

Exhibit No.:
Issue: Overview
Witness: James D. Schwieterman
Sponsoring Party: MoPSC Staff
Case No.: TR-91-336

MISSOURI PUBLIC SERVICE COMMISSION
UTILITY SERVICES DIVISION

CHOCTAW TELEPHONE COMPANY

CASE NO. TR-91-336

SUPPLEMENTAL DIRECT TESTIMONY

OF

JAMES D. SCHWIETERMAN

FILED
SEP 18 1991
PUBLIC SERVICE COMMISSION

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SEP 19 1991

ACCOUNTING DEPT
PUBLIC SERVICE COMMISSION

Jefferson City, Missouri
September, 1991

1 SUPPLEMENTAL DIRECT TESTIMONY

2 OF

3 JAMES D. SCHWIETERMAN

4 CHOCTAW TELEPHONE COMPANY

5 CASE NO. TR-91-336

6 Q. Please state your name and business address.

7 A. James D. Schwieterman, P.O. Box 360, Jefferson City,
8 Missouri 65102.

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

10 A. I am employed by the Missouri Public Service
11 Commission (Commission) as Assistant Manager of Accounting for the
12 Jefferson City Accounting Office.

13 Q. Would you please describe your educational background?

14 A. I graduated from Lincoln University in Jefferson City,
15 Missouri, in May, 1975, with a Bachelor of Science degree in Business
16 Administration, with a major in Accounting.

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

19 A. Under the direction of the Manager of the Accounting
20 Department, I have assisted in, conducted and supervised audits and
21 examinations of the books and records of public utility companies
22 operating within the state of Missouri. I have participated in
23 examinations of electric, water, sewer, natural gas, and telephone
24 companies.

Supplemental Direct Testimony of
James D. Schwieterman

1 Q. Have you previously filed testimony before this
2 Commission?

3 A. Yes, I have.

4 Q. Have you prepared an attached schedule to this
5 supplemental direct testimony detailing your prior involvement in
6 Missouri rate cases?

7 A. Yes. Schedule 1 to this supplemental direct testimony
8 is a summary of rate cases in which I have submitted testimony to
9 date.

10 Q. Have you supervised and assisted in the audit of any
11 other Missouri rate cases?

12 A. Yes. I have also supervised and assisted in the
13 audits of public utilities in the following Missouri rate cases:
14 Case No. GR-86-86, Associated Natural Gas Company; Case No.
15 GR-86-101, Great River Gas Company; Case No. WR-86-151, Empire
16 District Electric Company; Case No. WR-88-215, Capital City Water
17 Company; Case No. TR-89-159, Fidelity Telephone Company; Case No.
18 TR-89-160, Bourbeuse Telephone Company; Case No. WR-90-56, Empire
19 District Electric Company; Case No. WR-90-118, Capital City Water
20 Company; Case No. GR-90-152, Associated Natural Gas Company; Case No.
21 GR-91-249, United Cities Gas Company.

22 I have also assisted with, performed, and supervised the
23 rate audits of numerous small utilities pursuant to the Commission's
24 informal rate case procedures.
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Supplemental Direct Testimony of
James D. Schwieterman

1 Q. What have been your responsibilities with respect to
2 the audit of Choctaw Telephone Company (Company or Choctaw) in Case
3 No. TR-91-336?

4 A. My responsibilities were to participate in the
5 planning of the rate case audit, ensure that the audit was completed,
6 and review the findings of the audit and the recommendations that are
7 ultimately made to the Commission.

8 Q. Prior to the audit of Choctaw, have you ever observed
9 in any other audit any of the problems of commingling of funds or the
10 inadequacy of records and supporting documents as the auditors
11 discovered at Choctaw?

12 A. Yes, I have. One of the inherent problems with many
13 of the smaller utilities is the lack of adequate records and
14 supporting documentation. I have also observed in several instances
15 the commingling of company and personal funds in small utility
16 companies.

17 Q. What has historically been the Staff's position
18 concerning the lack of records and commingling of funds problems?

19 A. In most instances the Staff eliminated from ratemaking
20 any personal items being paid for with Company funds and tried to
21 assist the Company in ways to improve their record keeping and
22 supporting documentation.

23 Q. If these problems exist in other small utility
24 companies, why is the Staff recommending in its supplemental direct
25 filing that no rate increase be awarded with respect to Choctaw?

Supplemental Direct Testimony of
James D. Schwieterman

1 A. As explained in the supplemental direct testimony of
2 Staff witnesses Rebecca L. Rucker and Anne M. Weddle, the Staff has
3 determined that due to concerns about the truthfulness of the
4 Company's supporting documentation, the Staff cannot place full
5 reliance on Choctaw's books and records, and that a meaningful
6 revenue requirement cannot be calculated at this time. The Staff is
7 therefore recommending a zero revenue requirement for Choctaw in this
8 proceeding.

9 Q. Has the Staff ever presented in any previous rate case
10 the finding that a meaningful revenue requirement calculation is not
11 possible?

12 A. I am not aware of any other case in which the Staff
13 has made this finding. I am also not aware of any other rate audit
14 in which the truthfulness of the supporting documentation has been
15 questioned, as it has with Choctaw. This situation is in that
16 respect unique and unprecedented.

17 Q. Who was involved in making the decision that the Staff
18 auditors would recommend no revenue increase be granted to Choctaw
19 because a meaningful revenue requirement could not be calculated?

20 A. The people involved in making this decision were: the
21 Director of the Utility Services Division, Dale Johansen; the Manager
22 of the Accounting Department, Mark Oligschlaeger; Staff auditors
23 Rucker and Weddle; and myself.

24 Q. Does this conclude your supplemental direct testimony?

25 A. Yes, it does.
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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Choctaw Telephone Company)
for authority to file tariffs increasing)
rates for telephone service provided to) Case No. TR-91-336
customers in the Missouri service area of)
the Company.)

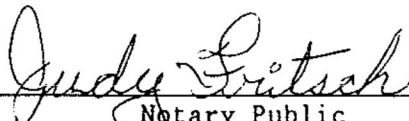
AFFIDAVIT OF JAMES D. SCHWIETERMAN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James D. Schwieterman, of lawful age, on his oath states: that he has participated in the preparation of the foregoing supplemental direct testimony in question and answer form, consisting of 5 pages to be presented in the above case; that the answers in the foregoing supplemental 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.


James D. Schwieterman

Subscribed and sworn to before me this 18th day of September, 1991.


Notary Public
JUDY FRITSCH
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP AUG. 15, 1993

My Commission expires _____.

RATE CASE PROCEEDINGS PARTICIPATION

James D. Schwieterman

Arkansas-Missouri Power Company	ER-77-116
Associated Natural Gas Company	GR-77-117
Central Telephone Company	TR-78-258
Central Telephone Company	TR-81-59
Continental Telephone Company of Missouri	TR-82-223
Cuivre River Electric Service Company	EA-86-13
Empire District Electric Company	ER-79-19
Empire District Electric Company	ER-83-42
Empire District Electric Company	ER-90-138
Gas Service Company	GR-78-70
Laclede Gas Company	GR-78-148
Laclede Gas Company	GR-83-233
Missouri Cities Water Company	WO-86-122
Missouri Utilities Company	GR-81-244
Missouri Utilities Company	WR-81-248
Missouri Utilities Company	ER-81-346
Missouri Water Company	WR-77-212
St. Louis County Water Company	WO-86-100
Sho-Me Power Corporation	ER-79-106
Sho-Me Power Corporation	ER-80-83
Sho-Me Power Corporation	ER-82-134
Sho-Me Power Corporation	ER-83-80
Southwestern Bell Telephone Company	18,660
Southwestern Bell Telephone Company	TR-79-213
Southwestern Bell Telephone Company	TR-80-256
Union Electric Company	EO-86-36