Exhibit No.:
Issues: Payroll, Payroll Taxes
Employee Pensions/Bene
Voucher Analysis, Othe
Miscellaneous Expenses
Witness: Anne M. Weddle
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

ANNE M. WEDDLE

Jefferson City, Missouri
September, 1991

Highly Confidential

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SUPPLEMENTAL DIRECT TESTIMONY

OF

ANNE M. WEDDLE

CHOCTAW TELEPHONE COMPANY

CASE NO. TR-91-336

Q. Please state your name and business address.

A. Anne M. Weddle, P. O. Box 360, Jefferson City, Missouri 65102.

Q. Are you the same Anne M. Weddle that has previously filed direct testimony in this proceeding?

A. Yes, I am.

Q. What is the purpose of your supplemental direct testimony?

A. The purpose of my supplemental direct testimony is to describe the changes made to portions of my direct testimony. These changes are incorporated in the Staff's recalculation of revenue requirement that reflects the deletion of certain items that were included in the Staff's direct case.

Q. Are these changes reflected in the Staff's revenue requirement recommendation contained in the supplemental direct filing?

A. No. For the reasons explained in the direct testimony of Staff witness Rebecca L. Rucker, the Staff is recommending a zero revenue requirement for Choctaw Telephone Company (Choctaw or Company) in its supplemental direct case. The recalculated revenue requirement of $<23,339>, to which the changed adjustment amounts referred to in this supplemental direct testimony relate, is being presented to the Commission for informational purposes only. No positive or negative revenue requirement should be accepted by the Commission for Choctaw until a thorough and comprehensive review of the support for and veracity of the Company's books and records is performed, as further explained by Staff witness Rucker.

Q. What changes were made to the adjustments in your direct testimony?

A. I made changes to the Staff's annualizations for payroll, payroll taxes, employee pensions and benefits, and to the Staff's voucher analysis.

Q. Which adjustment amounts will now differ from amounts discussed in your direct testimony?

A. The following adjustments have been changed:

Payroll	P-6.2, P-13.3, S-6.1, S-6.3, S-7.2, S-8.1, S-9.1, S-10.1, S-11.1, S-13.1, S-14.1, S-15.1, S-17.1, S-22.2
Payroll Taxes	S-31.4, S-31.5
Employee Benefits	S-26.1, S-26.3
Voucher Analysis	P-4.1, P-5.3, P-6.1, S-6.2, S-7.4, S-8.3, S-13.3, S-20.3, S-22.4, S-23.1, S-26.6, S-27.1, S-28.2

These adjustments can be located in Schedule 9 of Staff witness Rucker's supplemental direct testimony, which is the support for the Staff's recalculated revenue requirement of <$23,339>. As discussed before, this information is being presented to the Commission for informational purposes only.

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Q. What do the changes in adjustments S-6.1, S-7.2, S-8.1, S-9.1, S-10.1, S-11.1, S-13.1, S-14.1, S-15.1, S-17.1, and S-22.2 represent?

A. These changes reflect revisions to the Staff's payroll annualization.

Q. Please describe the changes made to the Staff's payroll annualization.

A. Ms. Pam Staudt, previously included in the Staff's direct case as a part-time clerk, was added to the Staff's payroll annualization on a full-time basis.

Q. What was the reason for this change?

A. Beginning in June, 1991, Ms. Staudt began working at the Company on a full-time basis. Since the Staff's test year has been updated for events that have occurred through June 30, 1991, Mrs. Staudt's wages were annualized on a full-time basis rather than a part-time basis.

Q. Please describe any other changes to the Staff's payroll annualization.

A. Mr. Chris West, the General Manager's son, was removed from the Staff's payroll annualization.

Q. Why was Chris West removed from the Staff's payroll annualization?

A. The first reason is that Choctaw did not have time sheets for 1990, or any other documentation, to support the contention that Chris West performed work for the Company. In lieu of regular payroll compensation in the test year, the Company paid

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for his personal expenses such as automobile insurance. The Staff has yet to verify that Chris West is an employee of the Company, and accordingly the Staff removed him from the revised payroll annualization.

In addition, according to Chris West's job description, as provided in the Company's response to Staff Data Request No. 14, his responsibilities include cleaning, maintaining and repairing the central office equipment. Specifically, the Company stated that Chris West cleans the banks and the switch in the central office, as well as janitorial cleaning. Chris West purportedly works every other weekend for a total of approximately 35 hours a month on these tasks. Through discussions with various Staff personnel, it was noted that central office equipment such as the banks and the switch does not require cleaning every other week. Rather, a telephone utility usually will thoroughly clean the central office equipment one or two times during a year. Staff witness J. C. Stock of the Communications Department discusses this point in his supplemental direct testimony. Therefore, Chris West's wages were removed from the Staff's payroll annualization in the recalculated revenue requirement, since the Staff does not believe that the work being done at the central office requires an extra employee putting in 35 hours each month. See Staff witness Stock's supplemental direct testimony for further information on this matter.

Q. Was the same methodology utilized in calculating the Staff's revised payroll adjustment as was described in direct testimony?

A. Yes.

Q. Does the Staff's revised payroll annualization impact other payroll-related areas?

A. Yes. The capitalized portion of the Staff's annualized payroll and payroll related items, the Staff's payroll tax annualization and the Staff's annualized medical costs were revised as a result of the Staff's revised payroll annualization.

Q. Please explain the Staff's revised adjustments P-6.2, S-6.3, and P-13.3 relating to the capitalized portion of payroll and payroll related items.

A. The capitalized portion of payroll and other payroll related items were changed to reflect the Staff's revised payroll annualization. As discussed in my direct testimony, a portion of payroll related items such as payroll taxes, employee pensions and benefits, and vehicle expenses should be capitalized in the same manner as a portion of payroll is. The same methodology discussed in my direct testimony was used to calculate these revised adjustment amounts.

Q. Please explain the Staff's revised payroll tax annualization, adjustments S-31.4 and S-31.5.

A. FICA and FUTA were annualized to reflect the Staff's revised payroll annualization, and were calculated in the same manner as explained in my direct testimony.

Q. Please describe the impact the Staff's payroll revision caused for employee benefits, adjustment S-26.3.

A. The medical costs associated with Chris West were removed from the Staff's medical insurance annualization, since his payroll costs were removed from the Staff's payroll annualization.

Q. Did the Staff revise its pension expense annualization, adjustment S-26.1?

A. Yes. The Staff had assumed in its direct case that pension expense followed payroll expense. However, the Company makes contributions to the pension fund on a profit sharing basis, and does not have a set Company policy which it follows in making pension fund contributions. The Company makes contributions at its discretion and does not necessarily make a contribution every year. The Company made the 1985-1990 Profit Sharing Annual Reports available for the Staff's review. Since the 1986, 1988 and 1990 reports were missing, the Staff assumed the contribution in these years was zero, and calculated a six year average of contributions that the Company made for the years 1985-1990.

Q. Please describe the changes to the Staff's voucher analysis, adjustments P-4.1, P-5.3, P-6.1, S-6.2, S-7.4, S-8.3, S-13.3, S-20.3, S-22.4, S-23.1, S-26.6, S-27.1 and S-28.2.

A. In light of the discrepancies in the Company's F. C. Ziegler invoices and the Empire District Electric Company bills, which are described in Staff witness Rucker's supplemental direct testimony, I have added a fourth category of disallowed expenses relating to the voucher analysis. In addition to the "non-business", "capitalized" and "unsupported" disallowed expense categories discussed in my direct testimony, the fourth category includes

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"unverified" expenses. The term 'unverified' indicates expenses for which the Company provided some type of support, but which the Staff believes could be a personal or non-business item that has not yet been verified through contacts with appropriate third parties to be a legitimate business expense. See Schedule 1 attached to this supplemental direct testimony for a revised list of items disallowed from the Company's expenses. The asterisks indicate items which differ from those on Schedule 1 in my original direct testimony.

Q. What criteria did the Staff use to allow expenses in its recalculated revenue requirement?

A. The Staff utilized the voucher analysis it performed in filing its direct case. The Staff allowed expenses for the vouchers which had supporting documentation attached, such as invoices and such. In the Staff's recalculation of the revenue requirement, the Staff went back through its voucher analysis, made two more on-site visits to Choctaw and reviewed various vouchers again to determine the type of supporting documentation attached to the voucher. Any voucher which does not have a detailed invoice attached and/or the Staff believes could be of a personal nature or a non-business purpose was disallowed as 'nonverified'. Attached as Schedule 2 to my supplemental direct testimony are the expenses which are reflected in the Staff's recalculated revenue requirement.

Q. Is the Staff satisfied that it has disallowed all non-legitimate expenses and that it allowed all legitimate business expenses?

A. No. The Staff's further review was intended as a preliminary start in weeding out any questionable items. This is discussed in greater detail in Staff witness Rucker's supplemental direct testimony.

Q. Does this conclude your supplemental direct testimony?

A. Yes, it does.

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 customers in the Missouri service area of the Company.	)))))	Case No. TR-91-336

AFFIDAVIT OF ANNE M. WEDDLE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Anne M. Weddle, of lawful age, on her oath states: that she has participated in the preparation of the foregoing supplemental direct testimony in question and answer form, consisting of 8 pages to be presented in the above case; that the answers in the foregoing supplemental direct testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

Anne M. Weddle

Anne M. Weddle

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

Penny G Baker

Notary Public

My Commission expires ______________________.

COLE COUNTY
My Commission
SEP 14, 1995

CASE NO.: TR-91-336
WITNESS: Anne M. Weddle
TYPE EXHIBIT: Accounting
Schedule
Supplemental
Direct

SCHEDULE 1 CONTAINS

HIGHLY CONFIDENTIAL MATERIAL

CASE NO.: TR-91-336
WITNESS: Anne M. Weddle
TYPE EXHIBIT: Accounting Schedule Supplemental Direct

SCHEDULE 2 CONTAINS

HIGHLY CONFIDENTIAL MATERIAL