Exhibit No.:	
Issues:	Revenue, Territorial Agreements, Uncollectible Expense, Gross Receipts Tax Expense
Witness:	DOYLE L. GIBBS
Sponsoring Party:	MoPSC Staff
Type of Exhibit:	Direct Testimony
Case No.:	EC-2002-1
Date Testimony Prepared:	July 2, 2001

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

FILED[3]

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Missouri Public Service Commission

DIRECT TESTIMONY

OF

DOYLE L. GIBBS

UNION ELECTRIC COMPANY, d/b/a AMERENUE

CASE NO. EC-2002-1

Jefferson City, Missouri
July 2001

****Denotes Proprietary Information****

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DIRECT TESTIMONY

OF

DOYLE L. GIBBS

UNION ELECTRIC COMPANY,

d/b/a AMERENUE

CASE NO EC-2002-1

Q. Please state your name and business address.

A. Doyle L. Gibbs, 815 Charter Commons Drive, Suite 100B, Chesterfield, Missouri 63017.

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

A. I am employed by the Missouri Public Service Commission (Commission) as a Regulatory Auditor.

Q. Please describe your educational background.

A. I attended the University of Missouri – St. Louis, where I received a Bachelor of Science degree in Business Administration with a major in Accounting in 1976. I passed the Uniform Certified Public Accountant examination in 1988. I have been licensed as a Certified Public Accountant in the state of Missouri since February 1989.

Q. What has been the nature of your duties while in the employ of this Commission?

A. I have conducted and assisted with the audits and examinations of the books and records of utility companies operating within the state of Missouri.

Q. Have you previously filed testimony before the Commission?

A. Yes, I have. Please refer to Schedule 1, attached to this direct testimony, for a list of cases in which I have previously filed testimony.

Q. With reference to Case No. EC-2002-1, have you made an investigation of the books and records of Union Electric Company, d/b/a AmerenUE (UE or Company)?

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

Q. What is the purpose of your direct testimony?

A. The primary purpose of my direct testimony is to discuss the income statement adjustments the Staff has proposed to revenue, gross receipts tax (GRT), uncollectible expense and territorial agreements contained in Accounting Schedule 10, Adjustments To Income Statement. I am also sponsoring adjustment P-7.2 to Plant in Service on Accounting Schedule 4 and adjustment R-7.2 to Depreciation Reserve on Accounting Schedule 7. These two adjustments were made in conjunction with the income statement adjustments being proposed with regard to territorial agreements.

Q. Please identify the adjustments contained in Accounting Schedule 10, Adjustments To Income Statement that you are sponsoring.

A. The adjustments I am sponsoring are identified on Accounting Schedule 10, as follows:

Revenue	S-1.1, S-1.2, S-1.3, S-1.4, S-1.5, S-1.6, S-1.7, S-1.8, S-1.9 and S-7.1
Territorial agreements (expense)	S-10.3, S-14.3 and S-21.4
Uncollectible expense	S-15.1
Gross receipts tax	S-24.1

REVENUE

Q. Please describe the adjustments you are sponsoring to revenue.

A. Adjustment S-1.1 reflects what the impact would have been on revenue for the test year ending June 30, 2000, on a billed basis, if the current revised tariffs that became effective during the test year had been in effect for the entire test year period. Adjustment S-1.2 adjusts the test year revenue to reflect normal weather. Adjustment S-1.3 restates revenue to the level it would have been absent the territorial agreements. All the adjustments related to the territorial agreements will be discussed later in this testimony. Adjustment S-1.4 adjusts the test year revenue so that all revenue-billing cycles reflect a 365-day billing year. Adjustment S-1.5 reflects the impact of the elimination of the interruptible tariff designated as 10(M) and the resultant transfer of the customers served under the interruptible tariff to either the small primary service (4(M)) or the large primary service tariff (11(M)). Adjustment S-1.6 adjust the revenue to reflect the growth in the number of customers through the end of the Staff's update period ending December 31, 2000. Adjustment S-1.7 eliminates the GRT included in revenue during the test year. Adjustment S-1.8 eliminates the unbilled revenue recorded on the books during the test year. Adjustment S-1.9 is required to reflect the revenue impact for customers that switched to a different rate tariff during the test year. The final revenue adjustment, S-7.1, reverses the test year revenue accrual for anticipated rate refunds associated with the Experimental Alternative Regulation Plan (EARP). Please refer to the testimony of Staff witness Janice M. Pyatte from the Energy Department for a more detailed discussion of the development of the adjustments for the rate change, weather, 365-day billing year, tariff rate elimination and rate switching, Nos. S-1.1, S-1.2, S-1.4, S-1.5 and S-1.9, respectively.

Q. How was the Revenue adjustment S-1.6 for growth calculated?

A. A growth adjustment was calculated for the tariff rate classes of residential, small general service, large general service and small primary service. For each of these classes, the average number of customers for each month of the test year was subtracted from the number of customers at December 31, 2000. The customer growth for each month, reflected by that difference, was multiplied by the corresponding normalized monthly revenue per customer. Normalized revenue per customer is the actual test year revenue, net of any applicable GRT, as adjusted for the change in tariff rates, a 365-day billing cycle year, normal weather and rate switching, as previously discussed with regard to Revenue adjustments S-1.1, S-1.2, S-1.4 and S-1.9.

Q. Please explain adjustment S-1.7 for GRT.

A. The Company acts as a collector for taxes imposed by municipalities or other taxing jurisdictions on utility services. The GRT included on a customer's bill is collected by the Company which, in turn, submits the collections to the appropriate taxing jurisdiction. The GRT included on a customer's bill is also included in the revenue recorded on the books of the Company with a corresponding charge to GRT expense. Theoretically, the revenue and expense offset one another and therefore have no effect on net income. However, the expense accrual for GRT does not always match perfectly the GRT included in revenue. Eliminating the GRT recorded in revenue through adjustment S-1.7 and the GRT expense through the companion Adjustment S-24.1 assures that GRT will have no impact on net income or revenue requirement.

Q. Why was adjustment S-1.8 to eliminate the test year unbilled revenue necessary?

A. The recording of unbilled revenue on the books is an attempt to restate the actual billed revenue, determined through the use of billing cycles, to a calendar month basis. The Staff's revenue adjustment calculations are based on the actual billing determinants generated through the use of billing cycles. One of these adjustments, S-1.4, addresses the annualization aspect that some billing cycles in a given year may contain more, or less, than 365 days. The adjustment, S-1.4, simply quantifies the net impact of the billing determinants so that only 365 days of revenue are included for each customer. It was not determined with reference to the amount recorded by the Company for unbilled revenue on the books. Since the Staff's calculation of revenue is based on billing data for 365 days, the unbilled revenue recorded on the books must be adjusted to zero to avoid misstating revenue in relation to the annual billing determinants that must generate the revenue.

Q. Why is adjustment S-7.1 to revenue to reverse the accrual for anticipated EARP refunds necessary?

A. One of the principal purposes of the Staff audit and review is to determine the net earnings being generated by the current applicable tariffs on a normalized and annualized basis. Although refunds may be required under the EARP, recognition of the accrued refunds in net earnings determination would understate the revenue that can be generated through the application of the current tariffs. Therefore, the accrued refunds need to be reversed in order to get a valid comparison of the revenue that the tariffs generate and the revenue that should be generated for the Company to earn a reasonable return.

TERRITORIAL AGREEMENTS

Q. Please identify all the adjustments you are sponsoring related to territorial agreements.

A. I am sponsoring adjustment P-7.2 to Plant in Service contained in Accounting Schedule 4, Adjustments to Total Plant, adjustment R-7.2 to Depreciation Reserve on Accounting Schedule 7, Adjustments to Depreciation Reserve, and the Income Statement adjustments S-1.3, S-10.3, S-14.3 and S-21.4 on Accounting Schedule 10, Adjustments to Income Statement.

Q. What is the purpose of the adjustments related to the territorial agreements?

A. The Staff adjustments for territorial agreements are designed to reverse the effect on earnings related to five territorial agreements by restoring the net investment (adjustment P-7.2 to Plant in Service less adjustment R-7.2 to Depreciation Reserve), revenue and expenses as if the territorial agreements did not exist. The territorial agreements considered in the determination of the adjustment were between UE and the following cooperatives or municipal utility; the associated Commission case number also follows below:

Black River Cooperative	EO-95-400
Macon Electric Cooperative	EO-97-6, et al.
Farmer's Electric Cooperative	EO-98-511, et al.
City of Kennett	EM-99-106, et al.
Ozark Border Electric Cooperative	EO-99-599

In the above referenced cases involving Macon River Cooperative, Ozark Border Electric Cooperative and the City of Kennett, Case Nos. EO-97-6, et al., EO-99-599 and

EM-99-106, et al., respectively, the Report And Orders, either expressly or by reference to the applicable Stipulation And Agreement, provided that no party had acquiesced to any ratemaking principle. No such language existed in the Report And Orders for Case Nos. EO-95-400 or EO-98-511, concerning Black River Cooperative and Farmer's Electric Cooperative, respectively. However, the absence of such language did not prevent the Staff from making an adjustment, which the Commission accepted in Case No. EM-96-149, concerning the third year sharing credits of the first EARP.

Although the Staff recommended approval of these territorial agreements, it was with the intention that the Staff would subsequently examine and address the effect of these agreements on earnings for ratemaking purposes.

Q. Why was this condition necessary?

A. It is my understanding that the criteria that must be met for approval of a territorial agreement, according to Missouri statute, is that the agreement in total is not detrimental to the public interest. The Commission rule requires that the applicant explain why the territorial agreement is in the public interest. As a result of these territorial agreements, the Company's earnings were less than they would have been without the agreements. The decline in earnings resulted from UE realizing a net loss of customers and associated revenue from the exchange of portions of its service area for portions of the service areas of the affected cooperatives or municipal utility. In the Staff's opinion, this situation would constitute detriment to the public interest, if the loss of revenues were reflected in customer rates.

Q. How do the Staff's proposed adjustments prevent public detriment?

A. The adjustments reverse the net reduction in earnings realized during the test year by restoring the net loss in revenue (adjustment S-1.3) and the associated fuel cost (adjustment S-10.3), maintenance expense (adjustment S-14.3), depreciation expense (adjustment S-21.4), and plant and reserve additions (adjustments P-7.2 and R-7.2). By restoring the net reductions in earnings, the Staff has eliminated any detrimental impacts on the public interest.

UNCOLLECTIBLE EXPENSE

Q. Please explain your adjustment, S-15.1, to uncollectible expense.

A. Adjustment S-15.1 adjusts uncollectible expense to reflect the level of actual net write-offs for the year ending December 31, 2000, Staff's update period.

Q. Please explain what is meant by the term "net write-offs".

A. When the Company deems that the collection of revenue billed to a customer is in doubt, that revenue is "written off". Subsequently, there may be a recovery of that revenue written off. Net write-offs are the revenues written off less any subsequent recovery.

Q. Is there a difference between uncollectible expense and net write-offs?

A. Yes. Uncollectible expense is recorded in the income statement through the use of an accrual with a corresponding liability (reserve) recorded on the balance sheet. All activity regarding write-offs, or subsequent collections, is charged to the reserve and does not affect the level of expense recorded on the income statement.

Q. Why did the Staff choose to use net write-offs as the determining factor for the development of uncollectible expense?

A. It is the Staff's opinion that write-offs, since they reflect actual activity, are a better indicator of this cost than the accruals, which are based on estimates.

Q. Why did the Staff choose the actual write-offs for the year ending December 31, 2000 as the annualized level?

A. Generally, because of fluctuations from year to year, the Staff will often determine uncollectible expense through the use of an average level of net write-offs. The average may incorporate anywhere from two to five years depending on the circumstances. For UE, however, **

** Therefore, it is the Staff's opinion that the actual write-offs for the year ending December 31, 2000 is the appropriate level to use as uncollectible expense.

Q. Please explain your adjustment to the actual net write-offs.

A. The Staff noticed a substantial decrease in the level of net write-offs during the test year ending June 30, 2000 compared to the previous twelve-month period ending June 30, 1999. In Data Request No. 123, the Staff asked the Company if it was aware of any reasons for the decline. **

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Q. Do you anticipate that the decline in net write-offs to continue?

A. Yes. **

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GROSS RECEIPTS TAX EXPENSE

Q. Please explain adjustment S-24.1 to GRT.

A. Adjustment S-24.1 eliminates the GRT included as an expense during the test year ending June 30, 2000. This is the companion adjustment to the revenue adjustment S-1.3 previously discussed. This adjustment, in conjunction with adjustment S-1.3, assures that GRT will be revenue neutral in its rate impact.

Q. Does this conclude your direct testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

The Staff of the Missouri Public Service Commission,	)	
	)	Case No. EC-2002-1
Complainant,	)	
vs.	)	
	)	
Union Electric Company, d/b/a AmerenUE,	)	
	)	
Respondent.	)	

AFFIDAVIT OF DOYLE L. GIBBS

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

Doyle L. Gibbs, is, of lawful age, and on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 10 pages to be presented in the above case; that the answers in the foregoing Direct Testimony 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.

Doyle L. Gibbs

Doyle L. Gibbs

Subscribed and sworn to before me this 29th day of June, 2001

D Suzie Mankin

Notary Public

D SUZIE MANKIN
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP. JUNE 21,2004

RATE CASE PROCEEDINGS
DOYLE L. GIBBS

Company	Case Number
Arkansas Power & Light Company	ER-85-20
Arkansas Power & Light Company	ER-85-265
Associated Natural Gas Company	GR-79-126
Atmos Energy Corporation/United Cities Gas Company	GM-97-70
Capital City Water Company	WR-82-117
Citizens Electric Cooperative	ER-79-102
Citizens Electric Cooperative	ER-81-79
Empire District Electric Company	ER-95-279
Laclede Gas Company	GR-77-33
Laclede Gas Company	GR-78-148
Laclede Gas Company	GR-80-210
Laclede Gas Company	GR-81-245
Laclede Gas Company	GR-82-200
Laclede Gas Company	GR-96-193
Laclede Gas Company	GR-98-374
Laclede Gas Company	GR-99-315
Lake St. Louis Sewer Company	SR-80-189
Missouri-American Water Company	WR-89-265
Missouri-American Water Company	WM-93-255
Missouri-American Water Company	WR-93-212
Missouri-American Water Company	WR-97-237
Missouri-American Water Company	SR-97-238
Missouri-American Water Company	WO-98-204
Missouri-American Water Company	SR-2000-282
Missouri-American Water Company	WR-2000-281
Missouri Cities Water Company	WR-78-107
Missouri Cities Water Company	SR-78-108
Missouri Cities Water Company	WR-83-14
Missouri Cities Water Company	SR-83-15
Missouri Cities Water Company	WR-85-157
Missouri Cities Water Company	SR-85-158
Missouri Cities Water Company	WR-86-111
Missouri Cities Water Company	SR-86-112
Missouri Cities Water Company	WR-89-178
Missouri Cities Water Company	SR-89-179
St. Joseph Water Company	WR-77-226
St. Louis County Water Company	WR-78-276
St. Louis County Water Company	WR-83-264
St. Louis County Water Company	WR-87-2
St. Louis County Water Company	WR-88-5
St. Louis County Water Company	WR-94-166

RATE CASE PROCEEDINGS
DOYLE L. GIBBS

Company	**Case Number**
St. Louis County Water Company	WR-2000-844
Southwestern Bell Telephone Company	TR-79-213
Southwestern Bell Telephone Company	TR-80-256
Southwestern Bell Telephone Company	TR-86-84
Union Electric Company	ER-77-154
Union Electric Company	ER-80-17
Union Electric Company	ER-81-180
Union Electric Company	HR-81-259
Union Electric Company	ER-82-52
Union Electric Company	ER-83-163
Union Electric Company	ER-84-168