direct testimonies.

3 Q. How were normalized gas volumes converted to revenues?

4 A. The normalized gas volumes were converted to annualized revenues by
5 multiplying them by the appropriate tariffs currently approved by the Commission.

6 Q. Please describe adjustment S-2.1.

7 A. This adjustment increases purchased gas expense for the increased gas
8 sales reflected in the Staff's revenue adjustment for weather normalization and
9 customer growth.

10 Q. Please describe adjustments S-3.2, S-4.2, S-5.2, S-6.2, S-7.2 and S-8.12.

11 A. These adjustments annualize payroll expense.

12 Q. Why does the payroll expense issue have six separate adjustment
13 numbers?

14 A. This occurs because payroll is spread to MPS's six functional areas of
15 gas operations (transmission, distribution, customer accounting, customer service, sales,
16 and administrative and general expenses) for accounting purposes, so the annualization
17 for payroll expense must also be spread to each of these functional areas.

18 Q. Please describe these adjustments to annualize payroll expense.

19 A. The Company pays its employees every two weeks on an alternating
20 basis. The general office personnel (B-1 and B-2 classifications) are paid one week
21 and the field personnel (B-3 classification) are paid the next. The Staff utilized

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1 information from the May 5, 1993 pay period for field personnel and the April 30,
2 1993 pay period for general office personnel to annualize payroll.

3 Q. Please explain the calculation for the annualized base payroll.

4 A. The calculation was performed for the salaried general office (B-1)
5 personnel by multiplying their base salary distributed on the pay date by the 26 pay
6 periods that occur in a year's time. For the general office (B-2) and field employees
7 (B-3) who are paid an hourly wage, the annualization was performed by multiplying
8 each classification's average wage rate by the employee levels as of the respective pay
9 date. This amount was then multiplied by the 2,080 regular work hours that occur in
10 a year's time.

11 Q. Does the Staff's annualization include any pay increases?

12 A. Yes. The Staff adjusted payroll for the 6% pay increase the officers
13 received on January 1, 1993, and also for a 6% increase that other non-union
14 employees received on May 1, 1993.

15 Q. Did the Staff capitalize a portion of the annualized payroll expense?

16 A. Yes. The Staff computed a five year ratio of capitalized payroll and
17 applied this ratio to the annualized payroll to arrive at the expense portion of payroll.
18 This amount was then spread to the various expense functions as listed on Accounting
19 Schedule 10, Adjustments to Income Statement.

20 Q. Why is a portion of payroll capitalized rather than expensed?

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1 A. The portion of payroll that is associated with construction activities will
2 be of benefit in future periods. Therefore, a portion of payroll is capitalized and the
3 cost is spread over these future periods as a part of depreciation expense.

4 Q. Please describe adjustments S-3.3, S-4.3, S-5.3, S-6.3, S-7.3 and S-8.13.

5 A. These adjustments disallow costs associated with the Company's
6 incentive pay plan for its employees.

7 Q. What is Schedule 2?

8 A. Schedule 2 to this direct testimony is the Company's response to Staff
9 Data Request No. 435 in Case No. ER-93-37, the Company's pending electric rate
10 case. It provides the MPS incentive plans for the 1991 and 1992 calendar years. The
11 matrix on page 9 (Schedule 2-9) illustrates how the amount of the incentive award is
12 determined for 1992. The size of the award is partially determined by the net income
13 of MPS, as listed across the top of the matrix.

14 Q. Does the Staff have any concerns with using net income as a
15 determinant of incentive award amounts?

16 A. The Staff does not believe that incentive awards should be based on an
17 element such as net income which is influenced to a large extent by factors beyond the
18 employee's control.

19 Q. Could you please list a few such factors?

20 A. Net income is influenced by such things as weather, the general
21 economic conditions in the utility's service territory, the cost of capital needed to

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1 finance the Company's debt, the need to seek rate relief, the addition of new
2 investment, federal legislation, and the like.

3 Q. What is meant by the "Percentage of Goals Achieved by Unit" as listed
4 on the left of the matrix?

5 A. These percentages pertain to work unit goals established for the various
6 groups eligible for incentive awards.

7 Q. Does the Staff have concerns regarding the work unit goals established
8 for the incentive awards?

9 A. The Staff's review of the incentive award goals in this and prior rate
10 cases have found the goals to be in an almost constant state of change. Many of the
11 goals reward employees for things they are required to do as part of their job anyway
12 based on a review of employee job descriptions and are, therefore, a duplicative
13 expense.

14 Q. Are any of the proposed goals for activities which are not in the
15 ratepayer's best interest?

16 A. Yes. Attached to this testimony as Schedule 3 are excerpts from the
17 Company's 1993 draft of incentive award goals. Schedule 3-3 provides an incentive
18 award to the Revenue Requirement Department for securing a total of \$10 to \$13
19 million in total rate relief for the electric (Case No. ER-93-37) and gas (Case No.
20 GR-93-172) rate cases the Company currently has filed with this Commission.

21 Q. Are all of the goals for activities that are typically allowable in the
22 Company's cost of service?

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1 A. No. The incentive award goal listed on Schedule 3-4 is for community
2 service performed by MPS employees. If the Company had made a cash contribution
3 to one of the listed organizations and charged it to operations and maintenance
4 expenses, the Staff would have proposed an adjustment to disallow it from the cost of
5 service. Therefore, the Staff does not believe that it is appropriate to establish
6 incentive awards on such activities.

7 Q. Are all of the goals designed to elicit beneficial and exceptional
8 employee performance, something beyond that called for in the usual job description?

9 A. The Staff's review of the proposed incentive goals for 1993 found a
10 number of the goals to be easily achievable. An example of this is on Schedule 3-5.
11 An incentive goal for the Property Accounting Department can be achieved by touring
12 Company facilities, taking photographs, and putting the pictures in an album. The
13 second item on Schedule 3-6 is to determine a centralized location to act as a help
14 desk. This is followed by instructions on how to log telephone calls. An incentive
15 goal found on Schedule 3-7 is for producing handouts on a better quality of paper.
16 Schedule 3-8 lists incentive goals for avoiding personal injury and vehicular accidents,
17 which most people do without the need for an incentive award.

18 Q. How does the Staff believe that an incentive pay program should be
19 structured?

20 A. Such programs should reward employees for superior performance
21 which can be measurably shown to benefit the ratepayer. Incentive programs for

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1 ratemaking purposes should not be based on criteria that an employee has limited
2 ability to influence.

3 Q. Please explain adjustment S-5.4.

4 A. This adjustment is necessary because the Company has an agreement
5 under which its accounts receivables are factored to Citicorp North America, Inc.
6 shortly after customer billings. Factoring is the selling of a company's accounts
7 receivable to receive what is in effect a short-term loan. Accordingly, this accounts
8 receivable sales agreement has a provision for which MPS pays an interest amount.
9 However, since the offsetting reduction to the revenue lag in the cash working capital
10 calculation is greater in amount than this interest charge, the ratepayer benefits from
11 the transaction. Therefore, adjustment S-5.4, which increases expenses for this interest
12 charge, is appropriate.

13 Q. Please explain adjustment S-8.14.

14 A. This adjustment decreases the annual lease rate of the MPS office space
15 at 10750 East 350 Highway from the paid rate of \$16.00 per square foot to \$12.20 per
16 square foot, the market rate for the East Jackson County area at the time of the lease
17 inception. The MPS offices are located at Green Ridge Office Park in Raytown,
18 Missouri.

19 Q. Why does the Staff propose to disallow a portion of the lease rate?

20 A. The lease rate of \$16.00 was well above the market rate for the East
21 Jackson County area at the time the lease agreement was made, and was not
22 determined through arms-length negotiation.

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1 Q. Why does the Staff consider the lease not to have been negotiated at
2 arms-length?

3 A. The lease is between MPS and MZ partners. MZ Partners is a
4 partnership between Zimmer Partners and UCU Finance Corporation (UCU Finance).
5 UCU Finance is a wholly-owned subsidiary of UtiliCorp. The lease was signed
6 October 1, 1986.

7 Q. How is the Staff using the term "arms-length" negotiations or
8 transactions?

9 A. "Arms-length" negotiations or transactions relate to negotiations or
10 transactions between a willing seller and a willing buyer of goods and services who
11 do not have an affiliated relationship. If a seller and buyer are affiliated with one
12 another, negotiations are not arms-length unless each party has the authority and power
13 to protect its own interests.

14 Q. Does MPS have an affiliated relationship with UCU Finance
15 Corporation and MZ Partners?

16 A. Yes. MPS is an operating division of UtiliCorp. Since UCU Finance
17 is also a wholly-owned subsidiary of UtiliCorp, MPS and UCU Finance have an
18 affiliated relationship. In essence, UtiliCorp negotiated the lease agreement with itself.

19 Q. How was the annual rate of \$16.00 per square foot determined?

20 A. In the response to Office of Public Counsel (OPC) Data Request No.
21 105, submitted in Case No. ER-90-101, and attached to this testimony as Schedule 4,

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1 it states that MZ Partners conducted an analysis of the entire Kansas City Metropolitan
2 area which indicated a rate of \$16.00 was appropriate.

3 Q. Does the Staff agree that the analysis was appropriate?

4 A. No. The analysis failed to consider that office space lease rates vary
5 depending upon the locale of the building. The Staff believes that an office building
6 in Raytown, Missouri should be compared to other office buildings in the area, and not
7 to office buildings in the Downtown, Plaza, South Johnson County or other sections
8 of the Kansas City Metropolitan Area unless substantial adjustments are made.

9 Q. Did MPS provide any written studies or analyses of office space lease
10 rates for the Kansas City Metropolitan and Raytown Areas?

11 A. No. MPS's response to Staff Data Request No. 196 in Case No. ER-90-
12 101, attached as Schedule 5, states that "there are no written surveys or analyses of
13 office lease rates for the Kansas City Metropolitan or Raytown areas..."

14 However, attached as Schedule 6 are pertinent sections of the Office Leasing
15 Guide inserted in the August, 1986 edition of the Kansas City Business Journal during
16 the time period MPS entered into the lease agreement. (Direct Testimony of Staff
17 Witness Larry G. Cox, Case No. GR-88-194, UtiliCorp/MPS).

18 Q. What does the Kansas City Business Journal Office Leasing Guide show
19 as the market rate for the East Jackson County area in late 1986 when construction of
20 the building was completed?

21 A. As can be seen in the Guide, attached as Schedule 6, the market rate
22 appeared to be within a range of \$11.50 to \$13.00 per square foot. The Green Ridge

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1 Office Park at a range of \$16.50 to \$17.50 had the most expensive lease rate in the
2 East Jackson County area.

3 Q. What other sources of information pertaining to office lease rates did
4 the Staff utilize?

5 A. The Staff was able to obtain two studies performed by Coldwell Banker
6 Commercial Real Estate Services. The first study, which is included as Schedule 7,
7 shows the average lease rates for Eastern Kansas City for the fourth quarter of 1986.
8 This study shows the average lease rate for vacant office space in existing buildings
9 for East Kansas City was \$11.57 per square foot. The average lease rate for vacant
10 office space under construction (uncommitted) in East Kansas City was \$13.21.

11 Q. What does the second study show?

12 A. The second study appeared in the Business Special section of the July
13 12, 1988 edition of the Kansas City Times, and is included as Schedule 8 to my direct
14 testimony. This study indicates the office lease rates remained at \$12.20 per square
15 foot from the fourth quarter of 1985 through the first quarter of 1988 for the East
16 Kansas City area.

17 Q. Why has the Staff selected the \$12.20 rate to determine office rent
18 expense for the space in the building at 10750 East 350 Highway?

19 A. Because of the lack of an arms-length transaction, the Staff believes that
20 a reasonable market rate at the time of the lease inception should be used for
21 ratemaking purposes.

22 Q. What other information did the Staff utilize in determining this rate?

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1 A. The response to Staff Data Request No. 130 in Case No. ER-93-37,
2 attached as Schedule 9 to this testimony, indicating that two other tenants at this
3 building, Prudential Insurance Company (Prudential) and Allstate Insurance Company
4 (Allstate), have both entered into lease agreements at rates below that paid by MPS
5 were utilized by the Staff in determining a rate. The lease terms of these tenants at
6 Green Ridge Office Park are as follows:

	<u>\$/Square Foot</u>	<u>Square Footage</u>	<u>Term</u>	<u>Date Signed</u>
MPS	\$16.00	23,200	10 yrs.	10/01/86
Prudential	10.94	6,437	5 yrs.	1/16/90
Allstate	13.45	2,358	5 yrs.	12/06/88

11
12 The rates for Prudential and Allstate were calculated using net rentable space while the
13 MPS rate utilized net useable space. If the rates paid by Prudential and Allstate were
14 calculated using net usable space, their rates would be \$12.58 and \$15.46, respectively.

15 In any event, the rate paid by MPS is still above the other tenant's rates.

16 Q. Why is this information important in determining a reasonable rate?

17 A. The Staff believes the greater amount of space leased and longer term
18 of the lease for MPS should have resulted in a lower annual lease rate had it been
19 negotiated at arms-length. The rate of \$12.20 that was used by the Staff to compute
20 its adjustment is more in line with the rates obtained by Prudential and Allstate. This
21 rate is therefore reasonable for the office space in the Green Ridge Office Park.

22 Q. Please explain adjustment S-8.15.

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1 A. MPS signed a second lease for an additional 7,425 square feet of office
2 space at the Green Ridge Office Park. This lease is for \$10.00 a square foot and runs
3 from December 1, 1992 through December 31, 1996. However, unlike the original
4 lease contract discussed earlier in relation to adjustment S-8.14, MPS is responsible
5 for all finishing costs in this leased area.

6 Q. What is the total amount of these finishing costs?

7 A. Attached to my direct testimony as Schedule 10 is the Company's
8 response to Staff Data Request No. 222 in Case No. ER-93-37, which lists the cost of
9 leasehold improvements of \$137,284.12.

10 Q. How does the Company recover these costs?

11 A. The Company will amortize these costs over the life of the lease, which
12 is 49 months. Attached to this testimony as Schedule 11 is the Company's response
13 to Staff Data Request No. 340 in Case No. ER-93-37, which provides the calculation
14 of anticipated annualized amortization expense of \$34,040.82.

15 Q. What would the expected life of the leasehold improvements be if they
16 were made to MPS' own property?

17 A. As can be seen on the Company's response to Staff Data Request No.
18 421 in Case No. ER-93-37, which is attached to this testimony as Schedule 12, the
19 leasehold improvements have an estimated useful life of between 16 and 49 years.

20 Q. What is the Company's total annualized cost of leasing this office
21 space?

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1 A. The total cost is the \$34,040.82 annualized amortization expense plus
2 lease expense of \$74,250 ($\$10.00 \times 7,425$ square feet) which is a combined annual
3 expense of \$108,290.82. This is an effective annual lease rate of \$14.58 a square foot.

4 Q. What is the amount of lease expense that the Staff is including in rates?

5 A. The Staff does not believe that the effective lease rate should exceed the
6 \$12.20 rate per square foot rate discussed earlier in regard to adjustment S-8.14.
7 Therefore, the Staff is imputing a lease rate of \$7.61 which, when added to the
8 amortization expense, results in a cost of \$12.20 per square foot for this leased space
9 in revenue requirement.

10 Q. Please explain adjustment S-8.16.

11 A. This adjustment removes the cost of MPS' lease of the Grandview
12 Service Center which expired and was not renewed.

13 Q. Please explain adjustment S-8.17.

14 A. This adjustment annualizes MPS's employee life, medical, dental, and
15 disability insurance.

16 Q. Please explain adjustment S-8.18.

17 A. This adjustment annualizes the Company's matching contribution to the
18 employee's 401(k) plan. This adjustment is based on the Staff's annualized level of
19 payroll expense.

20 Q. Please explain adjustment S-8.19.

21 A. This adjustment annualizes the cost of the Company's Employee Stock
22 Option Plan (ESOP).

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1 Q. Please explain adjustment S-11.2.

2 A. This adjustment is the composite annualization of state unemployment
3 tax, federal unemployment tax, and the Company's share of FICA (social security) tax.
4 The annualizations are based on the current tax rate and taxable limit for each
5 respective payroll tax as applied to the Staff's annualized level of payroll expense.
6 The Staff used the same expense percentage in calculating annualized payroll taxes as
7 was used to annualize payroll expense.

8 Q. Please describe adjustment S-11.3.

9 A. This adjustment removes city franchise taxes from test year expenses.
10 Adjustment S-1.1 removes city franchise taxes.

11 Q. Please describe adjustment S-12.1.

12 A. This adjustment annualizes current income tax expense based on the
13 calculation performed on Accounting Schedule 11, described earlier in this testimony.

14 Q. Please describe adjustment S-13.1.

15 A. This adjustment annualizes deferred income tax expense created by the
16 tax timing difference of accelerated tax depreciation and book depreciation. As
17 discussed earlier in this direct testimony, deferred tax expense is computed by
18 multiplying the difference of the two depreciation methods by the composite tax rate
19 of 36.22%.

20 Q. Does this conclude your direct testimony?

21 A. Yes, it does.

In the matter of Missouri Public Service,)
a division of UtiliCorp United, Inc.'s)
proposed tariffs to increase rates for) Case No. GR-93-172
gas service provided to customers in)
the Missouri service area of the company.)

[illegible]

Larry G. Cox
Larry G. Cox

Wanda J. King
Notary Public
Cock County, Missouri

My Commission Expires: 9/4/95

RATE CASE PROCEEDINGS PARTICIPATION

LARRY G. COX

Associated Natural Gas Company	GR-82-108
Missouri Utilities Company	ER-82-246
Missouri Utilities Company	GR-82-247
Missouri Utilities Company	WR-82-248
Citizens Electric Corporation	ER-83-61
General Telephone Company of the Midwest	TR-83-164
Missouri Telephone Company	TR-83-334
Great River Gas Company	GR-83-363
People Natural Gas Company	GR-84-118
Missouri Cities Water Company	WR-84-51
Kansas City Power and Light Company	ER-83-128 & EO-85-185
ALLTEL Missouri, Inc.	TR-86-14
Kansas City Power and Light Company	HO-86-139
Missouri Public Service	GR-88-194
U.S. Water/Lexington, Mo., Inc.	WR-88-255
Empire District Electric Company	WR-90-56
Empire District Electric Company	ER-90-138
Kansas Power and Light Company	GR-91-291
Raytown Water Company, Inc.	WR-92-85
Missouri Cities Water Company	WR-92-207 SR-92-208
Missouri Public Service	ER-93-37

REC'D

DEC 16 1992

Requested From: GARY L. CLEMENS
Date Requested: 12/16/92

Information Requested:

PLEASE PROVIDE ALL DOCUMENTATION OF HOW THE INCENTIVE COMPENSATION PORTION OF PAYROLL IS ADMINISTERED. ARE ALL EMPLOYEES ELIGIBLE?

Requested By: Larry G. Cox

Information Provided:

SEE ATTACHED

The attached information provided to the Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. ER-93-37 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the MISSOURI PUBLIC SERVICE DIVISION office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies of data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control within your knowledge. The pronoun "you" or "your" refers to MISSOURI PUBLIC SERVICE DIVISION and its employees, contractors, agents or others employed by or acting in its behalf.

Signed By:

Gary L. Clemens

Date Response Received:

LGC

12-18-92

Prepared By:

Gary Clemens

**MISSOURI PUBLIC SERVICE
DATA INFORMATION REQUEST
Case No. ER-93-37**

No. PSC 435

Requested From: Brad Lewis

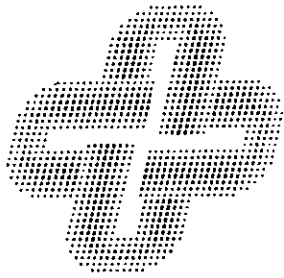
Date Requested: December 16, 1992

Information Requested: Please provide all documentation of how the incentive compensation portion of payroll is administered. Are all employees eligible?

Requested By: Larry G. Cox

Information Provided: See attached.

Date Information Provided: December 18, 1992



MISSOURI PUBLIC SERVICE

1991 INCENTIVE PLAN

MISSOURI PUBLIC SERVICE 1991 INCENTIVE PLAN

• Purpose

To encourage employees to work together to maximize MPS's financial performance, to link compensation opportunities to demonstrated performance, to motivate participants to accomplish action plans which will allow us to achieve Division goals, and to protect the interests of both shareholders and customers.

• Eligibility

All full-time employees as of December 31, 1990, who remain full-time employees throughout 1991, are eligible for Incentive Plan awards, except Officers, Marketing personnel and:

- (1) Employees who terminate their MPS employment prior to the date awards are paid in 1992 for reasons other than death, disability, inter-division transfers or retirement.
- (2) Employees in a collective bargaining unit; and
- (3) Employees whose personal performance is judged to be unsatisfactory by their Department Head with the approval of the appropriate Officer and the President.

In addition, pro rata awards will be payable to otherwise eligible employees hired into full-time participating positions as defined above, between January 1, 1991 and June 30, 1991.

• Determining Awards

"Work Units" have been created for the Incentive Program. The incentive award is based upon the financial performance of the Division as well as the achievement of work unit goals. There are two matrices which will be used to allocate the incentive award between financial and work unit performance.

The 50%/50% matrix places equal weight on the financial performance of the division and the achievement of work unit goals. This matrix bases fifty percent of the potential award on achieving work unit goals and fifty percent on achieving financial goals, assuming the Division reaches its threshold financial goal. It is designed for positions that can significantly impact the Division's financial performance.

The 75%/25% matrix places more weight on the achievement of work unit goals. This matrix bases seventy-five percent of the potential award on achieving work unit goals, assuming the Division reaches its threshold financial goal. The other twenty-five percent of the potential award is based on the Division's financial performance. It is designed for positions where work unit performance is a more appropriate measure of overall performance.

This year's financial performance goal is based upon net income before taxes and is defined as "divisional net income as reflected on monthly divisional income statements plus total income taxes (including tax on other income), plus (or minus) allocated interest expense (or income) through the new capital allocation program, and before AFUDC credit".

The threshold level for financial performance in 1991 is \$62 million. No incentive award will be paid out unless we reach the threshold level. The par level is \$64 million and the maximum level is \$66 million. The achievement of each financial level is worth one-third of the financial portion of the award. The work unit performance portion of the award is spread evenly over the work unit's goals. Awards will not be paid unless at least 30% of the work unit goals are achieved.

The maximum award possible is 9%. The maximum award is allocated between financial performance and work unit performance according to the design of the matrix described above. Utilizing the appropriate matrix (50%/50% or 75%/25%) employees find the percentage of goals their work unit achieved, and then move across the matrix horizontally to the appropriate financial level achieved. This percentage will be multiplied times the participant's annual base salary to determine the incentive award.

50%/50% MATRIX

<u>Percentage of Goals Achieved By Unit</u>	Financial Performance (Pre-tax Net Income)		
	<u>\$62MM (1.50%)</u>	<u>\$64MM (3.00%)</u>	<u>\$66MM (4.50%)</u>
Less than 30%	0.00%	0.00%	0.00%
30% (1.35%)	2.85%	4.35%	5.85%
45% (2.03%)	3.53%	5.03%	6.53%
60% (2.70%)	4.20%	5.70%	7.20%
90% (4.05%)	5.55%	7.05%	8.55%
100% (4.50%)	6.00%	7.50%	9.00%

75%/25% MATRIX

<u>Percentage of Goals Achieved By Unit</u>	Financial Performance (Pre-tax Net Income)		
	<u>\$62MM (.75%)</u>	<u>\$64MM (1.50%)</u>	<u>\$66MM (2.25%)</u>
Less than 30%	0.00%	0.00%	0.00%
30% (2.03%)	2.78%	3.53%	4.28%
45% (3.04%)	3.79%	4.54%	5.29%
60% (4.05%)	4.80%	5.55%	6.30%
90% (6.08%)	6.83%	7.58%	8.33%
100% (6.75%)	7.50%	8.25%	9.00%

Note the following:

1. The incentive award represents a percentage of the participant's annual base salary as of 12/31/91 (prorated for those hired from 1/01/91 through 6/30/91).
2. If performance falls between the financial levels shown, the financial performance portion of the award will be prorated.
3. The Pre-tax Income goals shown above are identical to the financial performance goals used for the MPS Officer's Incentive Plan. These goals will not be adjusted for abnormal weather.

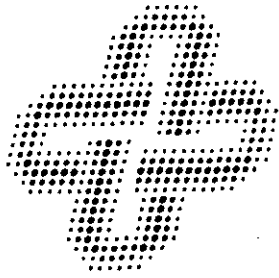
● **Payments of Awards**

Awards will be paid in cash as early as practical in 1992 (about March 15), and are subject to all applicable withholding. Awards will not be used for any benefit plan purpose, and are in addition to any salary adjustments otherwise payable due to merit or promotion. No incentive payments will be made if the consolidated earnings for UtiliCorp United were not equal to or greater than the annual cash dividend in the fiscal year.

● **Other Information**

Any otherwise eligible employee whose employment terminated prior to the date of the incentive award payment in 1992 due to death, disability, inter-division transfer or retirement will be eligible for any award payable in 1992 calculated on a pro rata basis for active MPS employment during 1991. For deceased employees, awards would be payable to the employee's designated beneficiary under the MPS group life plan, or, if the employee did not participate in this plan, the applicable MPS pension plan. Nothing in the Plan shall be considered to provide any participant with a guarantee of employment by the Division, nor shall participation in the program in one fiscal year guarantee participation in any subsequent fiscal year.

The division is responsible for administering the Plan and its judgment shall be final with respect to any interpretation of the Plan.



MISSOURI PUBLIC SERVICE

1992 INCENTIVE PLAN

MISSOURI PUBLIC SERVICE 1992 INCENTIVE PLAN

- **Purpose**

To establish a competitive program of cash compensation for employees which links compensation opportunities to demonstrated performance, protects the interests of both ratepayers and shareholders, and motivates participants to accomplish objectives which will further enhance the Division's mission of providing reliable energy to customers at the lowest practical cost.

- **Eligibility**

All full-time employees as of December 31, 1991, who remain full-time employees throughout 1992, are eligible for Incentive Plan awards, except Officers, Marketing personnel, and:

- (1) Employees who terminate their MPS employment prior to the date awards are paid in 1993 for reasons other than death, disability, inter-division transfers, or retirement.
- (2) Employees in a collective bargaining unit.
- (3) Employees whose personal performance is judged to be unsatisfactory by their Department Head with the approval of the appropriate Officer and the President.

In addition, pro rata awards will be payable to otherwise eligible employees hired into full-time participating positions as defined above, between January 1, 1992 and September 30, 1992.

Employees who transfer into or out of the collective bargaining unit during the Plan year will receive a pro rata award based on the time they were covered under the Plan.

- **Determining Awards**

"Work units" have been created for the Incentive Program. The incentive award is based upon the financial performance of the Division as well as the achievement of work unit goals.

This year's financial performance goal is based upon Net Income. Net Income is defined as total revenues less expenses and taxes.

The threshold level for financial performance in 1992 is \$27.4 million. The par level is \$29.7 million and the maximum level is \$30.8 million. If the Division reaches the maximum financial performance level, you are eligible for a maximum award of 9%. If the Division reaches the par or target financial performance level, you are eligible for a maximum award of 7.5%. If the Division reaches the threshold level, you are eligible for a maximum award of 6%. If the Division does not reach the threshold level, you are eligible for a maximum award of 4.5%. The amount you will receive is based on the Division's financial performance and your achievement of work unit goals. To determine your award percentage, you take the percentage of goals you achieved times the maximum award for the financial level which was achieved. No award will be paid unless at least 30% of the work unit goals are achieved.

Utilizing the matrix, employees find the percentage of goals their work unit achieved, and then move across the matrix horizontally to the appropriate financial level achieved. This percentage will be multiplied times the participant's annual base salary to determine the incentive award.

Financial Performance

Percentage of Goals Achieved By Unit	Under \$27.4MM (4.50%)	\$27.4MM (6.00%)	\$29.7MM (7.50%)	\$30.8MM (9.00%)
Less than 30%	0.00%	0.00%	0.00%	0.00%
30%	1.35%	1.80%	2.25%	2.70%
45%	2.03%	2.70%	3.38%	4.05%
60%	2.70%	3.60%	4.50%	5.40%
75%	3.38%	4.50%	5.63%	6.75%
90%	4.05%	5.40%	6.75%	8.10%
100%	4.50%	6.00%	7.50%	9.00%

Note the Following:

- (1) The incentive award represents a percentage of the participant's annual base salary as of December 31, 1992 (pro rated for those hired from January 1, 1992 through September 30, 1992).
- (2) If performance falls between the financial levels shown, the financial performance portion of the award will be pro rated.

• Payments of Awards

Awards will be paid in cash as early as practical in 1993 (about March 15), and are subject to all applicable withholding. Awards will not be used for any benefit plan purpose, and are in addition to any salary adjustments otherwise payable due to merit or promotion. No incentive payments will be made if the consolidated earnings for UtiliCorp United were not equal to or greater than the annual cash dividend in the fiscal year.

• Other Information

Any otherwise eligible employee whose employment terminated prior to the date of the incentive award payment in 1993 due to death, disability, inter-division transfer, or retirement will be eligible for any award payable in 1993 calculated on a pro rata basis for active MPS employment during 1992. For deceased employees, awards would be payable to the employee's designated beneficiary under the MPS group life plan, or, if the employee did not participate in this plan, the applicable MPS pension plan. Nothing in the Plan shall be considered to provide any participant with a guarantee of employment by the Division, nor shall participation in the Program in one fiscal year guarantee participation in any subsequent fiscal year.

The Division is responsible for administering the Plan and its judgment shall be final with respect to any interpretation of the Plan.

DATA INFORMATION REQUEST
MISSOURI PUBLIC SERVICE DIVISION
CASE NO. ER-93-37

REC'D

DEC 18 1992

Requested From: GARY L. CLEMENS
Date Requested: 12/18/92
Information Requested:

PLEASE PROVIDE THE LIST OF INCENTIVE PLAN GOALS FOR EACH EXISTING WORK GROUP. INCLUDE GOALS FOR INCENTIVE COMPENSATION AWARDED IN TEST YEAR AND ESTABLISHED GOALS FOR SUBSEQUENT PERIODS.

Requested By: Larry G. Cox

Information Provided:

SEE ATTACHED

The attached information provided to the Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. ER-93-37, before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the MISSOURI PUBLIC SERVICE DIVISION office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies of data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control within your knowledge. The pronoun "you" or "your" refers to MISSOURI PUBLIC SERVICE DIVISION and its employees, contractors, agents or others employed by or acting in its behalf.

Signed By: Leola HaynesDate Response Received: LGC1-4-93Prepared By: J. Brack

**MISSOURI PUBLIC SERVICE
DATA INFORMATION REQUEST
Case No. ER-93-37**

No. PSC 451

Requested From: Brad Lewis

Date Requested: December 18, 1992

Information Requested: Please provide the list of incentive plan goals for each existing work group. Include goals for incentive compensation awarded in test year and established goals for subsequent periods.

Requested By: Larry G. Cox

Information Provided: The preliminary incentive compensation goals for 1993 may be reviewed upon request at the MPS General Office during normal business hours. The incentive compensation goals for 1992 are being provided for your review.

Date Information Provided: January 4, 1993

Missouri Public Service
1993 Strategic Goals/Action Plans
Department - Revenue Requirement

December 20, 1992

Goal #4: Cost Performance (Goal Value 30%)

Supports MPS Division Goal # 3 — Cost Performance

Get a total of \$13 million of rate relief granted in the 1993 electric and gas cases. A 50% payout will be made if rate relief granted is equal to \$10 million. Payout will be made on a pro rata basis for rate relief falling between the target.

Goals and Action Plan	Key Persons	Deadline	Resource	Progress Review
Action Plan:				
1. Reconcile staffs filing to determine key items that need to be discussed during prehearing.	Clemens Haynes Hines Nelson	02/01/93	Existing	
2. Research major issues to help in the discussions during the prehearing conference.	Clemens Haynes Hines Nelson	02/01/93	Existing	
3. Provide assistance to other witnesses in the case to enhance their chances of prevailing if their issue goes to hearing.	Clemens Haynes Hines Nelson	03/08/93	Existing	
4. Write rebuttal and surrebuttal testimony that supports the adjustments made by MPS in the case.	Clemens Haynes Hines Nelson	02/19/93	Existing	

Missouri Public Service
1993 Strategic Goals/Action Plans
Beth Armstrong
Department - Accounting

December 23, 1992

Goal #1: To increase the Accounting Department contact with MPS external customers by participating in at least one community service activity (investment of 40 hours or more) within the MPS service territory by December 31, 1993.

Supports Company Goal #1

Goal Weight 10%

[illegible]

Missouri Public Service
1993 Strategic Goals/Action Plans
Department - Property Accounting

December 30, 1992 .

Goal #5: Improve the Missouri Public Service culture within the Accounting Department by taking field trips to various locations throughout the Division resulting in a better understanding of property units and their operating characteristics. Knowledge gained will allow for increased efficiency in unitizing work orders. Field trips will also open communication channels between the engineering and accounting sections.

Supports Company Goal #2

Goal Weight 10%

Goals and Action Plan	Key Persons	Deadline	Resources	Progress Review
<p>Action Plan:</p> <p>1. Determine and schedule the locations to tour. A tour of at least one facility representing each functional classification (production, transmission, distribution and general plant) will be taken. Schedule of tours will occur throughout the year on an availability basis.</p> <p>2. Tour facilities. Document property units viewed during tour. Take pictures of property units.</p> <p>3. Place documentation and pictures in a notebook. Label each picture to identify the property units. The notebook will serve as a training reference manual.</p>	<p>Supervisor</p> <p>Supervisor</p> <p>Supervisor</p>	<p>12-31-93</p> <p>12-31-93</p> <p>12-31-93</p>		

Missouri Public Service
1993 Strategic Goals/Action Plans
Department - Property Accounting

December 30, 1992

Goal #2: Significantly improve internal customer satisfaction during 1993, as measured by a survey to be developed and completed before February 15 and to be repeated during the week of December 13, 1993.

Supports Company Goal #2

Goal Weight 20%

Goals and Action Plan	Key Persons	Deadline	Resources	Progress Review
Action Plan: 1. Identify internal customers of the Property Accounting Department by holding brainstorming session with all Property employees. 2. Determine a centralized location to act as a help desk. Log any incoming telephone calls by recording the date, time, name of caller, reason for call and date response provided. 3. Conduct a survey of our identified internal customers to determine their needs and our current status on customer satisfaction. 4. Develop a Property Accounting service policy statement that all staff endorse and incorporate into the way they do business every day.	Supervisor Department Department Supervisor	01-31-93 02-28-93 02-15-93 12-13-93 02-28-93		

MISSOURI PUBLIC SERVICE
Strategic Goals / Action Plans
1993

Incentive Goal
 Yes ☐ _____ Weight
 No ☐

HR Benefits & Compensation:

Goals and Action Plans	Key Persons	Deadline	Budget Requirements	Progress Review (5/93, 9/93, 1/94)
<p>GOAL: Improve quality of benefit information for current and new hire employees. To assure understanding of benefits and improve internal and external customer satisfaction.</p> <p>ACTION PLAN:</p> <p>1. Develop handout material on better quality paper.</p> <p>2. Develop new external customer benefit packets of all benefits.</p> <p>3. Completed packets.</p>	<p>Robin Frank Betty Jennings</p> <p>Robin Frank Betty Jennings</p> <p>Robin Frank Betty Jennings</p>	<p>4/93</p> <p>5/93</p> <p>6/93</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p>	

Missouri Public Service
1993 Strategic Goals/Action Plans
Gas Turbines

December 23, 1992

Goal #3: Cost Performance

To manage all resources to achieve 1993 actual costs below goal levels.

Goals and Action Plans	Key Persons	Deadline	Resources	Progress Review
Action Plan:				Performance - 75% Incentive - 100%
1. G.E. Frame 7 gas turbine startup reliability at 95%. (30%/40%)	Entire department	12/31/93	Existing staff	
2. Zero lost time personal injury accidents. (15%/20%)	Safety Committee	12/31/93	Existing staff	
3. Zero chargeable vehicle accidents. (15%/20%)	Safety Committee	12/31/93	Existing staff	
4. Implement an inventory control system and place 250 parts into the system. (10%/20%)	Inventory team	12/31/93	Existing staff	
5. Increase gas turbine MW ratings by rebuilding the Greenwood evaporative coolers and developing a plan to increase gas turbine firing temperatures. (5%/0%)	Jonagan	6/1/93	Existing staff and up to \$250,000	

3/5/90

No. OPC 105

DATA INFORMATION REQUEST
MISSOURI PUBLIC SERVICE
CASE NO. ER-90-101

Requested From: Brad Lewis *Brad Lewis*

Date Received: February 20, 1990

Information Requested: Please provide a list of competitive bids or other documentation, studies, etc., used in support of the decision to rent new office from another UtiliCorp subsidiary.

Requested By: Jim Dittmer

Information Provided: See attached response to Staff DIR #512 and #648 in Case No. GR-88-194.

Date Provided: March 5, 1990

DATA INFORMATION REQUEST
MISSOURI PUBLIC SERVICE COMPANY
CASE NO. GR-EE-194

JUN 03 1988

Requested From:

John Summers

M.L.A.

Date Requested:

June 3, 1988

Information Requested:

How did M7 Partners and Utilities
United, Inc. determine the amount of rent for the
new building in the Greenridge Office Park? What
efforts were made to compare this rental charges with
that of similar office buildings in the area?

Requested By:

Larry H Cox

Information Provided:

See attached.

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If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requester to have documents available for inspection in the Missouri Public Service Company, Kansas City, Missouri, office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to Missouri Public Service Company and its employees, contractors, agents or others employed by or acting in its behalf.

Signed By:

John R. Summers

Date Response Received:

Prepared By:

Response to Data Information Request #512

Hugh Zimmer and other representatives of MZ Partners conducted an analysis of leasing rates for office space comparable to the Greenridge Office Park. Lease rates were reviewed for the entire Metropolitan area with the greatest emphasis put on suburban office buildings of similar construction, size and location. Representatives of Zimmer also calculated a lease rate based on the minimum amount of lease rate per square foot, assuming full occupancy, which would provide a revenue stream to service the debt on the building and a fair return for the equity investor. Hugh Zimmer, Rick Green, William I. Owen and Ken Stockard discussed and negotiated a final rate of \$16.00 as appropriate.

RECEIVED 01 1988

Requested From:

John Summers

M.F.A.

Date Requested:

July 1, 1988

Information Requested:

Please provide Staff with the analysis of leasing rates for office space comparable to Greengarden Office Park referred to in Company's response to Data Information Request # 517. Provide all assumptions and related documentation. Also furnish Staff with the lease rate calculation performed by representatives of Bimmer. Provide all assumptions and related documentation.

Requested By:

Larry A Cox

Information Provided:

See attached.

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Signed By:

John R. Summers

Date Response Received:

Prepared By:

UtiliCorp

Response to Data Request #648

See Zimmer Development Company Pro Forma Development -- The assumptions, in addition to those stated on the computer run, are 100% occupancy for 23,199 square feet leased by Missouri Public Service. The remainder of the space -- 18,947 square feet, assumes a 10% vacancy rate. Land costs are zero. Inclusion of a fair market value for land would result in greater total construction costs resulting in a higher required lease rate per foot to provide a fair return on investment. After subtracting expenses of debt service, the remaining earnings available for equity investment would result in an approximate 8% to 10% ROE, assuming a debt ranging from 60% to 90%. Comparable office space was analyzed by reviewing documents such as the Kansas City Business Journal Office Leasing Guide. We do not have a copy of that document as of the date of establishing the lease rate.

ZIMMER DEVELOPMENT COMPANY:
PRO FORMA DEVELOPMENT:
A ZIMDEVCO:

FFS FILE: MOPUB2

DATE: JUNE 1, 1986

PROJECT NAME: GREEN RIDGE OFFICE PARK

ADDRESS: RAYTOWN, MISSOURI

DEVELOPER: MZ PARTNERS

LAND SIZE:

LAND COST:	ACRES @:	=:	0.00	\$:
SITE PREPARATION:				
ENGINEERING/SOIL TESTS:				
LEWIS ROAD/AMOCO CONSTRUCTION	=:	4,000.00		
LEGAL FEES/LEWIS ROAD/AMOCO	=:	75,000.00		
	=:	10,000.00		
TOTAL LAND COST:	=:		\$:	89,000.00

BUILDING SIZE: 52,174 SF GROSS

CONSTRUCTION COSTS:

SHELL:	*	=:	3,035,235.00	\$:
SPRINKLER:	=:			
MECHANICAL:	=:			
ELECTRICAL:	=:			
PLUMBING:	=:			
OFFICE:	=:			
SOD AND SEED:	=:	15,000.00		
SHRUBBERY AND LANDSCAPING:	=:	20,000.00		
LAWN SPRINKLER:	=:	16,000.00		
TENANT FINISH 42,146 @ 15.00	=:	632,190.00		
	=:			
SHELL INCLUDES 40,384.00 VE ITEM=:				
REIMBURSABLE MOPUB TUNNEL	=:	[238,714.00]		
TOTAL CONSTRUCTION COSTS:	=:		\$:	3,479,711.00

PROJECT SERVICES:

ARCHITECTURAL FEES:	=:	147,000.00	\$:	
DEVELOPMENT FEES:	=:	93,951.00		
LEGAL FEES:	=:	6,000.00		
BUILDERS RISK INSURANCE:	=:	0.00		
TITLE INSURANCE:	=:	9,000.00		
SURVEY:	=:	4,000.00		
HNTB ADDL FEES	=:	15,000.00		
	=:			
TOTAL PROJECT SERVICES:	=:		\$:	274,951.00

MARKETING SERVICES:

BROCHURES:	=:	10,000.00	\$:	
ADVERTISING:	=:	6,000.00		
OPENING EXPENSE:	=:	2,500.00		
LEASE/SALE COMMISSIONS:	=:	75,788.00		
	=:			
	=:			
TOTAL MARKETING SERVICES:	=:		\$:	94,288.00

FINANCING COSTS:

INTERIM FINANCING FEE:	=:	\$:
LAND CARRYING COST:	=:	
CONSTRUCTION CARRYING COST:	=:	126,000.00
PERMANENT LOAN FEE:	=:	35,000.00
LEASEUP CARRY	=:	96,544.00
	=:	
TOTAL FINANCING COSTS:	=:	\$: 257,544.00
OTHER COSTS AND CHARGES:		
UTILITIES DURING LEASEUP:	=:	\$:
PERMITS AND FEES:	=:	
CONTINGENCY:	=:	100,000.00
	=:	
	=:	
TOTAL OTHER COSTS:	=:	\$: 100,000.00
TOTAL ESTIMATED PROJECT COST:		\$: 4,295,494.00

ESTIMATED ANNUAL INCOME:

LEASE # 1:23,199	SQ.FT. @:	16.00	\$:	371,184.00
# 2:18,947	SQ.FT. @:	16.00		303,152.00
# 3:	SQ.FT. @:			
# 4:	SQ.FT. @:			
# 5:	SQ.FT. @:			
# 6:	SQ.FT. @:			
# 7:	SQ.FT. @:			
# 8:	SQ.FT. @:			
# 9:	SQ.FT. @:			
#10:	SQ.FT. @:			
TOTAL ANNUAL INCOME:			\$:	674,336.00
LESS VACANCY: %:			\$:	30,315.00
ESTIMATED EFFECTIVE ANNUAL INCOME:			\$:	644,021.00

ESTIMATED ANNUAL EXPENSES:

REAL ESTATE TAXES:	\$:	
FIRE & EC INSURANCE:		
EXTERIOR MAINTENANCE:		
INTERIOR MAINTENANCE:		
PAVING MAINTENANCE:		
LANDSCAPE MAINTENANCE:		
SNOW REMOVAL:		
MANAGEMENT FEES:		
ACCOUNTING FEES:		
LEGAL FEES:		
TOTAL ESTIMATED ANNUAL EXPENSE:	\$:	189,500.00
ESTIMATED NET OPERATING INCOME BEFORE DEBT SERVICE:	\$:	454,521.00

DATA INFORMATION REQUEST
UTILICORP UNITED, INC.
MISSOURI PUBLIC SERVICE DIVISION
CASE NO. ER-90-101

No. 196

Requested From: Brad Lewis

Date Requested: 2/18/90

Information Requested: Please provide any surveys or analysis
of office and lease rates for the Kansas City Metro
and KCMR areas.

Requested By: Deane Bohannon

Information Provided: SEE ATTACHED

The attached information provided to the Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. ER-90-101 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the Utilicorp United, Inc., Missouri Public Service Division, Kansas City, Missouri office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to Utilicorp United, Inc., Missouri Public Service Division and its employees, contractors, agents or others employed by or acting in its behalf.

Signed By: Brad Lewis

Date Response Received: 5/07/90 dle

Prepared By: Green

DATA INFORMATION REQUEST
MISSOURI PUBLIC SERVICE
CASE NO. ER-90-101

Requested From: Brad Lewis

Date Received: April 18, 1990

Information Requested: Please provide any surveys or analysis of office space lease rates for the Kansas City metro and Raytown areas.

Requested By: Deanne Bohanon

Information Provided: There are no written surveys or analysis of office space lease rates for the Kansas City metropolitan or Raytown areas, however, Hugh Zimmer and other representatives of MZ Partners conducted an analysis of leasing rates for office space comparable to the Greenridge Office Park. Lease rates were reviewed for the entire metropolitan area with the greatest emphasis put on suburban office buildings of similar construction, size and location. Representatives of Zimmer also calculated a lease rate based on the minimum amount of lease rate per square foot, assuming full occupancy, which would provide a revenue stream to service the debt on the building and a fair return for the equity investor. Hugh Zimmer, Rick Green, William I. Owen and Ken Stockard discussed and negotiated a final rate of \$16 an appropriate.

Attached is a copy of an article from the Commercial Real Estate section of The Kansas City Star from August 17, 1986 which discusses Kansas City office lease rates.

Date Provided: May 4, 1990

KC offices rate lowest on rents

New study adds to area's image as a renter's market

By Chris Lester

Star business & financial writer

Evidence of an across-the-board renter's market in Kansas City real estate continues to pile up.

Lease rates for both office and retail space in Kansas City were ranked the lowest of 17 major United States cities surveyed for the 1986 *International Property Bulletin*, published by Landauer Associates Inc., a real estate consulting firm.

Rental rates for Kansas City industrial real estate were not far behind, posting the second-lowest price among the cities surveyed.

Although rates are an indicator of supply and demand, Landauer officials hastened to say that rental values in various markets say little about how profitable new development would be because costs vary widely from city to city. Regardless, rental values certainly can play a role in a tenant company's decision to locate in a particular city.

"A footloose company that can locate wherever it wants would certainly consider lower rentals in Kansas City a competitive advantage, as well as its central location," said Hugh Kelly, senior vice president in the evaluation and technical services division for Landauer.

Here is a breakdown of the Landauer study.

- Estimates of office rental rates for U.S. cities included in the study ranged from \$15 per square foot annually in Kansas City and Denver to \$44 annually in New York City. The median was \$22 in Dallas and Minneapolis. Estimates were pegged to first-class Downtown suites of 5,000 square feet and modern facilities in excess of 20,000 square feet in the suburbs.

- Retail rental estimates ranged from \$12 a square foot annually in Kansas City and Phoenix to \$300 a square foot in New York City. Median retail rates of \$30 were found in Miami, Minneapolis and Philadelphia. Retail estimates were based on 1,500-square-foot shops in prime locations.

- Industrial space rental estimates ranged from \$2.50 per square foot annually in Minneapolis to \$5 per square foot in Boston. Atlanta, Houston and Kansas City tied for second-lowest prices at \$3 per square foot annually. Six cities tied for the median of \$3.50. Estimates were based on single-story 15,000-square-foot industrial/warehouse units.

News that Kansas City rental rates are near the bottom of the national market for major cities add to the picture of the area office rental market painted by a Landauer study released in January.

The previous study ranked Kansas City the fourth strongest office market in the country in terms of long-term projections for demand. The 24-city "momentum index" compiled by Landauer is a composite index that relates growth predictions for office employment to the pace of office construction. Only Chicago, Philadelphia and New York ranked higher than Kansas City, according to the momentum index.

Mr. Kelly said current low rental values do not contradict the high ranking on the momentum index, which is a projection of future conditions in the market.

"Kansas City is nearing the end of a worsening period in the office market" he said, noting the recent "rapid run-up of vacancy rates" and "intense competition" for tenants that have pushed rental rates down.

However, Mr. Kelly noted that Kansas City's vacancy rate is very volatile because the market is small compared with many others in the country. Although the area vacancy rate is at historic highs, there are few spaces available that are big enough to accommodate large regional offices, he said.

August • 1986

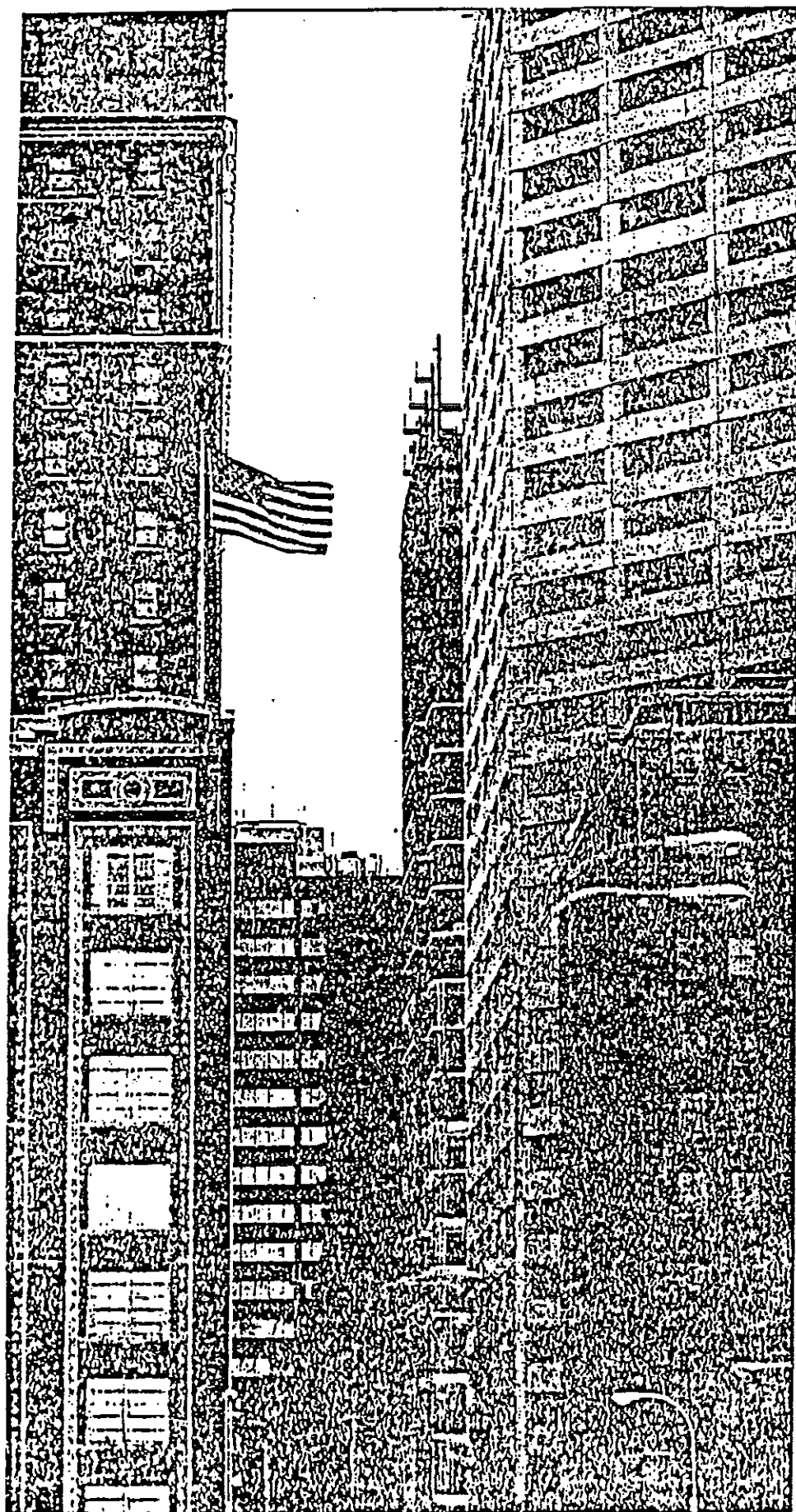


Photo by Doug Hamer

Office Leasing Guide

Kansas City
Business Journal

SCHEDULE 6-1

Contents

Page 4	AREA A	North of the River: that area that lies north of the river to Jackson, Clay and Platte counties
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Page 22	AREA D	South Kansas City, Missouri that area south of the 51st Street to Red Bridge Road, East to Paseo and West to State Line
Page 24	AREA E	East Jackson County that area that lies East of Paseo and North to the Missouri River, to include Raytown, Independence and Blue Springs
Page 28	AREA F	Southeast Jackson County that area South of 87th Street, East to I-435, South along 71 Highway including those areas of Hickman Mills, Grandview, Raymore, Easton, Lee's Summit and Hannsmanville
Page 30	AREA G	North Johnson County that area that lies North of 95th Street to Wyandotte County Line, East to State Line and West to Shawnee County Line.
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Page 48	AREA I	Kansas City, Kansas that area included in Wyandotte County

Information for this guide is supplied by leasing representatives or building owners. Leasing rates are subject to change, without notice. For additional information on specific properties please consult the rental contact.

Office Leasing Guide Legend

Building name & address	Real Broker A-1 Commercial R.E. 855-1212	Total rentable square footage of building in thousands, No. of floors	Rental rate	Date of building completion EX: Existing UC: Under construction
ABC Building 1234 Main St. Kansas City, Mo. 64111		100.0 10	\$12-14 Usable 350 Expense Stop	1980 5,000

Rental Contact
Company
Phone no.

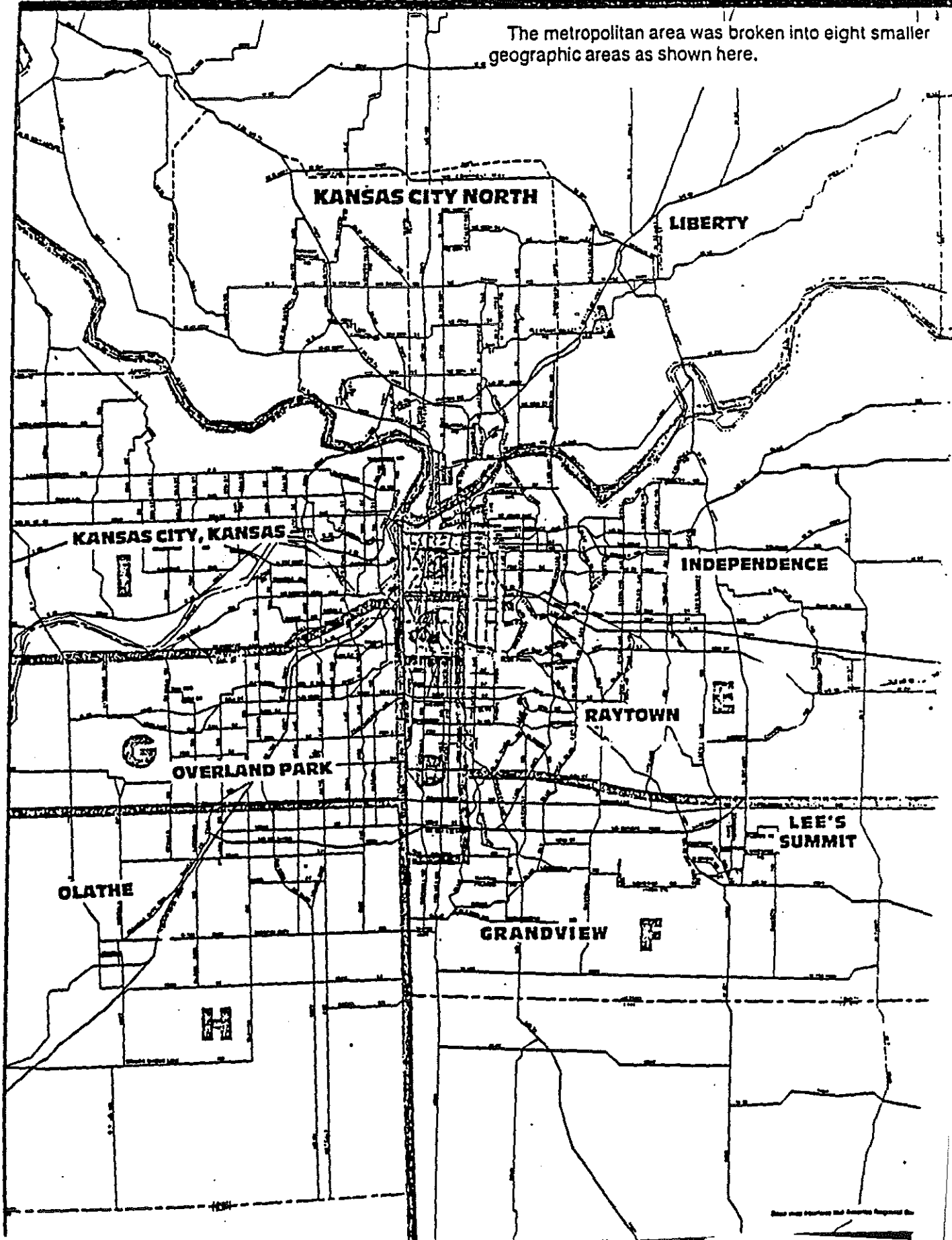
Rent Escalator
BY: Base Year
CPI: Escalator tied to
consumer price index
Expense Stop: Point at which
pro-rated share
of expenses increase
T.B.D.: To be determined

Lease Basis:
Usable: Total square footage
leased for office use
Rentable:
Total Square footage
which may include common
areas such as lobbies,
hallways, & restrooms.

Space available

MAP OF GREATER KANSAS CITY

The metropolitan area was broken into eight smaller geographic areas as shown here.



Base map courtesy of American Regional Co.

AREA D Cont.

Building Name and Address	Rental Contact	Total Rentable Sq. Ft. / Floors	Rent / Lease Basis / Rent Esc.	Date of Bldg. Completion Space Available
Rockhill Medical Plaza South 8700 Troost Kansas City, Mo. 64131	Jim Hogan Charles F. Curry Real Estate Co. 454-6688	50.0 7	\$14.00-\$14.50 Usable BY	EX 415-2,200
Rockhill Professional Bldg. 912 E. 63rd Kansas City, Mo. 64110	Norm Clark Whitney E. Kerr & Co. 842-5711	13.8	TBD Usable BY	EX TBD
State Line Executive Park 8010-8016 State Line Kansas City, Mo. 66206	L.G. Moore L.G. Moore Co. 341-4208	60.0	\$21-\$18.00 Escalator	EX 7,500-15,000
United Labor Building 6301 Rockhill Rd. Kansas City, Mo. 64131	Joyce Murray Whitney E. Kerr & Co. 842-5711	60.0	\$9.50 Usable BY	EX 900-2,400
United Missouri Bank South Building 9201 Ward Parkway Kansas City, Mo. 64114	Terry Kline United Missouri Bank South 363-4111	38.0	\$12.50 5,000 BY	1975 400-4,000
U.S. Telecom Building 901 East 104th Kansas City, Mo. 64131	Mike Posten/John Sweeney Zimmer-Stainbach Brokerage Co. 221-2200	162.0 9	\$16.25 Usable BY	1985 1,000-6,000
Ward Parkway Office Park-North 8330 Ward Parkway Kansas City, Mo. 64114	Paul Goehausen Kroh Brothers 361-7300	80.0	\$19.00 Usable Negotiable	Sept. 1985 16,000 ea. fl.
Ward Parkway Office Park-South 9300 Ward Parkway Kansas City, Mo. 64114	Kevin Fitzpatrick Kroh Brothers 361-7300	495.0 3	\$25.00 Usable Negotiable	UC 250,000

AREA E East Jackson County: that area that lies East of Paseo and North to the Missouri River, to include Raytown, Independence and Blue Springs

Building Name and Address	Rental Contact	Total Rentable Sq. Ft. / Floors	Rent / Lease Basis / Rent Esc.	Date of Bldg. Completion Space Available
40 Plaza Center 11004 E. 40 Highway Independence, Mo. 64055	Honna Wynn Corporate Office Concepts 356-2244	12.3	TBD Ex. suites NA	EX
350 Hi-Center 9420 E. 350 Hwy Raytown, Mo. 64133	L. Dodson/D. Roberts Roberts & Roberts Real Estate 356-8595	34.6	\$4.50 & up 3-6 year 3-5% BY	PROP 1985 2,880
435 Hi-Center East 48th Terr. & I-435 Kansas City, Mo. 64133	G.T. Roberts Roberts & Roberts Real Estate, Inc. 356-8595	36.0	\$5.00 & up 3 year 3% or CPI	PROP 12/1985 3,000 & up
600 E. 23rd Building 606 E. 23rd Street Independence, Mo. 64050	Jon Kenndie Pro Realtors & Investment Co. 356-6964	3.2	\$5.50-\$8.50 Rentable NA	1975 525
1200 Corporate Centre 1200 South Outer Rd. Blue Springs, Mo. 64015	Gerald/Gail Fischer Blue Springs Realty 229-3224	18.0	\$12.50 incl. util. 1 year CPI	EX 600 & up
1900 Corporate Centre 1900 S. Outer Rd. Blue Springs, Mo. 64015	Gerald & Gail Fischer Blue Springs Realty 229-3224	18.0	\$12.00-\$13.00 1 year CPI	Nov. 1 1986 800-18,000
2307 S. Outer Rd. Blue Springs Mo. 64015	Chris Harker H & M Properties, Inc. 228-2827	11.0	\$10.00-\$12.00 W/Utl. 3 Yrs. BY	Nov. 1 1986 500-3,500
7131 Prospect/7117-7121 Prospect Kansas City, Mo. 64132	Harry L. Edwards H.L. Edwards Realty Co. 363-1700	10.0	\$2.50-\$5.00 NA	EX 500-8,000
6220 Blue Ridge Cvt-Off 8600 E. 63rd St. Kansas City, Mo. 64133	Mark Hagen Mock-Hagen, Inc. 363-1111	15.0	\$11.50-\$12.50 5 yr. Taxes-Insur.	PROP 800-5,000
9500 Building 9500 E. 63rd St. Raytown, Mo. 64133	Mark Hagen Mock-Hagen, Inc. 363-1111	10.5	5 yr., Insur. \$11.00	April-1986 800 to 2,400
10012 East 64th St. Kansas City, Mo. 64133	Jay Donohue Equity Real Estate Corporation 221-1125	7.8	2,500/Mo. or \$275,000 Sale Price/Rentable CPI-BY	EX 7,600
12760 E. 40 Highway 12760 E. 40 Highway Independence, Mo.	Bill Brady W.L. Brady Investments, Inc. 221-9011	5.4	\$12-\$13.50 NA	1979 5,400
16600 E. 37th Terr. Indep., Mo. 64055	Bruce Baker/Kathy Roe Leo Eisenberg Co. 221-8000	17.0	11.50 Rentable Escalator	EX 8,000
Alpe Building 63rd Terr. & Willow Raytown, Mo. 64133	James B. Merrick Re/Max Metro One 524-7066	8.5	\$6-\$8.00 Usable, CPI	PROP 1,000-4,000

AREA E Cont.

Building Name and Address	Rental Contact	Total Rentable Sq. Ft. / Floors	Rent / Lease Basis / Rent Incl.	Date of Bldg. Completion Space Available
American Bank Building One West Armour Kansas City, Mo. 64111	Paul Livingston Irving G. Rubin & Assoc. 756-3182	51.3	\$12.50 full service Rentable Escalator	EX 600-4,200
American Family Insurance Building 6301 James A. Reed Road Kansas City, Mo.	Tom Maschmeier Coldwell Banker 756-3535	41.0	\$12.00 Full service	3,500
Austin Building 5905 Bannister Road Kansas City, Mo. 64134	L.E. Schumacher The Schumacher Group Ltd. 763-1816	10.0	\$12.50 1-3 years 2%	EX 1,000
Blue Ridge '83' 6220 Blue Ridge Cutoff Raytown, Mo. 64133	Mark Hagen Mock-Hagen, Inc. 353-1111	15.0	\$13.00-\$14.00 5 yr. taxes-insur	UC 800-4,000
Blue Ridge Professional Building 9503 E. 63rd St. Raytown, Mo. 64113	Gregg Goodman Cohen & Company 471-0700			
Blue Ridge Office Condominiums 4317 S. River Blvd. Independence, Mo. 64055	Gary Reames Gingrich Development Group 642-9399/478-1113	Build to Suit	72,000/\$89psf	1985 As Required
Blue Ridge Shops 8800 E. 63rd St. Raytown, Mo. 64138	B. Harris/F. Coulson Fred N. Coulson & Co. 362-6000	11.6	\$7.50-\$8.50 Usable CPI	1977 3640
Bollmaker's Lemon Hall 5910 E. 86th St. Kansas City, Mo. 64138	Lester Dean Jr. Eugene D. Brown Co. 931-2600	11.0	\$13.5 Usable N/A	EX 4,000-13,000
Brywood Office Tower Building 8800 E. 63rd St. Raytown, Mo. 64133	Jay Donohue Equity Real Estate 221-1125	61.0 6	\$12.50 Usable BY	1974 1,000-2,600
Center 65 6520-6528 Raytown Rd. Raytown, Mo. 64133	Jay Donohue Equity Real Estate 221-1125	20.0	\$7.50 Rentable CPI-BY	EX 1,100-3,000
Cliff's Building 1 1003 E. 23rd St. Leasing Off. Independence, Mo. 64055	Mitch Trustar/Gretchen Downey Trustar Developers 254-5533	32.0	\$13.25 Rentable Expense Stop \$3.00	PROP 3/87 12,000
Colonial Office Building 2418-2420 East Linwood Blvd. Kansas City, Mo. 64109	Gene R. Moffitt Block & Company 531-1400	8.0	\$10.60 CPI	January, 1986 403 to 2,110
Corporate Office Concepts 11004 E. 40 Highway Independence, Mo. 64055	Honora Wynn Corporate Office Concepts 356-2244	9.2	TBD NA NA	UC 6/1985 Exec. Suites
Corrington Building 1800 N. Corrington Kansas City, Mo. 64120	Bob Bryant R.L. Bryant & Assoc. 451-6367	77.0	\$7-\$8.00 Rentable BY	2,000 & up
Crysler Building 12401 E. 43rd St. Independence, Mo. 64055	Allen Kaufman Cohen & Co. 471-0700			
Enterprise Plaza 6301 Equitable Road Kansas City, Mo. 64120	Sharon Garth Esrey & Co. 531-6100	15.0	\$13.00 Usable Expense Stop	EX 10,000
Eugene D. Brown Building 10201 E. 75th St. Raytown, Mo. 64138	Tom Krattl Eugene D. Brown & Co. 362-4501	4.0	TBD Usable BY	EX
Executive Park Office Plaza II 6455 East Commerce Avenue Kansas City, Mo. 64120	Jerry Lechtenberg Executive Park 241-6880	37.0	\$12-\$13.00 Rentable BY	EX 900-6,000
Former Pilgrim House Building 6501 E. 350 Hwy. Kansas City, Mo. 64133	Bob Keasley Zimmer-Steinbach 221-2200	12.0	\$5.00/sale \$425,000 Usable Net utilities & janitorial	EX 6,000-12,000
Gregg Building 900 Oldham Parkway Lee's Summit, Mo.	Pat Arth Boyten & Co. 491-0050	8.4	\$8.50-\$11.00 Full Service None	1985 4,600
Green Ridge Office Park 10710 E. 350 Hwy. Kansas City, Mo. 64138	Bob Keasley Zimmer-Steinbach 221-2200	53.0	\$16.50-\$17.50 Usable Expense Stop	Dec. 1986/UC 600-18,947
Hidden Creek Office Park I-70 & Noland Rd. Independence, Mo. 64055	Tom Haas J.R. Stewart Construction Co. 373-3900	105.0	\$9.00-\$12.00 Expense Stop N/A	EX 500-5,000
Interstate 219 N 7 Highway Blue Springs, Mo. 64016	David Gans Interstate Commercial Brokers 228-7227	1.0	TBD	NA NA EX
Interstate Plaza II 13720 E. 42nd Terr. Independence, Mo.	David F. Lewis, Realtors 474-3533	4.0	TBD Rentable EX. stop	1985
Lakeside Plaza I 1575 Universal Avenue Kansas City, Mo. 64120	Jerry Lechtenberg Executive Park 241-6880	38.0	\$12-\$13.00 Rentable BY	EX 400-3,500

AREA E Cont.

Building Name and Address	Rental Contact	Total Rentable Sq. Ft. / Floors	Rent / Lease Basis / Rent Encl.	Date of Bldg. Completion Space Available
Lee's Summit Community Prof. Bldg. 600 N.W. Murray Road Lee's Summit, Mo. 64063	Jim Hogan Charles F. Curry Real Estate Co. 454-6688	16.0 2	\$10.00 Usable BY	950
Les Trouves Professional Center 8124 Blue Ridge Blvd. Raytown, Mo. 64133	G.T. Roberts/B. Prater Roberts & Roberts Real Estate, Inc. 358 9595	4.4	\$3.90-\$6.00 1-3 yr. CPI	Completed 180 & up
Metro Plaza 1648 E. 63rd St. Kansas City, Mo. 64113	Sara Westbrook Block & Company 531-1400	92.0	\$5.00-\$6.50 Usable BY	EX 1,200-18,500
Noland Plaza Office Center 3675 South Noland Rd. Independence, Mo. 64055	Lynn McCarthy Leo Eisenberg Co. 221-8000	38.5	\$10.00 Usable BY	1970 600-3,000
Plaza 201 Noland at Partridge Independence, Mo. 64055	Bellevista Office Bldg. Investors 451-6000	24.0	\$11.00 triple net Usable	EX 1,000-6,000
Plaza Center Main & Broadway Peculiar, Mo. 64078	Don Harper Sr. Fay Realtors 331-5401	2.4	TBD 7,200	EX
Raytown Plaza Shopping Center 63rd & Blue Ridge Raytown, Mo. 64133	Brenda Buckles Equity Real Estate 221-1125	92.0	\$7.50 Rentable BY	EX 480-2,200
RE/MAX Office Building 14500 E. 42nd St. Independence, Mo. 64055	David Rogers RE/MAX Realtors 373-8400	26.2	\$12.00-\$13.00 Rentable N/A	UC 14,000
South Centre 350 10215 E. 350 Hwy. Raytown, Mo. 64138	Ken Morton Boylan & Co. 491-0050	5.18	\$9.50	4300
Southern Hills Building 1 1003 E. 23rd St., Leasing Office Independence, Mo. 64055	Mitch Truster/Gretchen Downer Truster Developers 254-5533	14.0	\$11.00-\$12.00 Rentable BY	UC Aug. 1986 7,500
Sunburst Building Noland Rd. & Southside Blvd. Independence, Mo. 64055	Don Russell Century 21 Santa Fe 252-6900	3.4	\$6.-\$7.00 Rentable NA	EX 600
Swope Hostetter -1 809 N. 7 Highway Blue Springs, Mo. 64015	Bill Murry Swope Bros. Real Estate 229-6391	2.0	\$10.00 Usable NA	EX 2,000
Swope Hostetter -2 800 Mock Blue Springs, Mo. 64015	Bill Murry Swope Bros. Real Estate 229-6391	850	\$6.00 Usable NA	EX 850
Timberbrook Office Park 9201 E. 63rd Raytown, Mo. 64133	Bob Gingrich Gingrich Development Group 642-9399	10.0	\$92 psf	Oct. 1986 As Required
Timberline -1 1201 Jefferson Blue Springs, Mo. 64015	Bill Murry Swope Bros. Real Estate 229-6391	10.0	\$10.00 Usable NA	PROP 2,000
Timberline -2 1201 Jefferson Blue Springs, Mo. 64015	Bill Murry Swope Bros. Real Estate 229-6391	10.0	\$10.00 Usable NA	PROP 2,000
Universal Plaza 1750 Universal Plaza Drive Kansas City, Mo.	Jerry Lechtenberg/Terry Reardon Executive Park 241-6880	45.0	\$14.-\$15.00 Rentable BY	PROP 600-45,000
USA 800 Office Complex 6608 Raytown Rd. Raytown, Mo. 64133	Bill Schwartz Varum/Armstrong/Deeter 491-8900	17.0	\$12.5 Usable TBD	1986 15,000
USA 800 Office Complex 6816 Raytown Rd. Raytown, Mo. 64133	Bill Schwartz Varum/Armstrong/Deeter 491-8900	6.0	\$9.00 Usable TBD	1977 2,800
Westview '83' Offices 8801 E. 63rd St. Raytown, Mo. 64133	Mark Hagen Mock-Hagen, Inc. 353-1111	12.8	\$11.00	EX 740

AREA F Southeast Jackson County:

that area South of 87th Street, East to I-435, South along 71 Highway including those areas of Hickman Mills, Grandview, Raymore/Bellton, Lee's Summit and Harrisonville

Building Name and Address	Rental Contact	Total Rentable Sq. Ft. / Floors	Rent / Lease Basis / Rent Encl.	Date of Bldg. Completion Space Available
205 SE Green Lee's Summit, Mo. 64063	James Memck RE/MAX Metro One 524-7066	5.8	\$3.00-6.00 1470 Office + 4410 Warehouse	EX 1,500-5,880
319 South Main Lee's Summit, Mo. 64063	Mary or Neal Hatfield Hatfield Realty 524-9470	880	\$500.00 mo. NA	EX

BUILDING SALES

Increased activity in building sales, both by investors and owner/users, is due to lower interest rates and limited partnerships divesting themselves of properties due to tax law changes (loss of favorable capital gains treatment and investment interest deduction, as well as new passive loss treatment). Investors demand properties with good cash-on-cash returns, favorable debt terms, as well as good upside return through anticipated appreciation. Owner/users find real estate a continued, although reduced, tax shelter. But, the primary motivation for owner/users to purchase is pride of ownership, capping of future rental rates, controlled access for expansion, anticipated appreciation and control of operating environment to include HVAC, building access, security, etc. Small users are attracted to the growing condominium market which offers all the advantages of ownership to the small stable business, especially professional groups such as doctors and attorneys.

AVERAGE LEASE RATES FOR OFFICE SPACE 4th QUARTER, 1986

SUBMARKET AREA	VACANT OFFICE SPACE IN EXISTING BUILDINGS		SPACE UNDER CONSTRUCTION (UNCOMMITTED)	
	AVERAGE LEASE RATE	LOW - HI	AVERAGE LEASE RATE	LOW - HI
Downtown	\$14.41	\$ 6.00-44.00	\$19.02	\$10.00-24.50
East Kansas City	\$11.57	\$ 9.50-13.50	\$13.21	\$12.00-14.24
Kansas City, Kansas	\$10.20	\$ 9.00-10.50	\$10.26	\$ 8.50-13.00
Kansas City North	\$12.26	\$ 8.00-14.50	\$12.25	\$12.00-12.50
Midtown/Plaza	\$17.09	\$ 9.50-24.00	\$24.50	\$24.50-
North Johnson County	\$13.37	\$ 6.00-17.00	\$16.89	\$10.50-16.95
South Johnson County	\$15.45	\$ 6.50-20.00	\$17.63	\$10.50-19.00
South Kansas City	\$14.87	\$ 9.50-21.50	\$19.75	\$19.75-
TOTAL	\$14.78	\$ 6.00-24.00	\$18.14	\$ 8.50-24.50

EXCLUSIVE TENANT REPRESENTATION

With the complexity of today's office buildings, coupled with changing market conditions, more and more companies are employing a broker for tenant representation when considering a corporate relocation. Tenant representation involves the hiring of a real estate firm, on an exclusive basis, to evaluate a corporation's real estate requirements and to find the best office space alternatives, both from a physical and economic standpoint. This service begins with the analysis of the tenant's present facility to determine the optimum condition for the tenant. All office space alternatives are compared on an equal basis and analyzed from a "present value" prospective to determine the most advantageous lease or sale alternative. This service permits the tenant to continue their day-to-day business activities, and yet maintain representation from a professional in the real estate business who understands your needs and who also has an accurate knowledge of current market trends to help you make the best decision for your company.

OFFICE BUILDINGS GREATER THAN 100,000 SQUARE FEET COMPLETED IN 1986

<u>BUILDING</u>	<u>SIZE</u>	<u>% LEASED</u>	<u>LEASE RATE</u>	<u>AREA</u>
Two Pershing Square	490,000	59%	\$19.00-\$22.00 R	DTN
Commerce Bank Building	378,000	81%	\$18.00-\$20.00 R	DTN
United Missouri Bank Building	255,000	100%	\$20.00-\$22.00 U	DTN
Plaza West	280,000	0%	\$25.00-\$30.00 R	PLZ/MID
Board of Trade II	192,000	80%	\$20.46 U	PLZ/MID
Broadmoor Place II	119,000	13%	\$15.50-\$16.00 U	NJC
Commerce Plaza I	161,000	76%	\$18.50 R	SJC
Lighton Plaza I	120,000	17%	\$18.50 R	SJC
Corporate Woods 12	108,000	0%	\$18.50 R	SJC
4400 College Boulevard	108,000	18%	\$17.00 U	SJC

R = Rentable U = Usable

FOR MORE INFORMATION, PLEASE CONTACT
THE OFFICE DEPARTMENT AT (816) 756-3535.

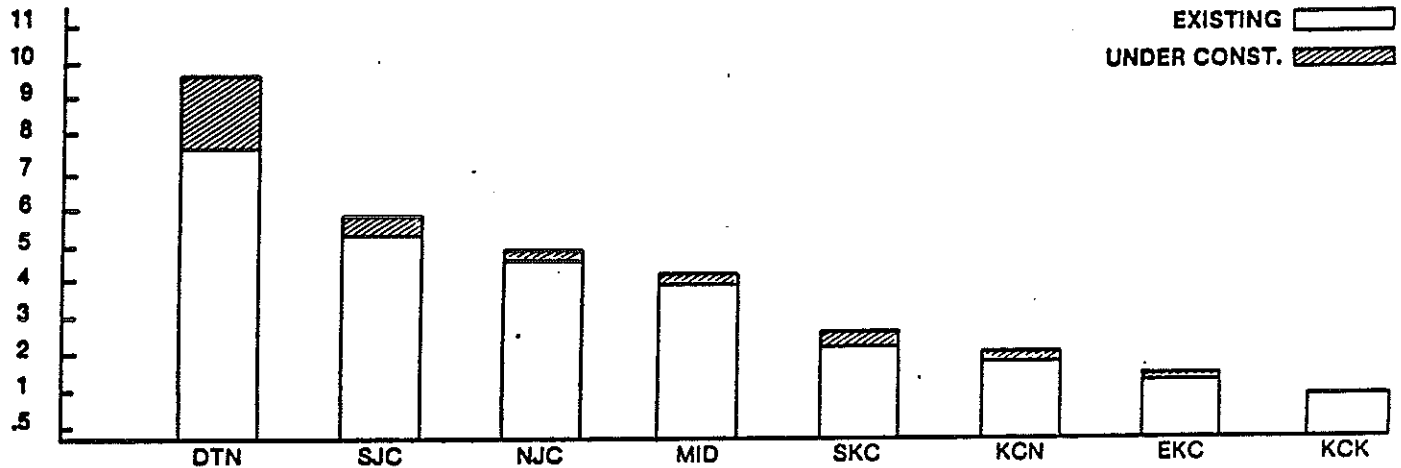


3100 Broadway
Suite 1102
Kansas City, Missouri 64111
(816) 756-3535

1987 Office Properties

In Millions

MARKET SIZE COMPARISONS

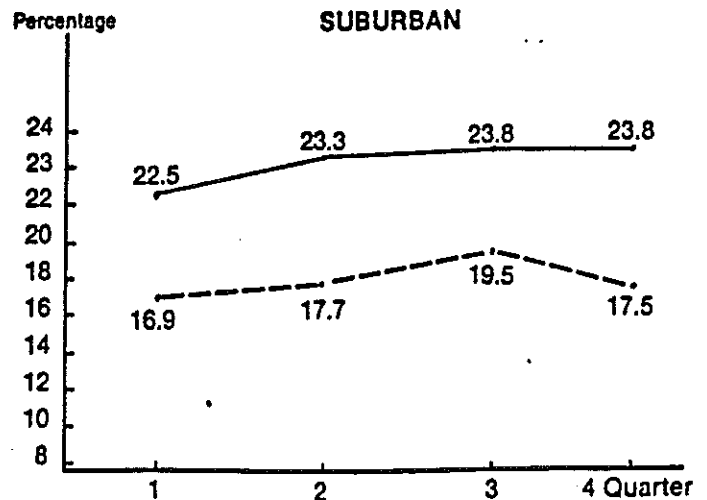
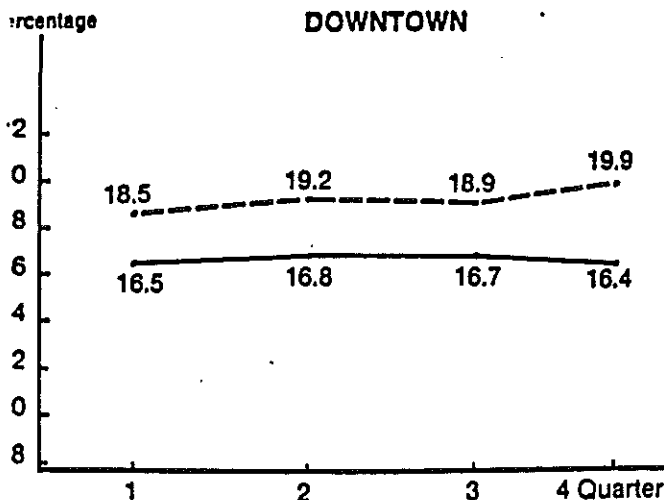


The office building market in Kansas City has been extremely active in the mid 1980's. This activity has carried over into 1987 with the Downtown market leading the way for the second straight year in new construction with 1,152,000 square feet completed. In 1987 the suburbs will see over 1,750,000 square feet constructed, with over 550,000 square feet being constructed in the South Johnson County market. North Kansas City, Missouri and the Plaza/Midtown markets follow second and third respectively.

OFFICE VACANCY

Downtown vacancy rates jumped considerably in 1986 and stayed well above the national index. The Kansas City Downtown vacancy average was 19.13%, almost 3% higher than the 1985 average. The suburban vacancy rate in Kansas City closed at 17.5%, which is only a 1.3% increase from 1985's Fourth Quarter close, and well below the national suburban average of 23.4%.

Quarter	Downtown National	Suburban National	Downtown Kansas City	Suburban Kansas City
First	16.5%	22.5%	18.5%	16.9%
Second	16.8%	23.3%	19.2%	17.7%
Third	16.7%	23.8%	18.9%	19.5%
Fourth	16.4%	23.8%	19.9%	17.5%



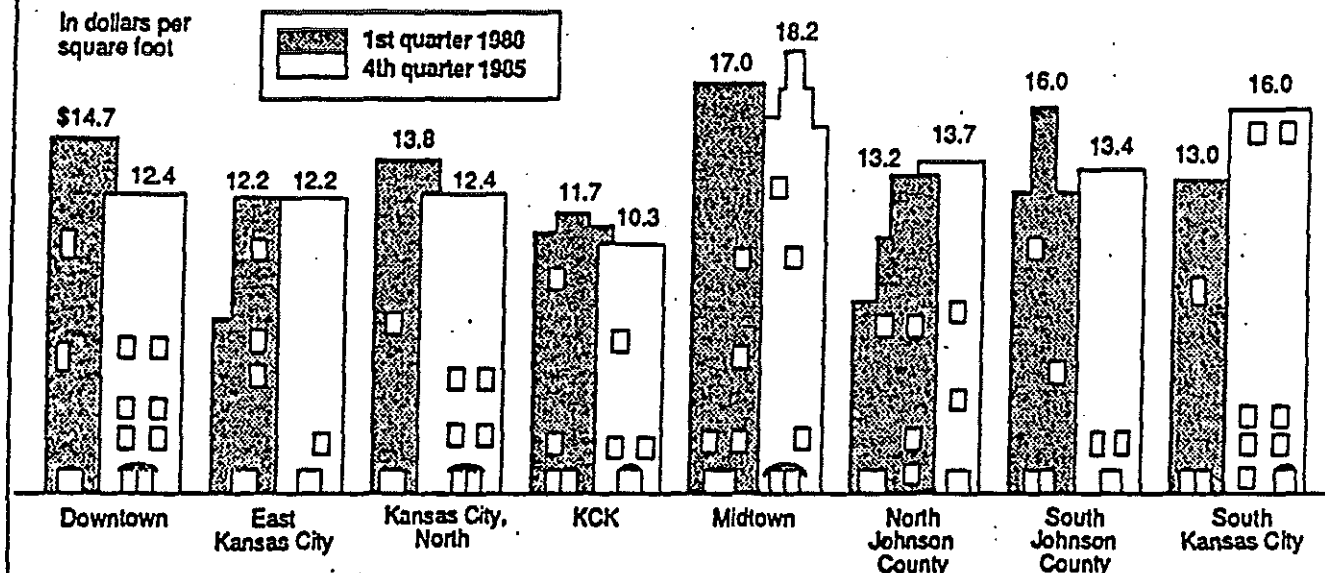
Kansas City/Downtown ———
National ———

The price of office space

After a surge of building in the mid-1980s, some segments of the Kansas City area office market have filled enough space to allow lease rates to gradually rise. But rates in other parts of the area have declined, reflecting fierce competition for tenants.

Average quoted lease rates for existing office space in the Kansas City area.* Rates quoted are per square foot per year.

In dollars per square foot



*The information is based on multitenant buildings with 20,000 or more square feet. Government and medical buildings are not included. The quoted rates serve as a guideline and do not reflect negotiated rates and concessions granted by landlords. All numbers have been rounded.

Source: Coldwell Banker Commercial Real Estate Services

The Times/Suzanne Gaylord

Vacancies dip in KC office market

By Julius A. Karash
Of the Business Staff

Now, more than a year after the mid-1980s construction boom began to fizzle, the Kansas City area office market is seeing a general trend toward lower vacancy rates and higher rents.

Industry experts, shoppers for office space and the latest data on vacancy and lease rates point to the fact that, overall, the area is not the tenant's market it was a year ago.

However, the kind of deal you can get on a lease depends on how much space you need and where you're looking. New space Downtown and in the Country Club Plaza area has

been filling up at a steady pace, but rehabilitated Downtown buildings are crying for tenants. There is an abundance of space available for small tenants in southern Johnson County and south Kansas City, but those areas are running short on space for those who need a full floor and more.

The situation pretty much mirrors regional trends.

Richard D. Baier, a senior vice president with the Leo Eisenberg Co., said the overall office vacancy rate of 22 percent was on a par with comparable Midwestern cities, such as Indianapolis.

Baier said the area's lease rates were

similar to or slightly less than those in markets such as St. Louis; Denver; Des Moines, Iowa; and Indianapolis.

Like much of America, Kansas City is catching its breath after an office building boom. In the mid-1980s, pent-up demand and favorable tax laws fueled hundreds of millions of dollars worth of development, and construction cranes were swinging throughout the metropolitan area.

In comparison with some cities in the oil patch, Kansas City's boom was less spectacular and easier to recover from.

"We're not a Houston, where in the early
See LOWER, D-50, Col. 1

DATA INFORMATION REQUEST
MISSOURI PUBLIC SERVICE DIVISION
CASE NO. ER-93-37

No. 130

REC'D

OCT 28 1992

Requested From: Gary Clemens
Date Requested: 10/28/92
Information Requested: See Attached

Requested By: Larry S. Cox
Information Provided: COX, LARRY S. COX
COX, LARRY S. COX

The attached information provided to the Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff in, during the pendency of Case No. ER-93-37 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the MISSOURI PUBLIC SERVICE DIVISION office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term 'document(s)' includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies of data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control within your knowledge. The pronoun 'you' or 'your' refers to MISSOURI PUBLIC SERVICE DIVISION and its employees, contractors, agents or others employed by or acting in its behalf.

Signed By: _____

Date Response Received: _____

Prepared By: _____

DATA INFORMATION REQUEST
MISSOURI PUBLIC SERVICE DIVISION
CASE NO. ER-93-37

No. 130
Attachment
REC'D

OCT 28 1992

Requested From: Gary Clemens

Date Requested: 10/28/92

Information Requested:

Please provide the Staff with a copy of the lease for each tenant in the Green Ridge Office Park. Please express the lease rates in both rentable space and usable space rates.

**MISSOURI PUBLIC SERVICE
DATA INFORMATION REQUEST
Case No. ER-93-37**

No. PSC 130

Requested From: Brad Lewis

Date Requested: October 28, 1992

Information Requested: Please provide the Staff with a copy of the lease for each tenant in the Green Ridge Office Park. Please express the lease rates in both rentable space and usable space rates.

Requested By: Larry G. Cox

Information Provided: See attached.

Date Information Provided: November 12, 1992

SUMMARY OF TENANT RATES AT GENERAL OFFICE

	RENTABLE		USABLE	
TENANT	AREA (SQ. FT.)	RATE (PER SQ. FT.)	AREA (SQ. FT.)	RATE (PER SQ. FT.)
MPS	26,680	13.91	23,200	16.00
MPS	8,539	8.70	7,425	10.00
PRUDENTIAL	6,437	10.94	5,597	12.58
ALLSTATE INSURANCE	2,358	13.45	2,050	15.46

DATA INFORMATION REQUEST
MISSOURI PUBLIC SERVICE DIVISION
CASE NO. ER-93-37

REC'D

NOV 6 6 1992

Requested From: GARY L. CLEMENS

Date Requested: 11/06/92

Information Requested:

PLEASE PROVIDE AN ITEMIZED LIST DETAILING THE ANTICIPATED COSTS OF LEASEHOLD IMPROVEMENTS DISCUSSED ON PAGE 21 OF THE DIRECT TESTIMONY OF GARY L. CLEMENS.

Requested By: Larry G. Cox

Information Provided: **SEE ATTACHED**

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Signed By: Gary L. ClemensDate Response Received: 11/13/92Prepared By: Gary L. Clemens

**MISSOURI PUBLIC SERVICE
DATA INFORMATION REQUEST
Case No. ER-93-37**

No. PSC 222

Requested From: Brad Lewis

Date Requested: November 6, 1992

Information Requested: Please provide an itemized list detailing the anticipated costs of leasehold improvements discussed on page 21 of the direct testimony of Gary L. Clemens.

Requested By: Larry G. Cox

Information Provided: See attached.

Date Information Provided: November 12, 1992

Zimmer

Construction Services

Owners/Developers

DR 222

EXHIBIT "A"

SCHEDULE OF VALUES

ARCHITECTURAL SERVICES	\$ 2,297.76
BUILDING PERMIT	\$ 390.00
FINAL CLEAN	\$ 684.00
DUMPSTER	\$ 440.00
WINDOW BLINDS	\$ 970.00
BLOCK, BACK, DEMO, DRYWALL	\$ 11,295.00
H.M., F.H., DOORS	\$ 13,455.00
GLAZING	\$ 1,350.00
PAINT/VINYL/FABRIC	\$ 12,100.00
ACOUSTICAL CEILINGS	\$ 5,721.00
CABINETRY/CASEWORK	\$ 16,420.00
FIRE EXTINGUISHERS	\$ 200.00
MATERIAL HOISTING	\$ 1,000.00
REFRIGERATOR	\$ 766.29
ICE MACHINE	\$ 845.00
MICROWAVE	\$ 266.57
PROJECT MATERIALS	\$ 6,740.47
FLOORING	\$ 12,279.00
PLUMBING	\$ 2,167.50
HVAC	\$ 22,785.00
ELECTRICAL	\$ 21,362.00
CONSTRUCTION MANAGEMENT FEE	\$ 3,749.53

TOTAL COST OF THE IMPROVEMENTS \$ 137,284.12


MISSOURI PUBLIC SERVICE


ZIMMER CONSTRUCTION SERVICES

NOV 24 1992

Requested From: GARY L. CLEMENS
Date Requested: 11/24/92
Information Requested:

WHAT IS THE ANTICIPATED ANNUALIZED AMORTIZATION EXPENSE OF THE LEASEHOLD IMPROVEMENTS FOR THE FINISHING WORK TO BE DONE IN THE COMPANY'S \$10.80 PER SQUARE FOOT AREA OF THE GREENRIDGE OFFICE PARK? PLEASE PROVIDE ALL SUPPORTING CALCULATIONS.

Requested By: Larry G. Cox

Information Provided: **SEE ATTACHED**

The attached information provided to the Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. ER-93-37 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

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Signed By: Gary L. Clemens

Date Response Received: _____

Prepared By: Managers Rev. Rys

**MISSOURI PUBLIC SERVICE
DATA INFORMATION REQUEST
Case No. ER-93-37**

No. PSC 340

Requested From: Brad Lewis

Date Requested: November 24, 1992

Information Requested: What is the anticipated annualized amortization expense of the leasehold improvements for the finishing work to be done in the Company's \$10.00 per square foot area of the Greenridge Office Park? Please provide all supporting calculations.

Requested By: Larry G. Cox

Information Provided: See attached.

Date Information Provided: December 8, 1992

ANTICIPATED ANNUALIZED AMORTIZATION EXPENSE
OF LEASEHOLD IMPROVEMENTS FOR FINISHING WORK
TO BE DONE ON COMPANY'S \$10.00 PER SQUARE
FOOT AREA OF THE GREENRIDGE OFFICE PARK

A:\DR340.WK1
08-Dec-92
11:21 AM

ANTICIPATED COSTS (DR #132)	139,000
LIFE OF LEASE	
4 YEARS AND 1 MONTH (PER LEASE)	49
ANTICIPATED MONTHLY AMORTIZATION	2,836.73
ANTICIPATED ANNUALIZED AMORTIZATION AMOUNT	<u>34,040.82</u>

Note: Leashold Improvements would go to account 390 depreciable
group # 1. Amounts are amortized straight line based on the lease life.

DATA INFORMATION REQUEST
MISSOURI PUBLIC SERVICE DIVISION
CASE NO. ER-93-37

No. 421

REC'D

DEC 10 1992

Requested From: GARY L. CLEMENS
Date Requested: 12/18/92
Information Requested:

WHAT IS THE USEFUL LIFE EXPECTANCY OF THE LEASEHOLD IMPROVEMENTS IN THE \$18.00 PER SQUARE FOOT LEASED AREA?

Requested By: Larry G. Cox

Information Provided:

SEE ATTACHED

The attached information provided to the Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. ER-93-37 Before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the MISSOURI PUBLIC SERVICE DIVISION office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies of data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control within your knowledge. The pronoun "you" or "your" refers to MISSOURI PUBLIC SERVICE DIVISION and its employees, contractors, agents or others employed by or acting in its behalf.

Signed By:

Mary L. Clemens

Date Response Received:

12-18-92

Prepared By:

Ann Nelson

**MISSOURI PUBLIC SERVICE
DATA INFORMATION REQUEST
Case No. ER-93-37**

No. PSC 421

Requested From: Brad Lewis

Date Requested: December 10, 1992

Information Requested: What is the useful life expectancy of the leasehold improvements in the \$10.00 per square foot leased area?

Requested By: Larry G. Cox

Information Provided: The useful life expectancy of the leasehold improvements in the \$10.00 per square foot leased area is the life of the lease. However, if Missouri Public Service owned those items they would most likely go to accounts 390.00 and 398.00. The depreciation rate for 390.00 is 2.04% which equates to 49 years for the useful life. The depreciation rate for 398.00 is 6.25% which equates to 16 years for the useful life.

Date Information Provided: December 16, 1992