

*Exhibit No.:*  
*Issue:* True-up  
*Witness:* DOYLE L. GIBBS  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* True-Up Direct Testimony  
*Case No.:* WR-2000-281 et al.

**FILED**<sup>3</sup>  
JUN 15 2000

**MISSOURI PUBLIC SERVICE COMMISSION**  
**UTILITY SERVICES DIVISION**

**TRUE-UP DIRECT TESTIMONY**

**OF**

**DOYLE L. GIBBS**

**MISSOURI-AMERICAN WATER COMPANY**

**CASE NO. WR-2000-281 et al.**

*Jefferson City, Missouri*  
*June, 2000*

1                                   **TRUE-UP TESTIMONY**

2                                   **OF**

3                                   **DOYLE L. GIBBS**

4                                   **MISSOURI-AMERICAN WATER COMPANY**

5                                   **CASE NO WR-2000-281 et al.**

6  
7           Q.     Please state your name and business address.

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

10          Q.     Are you the same Doyle L. Gibbs that previously filed direct and  
11     surrebuttal testimony in this case?

12          A.     Yes, I am.

13          Q.     What is the purpose of your true-up testimony?

14          A.     The purpose of my true-up testimony is to inform the Commission and  
15     other parties as to the revised revenue requirements as a result of updating the Staff's  
16     filed case to the April 30, 2000 true-up date. The actual results are contained in the  
17     True-up Accounting Schedules that have been filed under separate cover.

18          Q.     With regard to presentation, have any changes been made to the  
19     accounting schedules?

20          A.     Yes. Accounting Schedule 1, Revenue Requirement, includes the impact  
21     of Staff's proposed phase-in of revenue requirement, as discussed in the direct and  
22     surrebuttal testimony of Staff Witness Stephen M. Rackers. Depreciation reserve,  
23     Accounting Schedule 5, is now being presented in detail by primary plant account and

1 additional adjustments have been reflected on Accounting Schedule 4, Adjustments To  
2 Plant In Service, Accounting Schedule 6, Adjustments To Depreciation Reserve and  
3 Accounting Schedule 10, Adjustments To Income Statement.

4 Q. Please identify the new adjustments presented on Accounting Schedules 4  
5 and 6.

6 A. The adjustments to plant in service on Accounting Schedule 4, with the  
7 exception of adjustments P-20.2 and P-20.3 reflect the net plant additions made by the  
8 Company since December 31, 1999. Adjustment P-20.2 updates the reduction to plant to  
9 reflect the Staff's position regarding the capitalization of allowance for funds used during  
10 construction (AFUDC) as described in the direct and surrebuttal testimony of Staff  
11 witness Rackers. Adjustment P-20.3 excludes a portion of the new St. Joseph treatment  
12 plant representing excess capacity. This adjustment is described in the rebuttal testimony  
13 of James A. Merciel from the Commission's Water and Sewer Department.

14 The adjustments contained in Accounting Schedule 6, Adjustments To  
15 Depreciation Reserve, reflect the actual change in the depreciation reserve for the period  
16 January 1, 2000 through April 30, 2000.

17 Q. Please explain the additional adjustments that have been included in  
18 Accounting Schedule 10.

19 A. Adjustment S-10.3 and S-12.6 have been added to the adjustments  
20 included in the Staff's direct filing. Adjustment S-10.3 provides for the expense of waste  
21 removal associated with the operation of the new St. Joseph treatment plant and is based  
22 on the average cost actually incurred since the plant began operating.

1 Adjustment S-12.6 increases expense to reflect the conversion of quarterly billing  
2 in the St. Joseph District to monthly billing.

3 Q. Aside from the presentation changes, what items were impacted by the  
4 true-up?

5 A. The capital structure and embedded costs have been updated for the true-  
6 up period as well as the investment (rate) base that it is applied to. Operating revenue  
7 and expenses have also been recalculated to reflect operational changes.

8 Q. What specific changes were made to rate base?

9 A. The amounts included in rate base for accumulated depreciation, customer  
10 advances, contribution in aid of construction (CIAC), deferred OPEB asset, pension  
11 liability and accumulated deferred income taxes reflect their respective balance as of  
12 April 30, 2000. Plant in service reflects the balance as of April 30, 2000, as adjusted by  
13 the Staff for AFUDC and excess capacity. Cash working capital (CWC) also reflects any  
14 change to expense levels and the impact of a shorter revenue lag as a result of the  
15 proposed conversion to monthly billing in St. Joseph District.

16 Q. What are the operational changes to which you refer?

17 A. There are two changes in operations that have occurred, and a third change  
18 that is being proposed. The primary operational change occurred in the St. Joseph  
19 District with the new treatment plant coming on-line. An operational change also  
20 occurred in the Warrensburg District with the addition of ozonation equipment to  
21 alleviate water quality problems. The proposed operational change is the conversion of  
22 the quarterly billing cycle in the St. Joseph District to a monthly billing cycle.

23 Q. What impact did the operational changes have on expense levels?

1           A.     The change in water source, as a result of the new treatment plant in the  
2 St. Joseph District, has required a different combination of chemicals to be used in the  
3 treatment process. Based on information provided by the Company, the change in  
4 chemical usage has caused chemical costs to be considerably higher (approximately  
5 200% higher) than the chemical costs incurred in the treatment process at the retired  
6 plant. Although the chemical cost that was provided by the Company has been  
7 incorporated in the calculation of revenue requirement, the Staff intends to continue its  
8 examination of this area and may revise its true-up calculation. In addition to the change  
9 in chemical expense, the new treatment plant requires the removal of waste created in the  
10 treatment process. The annual cost of the waste removal is reflected by adjustment S-  
11 10.3 contained in the schedule of adjustments, Accounting Schedule 10.

12           In Warrensburg, the introduction of liquid oxygen as part of the ozonation process  
13 resulted in an increase to chemical expense of approximately \$9,000. The Company also  
14 anticipated an increase to electric expense to operate the ozonation equipment. However,  
15 the information needed to quantify the impact of the ozonation equipment on electric  
16 expense was not available due to an apparent error in the billing of electric service that is  
17 yet to be resolved. The annualized electric expense for Warrensburg included in the true-  
18 up was determined using the methodology described in the direct testimony of Staff  
19 witness Mark D. Griggs.

20           The last operational change is the proposed billing change in St. Joseph.  
21 Adjustment S-12.6 quantifies the additional expense as a result of the proposed change.  
22 The cost is partially mitigated by the change in the revenue lag that results in a smaller  
23 CWC requirement.

True-up Testimony of  
Doyle L. Gibbs

1 Q. What other changes have been made as a result of the true-up?

2 A. Revenue and customer-based allocation factors have been adjusted to  
3 reflect customer levels as of April 30, 2000. As a result of the change in customers and  
4 the associated change in water production to serve those customers, the expense levels for  
5 chemicals, electricity, uncollectibles and purchased water have also been recalculated.

6 Payroll, payroll-related benefits and taxes have been adjusted to reflect the  
7 changes in employee levels, pay rates and employee position shifts.

8 Q. Does this conclude your true-up testimony?

9 A. Yes. It does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

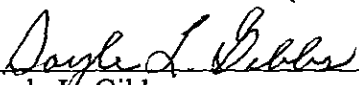
**OF THE STATE OF MISSOURI**

In the Matter of )  
Missouri-American Water Company's ) Case No. WR-2000-281 et al.  
Tariff Sheets Designed to Implement )  
General Rate Increases for Water and )  
Sewer Service provided to Customers in )  
the Missouri Service Area of the Company. )

**AFFIDAVIT OF DOYLE L. GIBBS**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

Doyle L. Gibbs, of lawful age, on his oath states: that he has participated in the preparation of the foregoing True-Up Direct Testimony in question and answer form, consisting of 5 pages to be presented in the above case; that the answers in the foregoing True-Up 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

Subscribed and sworn to before me this 15th day of June 2000.



**SHARON S WILES  
NOTARY PUBLIC STATE OF MISSOURI  
COLE COUNTY  
MY COMMISSION EXP. AUG. 23, 2002**