

Exhibit No.:
Issues: Merger Savings
Witness: V. William Harris
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: EM-2000-369

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

V. WILLIAM HARRIS

UTILICORP UNITED INC.

AND

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. EM-2000-369

Jefferson City, Missouri
June 2000

Exhibit No. 704
Date 9.14.00 Case No. EM-2000-
Reporter KT 369

****Denotes Highly Confidential Information****

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Rebuttal Testimony of
V. William Harris

1 Federal Energy Regulatory Commission in Washington, DC. Prior to that, I was an
2 Internal Auditor and Training Supervisor with Volume Shoe Corporation (d/b/a Payless
3 ShoeSource).

4 Q. What are your responsibilities with the Commission?

5 A. I am responsible for assisting in the audits and examinations of the books
6 and records of regulated utility companies operating within the state of Missouri.

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

8 A. Yes, I have. A list of cases in which I have filed testimony is shown on
9 Schedule 1 of this rebuttal testimony.

10 Q. With reference to Case No. EM-2000-369, have you examined and studied
11 the books and records of The Empire District Electric Company (Empire) in conjunction
12 with Empire's proposed merger with UtiliCorp United Inc. (UtiliCorp)?

13 A. Yes, in conjunction with other members of the Commission Staff (Staff).

14 Q. What is the purpose of your rebuttal testimony in this proceeding?

15 A. The purpose of my rebuttal testimony in this proceeding is to address the
16 evidence in the Joint Applicants' testimony and schedules relating to certain purported
17 merger savings. My testimony specifically addresses savings relating to fuel supply
18 expense. I will provide information herein regarding current, non-merger related fuel
19 savings realized by Empire through its minority ownership in the Iatan generating
20 facility.

21 Q. What has been your past involvement in the determination of the fuel
22 supply expense and savings associated with the Iatan generating facility?

23 A. I sponsored similar Staff testimony and related schedules to the instant
24 filing in the proposed merger proceeding of UtiliCorp and the St. Joseph Light and Power

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1 Company (SJLP) in Case No. EM-2000-292. Prior to that, I coordinated the Staff's
2 examination of SJLP's fuel expense in its two most recent electric rate proceedings, Case
3 Nos. EC-98-573 and ER-99-247. Consequently, I sponsored all Staff adjustments in the
4 area of fuel supply and expense in those cases.

5 Q. How does your testimony filed in this Merger Application compare to the
6 testimony you filed earlier concerning the same issue in the UtiliCorp/St. Joseph Light &
7 Power Company (St. Joseph) Merger Application, Case No. EM-2000-292?

8 A. This testimony is very similar to my testimony file earlier in Case No.
9 EM-2000-292, and in most respects is identical.

10 Q. Why would Iatan fuel expense matters impact both the UtiliCorp, SJLP
11 and UtiliCorp/Empire merger applications?

12 A. Like Empire, SJLP has a minority ownership in the Iatan facility. The
13 only difference in the determination of each minority owner's savings at the Iatan facility
14 is the amount of ownership applicable to the total savings.

15 Q. Please explain.

16 A. Iatan is a large 670 megawatt (MW) base-load power plant which utilizes
17 low cost, low sulfur western coal as the main boiler fuel. Kansas City Power & Light
18 Company (KCPL) is the majority owner (70%) and operator of the Iatan station. Empire
19 owns 12% of the Iatan station and SJLP owns the remaining 18% of the station. As
20 majority owner and operator of the facility, KCPL makes all operating decisions and
21 records all resulting expenses. Subsequently, KCPL passes on to each minority owner
22 (Empire and SJLP) its respective share of the operating expense. As a result, Empire
23 receives 12% of any of the total savings associated with Iatan while SJLP is the
24 beneficiary of 18% of the savings.

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1 Q. Has there recently been a significant reduction in the fuel supply cost at
2 the Iatan generating facility?

3 A. Yes. Until early 1999, Iatan had been receiving the bulk of its coal under
4 a contract with the Atlantic Richfield Company (ARCO). The contract was effective
5 January 1, 1984 through December 31, 2003. The Arch Coal Company (Arch) acquired
6 ARCO and subsequently negotiated a new contract with KCPL to recoup some of the
7 cash used in the ARCO acquisition. The new contract, which significantly reduced the
8 fuel supply cost at the Iatan facility, became effective from April 1, 1999 through
9 December 31, 2003.

10 Q. Why is it necessary to address the reduction in Empire's fuel supply cost
11 in this Merger Application proceeding?

12 A. The Staff wanted to be certain that this reduction in Iatan's fuel supply
13 cost is not considered as part of the merger-related savings. The Staff clearly considers
14 this reduction to be non-merger related.

15 Q. Why should this fuel supply expense reduction be considered non-merger
16 related?

17 A. This reduction is clearly non-merger related because neither UtiliCorp nor
18 Empire had anything to do with its having taken place. This reduction resulted from an
19 agreement between the coal supplier (Arch) and Iatan's majority owner and managing
20 partner (KCPL). KCPL merely shared its expense reduction at Iatan with its minority
21 partners (Empire and SJLP). Even if Empire had been involved in the renegotiations of
22 the fuel supply at Iatan, the fuel savings would still be non-merger related because the
23 contract was renegotiated prior to the commencement of the proposed merger between
24 Empire and UtiliCorp.

Rebuttal Testimony of
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1 Please refer to the rebuttal testimony of Staff Accounting witnesses Cary G.
2 Featherstone and Janis E. Fischer for a further discussion of the importance of
3 distinguishing merger and non-merger expense reductions in this proceeding.

4 Q. What is Empire's net savings from the fuel expense reduction at Iatan?

5 A. Empire's net savings is **_____**. I have attached my calculation of
6 the net savings as Schedule 2. The net savings is a combination of the total coal cost
7 savings, less the rate base treatment for the prepaid contract buyout amount and the
8 associated amortization of this prepaid investment.

9 Q. Does this conclude your rebuttal testimony?

10 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Joint Application of)
UtiliCorp United Inc. and The Empire District)
Electric Company For Authority To Merge The)
Empire District Electric Company With and Into) EM-2000-369
UtiliCorp United Inc. and, In Connection)
Therewith, Certain Other Related Transactions,)
Filed.)

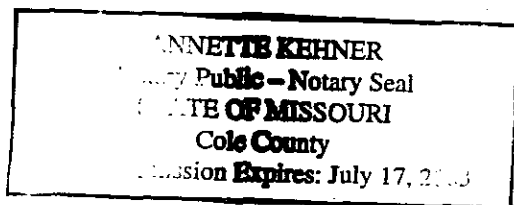
AFFIDAVIT OF V. WILLIAM HARRIS

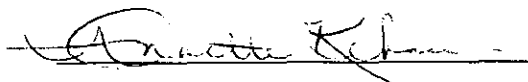
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

V. William Harris, is, of lawful age, and on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 5 pages to be presented in the above case; that the answers in the foregoing Rebuttal 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.


V. William Harris

Subscribed and sworn to before me this 20th day of June, 2000.





V. William Harris

Schedule of Testimony Filings

Case No.	(Type)	Company
ER-95-279	(Direct)	Empire District Electric Company
GR-96-285	(Direct, Rebuttal, Surrebuttal)	Missouri Gas Energy (Southern Union Co.)
GR-97-272	(Direct)	Associated Natural Gas Company
EC-98-573	(Direct, Rebuttal, Surrebuttal)	St. Joseph Light and Power Company
HR-99-245	(Direct, Rebuttal, Surrebuttal)	St. Joseph Light and Power Company
GR-99-246	(Direct, Rebuttal, Surrebuttal)	St. Joseph Light and Power Company
ER-99-247	(Direct, Rebuttal, Surrebuttal)	St. Joseph Light and Power Company
EM-2000-292	(Rebuttal)	UtiliCorp United / St. Joseph Light and Power

Case No. GR-96-285, Missouri Gas Energy was litigated. All others were stipulated.