

*Exhibit No.:*  
*Issues:* Cash Working Capital,  
Depreciation Expense,  
Depreciation Reserve, Interest  
On Customer Deposits, Plant In  
Service, Property Taxes, Public  
Service Commission  
Assessment, Rate Base, Rate  
Case Expense  
*Witness:* Edward F. Began  
*Sponsoring Party:* MOPSC Staff  
*Type of Exhibit:* Direct Testimony  
*Case No.:* GR-2007-0003  
*Date Testimony Prepared:* December 15, 2006

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**DIRECT TESTIMONY**

**OF**

**EDWARD F. BEGAN CPA**

**UNION ELECTRIC CORPORATION**

**d/b/a AmerenUE**

**CASE NO. GR-2007-0003**

*Jefferson City, Missouri*  
*December 2006*

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

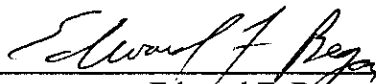
In the Matter of Union Electric Company d/b/a )  
AmerenUE for Authority to File Tariffs Increasing )  
Rates for Gas Service Provided to Customers in the )  
Company's Missouri Service Area. )

Case No. GR-2007-0003

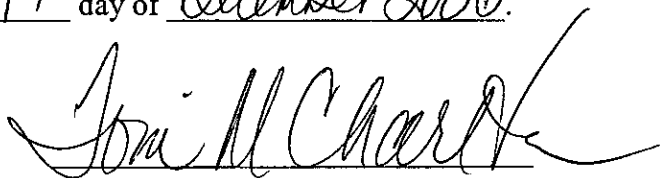
**AFFIDAVIT OF EDWARD F. BEGAN, CPA**

STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF COLE     )

Edward F. Began, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 17 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.

  
\_\_\_\_\_  
Edward F. Began

Subscribed and sworn to before me this 14<sup>th</sup> day of December 2006.

  
\_\_\_\_\_



TONI M. CHARLTON  
Notary Public - State of Missouri  
My Commission Expires December 28, 2008  
Cole County  
Commission #04474301

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**DIRECT TESTIMONY**

**OF**

**EDWARD F. BEGAN, CPA**

**UNION ELECTRIC COMPANY**

**d/b/a AMERENUE**

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**DIRECT TESTIMONY**  
**OF**  
**EDWARD F. BEGAN, CPA**  
**UNION ELECTRIC CORPORATION**  
**CASE NO. GR-2007-0003**

Q. Please state your name and business address.

A. My name is Edward F. Began. My business address is 9900 Page Avenue, Suite 103, St. Louis, Missouri.

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

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

Q. Please describe your educational background.

A. I graduated from Washington University, in St. Louis, Missouri, in January 1972, and passed the entire Uniform Certified Public Accountant (CPA) examination in May 1972. I possess a current Missouri CPA license and permit to practice.

Q. Please describe your work background.

A. I have held audit, accounting and controllership duties in public accounting and in industry, which have required progressively increasing responsibility. I have been employed by the Commission since November 2000.

Q. Please describe your duties while employed by the Commission.

A. In conjunction with other members of the Commission Staff (Staff) I have performed audits and examinations of utility companies operating within the state of Missouri with regard to rate cases and other regulatory proceedings.

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

2 A. Yes, please see Schedule 1 attached to this testimony for a list of cases in  
3 which I have filed testimony and the issues I addressed.

4 Q. With reference to Case No. GR-2007-0003, have you made an examination of  
5 the books and records of Union Electric Company d/b/a AmerenUE (AmerenUE or  
6 Company)?

7 A. Yes, in conjunction with other members of the Staff. Specifically, I reviewed  
8 Staff data request responses, the general ledger, trial balance reports, past Commission  
9 rulings, and prior case files.

10 Q. What matters will you address in your testimony?

11 A. I will address rate base, plant in service, depreciation reserve, depreciation  
12 expense, cash working capital, interest on customer deposits, rate case expense, property  
13 taxes, and, Public Service Commission assessment.

14 Q. What knowledge, skill, experience, training or education do you have in these  
15 matters?

16 A. I have reviewed the filed testimony, schedules, workpapers and data request  
17 responses regarding these issues in this case. I have also reviewed documents from previous  
18 rate cases involving issues I will be addressing. I also relied on my experience with these or  
19 similar issues in previous cases. In addition, I have relied on the accounting training I have  
20 received during college and the training I received through classes and seminars in utility  
21 regulation. I also have engaged in discussions with and received guidance and training from  
22 my supervisors with regard to these issues

**EXECUTIVE SUMMARY**

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to describe the components of the Staff's rate base and the Staff adjustments in Accounting Schedule 10 – Adjustments to Income Statement that I am sponsoring in this case.

Q. Please identify the Accounting Schedules you are sponsoring.

A. I am sponsoring:

Accounting Schedule 2      Rate Base

Accounting Schedule 3      Plant in Service

Accounting Schedule 4      Adjustments to Plant in Service

Accounting Schedule 5      Depreciation Reserve

Accounting Schedule 6      Adjustments to Depreciation Reserve

Accounting Schedule 7      Depreciation Expense

Accounting Schedule 8      Cash Working Capital

Q. Please list the adjustments you are sponsoring.

A. I am sponsoring the following adjustments: Rate Case Expense, Property Taxes, and Public Service Commission assessment.

**RATE BASE**

Q. Please discuss Accounting Schedule 2.

A. Accounting Schedule 2, Rate Base, delineates the net capital investment recommended by the Staff to determine the Company's revenue requirement. Utility Plant in Service and the related depreciation reserve are supported by Accounting Schedules 3 and 5, Plant in Service and Depreciation Reserve, respectively, and are discussed later in this

1 testimony. Cash working capital is the daily cash requirement necessary to fund utility  
2 operations. This component along with the offsets for interest and income taxes are supported  
3 by Accounting Schedule 8, Cash Working Capital, and will be discussed in detail later in this  
4 testimony. Prepayments and materials and supplies are increases to rate base since these  
5 components represent an investment of funds and generally present a 13 month average of the  
6 balances ending June 30, 2006. Customer advances and customer deposits, also based on a 13  
7 month average ending June 30, 2006, are reductions to rate base because these components  
8 are customer supplied funds available for use by the company.

9 The deferred taxes are a reduction to rate base and are discussed in the testimony of  
10 Staff witness Stephen M. Rackers.

#### 11 **PLANT IN SERVICE**

12 Q. Please discuss Accounting Schedule 3, Plant in Service, and Accounting  
13 Schedule 4, Adjustments to Plant in Service.

14 A. The amount of electric plant the company is using to serve customers is shown  
15 in Accounting Schedule 3, Plant in Service, which provides the details for Staff's rate base  
16 component of utility Plant in Service, stated at original cost, recorded on the Company's  
17 books as of June 30, 2006. Accounting Schedule 4, Adjustments to Plant in Service, depicts  
18 the Staff's adjustments to Plant in Service and the Staff witnesses supporting each adjustment.

#### 19 **DEPRECIATION RESERVE**

20 Q. What accounting schedules support depreciation reserve?

21 A. Accounting Schedule 5, Depreciation Reserve provides details of the  
22 accumulated depreciation expense related to the plant balances on Accounting Schedule 3.

1 The purpose of Accounting Schedule 6, Adjustments To Depreciation Reserve, is to provide  
2 the detail of any adjustments made to the depreciation reserve by the indicated Staff  
3 witnesses.

4 **DEPRECIATION EXPENSE**

5 Q. Please explain Accounting Schedule 7, Depreciation Expense.

6 A. This schedule shows the calculation of the annual depreciation expense on the  
7 Company's utility Plant in Service. The Plant in Service balances from Accounting  
8 Schedule 3, Plant in Service, are multiplied by depreciation rates recommended by Staff  
9 witness Jolie Mathis. The result represents the Staff's annualized depreciation expense.

10 **CASH WORKING CAPITAL**

11 Q. What is Cash Working Capital (CWC)?

12 A. CWC is the amount of cash necessary for a utility to pay the day to-day  
13 expenses it incurs in providing service to the ratepayer.

14 Q. What are the sources of CWC?

15 A. Ratepayers and shareholders are the sources of CWC.

16 Q. How do the ratepayers supply CWC?

17 A. The ratepayers supply CWC when the Company receives payment for service  
18 before the Company pays for the expenses it incurred to provide that service. The ratepayer is  
19 compensated for the CWC provided through a reduction to rate base.

20 Q. How do the shareholders supply CWC?

21 A. When the Company must pay for an expense incurred to provide service before  
22 the ratepayer has paid for the related usage, shareholders provide cash to cover that expense.



1 This cash outlay represents a portion of the shareholder's total investment in the Company.  
2 The shareholder is compensated for the CWC provided through an increase in rate base.

3 Q. How did the Staff determine the Company's CWC requirement?

4 A. The Staff's calculation of the Company's CWC requirement was based on a  
5 lead/lag study performed by the Staff. The use of a lead/lag study to calculate a company's  
6 CWC requirement and the components included by the Staff have been adopted by the  
7 Commission in many rate cases. The Staff used some of the data accumulated and some of the  
8 analysis performed by the Company.

9 Q. How does Staff calculate CWC using a lead/lag study?

10 A. In a lead/lag study, Staff analyzes the cash inflows and outflows of payments  
11 the Company receives from its customers for the service it provides and the disbursements it  
12 makes to vendors to provide that service. These cash flows are measured in numbers of days.  
13 A lead/lag analysis compares the number of days the company is allowed to take or actually  
14 takes to make payments after receiving service from a vendor, with the number of days it  
15 takes the Company to receive payment for the service provided to customers. The lead/lag  
16 study also determines who provides CWC.

17 Q. How are the results from a lead/lag study interpreted?

18 A. A negative CWC requirement indicates that ratepayers provided the working  
19 capital in the aggregate during the test year. This means that ratepayers provided the  
20 necessary cash, on average, before the Company must pay for expenses incurred to provide  
21 that service. A positive CWC requirement indicates, in the aggregate, that shareholders  
22 provided the cash necessary during the year. This means that the Company must pay, on  
23 average, for the expenses incurred in providing service before ratepayers pay for that service.

1           Q.     Please explain the components of the Staff's calculation of CWC, which  
2 appear on Accounting Schedule 8.

3           A.     Column A on Accounting Schedule 8, lists the expenses that the Company  
4 pays on a day-to-day basis. Column B lists the Staff's annualized expense amounts. Column  
5 C, Revenue Lag, denotes the amount of time expressed in days, between the midpoint of the  
6 period during which the Company provides service and the payment for that service by the  
7 ratepayer. Column D, Expense Lag, denotes the amount of time, expressed in days, between  
8 the receipt of and payment for the goods and services (i.e., cash expenditures) used by the  
9 Company to provide service to the ratepayer. Column E, Net Lag, results from the  
10 subtraction of the Expense Lag from the Revenue Lag. Column F, Factor, expresses the Net  
11 Lag in days as a fraction of the total days in the year. This result is derived by dividing the  
12 net lags in Column E by 365 days. Finally, Column G, CWC Requirement, is the average  
13 amount of cash necessary, on a daily basis, to provide service to the ratepayer, which is  
14 calculated by multiplying the annualized test year expense amounts (Column B) by the CWC  
15 factor (Column F).

16          Q.     Please explain the revenue lag.

17          A.     The revenue lag is the amount of time between when the Company provides  
18 service and when the Company receives payment for that service from ratepayers. The  
19 revenue lag on Accounting Schedule 8 considers the Company's major sources of revenue.  
20 This revenue lag is the sum of three subcomponent lags: usage, billing and collection.

21          Q.     Please explain the above subcomponent lags.

22          A.     The usage, billing, and collection lags are defined as follows:

1                   1.       Usage Lag: The midpoint of the average time elapsed from the first  
2 day of a service period through the last day of that service period. The company bills  
3 monthly; therefore this usage lag is 15.21 days, the midpoint of a month,  
4  $((365\text{days}/12\text{months})/2$  for midpoint) gas services.

5                   2.       Billing Lag: The period of time between the end of the last day of a  
6 service period and the day the bill is mailed to the customer. Gas services have 1.01 lag days.

7                   3.       Collection Lag: The collection lag measures the time between when  
8 the bill was mailed and when it was paid. The collection lag was based on the Company's  
9 Cash Lag Study (CURST 246). This report included past-due but not uncollectible amounts.  
10 Based on this report, the Gas services collection lag was determined to be 21.78 lag days.

11           Q.       What is the Staff's overall revenue lag?

12           A.       Staff's total Gas service revenue lag is 38.00 days (15.21 usage, 1.01 billing  
13 and 21.78 collection.)

14           Q.       Please explain the calculation of the expense lags for each item on Accounting  
15 Schedule 8.

16           A.       The expense items listed on Schedule 8, lines 2, 3, 4, 5, 6 and 7, relate to the  
17 CWC requirement for annualized payroll. Payroll has been divided into the following six  
18 components: 1) Base Payroll (net pay), 2) Vacation Pay, 3) Employee 401k withholdings  
19 4) Federal Income Tax withholdings 5) State Income Tax withholdings, and 6) Employee  
20 FICA withholdings. These payroll lines represent different payment timing requirements for  
21 each component.

22           Q.       Please explain the Base Payroll and expense lag calculated on line 2 of  
23 Accounting Schedule 8.

1           A.     The Base Payroll expense is the amount of take-home pay received by  
2 employees. The lag is the time lapse between the midpoint of the period in which employees  
3 earn wages, and the date the Company pays those wages. The Company has a bi-weekly  
4 payroll period (service period of 14 days divided by two to obtain a midpoint service lag of  
5 7.00 days plus a 3.49 day weighted average payment lag. The resulting weighted average  
6 Base Payroll lag of 10.49 days was utilized by Staff in this case.

7           Q.     Briefly describe AmerenUE's vacation policies.

8           A.     AmerenUE's vacation policies differ slightly between management and  
9 contract employees, primarily in that management employees with acceptable work  
10 experience from other organizations will immediately be credited with one or two weeks  
11 vacation depending upon their hire date. Most contract employees require approximately one  
12 year of service before receiving vacation. Consequently, for union employees, any year's  
13 vacation expense, for example 2006, reflects vacation that was earned during the previous  
14 year, 2005.

15          Q.     Please explain the computation of expense lag days for Vacation Payroll on  
16 line 3 of Accounting Schedule 8.

17          A.     The 300.70 expense lag days is based upon the total of 1) the midpoint of the  
18 weighted average service period required for the average employee to earn his vacation (i.e.  
19 105.74 days); and 2) the weighted average date when the employee took the vacation during  
20 the year (i.e. 194.96 days.) For purposes of this lag calculation, actual test year vacation data  
21 from Staff Data Requests was utilized.

22          Q.     Please explain 401-K Withheld on line 4.

1           A.     This is employees' withholdings for the 401-K Plan contributions. The  
2 Company pays the combined total of the employees' withholdings and the Company's  
3 contribution 11 days, on average, after the payroll date. Adding the 10.49 day payroll service  
4 lag results in an average payment lag of 21.49 days.

5           Q.     Please explain the Federal Withholding Taxes and Employee FICA and the  
6 expense lags calculated on lines 5 and 7, respectively.

7           A.     The Federal Income Taxes Withheld and Employee FICA Withholding (Social  
8 Security and Medicare) are due on the first banking day following pay dates. That one  
9 banking day lag plus intervening weekend/holiday days are added to the base payroll lag  
10 (10.49 lag-days) to determine total lag days for Federal withholding taxes. The resulting  
11 Federal withholding tax expense lag is 12.79 days.

12          Q.     Please explain the State Withholding Taxes and associated lag on line 6.

13          A.     State Income Taxes Withheld from employees' paychecks are due on the third  
14 banking day following the payroll date. The allowed three days plus intervening  
15 weekend/holiday days are added to the base payroll lag to determine total lag days for State  
16 income taxes withholding. The resulting State withholding expense lag is 14.96 days.

17          Q.     Please explain Employee Benefits Excluding Pensions Expense on Line 8 of  
18 Schedule 8.

19          A.     This expense is composed of the following items: 1) FAS 106, the actual  
20 payments to funds for medical expenses and life insurance premiums providing benefits for  
21 current and future retirees; 2) Health care is actual medical expenses and insurance premiums  
22 related to current employees' benefits; and 3) the Company's 401-K Plan contributions.  
23 These different expense categories were dollar weighted to yield 59.37 days expense lag.

1 Q. Please explain the expense lag for Uncollectible Expense on line 9.

2 A. Uncollectible expense is an expense in name only. It is actually a lack of  
3 revenue collection and, therefore, does not represent a cash flow for payment of an expense.  
4 An expense lag equal to the revenue lag has been assigned to this item, so that a zero CWC  
5 effect is produced.

6 Q. Please explain Pension Expense on Line 10 of Schedule 8.

7 A. This is the actual amount paid to the Company's pension plans. The pension  
8 plan payments were for calendar year 2005 and consisted of two payments (one in February  
9 and other in September 2005.) The resulting dollar weighted expense lag is 73.54 days.

10 Q. Please explain the Cash Vouchers lag on Schedule 8, line 11.

11 A. The Staff's analysis of the Cash Vouchers lag was based upon the Company's  
12 sample of 227 vendors' invoices to determine the lag between the date service was provided  
13 to the Company, and the date the invoice was paid. Those invoices were then dollar weighted  
14 yielding an average payment lag of 45.38 days. The Staff examined this invoice sampling and  
15 believes it accurately reflects the payment lag for the cash vouchers component of CWC. The  
16 amount of test year expense associated with cash vouchers is equal to the Staff's total  
17 operation and maintenance expense, less all the preceding expense amounts listed on  
18 Schedule 8. This item includes all the O&M expense that was not specifically analyzed and  
19 assigned expense lags.

20 Q. Please explain the employer's portion of the FICA (Social Security and  
21 Medicare) tax expense lag on line 14 of Accounting Schedule 8.

1           A.     The employer's and the employee's portion of FICA taxes are paid at the same  
2 time. Therefore, employer's FICA taxes have the same expense lag as the Employee FICA  
3 withholding taxes at line 7 of Schedule 8, 12.79 days.

4           Q.     Please explain the Federal and State Unemployment Tax expense lags on  
5 line 15 of Accounting Schedule 8.

6           A.     Both taxes are due at the end of the month following the calendar's quarter end  
7 and are based on the quarter's taxable wages. The lag represents the length of time between  
8 the average day service is rendered by the employee (quarterly midpoint of 45.63 days and the  
9 day the Company is required to make a payment for that service (end of the month following  
10 the quarter end). This results in a 76.38 day expense lag.

11          Q.     Please explain the corporation franchise taxes expense lag on line 16, of  
12 Accounting Schedule 8.

13          A.     Corporation franchise taxes are paid annually for the current year. The service  
14 period is the calendar year (average service period:  $365 \text{ days} / 2 = 182.5 \text{ days}$  average service  
15 lag). The payments are due on April 15<sup>th</sup> of the current calendar year, resulting in a negative  
16 expense lag of (77.50) days.

17          Q.     Please explain the PET taxes on line 17 of Schedule 8.

18          A.     This is the St. Louis City Payroll Earnings Tax. It is levied upon employers at  
19 .005 of gross payrolls earned within the City of St. Louis. It is due at the end of the first  
20 month following each calendar quarter. The actual due dates were used to calculate the  
21 expense lag of 76.38 days.

22          Q.     Will you please explain the expense lag for property taxes as shown on line 18,  
23 of Accounting Schedule 8?

1           A.     The property tax lag measures the difference between the midpoint of the  
2 calendar year service period and the payment due date. The resulting expense lag is 182.50  
3 days.

4           Q.     Why are Other Expenses included in CWC?

5           A.     Although these items do not appear in the Staff's income Statement, cash is  
6 still collected from ratepayers to make payments for these items. In the case of taxes, the  
7 utility acts as a conduit between the customer and the taxing authority. In the case of  
8 Purchased Gas expense, the Company is required to pay for the gas before the ratepayer pays  
9 the bill for this service.

10          Q.     Why do the revenue lags for sales and use taxes and gross receipt taxes on  
11 lines 21 and 22 of Accounting Schedule 8 differ from the revenue lag discussed above?

12          A.     The Company acts solely as an agent of the taxing authority in collecting sales  
13 and use taxes from the ratepayer and in forwarding the collected taxes on a timely basis. The  
14 Company does not provide any service to the ratepayer associated with these taxes. Since the  
15 Company's liability for forwarding sales and use taxes does not begin until the taxes are  
16 collected, the disbursement lag for sales and use taxes is measured from the date these taxes  
17 are collected, and no service, billing or collection lapse time is appropriate. Therefore, sales  
18 and use taxes have revenue lags of zero. Gross receipts taxes are imposed by municipalities  
19 on billings within their municipal boundaries. Consequently, while similar to sales and use  
20 taxes in that the Company is only an agent of the taxing authorities and provides no service to  
21 the ratepayers associated with gross receipts taxes, the Company's liability for forwarding  
22 gross receipts taxes begins with its billing date to the ratepayer. Therefore, the collection  
23 component of the revenue lag (21.78 days for gas) is appropriate as the revenue lag.



1 Q. Please explain the sales and use tax payments lag on line 21, of Accounting  
2 Schedule 8.

3 A. Sales taxes are a composite of state and local sales taxes. The Company makes  
4 five payments each month for sales taxes - four quarter-monthly payments during each month  
5 and a final catch-up, or reconciling, payment for the preceding month's taxes. Dollar  
6 weighted lags of the five payments were calculated using the required deposit dates. Use taxes  
7 are remitted monthly. The weighted average of these two taxes yielded an 8.89 days expense  
8 lag.

9 Q. Please explain the gross receipts tax payments lag on line 22, of Accounting  
10 Schedule 8.

11 A. The Company remits gross receipts taxes to the municipalities at varying  
12 times as their statutes specify (i.e. monthly, quarterly, etc.) Dollar weighted lags were  
13 calculated using the actual payments. The weighted average of these payments yielded 72.55  
14 for gas service.

15 Q. Please provide an explanation of the expense lag computed for Purchased Gas  
16 shown on the Gas Accounting Schedule 8, line 23.

17 A. The Staff's examination of the Purchased Gas expense lag was based upon an  
18 analysis of natural gas purchase invoices. The dollar weighted average lag associated with  
19 these invoices yielded an average expense lag of 39.73 days. The Staff examined the  
20 company's analysis and believes it provides an accurate reflection of the expense lag  
21 associated with natural gas purchases.

22 Q. Please explain and describe the inclusion of income taxes and interest in the  
23 Staff's analysis of CWC.

1           A.     Taxes and interest are known and certain obligations of the Company with  
2 payment periods and payment dates established by statute or by the terms of the debt.  
3 Amounts collected for taxes and interest represent a source of cash to the Company until paid  
4 to the appropriate taxing authority or bondholder, and, therefore, should be included in a  
5 lead/lag analysis. Interest expense is included in the cost of service though the application of  
6 the weighted cost of capital times rate base. Income taxes are included through the  
7 calculation of revenue requirement as shown on Accounting Schedules 1 and 11, Revenue  
8 Requirement and Income Taxes.

9           Q.     Please explain how the tax expense lags were calculated for federal and state,  
10 taxes as shown on lines 26 and 27 on Accounting Schedule 8, CWC, and lines 15 and 16 on  
11 Accounting Schedule 2 Rate Base.

12          A.     These lags were calculated by using the taxable periods set by the respective  
13 taxing entities. Additionally, Staff used the statutory due dates in order to obtain a weighted  
14 expense lag.

15          Q.     How was the interest expense lag on line 28 computed?

16          A.     The interest expense lag was calculated using actual test year data provided by  
17 the Company. The lags between the midpoint of the service period and the due dates were  
18 calculated and multiplied by the associated amounts to compute a weighted average lag.

19          Q.     What was the result of the Staff's lead/lag calculation?

20          A.     The individual calculations, when summed, result in total net ratepayer  
21 supplied funds and illustrate the excess of CWC supplied by the ratepayer over the amount  
22 supplied by the shareholders. The CWC component is deducted from rate base to compensate  
23 the ratepayers for the use of their funds.

1 Q. Have you included any lag associated with bank float in your calculation of  
2 revenue or expense lags?

3 A. No. The Commission has consistently excluded any bank float lag because it  
4 changes the definition of payment/collection lag from the time the Company takes to pay a  
5 bill or waits to receive customer payments to the time the bank takes to debit or credit the  
6 Company's bank account for the funds.

7 **INTEREST ON CUSTOMER DEPOSITS**

8 Q. How did the Staff determine the interest on customer deposits?

9 A. The Company pays interest on customer deposits based upon the Prime bank  
10 lending rate, as published in the Wall Street Journal, at November 30. Customers having gas  
11 service or both gas and electric service are paid the defined Prime interest rate plus 1-1/2%.  
12 The rate will remain fixed for a calendar year and change annually on January 1. For cost of  
13 service purposes, Staff determined the normalized level of customer deposits by calculating a  
14 thirteen month average during the test year ending June 30, 2006. The Prime interest rate  
15 applicable to these deposits was 7.00% at November 30, 2005.

16 **RATE CASE EXPENSE**

17 Q. Please explain the adjustment for Rate Case Expense.

18 A. The rate case expense adjustment increases test year expense for the amount  
19 deferred during the test year. The Staff has some concerns with the amount the Company has  
20 estimated for rate case expense and the cost of outside consultants to be charged to ratepayers.  
21 The Staff will continue to monitor this item through the true-up period audit process and will  
22 reevaluate its adjustment to recognize an appropriate normal level of rate case expense.

1     **PROPERTY TAXES**

2             Q.     Please explain the property tax adjustment.

3             A.     Test year property taxes were adjusted to include taxes paid in other states for  
4     gas stored therein.

5     **PUBLIC SERVICE COMMISSION ASSESSMENT**

6             Q.     Please explain the adjustment to the Missouri Public Service Commission's  
7     (PSC's) Assessment.

8             A.     This adjustment increases the test year's level of expense to the current year's  
9     actual assessment amount.

10            Q.     Does this conclude your direct testimony?

11            A.     Yes.

**CASE PROCEEDING PARTICIPATION**

**EDWARD F. BEGAN, CPA**

PARTICIPATION		TESTIMONY
COMPANY	CASE NO.	ISSUES
Citizens Electric Cooperative	ER-2002-217	Direct - Advertising; Dues Donations and Memberships; Maintenance Expense including Tree Trimming; Postage; PSC Assessment; and, Rate Case Expense
Laclede Gas Company	GR-2001-629	Direct - Advertising; Property Taxes; Other Rate Base Items; Plant, and Amortizing Assets, Their Related Reserves, and Current Amortization and Depreciation Expense; PSC Assessment; and, Rate Case Expense
Northeast Missouri Rural Telephone Company	TR-2001-344	Direct - Advertising; Memberships, Dues, Donations, and Subscriptions; Payroll
Missouri - American Water Company	WR-2003-0500	Chemicals, Fuel & Power, Purchased Water Removal & Salvage, Revenue, and Uncollectibles
Laclede Gas Company	GR-2005-0284	Dental, Medical Vision Expenses, and 401K Fees, Payroll