

FILED

JUN 23 1998

Se Missouri Public
Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

The Staff of the Missouri Public Service)
Commission,)

Complainant,)

v.)

St. Joseph Light & Power Company,)

Respondent.)

Case No. EC-98-573

MOTION FOR LEAVE TO FILE COMPLAINT

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its Motion states:

1. St. Joseph Light & Power Company (Respondent) is an "electrical corporation" and "public utility" as defined in Section 386.020 RSMo Supp. 1997. The Respondent is therefore subject to the jurisdiction and supervision of the Missouri Public Service Commission (Commission) pursuant to Chapters 386 and 393, RSMo.

2. Section 386.390.1 RSMo 1994 provides, "Complaint may be made by the commission of its own motion...by petition or complaint in writing, setting forth any act or thing done or omitted to be done by any corporation, person or public utility, including any rule, regulation or charge heretofore established or fixed by or for any corporation, person or public utility, in violation, or claimed to be in violation of any provision of law, or of any rule or order or decision of the commission..."

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3. Section 386.240 RSMo 1994 provides, "The commission may authorize any person employed by it to do or perform any act, matter or thing which the commission is authorized by this chapter to do or perform..." Thus, the Commission may delegate to the Staff the Commission's power to bring a complaint.

4. Section 393.130 RSMo 1994 directs that all charges made or demanded by any electrical corporation for electricity or any service rendered or to be rendered shall be "just and reasonable."

5. Based upon a preliminary audit of the Respondent's books and records, the Staff has concluded that the Respondent's rates and charges are not just and reasonable and that the Respondent's annual revenues should be reduced. The Verified Statement of Steve M. Traxler, which is appended hereto as Attachment A and incorporated by reference, provides an overview of the audit work completed to date. The Staff proposes to conduct a complete audit of the books, records and operations of the Respondent. The Staff estimates that a complete audit will show that the Respondent's annual revenues should be reduced by up to \$8 million. The surveillance report for December 1997 provided to the Staff by the Respondent reflects excess revenues of \$4.3 million.

6. Concurrent with the filing of this motion, the Staff has submitted to the Commission its Complaint which requests the Commission to order the Respondent to modify its rates and charges so as to reduce its annual revenues by up to \$8 million.

WHEREFORE, the Staff requests the Commission to delegate to the Staff the Commission's power to bring a complaint and to accept for filing the Staff's Complaint against the Respondent which was submitted concurrently with the filing of this Motion.

Respectfully submitted,

W m K Haas

William K. Haas
Senior Counsel
Missouri Bar No. 28701

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
573-751-7510
573-751-9285 (Fax)

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 19th day of June, 1998.

W m K Haas

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

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The Staff of the Missouri Public)	
Service Commission,)	
Complainant,)	
v.)	Case No. EC-98-_____
St. Joseph Light & Power Company,)	
Respondent.)	

VERIFIED STATEMENT OF

STEVE M. TRAXLER

Q. Please state your name and business address.

A. Steve M. Traxler, 3675 Noland Road, Suite 110, Independence, MO 64055.

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

A. I am a Regulatory Auditor for the Missouri Public Service Commission
(Commission).

Q. Please describe your educational background.

A. I graduated from Missouri Valley College at Marshall, Missouri in 1974 with
a Bachelor of Science in Business Administration with a major in Accounting.

Q. Please describe your employment history.

A. I was employed as an accountant with the Rival Manufacturing Company in
Kansas City from June 1974 to May 1977. I was employed as a Regulatory Auditor with the
Commission from June 1977 to January 1983. I was employed by United Telephone as a
Regulatory Accountant from February 1983 to May 1986. In June 1986, I began my

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Attachment A

Verified Statement
Steve M. Traxler

1 employment with Utilitech, Inc., formerly Dittmer, Brosch & Associates (Dittmer Brosch),
2 in Lee's Summit, Missouri as a Regulatory Auditor. I left Dittmer Brosch in April 1988. I
3 was self-employed from May 1988 until I assumed my current position as a Regulatory
4 Auditor with the Commission in December 1989.

5 Q. What has been the nature of your duties while employed by the Commission?

6 A. I am responsible for assisting in audits of the books and records of utility
7 companies operating in the State of Missouri.

8 Q. What is the purpose of your verified statement?

9 A. The purpose of my verified statement is to provide the Commission with an
10 overview of the audit work completed to date which supports the Staff's motion for leave to
11 file a complaint against St. Joseph Light & Power Company (SJLP).

12 Q. What is your experience in Staff-initiated excess earnings complaint
13 proceedings?

14 A. I was the project coordinator and lead auditor in the Staff's excess earnings
15 complaint proceeding against UtiliCorp United, Inc. in Case No. EO-97-144 and ER-97-394.
16 I have also testified in excess earnings complaint proceedings involving Southwestern Bell
17 Telephone Company.

18 Q. When did the Staff begin its investigation of SJLP's earnings?

19 A. The Office of the Public Counsel (OPC) contacted the Staff in February 1998
20 regarding discussions between OPC and SJLP. OPC's investigation was based upon
21 financial results for 1996. I obtained SJLP's surveillance reports to the Commission for
22 November and December 1997 and concluded that an investigation of SJLP's current

Verified Statement
Steve M. Traxler

1 earnings was warranted. SJLP provides monthly surveillance reports to the Commission.
2 Each monthly surveillance report provides financial results for the then current twelve month
3 period.

4 Q. What does SJLP's 1997 surveillance report, i.e., for the 12 month period
5 covering 1997, reflect?

6 A. SJLP's 1997 surveillance report reflects excessive earnings based upon
7 current market conditions. More specifically, SJLP's 1997 surveillance report reflects a
8 return on equity of * _____ * for its electric operations using a capital structure at December
9 31, 1997.

10 The Commission found 10.75% to be a fair return on equity for UtiliCorp United in
11 its March 6, 1998 Report and Order in Case No. ER-97-394. Using 10.90% as an estimated
12 return on equity recommendation for SJLP results in excess revenues of approximately \$4.3
13 million based on unadjusted 1997 financial results.

14 Q. Do you consider the \$4.3 million to be a conservative estimate of SJLP's
15 excess revenue position at the current time?

16 A. Yes. The Accounting Staff has issued 55 data requests in an attempt to
17 determine whether \$4.3 million in excess revenue is representative of ongoing operations
18 if SJLP's unadjusted 1997 financial results were updated to reflect known and measurable
19 changes through May 1998. The review of the additional information has led me to conclude
20 that SJLP's annualized excess revenues are significantly more than the \$4.3 million.

21 Q. Is there anything which further supports your conclusion that SJLP's excess
22 revenues are higher than the \$4.3 million reflected in the 1997 surveillance report?

Verified Statement
Steve M. Traxler

1 A. SJLP experienced customer growth in the residential, commercial and
2 industrial classes in 1997. Additionally, in response to Staff discovery, SJLP has indicated
3 that revenues in 1997 were understated due to abnormal weather. These two factors will
4 increase SJLP's annualized revenue when updated with other known and measurable changes
5 through May 31, 1998.

6 SJLP has recently modified its Lake Road generating plant to burn lower cost low-
7 sulfur coal. The fuel cost reductions resulting from this modification are not fully reflected
8 in the 1997 financial results. Updating SJLP's annual fuel costs to reflect the full impact of
9 burning lower cost coal at the Lake Road plant will lower SJLP's annualized fuel costs.

10 Finally, SJLP's current method of calculating pension and Other Post-Retirement
11 Employee Benefits (OPEBs) expense under FAS 87 and FAS 106 is not consistent with the
12 method used by the Staff and approved by the Commission in recent rate cases involving
13 other Missouri utility companies. Updating SJLP's pension and OPEB's expense to reflect
14 the Staff methodology for gain/loss recognition will lower SJLP's operating expense.

15 Q. Have you also attempted to identify increases to SJLP's cost of service which
16 are not fully reflected in SJLP's financial results for 1997?

17 A. Yes. I have examined SJLP's expected payroll increases, purchase power
18 demand cost changes, and maintenance expense. All of these costs, when annualized, will
19 increase SJLP's cost of service. However, these increased costs are not material when
20 compared to the revenue increase and cost reductions previously discussed.

21 Q. Please summarize your conclusions.

Verified Statement
Steve M. Traxler

1 A. My review of SJLP's 1997 surveillance report and responses to Staff
2 discovery lead me to conclude that SJLP's current rates need to be reduced to eliminate an
3 ongoing level of excess revenue. I have concluded that when the Staff completes its
4 investigation and restates SJLP's 1997 financial results to reflect all material known and
5 measurable changes, the present \$8 million dollar estimate will be further shown to be a
6 reasonable quantification of the value of SJLP's excess revenues, given the other variables
7 that have not been quantified to date.

8 Q. Does this conclude your affidavit?

9 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

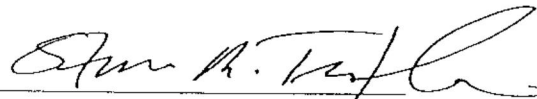
The Staff of the Missouri Public)
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St. Joseph Light & Power Company,)
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Case No. EC-98-_____

VERIFIED STATEMENT OF STEVE M. TRAXLER

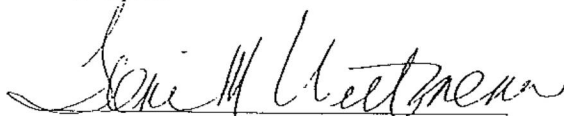
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Steve M. Traxler, is, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Verified Statement in question and answer form, consisting of 5 pages to be presented in the above case; that the answers in the foregoing Verified Statement were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.



STEVE M. TRAXLER

Subscribed and sworn to before me this 19th day of June 1998.



Notary Public

TONI WILLMENO

NOTARY PUBLIC STATE OF MISSOURI
COUNTY OF CALLAWAY

MY COMMISSION EXPIRES JUNE 24 2000

My Commission Expires: _____



SERVICE LIST FOR
CASE NO: EC-98-___
June 19, 1998

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Terry Steinbecker
St. Joseph Light & Power Company
520 Francis Street
P. O.Box 998
St. Joseph, MO 64502-0998

James C. Swearengen
Brydon, Swearengen & England, PC
312 East Capitol Avenue
PO Box 456
Jefferson City, MO 65102-0456