Exhibit No.:
Issues: Employee Benefits, Injuries and Damages, Property Insurance, Plant Maintenance Expense, and Bad Debt Expense
Witness: Robert S. O'Keefe
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case Nos.: EO-97-144andEC-97-362

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

ROBERT S. O'KEEFE

MISSOURI PUBLIC SERVICE, A DIVISION OF UTILICORP UNITED, INC.

CASE NOS. EO-97-144 AND EC-97-362

Jefferson City, Missouri
March 1997

DIRECT TESTIMONY

OF

ROBERT S. O'KEEFE

MISSOURI PUBLIC SERVICE COMPANY

A DIVISION OF UTILICORP UNITED, INC.

CASE NOS. EO-97-144 AND ER-97-362

Q. Please state your name and business address.

A. My name is Robert S. O'Keefe, and my business address is 3675 S. Noland Road, Independence, Mo. 64055.

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

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

Q. Please describe your background.

A. I have a B.S. in Economics from the University of Kansas, and an M.S. in Accountancy from the University of Missouri at Kansas City. I have passed the Certified Public Accountant, Certified Management Accountant and Certified Internal Auditor examinations. I have been employed by the Commission as a Regulatory Auditor since January 1995. During that time I have performed examinations of the books and records of utilities operating in the State of Missouri.

Q. With reference to Case Nos. EO-97-144 and EC-97-362, have you examined the books and records of Missouri Public Service Company (MPS or Company), a division of Utilicorp United, Inc. (UCU)?

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

Q. What is the purpose of your testimony?

A. My testimony will address the following areas and income statement adjustments:

Employee Benefits	(S-11.2, 11.6, 11.8)
Injuries and Damages	(S-11.1)
Property Insurance	(S-11.1)
Plant Maintenance Expense	(S-5.1, 6.1, 7.1)
Bad Debt Expense	(S-8.1)

In addition, I am sponsoring Accounting Schedule 8, Cash Working Capital.

EMPLOYEE BENEFITS

Q. What adjustments to employee benefits expense are you sponsoring?

A. I am sponsoring Adjustment Nos. S-11.2, S-11.6, and S-11.8 (attached Schedule 1.)

Q. What is Adjustment No. S-11.2?

A. Adjustment No. S-11.2 reduces test year level of cost, for benefits that are continuing, to an annualized amount (attached Schedule 1-1.)

Q. Did Staff recalculate the expenses in Adjustment No. S-11.2?

A. Yes, I recalculated hospitalization, or medical expense, to set a normal, ongoing level of expense.

Q. What medical coverages are available for MPS employees?

A. UCU furnishes MPS employees with two options for medical coverages (1) a paid provider organization (PPO) or (2) a health maintenance organization (HMO).

Q. How is the PPO different from the HMO?

A. The PPO is a self-insured program. The HMO is a health insurance plan with a third party provider.

Q. How does UCU's PPO operate?

A. The PPO is a self-insured program that is funded through payments to an intermediary. UCU Human Resources pays the medical costs of the people enrolled in the program through an administrator. After deducting his fees, the administrator pays the actual providers of care.

Q. How does UCU's HMO operate?

A. Human Resources pays insurance premiums directly to an HMO.

Q. Do employees contribute to their medical coverage?

A. Yes, each covered employee, whether enrolled in the HMO or the PPO, has an amount deducted from their paycheck. The number of dependents covered determines the amount of an employee's deduction. These deductions offset some of UCU's cost of providing medical benefits.

Q. How does MPS determine its medical expense?

A. UCU Human Resources, operating as a quasi-health insurance provider, charges MPS a "premium" that MPS books to its general ledger. In this framework, a "premium" is an intercompany charge that Human Resources makes to the other UCU units, based on how much coverage the employees of each unit use. In turn, these intercompany charges fund the payments to the PPO and the HMO.

Q. How are the "premiums" for each unit calculated?

A. The "premium" is an average generated by dividing estimated UCU medical costs by the total covered. Human Resources charges each unit the "premium" multiplied by the number of insured at each unit.

Q. If MPS books allocated costs, what are the actual ongoing costs of providing medical benefits to employees at MPS?

A. Staff believes the following represents the actual ongoing cost of providing medical benefits to MPS employees:

(+)Premiums paid by UCU to the HMO for MPS employees
(+)A normal level of payments to the PPO administrator for MPS claims
<u>(-)Premiums paid by MPS employees</u>
(=)Cost of providing medical benefits to employees **charged** to MPS
<u>(-) Costs for non-MPS employees on MPS books</u>
(=)Cost of providing medical benefits to MPS employees

Q. Does medical expense on MPS's general ledger include amounts for non-MPS employees?

A. Yes, MPS stated in Data Response No. 80 that not all the amounts included in the MPS general ledger were for MPS employees. MPS also provided the approximate cost of medical for non-MPS employees, expressed as a percent of the whole. I multiplied this percentage by total annualized medical costs to eliminate costs of covering non-MPS employees.

Q. What is a normal level of payments to the PPO administrator?

A. Because medical claims vary from year to year, Staff must factor fluctuations in amounts paid out of its annualization, so as to reflect a normal level of activity. Hence, Staff calculates an average over a period of years to set the normal level of payments.

Q. When was UCU's current system for providing medical benefits installed?

A. UCU went to its present system in 1995. Prior to 1995 MPS provided employees medical coverage under a traditional health insurance program. Consequently, actual claims data for the PPO is only available for two years.

Q. How does MPS's actual ongoing medical expense differ from what is on their general ledger?

A. An annualized amount of actual MPS medical expense:

1) factors in changes in insurance premiums, as opposed to the premiums UCU expensed during the year,

2) includes actual costs of participation of MPS employees, as opposed to an allocated average of all UCU employees,

3) uses a normal level of payments for the PPO, as opposed to the actual payments made during the year, and

4) eliminates the cost of certain non-MPS employees whose medical costs are on the MPS general ledger.

Q. Did you have any discovery problems concerning medical benefit expense?

A. Yes, I have requested and not received the following information, (any information outstanding referred to in this testimony is as of March 28, 1997):

- Data Request No. 154, issued January 8, 1997, asks for the most current census and premium data related to medical costs. The response submitted to Data Request No. 154 on January 31, 1997 did not provide the requested premium data. This response is now 59 days late.

- Data Request No. 214, issued January 27, 1997, asks for the current employees' payments by class and the census of each employee class. Staff has yet to receive this information that is now 40 days late.

- I also requested the amount of actual claims paid through the end of 1996 in Data Request No. 154. The Company's response only provided paid claims through June 1996.

- Data Request No. 215, issued January 27, 1997, asks the Company to provide all of the components of medical expense. This information is currently 40 days late.

Q. Has MPS' failure to provide accurate, complete and timely responses to data requests effected Staff's annualization of medical costs?

A. Because MPS did not provide the requested information, I had no alternative but to make assumptions about the components of medical costs booked by the Company in determining what costs to annualize. Assumptions I made about current premium payments affected the calculation of both the amounts of MPS employee contributions to UCU and premiums paid to the HMO. MPS' failure to provide complete and accurate information also altered the calculation of the PPO payments. I have attached my calculations of annualized medical costs for MPS as Schedule 2.

Q. Can Staff make a final statement as to an appropriate annualized level of medical benefits expense without receiving the information requested from the Company?

A. No.

Q. What is adjustment No. S-11.6?

A. Adjustment No. S-11.6 removes the Company's SFAS 106 accrual for Other Post Retirement Benefits (OPEB) from cost of service (attached Schedule 1-2.)

Q. Does Missouri Law (Section 386.315 RSMo) dictate that the Commission allow SFAS 106 accruals, above actual payments to retirees, in cost of service?

A. I have been advised by counsel that Missouri law only requires the Commission to place SFAS 106 accruals in rates if the Company deposits the amounts accrued in an external funding vehicle.

Q. Does UCU have a funding vehicle set up for SFAS 106 accruals for MPS employees?

A. The response to Data Request No. 39 suggests that UCU has no funding vehicle in place for the MPS OPEB accrual under SFAS 106 (Schedule 3.)

Q. What is adjustment No. S-11.8?

A. Adjustment No. S-11.8 removes amounts associated with non-recurring benefits activities from the test year amounts (attached Schedule 1-3.)

Q. Concerning employee benefits, what non-recurring costs did Staff remove from test year?

A. Staff eliminated the cost of the following activities noted in MPS's response to Data Request No. 386: entertainment tickets, employee wellness program, employee recognition program and the supplemental retirement pay plan (Schedule 4), plus the cost of a one-time program called "The Think Big Program."

INJURIES AND DAMAGES AND PROPERTY INSURANCE

Q. What is adjustment No. S-11.1?

A. This adjustment annualizes expense in accounts 924 and 925.

Q. What expenses are accounted for in accounts 924 and 925 under the Uniform System of Accounts (USOA)?

A. Account 924 is for property insurance. Account 925 is for injuries and damages. Companies using the USOA record business insurance premiums and accruals for expected cash settlements of casualty claims and property losses to these accounts.

Q. What is Staff's normal procedure for annualizing injuries and damages and property insurance?

A. The normal procedure for annualizing accounts 924 and 925 is to:

(+)Latest known and measurable business insurance premium amounts
<u>(+)An annualized level of actual property and casualty losses not covered by insurance</u>
(=)Total cost of property insurance and injuries and damages

Q. How does Staff set an annualized level of property and casualty losses?

A. Staff examines the actual casualty and property claims paid out by the Company over a period of years. If no obvious trend in the data is present, Staff calculates an average of actual claims paid over a period of years to determine an ongoing level of losses.

Q. Did discovery problems force Staff to deviate from its normal practice in annualizing these accounts in this case?

A. Yes, I deviated from normal practice because of a lack of complete and accurate information regarding the composition of Account 924 and 925 on MPS's General Ledger.

Q. Have you requested this information from the Company?

A. Yes, attached are Schedule 5, copies of memos written about inadequate responses to data requests, and Schedule 6, a sample of the unanswered data requests in this area.

Q. What information have you asked for regarding the composition of costs booked to Accounts 924 and 925?

A. On January 17, 1997, I asked for a meeting with both the Company personnel responsible for calculating insurance cost and the Company personnel responsible for booking amounts into accounts 924 and 925. In the two memos sent requesting the meeting, I explained that an important reason for this meeting was to learn what costs MPS booked into which accounts on their ledger. In the meeting held February 27, 1997, MPS accounting personnel were unable to give members of Staff a definite answer about what costs they book into these accounts.

Q. What other means did you use to attempt to find out the composition of these accounts?

A. I also issued the following data requests:

- Data Request No. 151, issued January 8, 1997, asks for capitalized amounts in accounts 924 and 925. The Company submitted a response, on January 27, 1997, that did not answer the question. Staff sent a memo (attached Schedule 5-2) explaining to the Company why this response is insufficient. MPS has provided neither a response to the memo, nor the information requested that is now 59 days past due.

- Data Request No. 153, issued January 8, 1997, asks for the "amount of monthly accruals in 1996 that is in addition to the amounts provided by risk management." The Company's response to this question was "none." However, the MPS general ledger contradicts this response, as do the statements made by Ken Jones, Director of UCU Accounting Services, in the meeting on February 27, 1997. Staff sent another memo (attached Schedule 5-2) to the Company explaining why this response is inadequate. MPS has provided neither a response to the memo nor the information requested. This information is currently 59 days past due.

- Staff issued Data Request No. 165 on January 16, 1997 asking for the "premium expense and administrative expense booked into accounts 924 and

925." In response, the Company provided the MPS general ledger pages for an account that doesn't even contain the requested expenses. Staff sent another memo (attached Schedule 5-3) explaining why this response is inadequate. The Company has provided neither a response to the memo nor the information requested. This information is currently 51 days past due.

- Data Request 208, issued January 24, 1997, asks for the specific components of the expenses that MPS booked to account 924 and 925 in 1995 and 1996 (attached Schedule 6.) We have still not received a response to this data request. This information was due 43 days ago.

Q. What information has Staff requested about paid claims?

A. I asked for data regarding actual paid claims in multiple requests:

- Data Request No. 107, issued December 19, 1996, asks for actual payments made for injuries and damages. On January 30, 1997 the Company submitted a response that did not give actual payments made for injuries and damages. Staff sent another memo (attached Schedule 5-4) explaining why this response is inadequate. The Company did not respond to the memo. The response to Data Request No. 107 was finally received by the Staff on March 24, 1997. This was 95 days after the data request was initially issued.

- Data Request No. 205, issued January 23, 1997, asks for claims paid in amounts over $100,000. This response was received 40 days late.

Q. In cost of service investigations, is it routine to ask for and receive paid claims data?

A. Yes. Attached Schedule 7 shows both the data request for paid claims and MPS's response in ER-93-37. As demonstrated, in prior rate cases, MPS has routinely provided this information.

Q. Does UCU have paid claims data by business unit and type readily available?

A. Yes, Dennis Teague suggested that paid claims data by business unit and type is readily available for the previous ten years. In a meeting on February 27, 1997, Mr. Teague stated that:

> To my knowledge, I thought that you would have received this information. Perhaps you have not yet. I have it front of me here. . . . To my knowledge, all of the requests have been responded to. But if we find out that you don't have this particular piece of information, I have it for you.

Q. Were the persons responsible for answering data requests present at this meeting?

A. Yes, both Allison Moten and Maurice Arnall were present, and had no response to Mr. Teague's comments. I also sent a memo on February 27, 1997, explaining how the documents referenced by Mr. Teague as readily available would fulfill outstanding data requests.

Q. Has the Company provided the documents on paid claims data referenced by Mr. Teague?

A. The Company provided actual paid claims information March 24, 1997, twenty-five days after the meeting with Mr. Teague.

Q. Can Staff make a final judgement about expense in accounts 924 and 925 without the information requested from MPS?

A. No.

<u>PLANT MAINTENANCE EXPENSE</u>

Q. What is the purpose of Adjustments Nos. S-5.1, S-6.1 and S-7.1?

A. These adjustments normalize maintenance expense.

Q. How did you calculate a normal level of maintenance expense?

A. I took a five-year average of all the non-payroll costs booked to plant maintenance accounts.

Q. Why does Staff's annualization eliminate payroll costs associated with maintenance?

A. Our consultant, Mr. Jim Dittmer of Utilitech, annualized payroll costs associated with maintenance as part of the payroll annualization.

Q. Can Staff make a final statement about the normal level of maintenance expense without receiving the information requested?

A. No.

BAD DEBT EXPENSE

Q. What is the purpose of adjustment No. S-8.1?

A. Adjustment No. S-8.1 normalizes bad debt expense.

Q. How was a normal level of bad debt expense for MPS calculated?

A. Mike Brosch of Utilitech determined annualized revenue. I calculated the 1996 ratio of net bad debt write-offs to adjusted electric revenue. I arrived at a normal level of bad debt expense by multiplying annualized revenue by the 1996 write-off ratio.

Q. Why did Staff use the 1996 net write-off ratio in its calculation of bad debt expense?

A. An analysis of bad debt write-off ratios at MPS over the most recent five years shows an upward trend in the rate of net write-offs (Schedule 8). Therefore, I used the 1996 rate, because it best represented the historical data on a going forward basis.

Q. What adjustments did Staff make to electric revenue in calculating bad debt expense?

A. Staff's analysis removed sales that have historically generated little or no bad debt, such as sales for resale and sales to municipalities.

CASH WORKING CAPITAL

Q. What is cash working capital?

A. Cash working capital (CWC) is the cash needed by a utility to pay its day-to-day expenses incurred to provide service to ratepayers.

Q. What are the sources of cash working capital?

A. Either the Company's ratepayers or shareholders are the providers of cash working capital.

Q. Under what circumstances do the shareholders provide cash working capital?

A. Shareholders must provide funds to pay the Company's current obligations when the timing of the Company's aggregate cash expenditures precedes the cash recovery of expenses through ratepayer remittances. These funds represent a shareholder investment necessary to provide service to the Company's ratepayers.

Q. Under what circumstances do ratepayers provide CWC?

A. CWC becomes a source of funds for shareholders provided by ratepayers, when the cash recovery of expenses through ratepayer remittances precedes their payment.

Q. Why is cash working capital included in rate base?

A. Rate base includes all investments necessary to provide service. CWC is a by-product of all the activities necessary to provide service. Therefore, CWC is included in rate base as an investment necessary to provide service.

Q. How is a Company's CWC requirement determined?

A. Staff uses a systematic measurement of the timing of cash inflows and outflows, called a lead/lag study, to set a Company's CWC requirement.

Q. How is the timing of cash inflows measured in a lead/lag study?

A. Timing of cash inflows in a lead/lag study is called revenue lag. Revenue lag measures the number of days between the provision of service to the ratepayers and the collection of cash revenues for services rendered.

Q. How is the timing of cash outflows measured in a lead/lag study?

A. Timing of cash outflows in a lead/lag study are called expense lags. Expense lags measure the number of days between the receipt of purchased goods and services and the payment of cash for these items. A lead/lag study computes expense lags for every major cash expense in cost of service.

Q. How do expense lags and revenue lags illustrate the impact of cash flows on the investment necessary to provide service?

A. The cash working capital schedule subtracts the expense lags for each significant day-to day cash expense from the revenue lag to arrive at the net CWC lags. If the revenue lag is longer than the expense lag, the Company requires a positive amount of cash working capital to meet day-to-day obligations.

Q. What does a positive cash working capital requirement represent?

A. A positive cash working capital requirement represents an investment by shareholders to provide service to ratepayers and is included in rate base. Conversely, a negative cash working capital requirement represents funds provided by ratepayers and are deducted from the rate base.

Q. Was a lead/lag study performed in this case?

A. No. In Data Request No. 149, Staff presented the Company with a schedule of the CWC lags used in ER-93-37, the last MPS electric rate case. We asked the Company to "Please review and comment on whether or not the lags are appropriate for current use." MPS responded that the "lags have not changed significantly." I applied the leads/lags computed in ER-93-37 to the expenses in this case to arrive at a cash working capital requirement for MPS.

Q. Are there any estimates in the "Test Year Expense" portion of the CWC schedule?

A. Yes, I distributed gross payroll to components of CWC based on the ratios of these items in the CWC study for ER-93-37. Also, Staff used the level of prepayments used in ER-93-37 in this case because of discovery problems. Staff witness Phil Williams' testimony discusses the problems in this area in more detail.

Q. Does this conclude your direct testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of the Earnings Review of UtiliCorp United Inc., d/b/a Missouri Public Service.	)))	Case No. EO-97-144

and

The Staff of the Missouri Public Service Commission, Complainant, v. UtiliCorp United, Inc., d/b/a Missouri Public Service Respondent.	)))))))))	Case No. EC-97-362

AFFIDAVIT OF ROBERT S. O'KEEFE

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

Robert S. O'Keefe, 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 15 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.

Robert S. O'Keefe
ROBERT S. O'KEEFE

Subscribed and sworn to before me this 27th day of March, 1997.

Roberta A. McKiddy
Notary Public

My Commission Expires: ROBERTA A. McKIDDY
Notary Public, State of Missouri
County of Cole
My Commission Expires 09/11/99

Schedule 1-1

Adjustment S-11.2 to Annualize Employee Benefit Cost

AIS Code	Description	Test Year Amount Gross	Net of Average Cap	Annualized Amount Gross	Annualized net of Cap	Amount of Adjustment Net	W/P Ref or Co Resp	Allocated Adjustment	Explanation
900299	Pensions	21,932	17,464	0	0	(17,464)	dr 82	(15,030)	This adjustment gets the level down to the ERISA minimum which is zero, as MPS agreed to do in it's last case
900301	Hosp. Ins	2,020,413	1,608,853	1,975,959	1,525,440	(83,412)	Med3	(71,785)	This adjustment is to bring the Company's accrued healthcare costs in test year down to an annualized level of actual costs
900303	Life Ins.	82,158	65,423	141,424	109,179	43,757	Ben7	37,657	This adjustment is to annualize the level of to reflect the ongoing level of expense reflected in the update period
900305	Medicare Un	75,354	60,004	75,354	58,173	(1,831)	Ben14	(1,576)	
900306	Medicare NonUn	35,186	28,018	35,186	27,163	(855)	Ben14	(736)	
900311	Ret. Func.	15,227	12,125	6,993	5,399	(6,727)	Ben8	(5,789)	This Adjustment is to update retirement functions to bring retirement functions to a more representative annualized level
900317	Ent. Tickets	(1,579)	(1,257)	0	0	1,257	dr 386	1,082	To eliminate non recurring costs
900322	Trav. Ins.	1,140	908	1,140	880	(28)		(24)	
900324	401K plan	1,694,116	1,349,023	1,469,053	1,134,109	(214,914)	Ben3	(184,955)	To update 401k expense to reflect the decrease in payroll
900325	Msc Emp Wllfre(Un)	9,366	7,458	7,373	5,692	(1,766)	Ben9, dr96	(1,520)	Update to adjust for a decreasing level of expense
900326	Msc Emp Wllfre(NonUn)	110,409	87,918	58,729	45,339	(42,580)	Ben9, dr96	(36,644)	Update to adjust for a decreasing level of expense
900962	Moving	95,095	75,724	164,669	127,125	51,400	Ben10	44,235	To adjust out to the update period for the increased level of moving expenses
900963	Education	67,818	54,004	31,209	24,094	(29,910)	DR 188	(25,740)	To reflect the 1996 annualized expense since the cost has been pushed up to MoPub
901163	Disablity Ins.	28,392	22,608	28,392	21,918	(690)		(594)	
901381	Silver Circ.	6,051	4,819	6,051	4,672	(147)		(127)	
901413	ESOP	978,217	778,953	942,487	727,600	(51,353)	Ben4	(44,195)	To update ESOP expense to reflect the decrease in payroll
901449	Exec. Phys. Exams	0	0	0	0	0		0	
901507	Safety Inc.	11,256	8,963	11,256	8,690	(274)		(235)	
901958	Def comp plan	0	0	153,697	118,654	118,654		102,114	To place an annualized level of expense for a Def Comp program not in place at MPS at test year
								(203,861)	
								98.38%	
								(200,558)	

Adjustment S-11.6 to Eliminate OPEB Accrual

AIS Code	Description	Test Year Amount Gross	Net of Average Cap	Annualized Amount Gross	Annualized net of Cap	Amount of Adjustment Net	W/P Ref or Co Resp	Allocated Adjustment	Explanation
901711	OPEBS	759,138	604,501	0	0	(604,501)		(520,233)	The Company does not fund its OPEB liability and as such Staff is not required to use accrual accounting under state law. The OPEB expense booked by the Company in test year is the incremental amount of the accrual over the paygo amounts. The Paygo amounts to retirees are annualized in the adjustment for Hospitalization.
	Total	759,138	604,501	0	0	(604,501)			

Total Electric Adjustments	(520,233)	
Jurisdictional Factor	98.38%	
OPEB Adjustment Jurisdictional	(511,806)	S-11.6

Adjustment S-11.8 to Eliminate Non-Recurring cost

AIS Code	Description	Test Year Amount Gross	Net of Average Cap	Annualized Amount Gross	Annualized net of Cap	Amount of Adjustment Net	W/P Ref or Co Resp	Allocated Adjustment	Explanation
900999	Wellness	6,248	4,975	0	0	(4,975)	dr 386	(4,282)	To Eliminate a non recurring cost
901380	Serv. Awds.	27,939	22,248	27,939	21,569	(679)		(584)	To Eliminate non-recurring cost
901446	Supp Ret Pay Plan	369,919	294,566	0	0	(294,566)	dr 386	(253,504)	To Eliminate non-recurring cost
901498	Reach	(3,083)	(2,455)	0	0	2,455		2,113	To Eliminate a non recurring credit
901744	Recog.	21,147	16,839	0	0	(16,839)	dr 386	(14,492)	To Eliminate non-recurring cost
901895	El Merch Awds.	1,116	888	0	0	(888)		(764)	To Eliminate non-recurring cost
901919	Think Big	626,195	498,638	0	0	(498,638)		(429,128)	To Eliminate non-recurring cost
						Total Electric		(700,641)	
						Jurisdictional Allocator		98.38%	
						Total Adjustment		(689,291)	

Medical Benefit Expense Annualization

Biweekly Employee Contributions from Pay Schedules Nos. 674 & 774 (Last Pay Schedule)

	Healthnet&Affordable		PrimeHealth	
Employee #674	6,876	93	1,438	0
Employee #774	18,268	1,677	7,049	364
	25,144	1,769	8,487	364
			Subtotal	35,764
			Annualized Level	(929,870)

Biweekly Employer Contributions from Pay Schedules No. 738 & No. 638

	PrimeHealth	
Employer #674	4,203	754
Employer #774	12,146	606
	16,349	1,360
	Subtotal	17,709
	Annualized Level	460,434

Paid Claims by Class from DR 92

	YE 12/31/95	6 Mo Ended 06/30/95	Average	
NonUnion Active	1,205,393	515,371	1,147,176	
Union Active	1,040,289	507,384	1,031,782	
Non Union retired	171,697	189,370	240,711	
Union Retired	76,959	45,740	81,799	2,501,469
	2,494,338	2,515,732		

Calculation of Approximate Medical Expense Before Capitalization	2,032,033
(CLAIMS PAID+HMO PREMIUM-EMPLOYEE CONTRIBUTION)	
The Percentage of MPS Hospitaliztion Applicable to MPS employees (DR No. 80)	97.24%
Annualized Expense	1,975,959
Book Amount	2,020,413
Gross Adjustment	(44,454)

KANSAS CITY POWER & LIGHT CO.
AND UTILICORP UNITED
MERGER CASE NO. EM-96-248
DATA REQUEST NO. MPSC-39

DATE OF REQUEST: 07/24/96

DATE RECEIVED: 07/24/96

QUESTION:

Provide an explanation of any external funding vehicles in use for funding the SFAS 106 liability at the UtiliCorp or MPS level.

RESPONSE:

MPS does not have an external funding vehicle for the SFAS 106 liability. UtiliCorp United has several different methodologies which are used in addressing SFAS 106 requirements. Peoples Natural Gas and Kansas Public Service currently have trusts in place. To date, in 1996, no contributions have been made to SFAS 106 trusts as these are overfunded. Past history has been to fund the trusts quarterly.

ATTACHMENTS:

ANSWERED BY: Kenneth C. Jones, UCU Team Leader-Accounting, Raytown

KANSAS CITY POWER & LIGHT CO.
AND UTILICORP UNITED
MERGER CASE NO. EM-96-248
DATA REQUEST NO. MPSC-588

DATE OF REQUEST: 05/29/96

DATE RECEIVED: 05/30/96

QUESTION:
Please identify each transaction and associated amount booked in Account 926 and 926.60 during 1995 that is considered to be non-recurring, extraordinary, or otherwise nonrepresentative of ongoing expenditures for MPS.

RESPONSE:

The following activities have been eliminated from MPS operations along with the associated 1995 amounts:

Supplemental Pay Plan	Activity 901446	$ 369,919.39
Entertainment Tickets	Activity 900317	$ 1,578.70
Wellness Program	Activity 900449	$ 5,976.25
Recognition & Awards	Activity 901744	$ 17,877.66

ANSWERED BY: Robin Frank, Human Resources and Bev Agut, Accounting Services

To: Maurice Arnall
From: Steve Traxler
Subject: Response to DR's 106 & 155
Date: January 31, 1997

Data Requests 106 & 155 are being returned because the response does not answer the question asked. Data Request 155 asks for the specific mathematical calculations supporting the calculation of the departmental and jurisdictional allocation factors provided in response to DR 47. Your response to DR 155 suggests that the allocation factors provided in response to DR 47 were supported by information supplied in that response. I have provided a copy of the response to DR 47 with this MEMO. There are 20 separate allocation factors. None of these are supported by a work paper which provide the calculation of the factor. Without having a work paper which provides the numbers, mathematical calculation, and source of the numbers, it is impossible for me to audit the calculation of the allocation factors. In addition I had to wait 21 days to receive a response that does not provide any of the information I need to audit the allocation factors provided in response to DR 47.

Data Request 106 asks for ledgers by activity code for accounts 924 & 925. None of the ledgers provided were by activity code. In order to limit the additional delay in getting this information, we will limit this part of the request to providing an activity ledger for accounts 924 & 925 for 1995. The activity ledger for 1996 for these accounts has been requested in another DR.

The description of the insurance policies (Item 1) appears to be outdated. All of the policies listed have an expiration date of 12/1/96 or prior. This description is only current if every policy listed was renewed for the same coverage amounts and no new policies have been added or deleted for the 1996 - 1997 year.

The Cost of Risk Factors (Item 2) is appears to be outdated. The term for the costs reflected is 12/1/1995 to 12/1/1996. Seven of the policies reflected on the description summary (Item 1) have expiration dates of 12/1/1996. Since Item 2 does not provide cost amounts beyond 12/1/1996, it appears that the current cost for the period 12/1/1996 - 12/1/1997 has not been provided. Our question asks for the most current premiums in effect.

It also appears that the cost data supplied in Item 2 includes something in addition to actual premium amounts. The current information on Item 2, when provided, should reflect separate amounts for premium cost and any other accrual amount that UCU may include in a Cost of Risk Factor. DR 106 asked for current, actual premium data. If my interpretation of the response to DR 106 is incorrect please call me.

In summary, this is the second MEMO, I have written in two days to address DR responses which clearly don't provide the information asked for. I hope that you and I can

MEMO

To: Maurice Arnall
From: Robert S. O'Keefe
Subject: Unresponsive Data Responses
Date: February 3, 1997

The responses to Data Requests No. 107, 153 and 151 are considered inadequate and non responsive by Staff.

Data Request No. 107 asks for actual payments and accruals from 1/1/94 to the present. The response states that the accruals and actual amounts for Injuries and Damages can be obtained by looking at certain designated Journal Entries. There are the following problems with this response:

1) We have not been provided with the 1994 G/L

2) If the reference APxxxxx refers to actual claims paid, we should be able to find the $325,000 Workmen's Compensation settlement identified in response to DR No. 153, but there doesn't appear to be any entries in the 1996 ledger either in account 228.2 or 925 which would account for this amount.

There are three problems with Data Response No. 153:

1) The total Injuries and Damages reserves of $1,541,479 provided in part one of the response do not match up to the ($1,559,038) balance in the 228.2 accounts at December of 1996.

2) The amount of $325,000 provided in part 3 does not appear in either 228.2 or the 925 accounts in the 1996 General Ledger.

3) We were told by Ken Jones in the meeting of 01/07/97 that MPS actually added an accrual to the amounts provided to them by risk management. The answer provided in part 4 was "none", which contradicts statements made by Ken Jones in the 01/07/97 meeting referenced in Data Request No. 153.

Data Request No. 151 indicates that the journal entries with the PD designation provide us with the amounts capitalized in account 925 Prior to March 1996 journal entries with the PD designations include mostly positive amounts which would indicate that these amounts are not capitalized amounts, which is what the request asked for.

These Data Requests are considered outstanding until we receive the correct information.

MEMO

To: Maurice Arnall

From : Steve Traxler

Re:Response to Data Requests 165 & 166

Date : January 29, 1997

Part 1 of DR 165 asks MPS to identify the amount of 1995 accrued expense and actual paid claims for 1993, 1994, and 1995(provided in DR 44) that can be directly assigned to electric or gas operations. Providing copies of the general ledger does not answer this question. The only conclusion one can make from this response is that MPS does not know what paid claims could be direct assigned to Electric or Gas operations or how much of the annual accrual for 1995 was charged to Electric, Gas and Common in the general ledger. Your response does not even indicate what journal entries we would have to be examine in order to make this determination. At a minimum the response to DR 165 should indicate that the requested information is not readily available and provide the journal entries that would have be examined in every month to make this determination. Reference to specific journal entries would assume that sufficient detail is included with the journal entries to determine the departmental breakdown of the information requested. If this is not the case , then the only response left is that MPS does not know the answer.

DR 165 also requests MPS to identify the costs charged to account 925 by component (paid claims, premiums, and administrative costs) These individual component costs are independent of one another and must be audited individually This information exists somewhere . Your response does not provide this information or tell us where to go to get it
In any event some answer other than copies of the ledger, which we already have, is expected before we will consider this DR as answered.

Data Request 166 asks for specific determination of which employee suggestions were implemented and documentation of the actual savings resulting from implementation. The information provided in DR's 87, 460, & 501 provide the total population of suggestions , not the ones which were actually implemented. In addition these DR's don't provide any documentation supporting any actual savings that will occur We still don't know which suggestions were actually implemented or how the company determined that the suggestions implemented would result in actual savings to MPS Your references to DR's 87, 460, and 501 certainly don't provide the information requested in DR 166 If this is your final answer to this DR, we will treat all costs related to this program as non recurring and eliminate them from cost of service.

Please let me know if we can expect additional responses to DR's 165 & 166.

MEMO

To: Maurice Arnall
From: Robert S. O'Keefe
Subject: Data Request No. 107, 729, 726
Date: February 4, 1997

The response to Data Request No. 107 said that pulling the journal entries marked APxxxxx from the General Ledger would give the actual payment amounts in account 925. In the attached schedule Staff has pulled the journal entries for 1995 and compared the amounts to the actual payment amounts for 1995 provided in Data response No. 44. We show the difference in amounts on page 15 of the attached schedule. A second discrepancy relates to the $325,000 Workmen's Compensation settlement identified in response to DR No. 153. If the actual amounts paid exist on the General ledger in 1996 as Response No. 107 says, then there should be amounts in the General Ledger in account 925 or 228.2 which would account for this settlement, which, it would appear, there is not.

Data Request No. 729 asked for the

> "...insurance premium expense, paid loss accrual and administrative fees expense recorded on MPS's books and records for each month of 1995 and 1996 by detailed FERC account and sub account. Please provide any supporting workpapers for true-ups of paid loss accruals occurring during 1995 and 1996 which affected the amount of paid loss accrual expense."

The response to Data Request No. 729 is deficent on several fronts.

1) It does not separate the amounts in 1995 and 1996 between FERC accounts; it gives the numbers as a total of 924 and 925.
2) The 1996 numbers are not separated between premiums, accruals and administrative fees.
3) The request asks for the numbers on a monthly basis and Company did not provide them on that basis.
4) Company's response does not address the request of true up workpapers for the paid loss accrual.
5) The response to Data Request No. 153 indicates that there are no additional amounts booked into the injuries and damages accounts besides those provided by risk management, and Data Response No. 729 indicates that the administrative fees were included in premium amounts. This would imply that the amounts provided in Data Response No. 729 are all that is booked in 924 and 925, and these amounts should then tie back to general ledger amounts. They do not. The total in accounts 924 and 925 per the general ledger was $2,554,719. The total premium and paid loss accrual in 1996 identified in Data Response No. 729 were $2,309,233. This leaves

$245,480 unaccounted for. Similarly 924 and 925 in 1995 total to $2,003,308 and the amounts provided in the response is $1,346,663 leaving $656,645 accounted for.

Data Request No. 726 is also non responsive. The request is included in full below:

> "Company's response to DR No. 613 (Case EO-97-144) provided budgeted 1996 insurance premium expense, risk management's administrative fees, paid loss claims as well as workpapers supporting the allocation to business units and divisions. Please provide comparable actual data for the 1992 through 1996."

There are several problems with the Company's response to this request.

1) The Company states in its response that they cannot provide this information for 1992-1995 because they had not centralized their risk management function until December 1994. This response infers that components referred to on the worksheet (insurance premiums, loss reserves, paid claims, etc.) did not exist prior to centralization. Actual data comparable to that provided in response No. 613 (i.e. insurance premiums, loss accruals, etc.) existed prior to centralization, and could have been provided in response to this request.

2) Attached is the worksheet referred to in Data Request No. 613. The information provided 1996 information provided is clearly not comparable to what was provided in Data Request No. 613. The information provided only applies to insurance premiums, whereas the worksheet provided in Data Request 613 shows several other costs besides premiums.

3) Even if the amounts provided for 1996 were comparable in aggregate to the information provided in DR No. 613, the amounts provided in DR No. 726 of $1,1836,432 do not tie to the amounts in the general ledger in accounts 924 and 925 of $2,554,719.

4) The request asked for workpapers supporting the allocation factors for risk management and none were provided.

The discrepancies detailed above, raise reasonable doubt as to the accuracy and completeness of Data Responses No. 107, 726 and 729, Staff considers these responses to be outstanding and overdue until we receive complete and correct responses to these requests.

MEMO

To: Maurice Arnall
From: Robert S. O'Keefe
Subject: Data Requests
Date: March 11, 1997

Company responses to Staff data request nos. 195 and 197 have been received and reviewed by Staff, and found to be incomplete. Data request no. 195 will be complete when we receive an answer for part 2, and data request no. 197 will be complete when we receive an answer to part 1.

Sample of outstanding Data Requests related to accounts 924 and 925

Data Request No. 151
01/08/97

For accounts 924 and 925 please provide the amounts capitalized and the total amount of cost booked to each of these accounts in 93, 94, 95 and 96.

Days Outstanding 79

Data Request No. 153
01/08/97

According to DR #44 the Company paid actual claims of $662,488, but accrued $1,598,599 to expense. This large variance was explained in our meeting of 01/07/97 as being the result of an accrual for a workman's compensation claim paid in 1996.

For injuries and damages please provide
1) Accrued amount through the end of 1996
2) The amount accrued for the large workmen's comp claim paid in 1996
3) The total amount of the claim paid and the date that the claim was paid.
4) Amount of the monthly accruals in 1996 that is addition to the amounts provided by risk management.

Days Outstanding 79

Data Request No. 165
01/16/97

1) For the amounts provided in data request no. 44, please separate the amounts between gas, electric and common. Also provide this information for 1996.
2) For 1996 please provide the amounts of both premium expenses and administrative overhead booked into account 925 for 1996. If it is possible to separate these amounts between gas, electric and common please do so.

Days Outstanding 71

Data Request No. 195
01/23/97

1) Please confirm our understanding of the meeting of 01/17/97 regarding the amounts in account 925 in 1996. It is our understanding that the amounts given to MPS from risk management in account 925 are actual MPS losses and not accruals of otherwise smoothed amounts. If our understanding is not correct please clarify.

2) For all the amounts in account 925 please provide the following component information by month for 1996.
1) Amounts provided by risk management
A) administration Fees
B) Damages assigned
C) Damages allocated
2) Differences between amounts expensed and those amounts provided by risk management by component.

For amounts in 1)b) and 1)c) please provide the difference between the actual amounts and the accrued amounts, and identify any material losses that were previously accrued for and the period that they were accrued for.

Days Outstanding 66

<u>Data Request No. 208</u>
<u>01/23/97</u>

Referencing the attached schedules that were provided in response to Data Request No. 613 (EO-97-144) please provide

1) A narrative explanation of what all the row headings (i.e. auto, etc) in the attached schedule describe.
2) By heading explain which amounts were booked into 924 and 925 in 1995 and 1996. Also include a description of any amounts that were booked to 924 and 925 that were not included in the attached worksheets.
3) All documents provided to MPS personnel in 1995 and 1996 which were used in booking amounts in 925 and 924.
4) Provide the actual losses for 1993, 1994, 1995 and 1996
A) Auto, B) General Liability, C) Workmens Comp D) Property E) Fiduciary Liability F) Crime/Fidelity G) Other Executive protection
5) Provide the premium amounts for the categories listed above for MPS for 1994, 1995, and 1996 and the most current.
6) Provide the actual broker fees, third party administrator fees and administrative expenses booked by MPS in the years ended 12/31/95 and 06/30/96.
7) Provide any other components of the amounts booked in 925 and 924 in 1995 and 1996, besides reserve accruals, claims expense premiums and admin fees. Please provide an explanation for each amount.

Days Outstanding 65

<u>Data Request No. 254</u>
<u>01/31/97</u>

(1) Please provide the methodology used to capitalize amounts booked in 924 and 925 in 1995

and 1996, (2) also provide the calculation of the actual factors.

Days Outstanding 56

Data Request No. 290 (Summary)
02/24/97

For all of the above entries (monthly entries and those identified by number) please provide the following information.
1) A detailed explanation of what makes up the amounts
2) The rationale and the method used for assigning the amounts to 924 and 925
3) The rationale used to assign the amounts to common or electric
4) Copies of documents provided to MPS from other divisions to make these entries
5) Copies of the workpapers supporting the documents provided to MPS to make these entries.

Also provide a narrative explaining the relationship between the intercompany transfers and the other journal entries in account 924 and 925. Provide an explanation for the large difference between intercompany transfers and total expense in account 925 electric for 1996.

Days Outstanding 32

NO. 122

REC'D

OCT 27 1992

DATA INFORMATION REQUEST
MISSOURI PUBLIC SERVICE DIVISION
CASE NO. ER-93-37

Requested From: BRAD LEWIS
Date Requested: 10/26/92
Information Requested:
IN REFERENCE TO INJURIES AND DAMAGES PLEASE PROVIDE THE FOLLOWING INFORMATION BY MONTH FOR BOTH ELECTRIC AND GAS OPERATIONS FOR THE PERIOD OCTOBER 1, 1987 TO THE PRESENT. A.) ACCRUALS. B.) WRITEOFFS. C.) ACTUAL PAYMENTS.

Requested By: Phillip K. Williams

Information Provided: SEE ATTACHED

The attached information provided to the Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. ER-93-37 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the MISSOURI PUBLIC SERVICE DIVISION office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies of data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control within your knowledge. The pronoun "you" or "your" refers to MISSOURI PUBLIC SERVICE DIVISION and its employees, contractors, agents or others employed by or acting in its behalf.

Signed By: Gary L Clemens

Date Response Received: 11-12-92
LKW

Prepared By: Gary Clemens

MISSOURI PUBLIC SERVICE
DATA INFORMATION REQUEST
Case No. ER-93-37

No. PSC 122

Requested From: Brad Lewis

Date Requested: October 27, 1992

Information Requested: In reference to injuries and damages please provide the following information by month for both electric and gas operations for the period October 1, 1987 to the present. A.) Accruals. B.) Write-offs. C.) Actual payments.

Requested By: Phillip K. Williams

Information Provided: The analysis of the adequacy of the Division's injuries and damages accrual is done periodically throughout the year. The analysis is done on a total account balance basis. Therefore, when the total balance changes, we adjust the amount accrued rather than writing off specific balances. The attached spreadsheets detail the accruals and payments made from October 1, 1987 through September 30, 1992.

Date Information Provided: November 12, 1992

PBC - Injuries & Damages

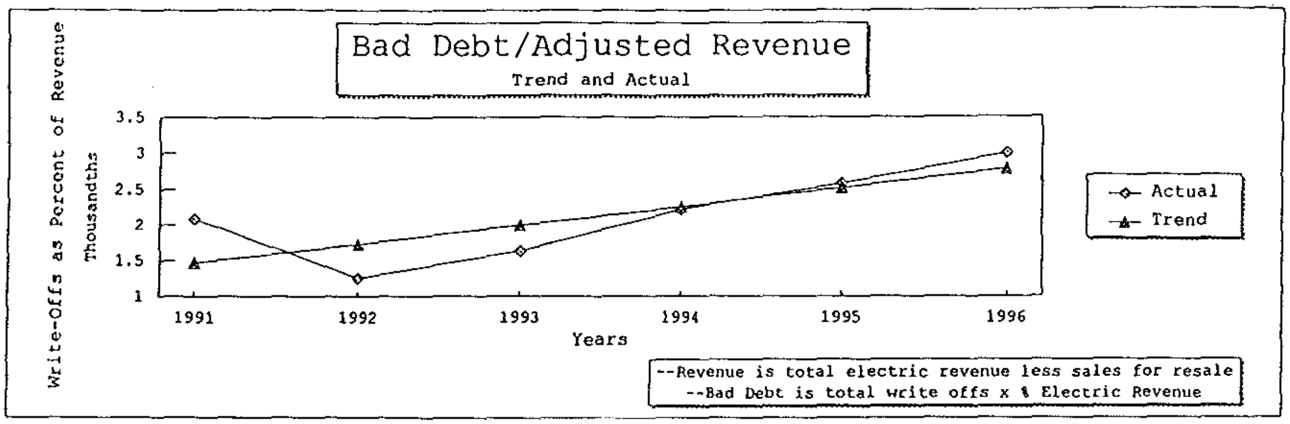
	Accrual			Payment		
	Electric Retail	Electric Wholesale	Gas	Electric Retail	Electric Wholesale	Gas
Oct-87	(87,077)	(1,578)	(21,970)	74,864	1,357	18,889
Nov-87	(87,077)	(1,578)	(21,970)	128,445	2,328	32,408
Dec-87	(87,077)	(1,578)	(21,970)	148,954	2,699	37,582
Subtotal 1987	(261,230)	(4,734)	(65,910)	352,263	6,384	88,878
Jan-88	(90,019)	(1,631)	(22,712)	53,931	977	13,607
Feb-88	(54,093)	(980)	(13,648)	82,784	1,500	20,887
Mar-88	(74,996)	(1,359)	(18,922)	82,911	1,503	20,919
Apr-88	(71,918)	(1,303)	(18,145)	76,968	1,395	19,420
May-88	(57,179)	(1,036)	(14,427)	86,736	1,572	21,884
Jun-88	(59,982)	(1,087)	(15,134)	68,882	1,248	17,379
Jul-88	(68,920)	(1,249)	(17,389)	74,567	1,351	18,814
Aug-88	(66,043)	(1,197)	(16,663)	62,769	1,138	15,837
Sep-88	(265,790)	(4,817)	(67,061)	72,482	1,314	18,288
Oct-88	(72,065)	(1,306)	(18,182)	75,229	1,363	18,981
Nov-88	(65,947)	(1,195)	(16,639)	89,216	1,617	22,510
Dec-88	(72,063)	(1,306)	(18,182)	88,675	1,607	22,373
Subtotal 1988	(1,019,015)	(18,467)	(257,105)	915,151	16,585	230,899
Jan-89	(239,856)	(4,347)	(60,517)	58,229	1,055	14,692
Feb-89	109,943	1,992	27,739	57,936	1,050	14,618
Mar-89	184,499	3,344	46,550	59,500	1,078	15,012
Apr-89	(59,964)	(1,087)	(15,129)	185,939	3,370	46,914
May-89	(59,964)	(1,087)	(15,129)	(67,019)	(1,215)	(16,909)
Jun-89	(74,955)	(1,358)	(18,912)	50,551	916	12,754
Jul-89	(59,964)	(1,087)	(15,129)	51,786	939	13,066
Aug-89	(74,955)	(1,358)	(18,912)	82,559	1,496	20,830
Sep-89	(59,964)	(1,087)	(15,129)	67,095	1,216	16,929
Oct-89	(59,964)	(1,087)	(15,129)	136,034	2,465	34,322
Nov-89	(59,964)	(1,087)	(15,129)	141,184	2,559	35,622
Dec-89	(74,955)	(1,358)	(18,912)	61,890	1,122	15,615
Subtotal 1989	(530,062)	(9,606)	(133,739)	885,686	16,051	223,465

Schedule 7-4

PBC - Injuries & Damages

	Accrual			Payment		
	Electric Retail	Electric Wholesale	Gas	Electric Retail	Electric Wholesale	Gas
Jan-90	(69,815)	(1,265)	(17,615)	93,572	1,696	23,609
Feb-90	(55,852)	(1,012)	(14,092)	50,315	912	12,695
Mar-90	(55,852)	(1,012)	(14,092)	65,163	1,181	16,441
Apr-90	(55,852)	(1,012)	(14,092)	79,399	1,439	20,033
May-90	(91,840)	(1,664)	(23,172)	(25,165)	(456)	(6,349)
Jun-90	(311,583)	(5,647)	(78,615)	62,192	1,127	15,691
Jul-90	(161,108)	(2,920)	(40,649)	91,027	1,650	22,967
Aug-90	(154,156)	(2,794)	(38,895)	47,916	868	12,090
Sep-90	(131,197)	(2,378)	(33,102)	50,651	918	12,780
Oct-90	(91,840)	(1,664)	(23,172)	49,987	906	12,612
Nov-90	(154,156)	(2,794)	(38,895)	48,699	883	12,287
Dec-90	262,371	4,755	66,198	72,974	1,322	18,412
Subtotal 1990	(1,070,880)	(19,407)	(270,191)	686,732	12,445	173,268
Jan-91	(114,800)	(2,080)	(28,965)	46,140	836	11,641
Feb-91	(170,553)	(3,091)	(43,032)	96,360	1,746	24,312
Mar-91	(13,126)	(238)	(3,312)	189,523	3,435	47,818
Apr-91	(91,840)	(1,664)	(23,172)	108,305	1,963	27,326
May-91	(272,227)	(4,933)	(68,685)	63,528	1,151	16,029
Jun-91	(91,840)	(1,664)	(23,172)	56,427	1,023	14,237
Jul-91	(193,513)	(3,507)	(48,825)	74,611	1,352	18,825
Aug-91	(170,553)	(3,091)	(43,032)	78,683	1,426	19,852
Sep-91	65,587	1,189	16,548	144,204	2,613	36,384
Oct-91	(249,267)	(4,517)	(62,892)	172,307	3,123	43,474
Nov-91	(350,940)	(6,360)	(88,545)	65,364	1,185	16,492
Dec-91	(170,553)	(3,091)	(43,032)	39,979	725	10,087
Subtotal 1991	(1,823,625)	(33,049)	(460,114)	1,135,430	20,577	286,477
Jan-92	(114,800)	(2,080)	(28,965)	25,375	460	6,402
Feb-92	(91,840)	(1,664)	(23,172)	87,547	1,587	22,089
Mar-92	351,248	6,366	88,623	50,499	915	12,741
Apr-92	(341,296)	(6,185)	(86,112)	177,636	3,219	44,819
May-92	(150,221)	(2,722)	(37,902)	245,780	4,454	62,012
Jun-92	104,944	1,902	26,478	68,769	1,246	17,351
Jul-92	(36,086)	(654)	(9,105)	72,538	1,315	18,302
Aug-92	(91,840)	(1,664)	(23,172)	66,372	1,203	16,746
Sep-92	(327,980)	(5,944)	(82,752)	65,905	1,194	16,628
Subtotal 1992	(697,871)	(12,647)	(176,078)	860,422	15,593	217,091
5-Year Total	**(5,402,683)**	**(97,911)**	**(1,363,137)**	**4,835,683**	**87,635**	**1,220,079**

Analysis of Net Write-offs



(A)	(B)	(C)	(D)	(E)	(F)	(G)
			Col (B) / (Col (C) +Col (B))		Col (D) xCol (B)	Col (F) /Col (B)
Year	Electric Revenue	Gas Revenue	Electic Pecentage	Total Net Write-Offs MPS	Allocate Electric Write-offs	Percent of Revenue Written off
1991	228,419,000	31,387,260	87.92%	541,036	475,673	0.2082%
1992	219,388,000	30,629,913	87.75%	311,019	272,916	0.1244%
1993	244,309,233	36,731,480	86.93%	456,595	396,919	0.1625%
1994	251,231,074	34,870,824	87.81%	633,520	556,305	0.2214%
1995	262,884,895	33,589,813	88.67%	764,313	677,718	0.2578%
1996	270,112,983	36,838,774	88.00%	919,410	809,067	0.2995%

Information obtained from Data Responses No. 65 and 108

This analysis supports an upward trend in net write-offss as a percent of revenue. The adjustment for net write-offs will be based on the 1996 net write-offs/revenue ratio.

Electric Juridictional 1995 from incst.wk4 and the General Ledger		267,282,543
<u>Other Sales for Resale</u>		
Municpal Jurisdictional	(435,282)	
Other Utility Sales Jurisdictional	<u>(4,027,488)</u>	<u>(4,462,770)</u>
Test Year Revenue Less Sales for Resale		262,819,773
Revenue Adjustments		
Adj 1 Eliminate Unbilled	(876,821)	
Adj 2 Normalize Weather	2,640,185	
Adj 3 Annualize Customer 6/30	4,106,276	
Adj 5 Impute EDR Margin Losses	167,144	
Adj 6 Large Customer Annualization	<u>649,884</u>	<u>6,686,668</u>
Annualized Revenue Less Sales for Resale		269,506,441
Bad Debt Factor from Table Above		<u>0.2995%</u>
Annualized level of Bad Debt		807,250
Test Year Electric Bad Debt		<u>551,969</u>
Adjustment to Bad Debt Expense		255,281