Exhibit Number:
Issue(s): Corporate Allocations
Witness: James R. Dittmer
Sponsoring Party: MoPSC Staff
Case Number: EO-97-144 and EC-97-362

MISSOURI PUBLIC SERVICE COMMISSION

UTILICORP UNITED, INC.
d/b/a MISSOURI PUBLIC SERVICE

EO-97-144 AND EC-97-362

FILED
MAR 2 8 1997
PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

JAMES R. DITTMER

Jefferson City, Missouri
March 1997

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

NP

JAMES R. DITTMER

UTILICORP UNITED INC., d/b/a/ MISSOURI PUBLIC SERVICE

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

Q. Please state your name and address.

A. My name is James R. Dittmer. My business address is 740 North Blue Parkway, Suite 204, Lee's Summit, Missouri 64086.

Q. By whom are you employed?

A. I am a Senior Regulatory Consultant with the firm of Utilitech, Inc. (formerly Dittmer, Brosch and Associates, Inc.), a consulting firm engaged primarily in utility rate work. The firm's engagements include review of utility rate applications on behalf of various federal, state and municipal governmental agencies as well as industrial groups. In addition to utility intervention work, the firm has been engaged to perform special studies for use in utility contract negotiations.

Q. On whose behalf are you appearing in this proceeding?

A. Utilitech, Inc. has been retained by the Missouri Public Service Commission Staff to assist in the earnings investigation of the electric operations of Missouri Public Service ("MPS"), a division of UtiliCorp United, Inc. (hereinafter "UCU," "UtiliCorp" or "Company"). Thus, the testimony I am presenting herein is being offered on behalf of the Missouri Public Service Commission Staff (hereinafter "Staff" or "the Staff").

Q. What is your educational background?

A. I graduated from the University of Missouri - Columbia, with a Bachelor of Science degree in Business Administration, with an Accounting Major, in 1975. I hold a Certified Public Accountant Certificate in the State of Missouri. I am a member of Beta Alpha Psi National Accounting Fraternity, the American Institute of Certified Public Accountants, and the Missouri Society of Certified Public Accountants.

Q. Please summarize your professional experience.

A. Subsequent to graduation from the University of Missouri, I accepted a position as auditor for the Missouri Public Service Commission. In 1978, I was promoted to Accounting Manager of the Kansas City Office of the Commission Staff. In that position, I was responsible for all utility audits performed in the western third of the State of Missouri. During my service with the Missouri Public Service Commission, I was involved in the audits of numerous electric, gas, water and sewer utility companies. Additionally, I was involved in numerous fuel adjustment clause audits, and played an active part in the formulation and implementation of accounting staff policies with regard to rate case audits and accounting issue presentations in Missouri. In 1979, I left the Missouri Public Service Commission to start my own consulting business. From 1979 through 1985 I practiced as an independent regulatory utility consultant. In 1985, Dittmer, Brosch and Associates was organized. Dittmer, Brosch and Associates, Inc. changed its name to Utilitech, Inc in 1992.

My professional experience since leaving the Missouri Public Service Commission has consisted exclusively of dealing with issues associated with utility rate, contract and acquisition matters. For the past sixteen years, I have been appearing on behalf of clients in utility rate proceedings before various federal and state regulatory agencies. In representing those clients, I have performed revenue requirement studies for electric, gas, water and sewer utilities and have testified as an expert witness on a variety of rate matters. As a consultant, I have filed testimony on behalf of industrial consumers, consumer groups, the Missouri Public Service Commission Staff, the Missouri Public Counsel, the Indiana Utility Consumer Counselor, the Mississippi Public Service Commission Staff, the Arizona Corporation Commission Staff, the Arizona Residential Utility Consumer Office, the Nevada Office of the Consumer Advocate, the Washington Attorney General's Office, the Hawaii Consumer Advocate's Staff, the West Virginia Public Service Commission Consumer Advocate's Staff, municipalities and the Federal government before regulatory agencies in the states of Arizona, Michigan, Missouri, Ohio, Florida, Colorado, Hawaii, Mississippi, New Mexico, Nevada, New York, West Virginia, Washington and Indiana, as well as the Federal Energy Regulatory Commission.

Q. Have you and other members of your firm been involved in previous Missouri Public Service electric rate cases?

A. I and/or other members of the firm have been involved in some capacity in every Missouri Public Service Company electric rate review for the past twenty years. This list of cases would encompass participation in rate *increase* cases filed by Missouri Public Service as well as involvement in two earnings investigations/complaint cases wherein rate reductions were negotiated.

Q. Do other members of your firm also have Missouri Public Service Commission Staff employment experience?

A. Yes. Steven Carver of the firm has ten years of experience with the Missouri Public Service Commission Staff. The last four years of his employment Mr. Carver held the position of Chief Accountant. Michael Brosch of the firm also has two years experience with the Missouri Public Service Commission Staff. Doris Cattey Newman recently left the employment of the firm. Prior to her departure she also had been working on the present MPS earnings investigation. Prior to her employment with our firm Ms. Newman also worked as an auditor for the Missouri Public Service Commission Staff. Cumulatively, members of the firm have approximately 20 years of employment experience with the MPSC Staff.

Additionally, the firm has been retained by the MPSC Staff on numerous occasions in various capacities -- including assistance in the rate reviews of the two most recently filed MPS electric rate cases.

Q. What is the purpose of your testimony?

A. As stated previously, Utilitech, Inc. was retained by the MPSC Staff to assist in the earnings investigation of the Missouri Public Service Division of UtiliCorp United, Inc. My specific areas of review included the analysis of MPS payroll and related payroll tax costs, UCU corporate overhead costs as well as UCU corporate marketing costs. As a result of such analyses, I have prepared, and am sponsoring herein, adjustments to test year payroll, payroll taxes, UCU corporate overhead and UCU corporate marketing costs. Specifically, I am sponsoring the following adjustments:

MPS Payroll Annualization	S-5.2
	S-6.2
	S-7.2
	S-8.2
	S-9.2
	S-10.2
	S-11.5
MPS Payroll Tax Annualization	S-14.1
	S-14.2
UCU Wage & Benefits Overhead	S-11.3
	S-11.4
UCU Marketing Services	S-10-1

Q. How is the remainder of your testimony organized?

A. Below I list the various topical areas which I will be addressing, also referencing the starting page number for each section:

Background of UCU's Present Organizational Structure

Q. Please describe for this Commission UCU's present organizational make up, as well as the more significant business operations that UCU presently engages in.

A. UtiliCorp United provides regulated gas and/or electric utility service in eight states including Colorado, Kansas, Nebraska, Iowa, Minnesota, Michigan, West Virginia as well as Missouri. UtiliCorp also provides *energy related* services to customers located in the previously mentioned eight states in which it provides utility service as well as most other mainland states. UtiliCorp wholly owns and operates one Canadian electric company and also owns a significant minority interest in energy utilities operating in the countries of the United Kingdom, Australia and New Zealand. UCU wholly owns gas pipelines operating in Missouri and is a majority owner in Aquila Gas Pipeline which in turn owns and operates gas pipelines in Texas and Oklahoma. Finally, through a separate subsidiary, UtiliCorp has invested in electric generating stations providing service in various American states as well as Jamaica.

Some of UCU's significant *energy related* businesses include natural gas marketing, natural gas pipeline transportation service, appliance service and repairs, home security sales and service as well as municipal, commercial and industrial energy consulting services.

Organizationally, UtiliCorp operates its domestic electric and gas utility business as seven different *divisions*. Missouri Public Service has been a division of UtiliCorp United since 1984. Up until 1984 Missouri Public Service Company was a legal entity subject to this Commission's jurisdiction with respect to its Missouri retail electric and gas businesses. In the early 1980's, following a management strategic decision to grow and diversify the Company through acquisitions, Missouri Public Service Company was re-incorporated in Delaware and renamed UtiliCorp United, Inc.

Since 1984 the following companies have been purchased and established as domestic regulated utility divisions of UtiliCorp United:

Utility	Date Acquired
Kansas Public Service	1984
Peoples Natural Gas ("PNG")	1985
Northern Minnesota Utilities	1986
West Virginia Power	1987
Michigan Gas Utilities	1989
West Virginia Gas (joined with West Virginia Power division)	1990
West Plains Energy (Centel)	1991
Minnegasco - Nebraska (joined PNG)	1993
Kansas Gas (Arkla) (joined PNG)	1995

In addition to the above domestic utility purchases, UCU has also established or purchased all, or significant portions of, the following businesses:

Business	Date Acquired
Aquila Energy Corporation (organized)	1986
West Kootenay Power (Canadian)	1987
UtiliCorp U.K. Inc. (gas marketing joint ventures)	1988
UtilCo Group (electric generation power projects)	various
ServiceOne, Service Today, ServiceGuard (appliance repair and service)	various
UtiliCorp New Zealand., Inc. (electric distribution)	1993
UtiliCorp Australia Holding Limited (electric distribution)	1995
Broad Street Oil & Gas (gas marketing)	1995

UtiliCorp's foreign holdings are separate legal corporate entities which are purported to operate autonomously with little UCU executive oversight. UtiliCorp's energy related businesses are also separate legal entities, but organizationally, they share numerous corporate executive and administrative functions with UtiliCorp's domestic regulated utility divisions.

Q. Do you have an organization chart attached to your testimony?

A. Yes. Schedule 5 demonstrates the complexity of the UtiliCorp corporate structure. In addition, Schedule 5 demonstrates the management strategic decision to grow and diversify. As Schedule 5 indicates, this was the corporate structure as of December 10, 1996. It is my understanding that the structure may have changed slightly since that time.

Q. Have UCU's energy related businesses always shared executive and administrative functions with UCU's regulated divisions?

A. In recent years there has always been a modest sharing of executive and administrative functions. However, prior to 1995 UCU's non-regulated operations as well as UCU's regulated utilities operated in a fairly autonomous fashion. For instance, prior to 1995 MPS operated largely as an independent combination electric and gas utility company -- much as it had in the early 1980's prior to the creation of UtiliCorp and the numerous subsequent acquisitions. MPS, like the other UCU regulated and non-regulated operations, had MPS-dedicated accounting, risk management and human resources departments. However, beginning in 1995, UCU significantly reorganized operations by centralizing a number of corporate wide functions.

Q. Please elaborate on the reorganization which began prior to 1996.

A. Beginning in 1994 and continuing into 1995, UCU undertook steps to determine how it could streamline its various businesses to become more efficient and cost effective, as well as to prepare for anticipated additional deregulation of the energy industry. It elected to reorganize itself largely by *business unit* rather than by physical location -- as had been done up until 1995. Specifically, UtiliCorp Energy Delivery ("UED") was established as a "wires and pipe" business unit in charge of distributing energy commodity for all the UCU regulated utility divisions. UtiliCorp Power Services ("UPS") was established as a business unit to own and operate electric generation and transmission facilities. UtiliCorp Energy Resources ("UER") was created as a business unit to acquire and market energy commodity as well as to develop and market energy alternatives and solutions to large wholesale customers and large industrial customers who have most of the characteristics of true "wholesale" customers. UtiliCorp Energy Solutions ("UES") was established as a business unit to market non-regulated energy and/or energy related goods and services to retail customers. Also worthy of note, in 1995 the Company created a significant marketing group, referred to as UtiliCorp

Marketing Services ("UMS"), for the purpose of promoting all of UCU's various energy and energy related businesses.

Following the reorganization, the regulated utility divisions such as Missouri Public Service continue to exist, although they no longer operate as largely autonomous utilities. Furthermore, for business management and accounting purposes MPS, as well as the other regulated utility divisions, have been split into a "wires and pipes" business (i.e., MPS-UED) and a generation and transmission business ("MPS-UPS").

When UtiliCorp United was established in the mid-1980's, a few "common" services were centralized at UCU's Kansas City corporate offices. Some of the more significant common corporate activities which have been centralized at UCU for a number of years include executive and operational oversight, corporate wide financings, corporate/shareholder relations, corporate secretary/governance functions as well as corporate development. Additionally, *oversight* for a number of other activities resided at UCU's corporate offices including accounting, corporate wide tax filings, information systems, human resources, internal audit as well as regulatory. While "oversight" for these activities occurred at the UCU corporate level, each utility division and each corporate energy-related subsidiary carried out these various activities separately for their own individual operations.

With the 1995 reorganization, significant additional functions were centralized. Specifically, many of the activities which had occurred in a limited "oversight" capacity at the corporate level prior to 1995 were entirely centralized on a corporate domestic-wide basis beginning in 1995.

Q. You just stated that a number of activities were centralized on a corporate "domestic-wide" basis beginning in 1995. Were these same functions and activities centralized for UtiliCorp's foreign holdings?

A. According to the Company, the significant activities surrounding accounting, human resources, information technology and risk management functions which were centralized for domestic operations continue to be carried out independently by UCU's foreign holdings. However, there are indications that UCU's foreign holdings receive at least "oversight" for some of these activities.

Q. Following the 1994-1995 reorganization, how many centralized activities resided as a UCU corporate wide function?

A. During 1996, subsequent to the reorganization, UCU had in place some 20 Enterprise Support Functions ("ESF") which included the following:

Executive	Government Affairs
Trade Control	Financial Management & Accounting
Operations	Regulatory Affairs
Chief Financial Officer	Risk Management
Corporate Development	Legal
Technology Development	External Communications
Idea Realization	Information Technology
Public Affairs	Operations Support
Human Resources	Trans UCU
UtiliCorp Marketing Services	Finance

Q. Did these ESFs provide services to utility as well as non-utility operations throughout 1996?

A. Most of the above listed ESFs provided services to utility as well as non-utility services throughout 1996.

Q. How were the ESF costs allocated or assigned to regulated and non-regulated operations in 1996?

A. As discussed in greater detail below, some costs were directly assigned to the individual business entity benefitting from the given service or activity. In some instances, costs were allocated to business organizations based upon allocation factors which considered the cost causative characteristics of a given expenditure or activity. For instance, the cost of certain payroll accounting functions were allocated on the basis of number of employees for the various entities who benefitted from, or otherwise required, such accounting functions. All remaining ESF costs were allocated to the various UCU utility divisions and non-regulated operations on the basis of a general allocator -- commonly referred to as the Massachusetts Formula allocator.

Q. What components are considered in the development of the Massachusetts Formula?

A. Revenue margins (i.e., gross revenues less fuel, purchased power or purchased gas costs), payroll expense and investment in plant/non-utility property are considered by UCU in the development of its general Massachusetts Formula allocator. UCU as well as other multi-jurisdictional utilities have used the above described or similar formulas to develop allocation factors when no better cost causative factors can be identified or determined.

Q. Please summarize the effect of the UCU reorganization occurring throughout much of 1995.

A. Prior to 1995 UCU operated largely as a holding company owning utility and energy related businesses in numerous states and some foreign countries. The various UCU properties were managed and operated fairly independently, with minimal UCU executive and operational oversight. However, with the 1995 reorganization, authority and decision making for many aspects of UCU's various operations were centralized and standardized. As a result of this reorganization, there are fewer costs that are incurred directly and exclusively for MPS -- and many more costs that are incurred on a UCU corporate wide basis that must be assigned or equitably allocated to benefitting operational subdivisions -- such as MPS.

Overview of the Development of Test Year UCU Corporate Overhead Costs

Q. What has been the overriding goal with regard to your review of UCU corporate overhead or ESF costs?

A. My overall goal has been to develop a reasonable, ongoing normalized level of test year UCU corporate overhead costs which are of direct benefit to ratepayers. Furthermore, having developed a reasonable ongoing level of *total UCU* corporate overhead costs, it has been my goal to arrive at a reasonable method of allocating or assigning such costs to MPS electric operations.

Q. What were your concerns in the corporate overhead review process?

A. My concerns were numerous, including:

- Very limited "actual" data existed to assist in determining what costs might constitute a normal, ongoing level of expense under the new corporate organization.
- A much greater potential for utility subsidization of non-utility, non-regulated or foreign operations exists given that a much larger pool of "common" corporate costs must be allocated or assigned between UCU's regulated and non-regulated companies.
- The reorganization occurred largely during 1995 but continued during 1996. Thus, there was concern that the 1995 test year or 1996 calendar year data reviewed could contain significant amounts of "non-recurring" or "one-time" reorganization costs.
- During the 1995 test year MPS still operated in large fashion as a fairly independent UCU utility division. If the Staff were to attempt to reflect within the adjusted test year cost of service an allocated portion of centralized UCU corporate overhead costs that could be expected to be incurred following the corporate reorganization, it logically and equitably followed that non-recurring MPS direct costs incurred in 1995 would also need to be identified, quantified and removed.
- It was determined early on that I would be relying to a large extent upon 1996 actual ESF operating data. Since it was well recognized that the

> proposed UCU/Kansas City Power and Light Company merger was significantly affecting costs and operations for at least the first eight months of 1996, there was a concern that any such merger related costs be identified, quantified and eliminated from test year cost of service development.

Q. Do your adjustments reflect an ongoing, normalized level of equitably allocated/assigned UCU corporate overhead costs that are of direct MPS ratepayer benefit?

A. Yes, the adjustments which I am sponsoring reflect "best estimates" to achieve such goals. However, because the Company has not provided all the data I have requested, I have in some instances used considerable judgement to arrive at what I believed to be an ongoing, normalized level of MPS operating expense. In those instances where a judgment call was required to arrive at a normalized level of operating expense, I will set forth in testimony my reasoning for calculations ultimately made, and where appropriate, list outstanding data requests, the responses to which, could impact my recommendation. While I will consider and analyze possible forthcoming data request responses, I would note that, based upon information received to date, I believe for the most part the positions I have taken are reasonable, if not conservative (i.e., benefitting shareholders more than ratepayers). Furthermore, if I am expected to consider new information which might tend to indicate that I have been overly aggressive in a given issue area, I would also expect to be able to address other issue areas where new information might prove that I have been unintentionally generous to UCU's shareholders.

Q. If you do not have the necessary information to confidently finalize your position, why have you elected to proceed with a revenue requirement filing at this point in time?

A. Mr. Steven Traxler will address that question in detail. In a nutshell, however, notwithstanding less-than-perfect information, it has become abundantly clear that a significant and continuing overearnings condition exists for MPS electric operations. As the Commission should be well aware, the Company has been extremely slow to respond to discovery requests. Furthermore, the situation has gotten worse over time -- with the Company missing self-imposed or Commission-imposed discovery response times and now suggesting even longer response times for recently issued data requests. Accordingly, a Staff decision was made to finalize a revenue requirement filing utilizing the best information available.

Q. Could you describe for this Commission the mechanics of your UCU corporate overhead cost adjustment?

A. As stated previously, it was my intent to reflect an ongoing, normalized level of total UCU corporate overhead costs allocated or assigned, as appropriate, to MPS electric operations. Additionally, I intended to remove all MPS direct costs incurred during 1995 that would be "non-recurring" at the MPS direct level as a result of those functions and processes being centralized at the UCU corporate level. The steps involved were intended to consist of:

> Determine an ongoing calendar year 1996 level of centralized UCU corporate overhead costs which were of direct ratepayer benefit.
>
> Review and modify, as appropriate, Company's method of allocating or assigning such 1996 costs to MPS' electric operations. Reflect within the adjusted test year an ongoing level of ratepayer beneficial ESF expenses equitably assigned/allocated to MPS electric retail operations.
>
> Having determined an ongoing, normalized level of UCU corporate overhead costs allocable/assignable to MPS, eliminate from 1995 test year operating results:
>
> a) UCU corporate overhead costs recorded during the 1995 test year and,
>
> b) MPS direct costs incurred during the 1995 test year which will be "non-recurring" as a result of the UCU centralization process.

Q. Were you able to perform the above-described intended calculations as you had planned?

A. I was able to develop and quantify or estimate all the elements listed above *except for* the 1995 MPS direct non-labor, non-benefits costs which will be non-recurring as a result of the reorganization. Because I have been unable to obtain the 1995 MPS direct non-labor, non-benefits costs which will be non-recurring as a result of the reorganization, my adjustment has been effectively limited to reflecting the estimated impact of the reorganization upon wage and benefits costs. I fully expect that if I could obtain accurate non-wage, non-benefits costs, a further downward adjustment to test year operating results would be warranted.

Q. Have you requested the 1995 MPS direct non-labor, non-benefits costs which you believe to be non-recurring as a result of the reorganization?

A. Certainly. In early September 1996 we learned in an interview with Ms. Deborah Hines, a UCU accountant, that a number of MPS Responsibility Centers utilized during 1995 had captured the MPS direct costs which would be eliminated in the future as a result of the reorganization. On September 12, 1996, in Case EM-96-248, two data requests were submitted as a follow up to the interview with Ms. Hines. One data request was submitted to confirm the Responsibility Centers ("RC's") that Ms. Hines had identified as containing the non-recurring MPS direct costs. The second data request asked for a breakdown of 1995 costs for those Responsibility Centers into labor, benefits and "all other" components. Those data requests have been affixed to this testimony as Schedules 1 and 2.

Because Case No. EM-96-248 was terminated prior to UCU answering the above referenced data requests, those same two data requests were submitted on October 28, 1996 in Docket No. EO-96-144 as Data Request Nos. 625 and 626. The Company's response to Data Request No. 625, which confirmed that a number of identified RC's had been eliminated as result of the reorganization, was provided on December 27, 1996. However, as of the time this testimony was being prepared, the Company has not responded to Data Request No. 626, which asked for a breakdown of those non-recurring MPS direct costs.

Q. Do you believe that a full and complete response to Data Request No. 626 would likely result in a further downward adjustment to MPS' electric jurisdictional operating expense?

A. Yes. The adjustments I have developed thus far reflect only the net impact of the reorganization on labor and benefits cost. As expected, the impact of the centralization process is a net reduction to test year labor and benefits costs. If the non-labor piece can also be identified, it logically follows that a further net downward adjustment should be posted.

Q. Why have you reflected ongoing, normalized ESF costs by starting with 1996 actual ESF cost data?

A. In my opinion, using 1996 ESF cost data was the only practical way to develop an ongoing level of MPS direct and allocated/assigned ESF costs. Upon first impression, such approach may appear to be slightly inconsistent with a June 30, 1996 cut off period. However, in support of the use of 1996 ESF operating data as my starting point for addressing this issue, I first note that calendar year 1996 is the first full twelve month consecutive period following the 1994/1995 corporate reorganization. Any prior annual period would contain a hybrid of business under the old way of doing business as well as the new centralized method of operating.

Second, throughout calendar year 1996 ESF costs were distributed to the various UCU operating divisions and companies on the basis of the 1996 ESF *budget*. Only in December 1996 did UCU attempt to true up ESF costs and allocation/assignment procedures. Furthermore, in many instances the Company claims that the documentation supporting the 1996 ESF allocation process is simply no longer available, and therefore, I was never able to obtain the underlying support for most of the 1996 ESF costs being allocated/assigned to the various divisions on an estimated accrual basis though November 1996. Thus, ESF costs hitting MPS' books through June 1996 contain only estimates of ESF costs being incurred. Furthermore, I have learned that the 1996 true up allocation/assignment procedures utilized differed in many respects from the 1996 budgeted allocation procedures -- which the Company has not fully provided.

Finally, Staff has annualized major cost of service components through June 30, 1996. The June 30, 1996 cut off point for other cost of service components annualized falls in the middle of the calendar year 1996 operating results utilized for developing ongoing ESF costs. It is reasonable to expect that any increasing or decreasing ESF costs that could have theoretically been annualized as of June 30, 1996 would have closely approximated unadjusted 1996 operating results. In summary, for all the above stated reasons, I believe use of 1996 ESF operating results is the best and perhaps only practical way to develop an ongoing, reasonable level of ESF costs to be allocated or assigned to the MPS division following the UCU corporate reorganization.

Development of Ongoing, Normalized Total UCU Corporate ESF Costs

Q. If you have completed your overview discussion of the development of test year UCU corporate overhead costs, could you proceed to describe the individual steps undertaken to arrive at the total amount of 1996 ESF operating costs assigned/allocated to MPS electric operations?

A. Yes. At the outset I note that the calculations which I am about to describe are complex. For that reason, I have affixed as Schedule 3 the workpapers used to calculate the steps which I am about to describe.

As stated previously, the first step in the ESF annualization process was to develop an ongoing level of total corporate ESF expense that is of direct benefit to ratepayers . For reasons stated above, I started my analysis by utilizing 1996 actual ESF operating results. During 1996 19 UCU ESFs incurred $132,181,322 of costs (Schedule 3, page 4, column (j), line 19). I should also note at the outset that this $132 million amount includes all UCU ESF *except for* UtiliCorp Marketing Services ("UMS"). Because UMS is distinct from the other ESFs in purpose, operation and accounting, my discussion of the UMS cost analysis is set forth in a separate section of testimony (See page 44). Thus, in this section of testimony I will be addressing the development of ongoing ESF costs *except for UMS.*

As a result of my review of all ESF costs *excluding UMS*, I propose a number of total company adjustments which sum to $11,782,743. An itemized breakdown of the various adjustments is shown below:

Adjustment Description	Amount	Schedule 3 Adjustment Page 4, Col. (j) Line No. Ref.
Remove non-recurring severance pay incurred as result of workforce downsizing following the reorganization	$898,425	22
Remove accrual for Other Postretirement Benefits Other Than Pensions ("OPEB")	360,389	23
Eliminate non-recurring moving and relocation costs	4,166,957	24
Eliminate country club dues	87,112	25
Eliminate "discretionary" bonuses	786,778	26
Eliminate EnergyOne merchandise awards	41,622	28
Eliminate non-recurring "Energy, Life of a Nation" book costs	183,756	29
Eliminate Public Affairs ESF as non-recurring and/or charitable giving	2,842,569	30
Eliminate one-half of Governmental Affairs ESF costs as lobbying expense	1,562,343	31
Eliminate non-recurring personnel recruiting costs	852,792	32
Total Company ESF Adjustments	$11,782,743	

Subtracting the $11,782,743 of specific disallowances from total 1996 ESF costs results in $120,398,781 of remaining ESF costs to be allocated or assigned to regulated and non-regulated UCU operations (Reference Schedule 3, page 4, line 54, column j).

Q. Earlier you stated that because you were lacking needed information, your ESF adjustment had been effectively limited to reflecting the estimated impact of the reorganization upon *only* wage and benefits costs. However, some of the above listed adjustments appear to address non-wage/benefits cost. How do you reconcile this apparent discrepancy?

A. I am still hopeful that I might be able to obtain the level of MPS direct costs for 1995 that are non-recurring as a result of the ESF centralization process. In anticipation of that information, I have gone through the exercise of identifying an ongoing level of ratepayer recoverable labor, labor-related and "all other" ESF costs. Furthermore, in ensuing portions of my testimony I will address such ESF adjustments that deal with all elements of overhead costs -- including labor, benefits *and non-labor* portions. However, for now, Adjustment S-11.3 reflects only wage related ESF costs. In other words, while the total UCU ESF adjustment amounts shown above reflect wage, benefits *and non-wage costs*, Adjustment S-11.3, which is posted to the Staff's EMS run, reflects only the wage and benefits elements of the total ESF amounts shown above.

Q. Turning to the first disallowance specified above, could you please elaborate upon why you have eliminated ESF severance pay expense during 1996?

A. The corporate reorganization has enabled UCU to reduce its workforce. In at least some instances severance was required to be paid. I am proposing to eliminate such 1996 severance pay inasmuch I consider the downsizing with attendant severance cost incurrence to be a one-time, non-recurring event. Furthermore, even if some additional severance costs were anticipated to be incurred, it has been my observation that there is a very quick payback vis-a-vis payroll cost savings when severance costs are incurred.

Thus, it would be inequitable to consider additional severance costs when developing the test year cost of service unless the attendant payroll cost savings were also considered.

Q. Please explain the basis for excluding OPEB accruals from 1996 ESF costs.

A. Mr. Robert O'Keefe of the Missouri Public Service Commission accounting staff is explaining the Staff's position with regard to this issue. I have merely eliminated the OPEB accrual reflected within 1996 ESF operating expenses.

Q. Please explain the basis for eliminating 1996 employee moving and relocation costs.

A. The significant centralization process that largely occurred during 1995 continued to a lesser extent during 1996. Accordingly, I have eliminated all employee moving and relocation costs as "non-recurring."

Q. Even though the reorganization process is largely if not totally completed, is it reasonable to assume that no employee moving and relocation costs will be incurred on a going forward basis?

A. No. I have requested actual moving and relocation data for historical years 1994 through 1996 as well as budget year 1997 for MPS as well as all UCU ESFs (Data Request Nos. 817 and 818) . Receipt of such data could result in a revision to this adjustment. However, while I have eliminated all 1996 ESF moving and relocation costs, no comparable adjustment has been made to MPS direct moving and relocation costs. Upon receipt of the requested information I will revisit this issue to determine if a different adjustment to combined MPS-direct and ESF-allocated moving and relocation costs is warranted.

Q. Please discuss the basis for your proposed exclusion of all country club dues.

A. I have eliminated all country club dues from ESF operating expense on the basis that incurrence of such expense results in no direct ratepayer benefit. Any "business" that might arguably be conducted on a country club golf course could just as easily be conducted within UCU offices.

Q. Please explain why you have eliminated discretionary bonuses from 1996 operating results.

A. First, I would note that in addition to the discretionary bonuses the Company has in place a formal incentive compensation plan which considers corporate, business unit and individual achievements. Often times rate recovery of formal incentive plans such as UCU's are challenged by regulatory staffs on various grounds, including:

- Utility employees are paid a regular salary to perform tasks required. There is no need to incur incentive pay on top of regular pay to motivate employees to do that which they are already expected to do. Furthermore, often times the goals that must be achieved in order to receive an incentive award appear to be rather routine.
- Incentive pay on top of regular pay represents excessive costs which should not be borne by ratepayers. Many of the goals which facilitate the payment of incentives largely, if not exclusively, benefit shareholders. Accordingly, in those instances such incentive pay should be borne by shareholders -- not ratepayers.
- Many times the goals or tasks set forth to earn an incentive award are not well documented and/or the grader almost automatically "forgives" a missed goal because of circumstances purported to be out of the candidate's control.

However, for purposes of this case, Staff decided not to challenge UCU's formal incentive plan based on time and resource constraints.

Thus, while I have not challenged UCU's formal incentive plan for purposes of this case, I have eliminated the cost of UCU's "discretionary" bonuses. The basis for this adjustment is simply that I have not been able to identify the need for, or ratepayer benefits derived from, awarding such discretionary bonuses on top of the regular salaries plus UCU's formal incentive plan allowed by Staff.

Q. Has the Company explained why such bonuses are necessary or what is hoped to be accomplished as a result of offering such bonuses?

A. Data Request No. 738 issued on January 24, 1997 requested such information, but the Company has not responded. Barring receipt of meaningful information in this regard, I recommend that the Commission disallow the cost of all such ESF discretionary bonuses.

Q. Please discuss the EnergyOne merchandise disallowance.

A. During 1995 UCU rolled out the "EnergyOne" brand name under which it intends to market most of its energy and energy related products and services. I discuss this event in much greater detail in the UtiliCorp Marketing Services portion of this testimony (See page 44). During 1996 UCU awarded certain employees merchandise that displayed the EnergyOne brand name. In the UtiliCorp Marketing Services portion of this testimony I discuss why I do not believe the promotion of a national brand name is a cost that should be borne by today's regulated retail utility customers. For the reasons stated in that section of testimony, I am recommending herein that the 1996 ESF costs of awarding EnergyOne merchandise should also be eliminated for rate making purposes.

Q. Please continue by discussing your proposed disallowance of the cost of a book entitled "Energy, Life of a Nation."

A. While reviewing the income statement of the Executive ESF I noted that a line entitled "Public Affairs" was charged $61,252 for the months of January, February and March 1996. In response to a data request I learned that the charges related to the cost of publishing a book entitled "Energy, Life of a Nation." I also learned that such costs were incurred and deferred in 1994, but that such costs were being amortized to expense in early 1996.

While I have not yet seen the book, it is difficult to imagine what possible ratepayer benefit could be derived from UCU's underwriting of the cost of publishing the book. However, assuming *arguendo* there were some ratepayer benefits to be derived from publishing the book, I would still recommend disallowance of the entire amount on the grounds that such costs are non-recurring and out-of-period, and therefore, not appropriate for test year inclusion.

Q. Please describe your proposed Public Affairs ESF disallowance.

A. By way of background, during 1996 the Public Affairs ESF was in charge of developing and implementing UCU's corporate responsibility program, distributing corporate contributions, managing the UtiliCorp United Foundation Fund, coordinating corporate sponsored events, managing UCU's civic and community involvement as well as coordinating the assignment of company delegates to industry associations. Approximately half of the 1996 Public Affairs ESF costs were for charitable gifts and contributions which UCU voluntarily recorded in FERC account 426 -- a below the line account typically not charged to ratepayers. While UCU voluntarily recorded its actual contributions below-the-line, it did not record any of the attendant administrative costs of its gift giving program below the line.

**____
____
____
____**

To summarize, most of the 1996 Public Affairs expenditures either were, or should have been, recorded below-the-line. **____________________________________
____** In light of these events, I am recommending that, except for professional association dues, all 1996 Public Affairs costs be eliminated from above-the-line rate recovery.

Q. Please discuss your proposed adjustment to eliminate one-half of the Government Affairs ESF costs.

A. The intent of such recommendation is to eliminate lobbying cost. However, since I have been unable to identify exactly how much of this ESF's cost constitutes lobbying or lobbying related costs, I have simply eliminated one-half of this ESF's 1996 costs.

Q. What activities take place within the Government Affairs ESF?

A. According to the Company's response to Data Request No. 539, the major activities and services occurring within the Government Affairs ESF include:

1) monitoring introductions to federal and state legislatures;
2) identifying issues that impact UCU operations;
3) communicating information back to affected groups;
4) determining appropriate actions, such as educating; legislators about impact on the company, working with other companies, etc.; and
5) informing affected parties on passed legislation to comply with new rules or requirements.

Q. Do you consider any of the above listed activities to be "lobbying?"

A. The carefully worded response avoids use of the word "lobbying." However, I submit that the referenced "educating legislators about the impact on company" clearly represents lobbying activities. Furthermore, part (e) of Company's response to Data Request No. 539 references outside consultants retained by the Government Affairs ESF who are "contract legislative representatives." Thus, notwithstanding avoidance of use of the word "lobbying," there is no doubt that lobbying activities do take place within this ESF.

Q. Why should lobbying costs be disallowed for rate making purposes?

A. As a matter of rate making policy lobbying costs should be a below-the-line activity. Indeed, the Federal Energy Regulatory Commission's Uniform System of Accounts requires that expenditures incurred "for the purpose of influencing public opinion" regarding referenda, legislation or ordinances be recorded in Account 426.4 -- a below-the-line account. Some lobbying activities of UCU as well as other investor owned utilities may occasionally result in ratepayer benefits. However, the potential for lobbying activities that could result in adverse consequences for ratepayers is significant -- particularly for diversified, international companies such as UCU. Furthermore, it is my understanding that this Commission, as well as most federal and state commissions nationwide, routinely treat lobbying as a below-the-line expense.

Q. Did UCU/MPS record any of Governmental Affairs costs incurred in 1996 in Account 426?

A. A portion of 1996 Governmental Affairs costs was recorded in Account 426. However, from descriptions given, it would appear that only contributions and gifts made by the Governmental Affairs ESF were recorded in Account 426. It does not appear that the Company properly recorded any Governmental Affairs payroll or outside services costs incurred "for the purpose of influencing public opinion" regarding referenda, legislation or ordinances below-the-line.

Q. What is the basis for disallowing one-half of 1996 Government Affairs as "lobbying" expense?

A. Lacking detailed information as to what 1996 costs are "lobbying" versus monitoring or communication expenditures, I have simply assumed that one-half of total 1996 Government Affairs costs is lobbying related. If I eventually receive information that demonstrates that my assumption is significantly in error, I would consider revising the percentage of Government Affairs costs deemed to be lobbying.

Allocation of ESF Costs to International and Mergers and Acquisitions Activities

Q. If that completes your discussion of specific 1996 cost disallowances, please continue by describing the next step undertaken to arrive at a ongoing reasonable level of ESF costs to be allocated to MPS.

A. During the course of my investigation, interviews with Company personnel and answers to data requests suggest that the Company is not adequately capturing all costs related to its mergers and acquisitions ("M&A") or international properties activities. Accordingly, I have allocated a portion of certain 1996 ESF costs to such non-utility activities. Because of lack of documentation, the amounts allocated to these non-utility activities is in large part based upon professional judgement.

Q. What documentation exists that suggests there is a problem in capturing all M&A and international activities?

A. First, ***no*** UCU payroll or related costs were charged to the KCPL merger efforts by any ESF personnel prior to February 1996. As this Commission may remember, the Agreement and Plan of Merger between KCPL and UCU was entered into on January 19, 1996. The 58 page document contains a myriad of details of the complicated transaction. It simply is not credible to assume that significant efforts of senior UCU management were not involved in the process.

Second, from data requests received it is apparent that after January 1996 some attempt was made to require UCU employees to track time spent working on the merger. However, from the very modest amounts initially charged to the merger efforts from February to June 1996, it is obvious that only a portion of UCU payroll and related costs were being charged to the merger effort. Also, it should be emphasized that while some modest amount of time was initially charged to the merger effort, ultimately all such ESF payroll costs were allocated out to the business units.

I note that UCU has voluntarily retained (i.e., not attempted to allocate to its various business units) most costs incurred by its Corporate Development ESF during 1996. Corporate Development is the ESF primarily in charge of mergers and acquisitions. Clearly a significant effort regarding the proposed KCPL merger would have originated from within that ESF. However, a merger of the magnitude of the KCPL deal could not materialize without significant additional effort from senior executive management working for other ESFs including, but not necessarily limited to, the Executive, Operations, Finance and External Communications ESFs.

Third, ESF employees have generally represented that any time spent working on behalf of international properties is directly charged to that property. However, with but one exception to date the Company has not shown how 1996 ESF payroll and related costs are being assigned to international operations. **______________________________

____

________________________________**

Fourth, Ken Jones, the Financial Management and Accounting ESF's Team Leader - Accounting Services, noted in a May 22, 1996 memo that improvements in assigning M&A and international activities were needed. Specifically, Mr. Jones' memo states in part:

> The purpose of this memorandum is to communicate UCU's accounting policy concerning employees' charging of time and expenses to the International Business Units, as well as confirm our accounting policy related to the KCPL merger. ***It is imperative that we improve our performance in accounting for these types of costs.*** (Excerpt from response to DR 330; ***emphasis added***)

Later in the memo Mr. Jones went on to state:

> Accounting Services has initiated a project to identify costs, through a review of our accounting records, with the objective of the assignment of these costs to these International Business units, and we will implement additional controls to help ensure proper accounting for all international expenses. However, ***the most effective process is to have all the UCU employees working with the international companies identify and properly account for their time and expenses. (emphasis added)***

Fifth, evidence of improper assignment of time to international activities was noted in the last MPS electric rate proceeding. Specifically, Mr. Michael Brosch noted on behalf of the MPSC Staff that in at least some instances senior executive management was only charging time to international activities when they were physically working on the foreign holding's premises. They apparently were not charging any time spent working on international activities while in the Company's state side corporate offices. Thus, inadequate reporting has been a continuing problem for many years.

Finally, the Michigan Public Service Commission Staff noted in a recent Michigan Gas Utilities Company rate investigation that it, too, had found the Company to have been remiss in assigning employees' time to international activities. Specifically, Ms. Susan Crimmins Devon, testifying on behalf of the Michigan Public Service Commission Staff in a 1996 UCU/Michigan Gas Utility Company rate proceeding stated, in part:

> Q. Does any corporate employee charge their time directly to entities, such as international ventures, not included in the Massachusetts Formula?
>
> A. No. At least, not that I have been able to determine. I reviewed the time reports and expense vouchers of all of UCU's officers, including Richard Green, Robert Green, James Brook, Dale Wolf, Randal Miller and Nancy Schulte for the entire test year. I also reviewed the time reports and expense vouchers of all "key" employees including Robert Howell, Leo Morton, Sally McElwreath, Philip Daddona,

> Michael Bruhn, Joe Colosimo, Paul Perkins, Jim Miller, Bill Burgess, and William Bandt. In addition, I have reviewed the May 1995 time reports of all UCU corporate employees. I did these reviews to determine how much, if any, time is charged to an entity not included in the Massachusetts formula. I was unable to discover any instances when this was done. In fact, Applicants's corporate time reports do not provide any type of information which would allow an auditor to make an independent determination as to how any corporate employees, including officer and key employees, are spending their time.

Q. Are there outstanding discovery requests that could clear up UCU's accounting for these non-utility activities?

A. There is some outstanding discovery which could demonstrate that UCU has been accounting for its international activities more accurately than has been documented in discovery responses to date. In particular, I have requested to see the hours charged by ESF employees to international activities (Outstanding Data Request No. 790 issued on February 17, 1997). While this outstanding data request could potentially reveal instances where some ESF employees have been charging time to international activities, I do not believe there is any question that ESF employees have generally failed to adequately account for time spent on M&A activities.

Q. Please describe the steps you have undertaken to allocate ESF costs to M&A and international activities.

A. First, I believe that nearly every ESF was called upon in 1996 to assist with M&A or international activities. However, based upon my understanding of activities taking place within certain ESFs, I believe it is reasonable to assume that some ongoing cost level of these ESFs should be allocated to M&A and international activities. Specifically, it is my professional judgement that at a minimum a portion of the following ESF's costs should be allocated to M&A and international activities:

Executive	Finance
Chief Financial Officer	External Communications
Operations	

Q. Taking each ESF individually, could you please describe the major functions and activities taking place within each ESF and why you believe it is logical to conclude that a portion of each ESF's cost should be allocated to M&A or international activities?

A. I requested a listing of functions and activities taking place within each ESF (Data Request No. 539). However, for some of the ESFs, including the Executive ESF, I did not receive an answer. Nonetheless, I do know that UCU's Chief Executive Officer, Mr. Richard Green, Jr., heads the Executive ESF. Furthermore, while I do not have written documentation to this effect, I believe it is logical to assume that this ESF would be responsible for establishing corporate strategies and visions, setting corporate policy, guiding and assisting senior executive management as well as coordinating the various business units and divisions activities to ensure consistent direction.

I also know that Mr. Green has traveled to UCU's foreign business operations -- both during the acquisition phases as well as subsequent to the acquisition. Furthermore, as evidenced by Mr. Green's significant public profile during the KCPL merger attempt, I believe it is obvious that Mr. Green has been heavily involved in previous M&A activities.

During 1996 the Executive ESF incurred approximately $1.5 million. Of that amount, $200,000 was charged to foreign operations. The explanation for the assignment of the $200,000 to foreign holdings was:

> In the Executive RC 30% was charged direct to foreign based on the estimates of time Rick Green spends on foreign related issues (Response to Data Request No. 730, page 101).

The above explanation would indicate, contrary to other responses received, that Mr. Green does not account for actual time spent on foreign related issues, but instead, estimates such efforts sometime after the fact. Furthermore, I note that there are no indications that the Executive ESF charged any payroll expense to M&A activities.

For purposes of this case, I have not taken exception to the 30 percent estimate of time spent on foreign activities. I have, however, applied the 30 percent factor to *total* 1996 Executive ESF costs (net of previously described specific disallowances for items such as country club dues, discretionary bonuses, etc.). The effect of such proposal is to allocate approximately $250,000 more Executive ESF costs to non-utility activities. I believe this to be a very conservative approach (i.e., judgement call in favor of the utility stockholders) given that I have not made a specific assignment of additional efforts to M&A activities.

Q. Please continue with a discussion of the Operations ESF.

A. Like the Executive ESF, the Company has not provided a written description of the activities and functions taking place within this ESF. This ESF is headed by Mr. Robert Green, Richard Green, Jr.'s brother. Like Richard Green, Robert Green has travelled internationally on UCU business both before and after foreign acquisitions. The Company has no written job description for Mr. Robert Green's position -- or any other ESF heads for that matter. Nonetheless, based upon the ESF's descriptive title, I would expect that Mr. Robert Green's duties parallel Mr. Richard Green's with perhaps a greater emphasis on "operating" the various businesses and a lesser emphasis on "strategic planning."

It is not apparent from the 1996 ESF closing allocation workpapers that any of the Operations ESF costs have been assigned or allocated to either M&A or international activities. However, there are outstanding data requests regarding this concern. For now, I have allocated ten percent of 1996 Operations ESF costs to international and M&A

activities based upon my professional judgement that, at a minimum, some modest effort of this senior oversight ESF would be devoted to such non-utility activities.

Q. Please continue with your discussion of the Chief Financial Officer ESF.

A. Like the Executive and Operations ESF, the Company did not provide a written description of activities and functions taking place within this ESF. **____________

____

____

____**

As previously stated, UCU voluntarily retains most of the cost of the Corporate Development ESF, recognizing that its efforts are not directly related to providing service to existing UCU operations. As discussed in greater detail below, the Finance ESF is involved in a number of activities, including some M&A work as well as limited international transactions.

In light of the M&A and international activities of the ESFs which report to the CFO, I believe that it is reasonable to allocate a portion of the CFO's cost to M&A and international activities. Accordingly, like the Operations ESF, I have used professional judgement in concluding that a modest ten percent of the 1996 CFO ESF costs should be allocated to M&A and international activities.

Q. Please continue with a discussion of the Finance ESF.

A. In response to Data Request No. 539 the Company listed a number of activities undertaken by the Finance ESF including: external financings, daily cash management, lockbox interface, cash collections, pension management, check signing, financial community relations and administering the customer finance program.

The response also indicates that the Finance ESF has assisted in obtaining permanent financing for certain international ventures. **______________________________

**

It is also obvious that UCU's M&A efforts cannot be sustained without additional external financings. In light of the Finance ESF's international activities, as well as the external financing requirements caused by continued M&A activities, I have allocated ten percent of 1996 Finance ESF costs to M&A and international activities.

Q. Please continue by describing the last ESF for which you propose to allocate a portion of 1996 costs to M&A and international activities.

A. The Company also did not provide a written response describing the major functions and activities of the External Communications ESF. However, I have interviewed Ms. Sally McElwreath who heads this ESF. **

____

________**

Q. In your discussions thus far you have often referenced events relating to the KCPL merger. Furthermore, you have also referred to UCU's "ongoing" M&A program. Will the activities which occurred during 1996 with regard to the failed KCPL merger attempt recur on an "ongoing" basis?

A. First, I note that I have not made calculations based upon 1996 KCPL-related events. While it is apparent that UCU personnel did not keep accurate records of time spent on that merger that would permit such a detailed calculation, I believe the amounts that I have allocated to M&A and international activities are considerably smaller than what would result if accurate records of the KCPL merger had been kept. In support of such statement I would note that I did not even attempt to allocate to M&A/international activities the payroll of a number of ESFs that I know to have been involved in the process. For instance, I am aware that personnel from Regulatory Services, Government Affairs and Financial Management and Accounting were involved in the merger process. Yet, I did not attempt to allocate any of these ESF costs to M&A activities as an "ongoing" event.

**____

____

____

____

____

____

____**

It is more important than ever for regulators to recognize the dual purpose for which UCU senior management exists, and to be ever aware of the subsidization problems that can arise when M&A activities are not accurately tracked and support services are not properly allocated to such non-utility activities.

Q. At various points in this section of your testimony you have characterized a particular position as being "conservative." Do you believe your *overall* approach to allocating ESF costs to M&A and International activities is "conservative?"

A. I believe my overall approach is very conservative. In support of such characterization I reiterate that I did not even attempt to allocate costs of certain support ESFs, such as Financial Management and Accounting, to M&A/international activities. ** **

I would also note that the recommendations being made are for purposes of this case only. The Staff, or perhaps I or other members of my firm on behalf of another party in a different UCU proceeding, may elect to revisit and reevaluate these issues, hopefully with the benefit of having more complete information than has been provided to date in this case.

Q. Do you have an alternative recommendation should the Commission elect to reject your allocation of ESF costs to M&A and international activities?

A. Yes. If the Commission should reject my recommendations to allocate a modest amount of costs to UCU's M&A and international activities, I would recommend as an alternative that the Commission amortize above-the-line for rate making purposes the net proceeds received from the failed KCPL merger attempt. Specifically, I would recommend that the Commission amortize over five years an allocated portion of the $55 million which it received from KCPL when KCPL failed to perform under the terms of the UCU/KCPL merger agreement. Of course, if the proceeds from KCPL were to be amortized above the line, I would furthermore recommend that the Commission amortize an allocated portion of the $16 million of KCPL merger related M&A costs incurred in the attempt to consummate the transaction.

Normally I would not argue to reflect the net proceeds from such an event in a regulated utility's cost of service. However, if the Commission expects ratepayers to pay the salaries and benefits of UtiliCorp personnel who are partially devoted to such activities, it logically and equitably follows that ratepayers should share in the proceeds from such transactions.

Q. Have you calculated the required adjustment assuming the Commission desired to simply pass on the net benefit of the failed KCPL merger attempt to ratepayers in lieu of attempting to allocate overhead costs to such activities?

A. Yes, as shown below, I calculate the before tax impact of amortizing an allocated portion of the net proceeds from the failed merger attempt to be $1,951,164:

Gross proceeds received from KCPL	$55,000,000
Direct external costs incurred related to merger effort	11,000,000
Net proceeds	$44,000,000
Massachusetts formula -- allocate to MPS	25.76%
Total net proceeds allocated to MPS	$11,344,400
Amortization period	5 years
Total MPS Amortization of Proceeds	$2,266,880
Percent to Electric Operations	87.49%
Total MPS Electric Amortization of Proceeds	$1,983,293
Electric Retail Jurisdictional Allocation Factor	98.38%
Total MPS Retail Electric Jurisdictional Amortization of Proceeds	$1,951,164

Allocation of Net Remaining ESF Costs to MPS Electric Operations

Q. You have thus far described how you have developed specific adjustments to recorded 1996 ESF costs, and furthermore, how you have assigned a portion of the cost of certain ESFs to M&A and international activities. Please continue by describing how net remaining 1996 ESF amounts were allocated or assigned to MPS.

A. With minor exception, I have utilized the methods and procedures that UCU utilized when developing its end-of-1996-calendar-year UCU overhead distribution accounting entry.

Q. Please explain.

A. Throughout the first eleven months of 1996 UCU simply distributed ESF costs to the various regulated and non-regulated business units on the basis of its 1996 budget. In other words, regardless of ESF amounts actually being spent, and regardless of the projects or activities actually undertaken, the various business units and divisions within each business were "charged" ESF costs based upon the 1996 ESF budget. In December of 1996, UCU "trued-up" ESF expenditures as well as the allocation/assignment of such costs to the various business units. However, because total actual 1996 ESF costs were not available for such consideration, the Company performed such calculation by utilizing ten months of 1996 actual data and two months of budgeted 1996 data. The Company compared the results of the "true up" calculation to the amounts that had been accrued on each business unit's income statement to develop a December 1996 adjusting entry that more accurately assigned total 1996 ESF costs to benefitting business units.

The Company's "true up" assignment/allocation procedure basically involved a three step process. First, wherever the ESF accounting system had been established so as to capture expenditures which could be directly assigned to a business unit, or perhaps a business activity that should be allocated to a small population of business units or subdivisions thereof benefitting from the activity, such costs were directly assigned to the extent possible. Second, to the extent the cost causative characteristics of an activity which had been separately accounted for could be determined, the cost of such activities were allocated on the basis of statistical factors which considered the cost causative characteristics of the activity. For instance, the cost of UCU's payroll accounting was allocated on the basis of number employees in each business unit and subdivision therein.

Finally, all remaining costs were allocated to benefitting business units on the basis of the Massachusetts formula. As stated previously, the Massachusetts Formula produces a general allocator that considers the revenue margins (i.e., gross revenues less fuel, purchased power or purchased gas costs), payroll expense and investment in plant/non-utility property of business units benefitting from the activity. In those instances where costs had been accumulated in centers that clearly benefitted only a portion of UCU's business units or division, such costs were allocated on the basis of a "mini" Massachusetts formula that considered only the revenue, payroll and investment statistics of benefitting business units/divisions. For instance, the Regulatory Services ESF provides services primarily to UCU's "regulated" utility divisions. Accordingly, 1996 Regulatory Services costs were allocated on the basis of a Massachusetts Formula derived from the revenues, payroll and investment statistics of only "regulated" divisions such as MPS.

UCU developed its end-of-1996 ESF "true up" entry based upon ten months actual and two months budgeted data. However, by February 1997, total 1996 actual ESF costs were available to me. Accordingly, I basically undertook the same steps that UCU performed for its end-of-1996 "true up" entry, but utilizing actual data for all of calendar year 1996. As stated previously, there are only a few instances wherein I did not accept the Company's approach.

Q. Does your previous answer suggest that you are in general agreement with the Company's approach?

A. I would state that, given the constraints of the accounting system in place during 1996, and other than the previously described deficiencies in allocating costs to International/M&A activities, the Company has made an earnest attempt to fairly allocate or assign overhead costs to benefitting business units. (This statement does not apply to UtiliCorp Marketing Services which was technically an ESF during 1996, but which is being addressed separately in a following section of testimony.) I would note, however, that there are a few cost centers for which the descriptive title is too cryptic to conclude with certainty that the allocation procedure employed is the most reasonable. In those instances, I have submitted follow up discovery to which the Company has not responded as of the time this testimony was prepared. I would also like to note that I still have not seen, even though I have requested, the underlying statistics utilized to develop the Massachusetts formula, as well as the "mini" Massachusetts formulas, which were in turn used to allocate 1996 ESF costs. With those caveats, however, I would state that I am in general agreement with the Company's allocation/assignment approach.

Q. Would you please describe for the Commission those instances wherein you did not agree with the Company's approach for assigning or allocating 1996 ESF costs?

A. Yes. First, UCU has allocated the 1996 cost of its "Trading Control" ESF to business units on the basis of the Massachusetts formula general allocator. According to the Company's response to Data Request No. 679, the major services provided by Trading Control are:

1) Establish corporate wide policy regarding the management of commodity price risk and the control of trading activities;
2) Determine corporate aggregate and individual subsidiary business unit's trading limits;
3) Evaluate trading portfolios, hedging strategies, and new derivative based products for sale to third parties;
4) Ensure policy compliance and effective management control for corporate wide trading activity; and
5) Advise individual subsidiary business unit heads and senior UCU management on strategic business development

> issues in concert with ongoing control environment enhancements.

From the wording, it appears that this service relates to UCU's unregulated gas marketing program. I have submitted follow up discovery in this regard. However, for purposes of developing my adjustment, I have assumed that no Trading Control ESF costs should be allocated to MPS electric operations.

Q. Please continue explaining the next exception which you have taken to the Company's 1996 ESF allocation/assignment procedure.

A. The Corporate Development ESF focuses primarily on mergers and related activities. UCU did not attempt to allocate the majority of Corporate Development costs to the various business units, no doubt recognizing that such activities are of no direct benefit to ratepayers. However, it did, for reasons not yet apparent to me, allocate the cost of an Ernst and Young study undertaken to identify synergies to be achieved by merging with KCPL. The results of the study were actually filed with Company's application in Case No. EM-96-248. I have reviewed such study and do not observe that it serves any significant purpose other than to identify synergies that can be expected assuming a merger with KCPL were to occur. I have submitted some discovery in this regard that remains outstanding as of this point in time. Nonetheless, for now I am recommending that none of the cost of the study be allocated to the various business units.

Q. Please continue with the next exception taken to the Company's 1996 ESF allocation/assignment process.

A. UCU's Information Technology ESF is in charge of designing, developing and maintaining the Company's computer and telecommunications hardware and software. Additionally, it is charged with identifying and implementing new and innovative technology. The Information Technology ESF has numerous Responsibility Centers that capture the cost of activities that are undertaken for specific business units or subcomponents thereof. In fact, from the short descriptive titles of the various

Responsibility Centers, it appears the Information Technology ESF does a better job of directly assigning costs to benefitting business units than do most of the other ESFs.

However, based entirely upon their short descriptive titles, I am proposing to eliminate the cost of two Responsibility Centers. Specifically, I am proposing that costs included within the "Business Development" Responsibility Center be retained by the Company (i.e., not allocated or assigned to the various business units). If the RC's title is indicative of the activities taking place therein, such costs should be retained -- just as the Company voluntarily retains costs incurred by its Corporate Development ESF. Clearly, if costs incurred within this RC are incurred in an effort to find, create or develop new business, such costs should not be borne by present day ratepayers. I have submitted follow up discovery on this item which remains outstanding. Following receipt of the requested information, I may have to reconsider my position on this issue. However, for now I recommend that all costs recorded in this RC be retained by UCU.

Another RC included within the Information Technology ESF is "Reengineering." Generally I understand that when UCU refers to "reengineering" projects it is referring to "systems" development. For instance, development of a new customer service system would be one example of a "reengineering" project. Others would include a new materials management system or a new accounting/general ledger system. UCU appropriately capitalizes costs incurred in designing or developing these new systems. Consistent with this UCU approach, I am recommending that all "Reengineering" RC costs incurred within the Information Technology ESF be capitalized rather than expensed and allocated down to the various business units. I have submitted discovery regarding the nature of activities taking place within the "Reengineering" RC. Receipt of such information may cause me to reconsider my position on this issue.

Q. Have you taken exception to any other UCU allocation procedure?

A. Yes. UCU leases three corporate planes. Whenever UCU personnel use such planes for business purposes, the appropriate ESF or business unit is charged the "fair market value" for using the plane. I am awaiting confirmation in an outstanding data request, however, I believe the "fair market value" is based upon the cost of a commercial airline ticket to the same destination. Charging for use of the planes based upon fair market value resulted in net unallocated airplane operating cost of nearly $3 million for 1996. With its 1996 ESF true up entry, UCU proposed to allocate such residual aircraft cost to all business units based upon the Massachusetts formula.

While I do not oppose ratepayer recovery of the "fair market value" of trips taken on the plane (assuming such prices charged are truly "fair" and the trips truly necessary), I strongly oppose ratepayer recovery of the residual amount. Almost by definition, charging ratepayers amounts in excess of "fair market values" results in passing on imprudently incurred costs. UCU has not sought recovery of such costs in any prior MPS rate proceeding. I strongly urge this Commission to adhere to such precedent when establishing rates in the instant case.

Payroll Annualization

Q. If that completes your discussion of corporate overhead costs, would you please continue by describing the payroll adjustment which you are sponsoring.

A. As Staff witness Mr. Steven Traxler explains, Staff is filing a 1995 test year updated for known and measurable events through June 30, 1996. To that end, I have developed normalized MPS payroll expense by annualizing June 1996 payroll costs. More specifically, I have multiplied regular pay for June 1996 times the appropriate number of pay periods to arrive at an annualized MPS payroll amount. In so doing I have developed a level of payroll expense that considers actual number of employees as of June of 1996 as well as actual authorized wages paid in June 1996.

I have also included an allowance for overtime pay by applying a three year historic average ratio of overtime-pay-to-regular-pay to the above described annualized regular wages.

Finally, I have also eliminated certain elements of 1995 wages that are either non-recurring or have been determined to be of no direct benefit to ratepayers.

Q. Please explain.

A. As with the ESF costs, I have eliminated all severance pay incurred by MPS. I consider such costs to be non-recurring. Furthermore, even if MPS should incur additional severance pay, presumably there would be a near immediate realization of payroll savings which has not been captured in my payroll annualization. Additionally, the Company has identified in discovery responses two other elements of 1995 employee compensation that have been discontinued. Accordingly, I have also removed the cost of these two discontinued pay programs.

Finally, for reasons set forth in earlier testimony, I have also eliminated the cost of discretionary bonuses and country club dues recorded as operating expense on MPS' books during 1995.

Q. Was it necessary to allocate your adjusted payroll level to MPS electric jurisdictional operations?

A. Yes. All calculations described were performed on a total MPS basis. Accordingly, it was necessary to allocate total adjusted MPS payroll to construction versus expense functions, as well as between electric and gas operations. I made such calculations on the basis of MPS' 1995 actual distribution of payroll costs. Finally, I allocated total MPS electric payroll to electric retail operations on the basis of allocation factors supplied to me by MPSC Staff accountant Steve Traxler. The results of all the above describe calculations are reflected within Staff Adjustment Nos. S-5.2, S-6.2, S-7.2, S-8.2, S-9.2, S-10.2 and S-11.5.

Q. Have you also calculated the related impact of your payroll adjustment on employer's payroll tax expense.

A. Yes. I have also calculated Adjustment Nos. S-14.1 and S-14.2 which reflect the rollout effect my payroll adjustment on social security taxes as well as federal and state unemployment taxes, respectively.

UtiliCorp Marketing Services

Q. Please continue by describing your next adjustment.

A. Adjustment No. S-10.1 eliminates the vast majority of UtiliCorp Marketing Services ("UMS") costs allocated to MPS during 1995 inasmuch as such expenditures and activities provide no benefit to present day utility customers. Specifically, I have concluded:

- A significant portion of UMS' costs were incurred in the process of rolling out the EnergyOne brand name. Inasmuch as the branding of the EnergyOne name is directed at marketing present or anticipated-to-be-deregulated services, it follows that present day ratepayers should bear no cost of this activity.
- ** **
- Much of the advertising and promotional materials produced were "image building" in nature -- a category of

expense that this Commission disallows for rate making purposes.

- Much of the UMS' advertising campaign dealt with non-utility and unregulated services, yet in 1995 100% of UMS' costs were allocated to UCU's regulated utility divisions.
- A portion of UMS' expenditures were directed at promoting electric or gas load growth (i.e., heat pump advertising, gas furnaces, etc). This Commission has historically rejected such promotional advertising.

Q. What is "EnergyOne?"

A. "EnergyOne" is the brand name that UCU has created for the purpose of marketing its many present and future energy and energy related goods and services.

Q. Why was the EnergyOne branding implemented?

A. EnergyOne brand marketing was implemented primarily in anticipation of marketing energy services that have been recently, or are expected in the near future to be, deregulated. By rolling out the EnergyOne brand name today for its regulated energy as well as non-regulated energy-related products and services, UCU hopes to achieve brand name recognitions as a provider of comfort, safety, reliability and security to homes and small business. Of course, UCU hopes this imaging will provide it with a distinct advantage in marketing products and services if and when the industry is further deregulated. These conclusions are well evidenced in the following discussion of the EnergyOne concept that was included in UCU's 1995 Annual Report to Shareholders:

> In the new, emerging world of utilities, the old days of sitting back and just hooking up new customers who move into a monopoly service territory are fading away. Today, companies more and more must compete for market share by working to serve customers' total energy needs and providing related services. With gas and electricity viewed as faceless commodities, energy users increasingly will choose suppliers based on factors that differentiate -- not only price, but service, expertise and technology. ***The ability of consumers to choose keeps growing as electricity begins to follow in the deregulation footsteps of natural gas. That is why in 1995 UtiliCorp introduced EnergyOne***, the first national brand in the utility industry.

> EnergyOne unifies the company's wide range of energy products and services coast to coast and gives them a recognizable face. Although an innovation in the world of utilities, brand recognition is a valuable, proven weapon for penetrating new markets and building market share in existing ones. (***emphasis added***)

Later the Shareholder Report discussion concludes "UtiliCorp envisions a time in the future when its customers can order EnergyOne electric and gas services from a menu on their home computer."

** ____

- ____
- ____ **

Q. Did UtiliCorp allocate all the cost of promoting the EnergyOne brand name to its various regulated utility divisions?

A. UtiliCorp purchased an EnergyOne hot air balloon as well as an EnergyOne trailer which it showcased in a number of shows and festivals nationwide. In 1995 the direct cost of the EnergyOne balloon and trailer, which were recorded on UMS' income statement, were not allocated to UtiliCorp captive utility ratepayers. However, all other EnergyOne development and promotional costs were allocated to UtiliCorp's utility customers.

Q. In your opinion, should any portion of the costs of creating, implementing or sustaining the EnergyOne brand name promotion be borne by present day regulated utility customers?

A. Absolutely not. The branding concept maybe a good, if not brilliant, idea. However, costs incurred today relating to the promotion of the concept have absolutely nothing to do with providing safe, reliable and efficient present day regulated utility service.

If the plan is successful, it is UtiliCorp shareholders who will eventually become the big winners. It would be patently unfair to gamble today with funds provided by captive utility customers that will only benefit UtiliCorp shareholders in the future. Clearly it is UtiliCorp shareholders who stand to gain from the plan. Accordingly, just as clearly, it is UCU shareholders who should bear all the cost of developing the brand name.

Q. In an earlier answer you indicated that UMS had incurred costs during 1995 to perform market surveys in anticipation of deregulating additional energy products. Please expand upon what you were able to observe in this regard.

A. **____** I have requested to review the work product and contract agreements for many of the UMS vendors. While the Company has not yet provided copies or access to all of the documents requested, but I have been able to review some of the documents requested.

**____

____

____

____

____

____**

Q. Do you believe that ratepayers should bear the cost of any of the studies just described?

A. No.

Q. But doesn't a prudent utility still need to perform research regarding present and future demands for energy on its system?

A. Yes. And in that regard, I would note that traditional utility load research was an activity carried out by UMS during 1995 and 1996. I was able to identify the cost for such activities for 1996. Therefore, when calculating my UMS adjustment, I have added back, or included an allowance for, an allocated portion of such traditional utility load research efforts.

Q. You also noted in an earlier answer that some of UMS' efforts were aimed at "image building." What is your understanding of this Commission's position regarding image building advertising?

A. It is my understanding that this Commission has rigidly held that image building advertising -- also referred to as "institutional" advertising -- should not be recovered from ratepayers.

Q. Why do you believe UCU is engaging in image building advertising at this point in time.

A. Again, I believe these types of activities are aimed at positioning UtiliCorp to be the provider of choice for products and services that already compete in a deregulated environment as well as to promote and create a form of brand loyalty as additional energy products and services become deregulated. For products and services which are presently regulated, and for which captive utility customers cannot "shop," it simply does not make good economic sense to expend monies on image building activities.

Q. Can you cite some examples of UMS' image building activities?

A. Yes. I would note that I have attached as Schedule 4 a copy of all of UMS' large and mass market promotional advertising and brochures for the Commission's review. However, for convenience I have included below two excerpts from Schedule 4 which I believe are purely "image building" in nature:

> Put the Power of EnergyOne To Work For You: In today's energy environment, you have more opportunities to receive low-cost energy and turnkey energy services. And no other energy provider offers you greater access to these opportunities than EnergyOne.
>
> With EnergyOne, not only do you get a full-service energy provider, you also get a long-term energy partner. EnergyOne offers the ***strength and performance*** of an international company, along with the experience, knowledge and backing of a company with an 80-year tradition of providing quality service. Choose the energy leader. Choose EnergyOne. (excerpt from page 116 of Schedule 4, ***emphasis included in original document***)

> **UTILICORP HAS A HISTORY OF ENERGY LEADERSHIP**
> EnergyOne is a powerful portfolio of high-quality energy products and services from UtiliCorp United, a company that has been in the energy business since 1917. With EnergyOne, UtiliCorp provides homes, businesses and industries across America with everything from reliable appliance repairs to electric, natural gas and energy management services. (excerpt from page 97 of Schedule 4)

In my opinion, such verbiage serves no other purpose than to promote "warm fuzzy feelings" about UtiliCorp United and EnergyOne which UtiliCorp hopes will eventually translate into greater sales of unregulated goods and services.

Q. You also noted in an earlier answer that some of UMS' advertising efforts were designed to promote utility load growth. Can you cite some examples of such promotional advertising?

A. I would again refer the Commission to Schedule 4. Specifically I would refer the Commission to pages 43 through 54 which contain advertising for heat pumps or gas furnaces in several states.

Q. Did UCU or UMS track advertising costs by rate jurisdiction?

A. Clearly UCU/UMS did not track costs by product/service, much less by rate jurisdiction during 1995. I am still awaiting answers to data requests which might reveal how costs were tracked during 1996.

Q. Why do you believe it is improper for captive utility customers to pay for such load promoting advertising?

A. To a large extent, such advertising is designed to attract energy load that would default automatically to either the local electric company or to the local gas company. The electric company's "gain" which occurs when a heat pump is installed is often the gas company's "loss." The electric company's improved load and load factor is often at the expense of the local gas company's "lost" load or deteriorated load factor. In my opinion, it is unfair to require electric and gas company ratepayers to fund such inter-utility advertising warfare when, in many cases, it is really a zero sum game.

Even in instances wherein the advertising campaign is designed to promote electric use over unregulated energy sources such as propane, it is utility stockholder's who tend to benefit inasmuch as they are able to retain margins from new customers gained from such campaigns in between rate cases.

Finally, I note that it is my understanding that this Commission has determined that load promotional costs may be allowable provided the utility can demonstrate that they are "cost justified." From the information received to date from the Company it is impossible to identify or even estimate what costs have been incurred in "promoting" electric energy usage in Missouri. Furthermore, while the Company has not provided the work product and studies of all outside consultants employed by UMS, of the studies I have seen, I did not observe where the Company had ever attempted to "cost justify" its promotional activities related to its regulated utility services.

Q. You also noted in an earlier answer that some of UMS' efforts were directed toward promoting sales of UCU's non-utility and unregulated goods and services. Can you cite for this Commission examples of such activities?

A. Yes. A very significant portion of UMS' efforts were directed toward promoting UtiliCorp's non-utility and unregulated utility services. Specifically, I direct the Commission's attention to the following pages included in Schedule 4 which were incurred for the purpose of promoting the following unregulated UCU goods and services:

Good or Service	Schedule 4 Page Reference
Gas supply services for commercial and industrial transportation customers	23 - 42
Home security sales and service	67 - 86
Home appliance sales and service	87 - 95
Municipal/Industrial Energy Management	96 - 142

Q. Did UMS attempt to allocate or assign such advertising cost to UCU's non-utility and unregulated business operations?

A. All UMS costs, including the above referenced non-utility advertising, were charged entirely to UCU's regulated utility divisions in 1995. I understand that in 1996 a better attempt was made to assign advertising costs to benefitting business units. However, during 1995 it is clear that UtiliCorp inappropriately assigned advertising costs related to its *unregulated* business operations to its *regulated utility operations*.

Q. Did you observe any examples of UMS advertising that met this Commission's criteria for recoverability from ratepayers?

A. I found one gas pipeline safety brochure (pages 65 and 66 of Schedule 4) which, if this were an MPS gas proceeding, and if the ad were directed to MPS' retail service territory, I believe this Commission would undoubtedly allow as "safety" related. However, the ad I found appears to have been directed to UCU's southern Missouri pipeline subsidiaries.

Also, I found Customer Information Handbooks for UCU's Missouri and Minnesota retail utility operations (pages 1 through 22 of Schedule 4). I would expect this Commission to allow recovery of such "information" advertising which addresses, in part, items such as understanding your utility bill, what to do before you dig, what to do if you smell gas, etc..

Q. If you propose to disallow virtually all of UMS' costs allocated to MPS in 1995, aren't you effectively disallowing a portion of costs that this Commission would deem to be reasonably recovered from ratepayers?

A. First, it is impossible to identify the cost of such permissible advertising. However, judging from the volume of such *recoverable* advertising in relation to total UMS advertising, I would expect the amount of recoverable UMS advertising to be de minimis.

Second, when developing the UMS adjustment I reflected over $1.0 million of sales expense which remained on MPS' books which consisted entirely of non-UMS costs. Such amount exceeds the amount that the MPSC Staff recommended as reasonable in MPS' 1993 electric rate case. Thus, I believe I have included an adequate amount for such Commission approved safety and information advertising.

Q. Please summarize your testimony regarding your proposed UMS adjustment.

A. I believe it is abundantly clear that the creation of the significant UMS enterprise support function can be attributable entirely to UCU's grand plans to exploit present and future opportunities to market unregulated products and services. As such, I strongly recommend that this Commission recognize that all such costs be borne by UCU's shareholders who stand to gain from the bold venture -- and not today's still-captive utility ratepayers.

Allocation of Division Specific Assets Benefitting Other UCU Divisions and Subsidiaries

Q. Did you investigate whether assets that remain on MPS' books, and which are included in MPS' rate base, are in fact benefitting other UCU divisions/subsidiaries, and therefore, in need of allocation to such benefitting divisions/subsidiaries?

A. I attempted to determine whether any of MPS' assets, such as its Raytown corporate offices, were now benefitting other UCU properties. I also attempted to determine whether any assets remaining on other UCU divisions/subsidiaries books were now benefitting MPS operations. Notwithstanding numerous data requests and attempted inquiries in interviews, I have not been able to ascertain the extent to which division-specific assets are now being shared by all the various UCU subsidiaries/divisions. Likewise, I have not been able to determine whether MPS assets should be allocated in part to other UCU properties, nor have I been able to determine whether a portion of other UCU properties' assets should be allocated to MPS. If UCU should ever identify persons knowledgeable of these topics and make such persons available for interview, and/or should UCU ever fully and accurately respond to outstanding data requests, it may be necessary to allocate assets out of or into MPS' jurisdictional rate base. Lacking needed information, I am proposing no adjustments at this point in time.

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, Inc. d/b/a/ Missouri Public Service.	)))	Case No. EO-97-144
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

STATE OF Missouri)
) ss.
COUNTY OF Jackson)

James R. Dittmer 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 53 pages to be presented in the above-referenced 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.

James R. Dittmer

Subscribed and sworn to before me this 26 day of March, 1997.

Notary Public

My Commission Expires: 1-6-98

MISSOURI
COUNTY
6,1998