

FILED³

FEB 28 2000

**Missouri Public
Service Commission**

Exhibit No.: _____
Issue: Accounting for Insurance
Proceeds
Witness: Davidson
Type of Exhibit: Rebuttal
Sponsoring Party: KCPL
Case No.: EC-99-553

**REBUTTAL TESTIMONY
OF
CHRISTINE M. DAVIDSON
ON BEHALF OF
KANSAS CITY POWER & LIGHT COMPANY**

1 **Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

2 A. My name is Christine M. Davidson. I am Manager-Property Accounting &
3 Special Projects at Kansas City Power & Light Company ("KCPL"). My business
4 address is 1201 Walnut Street, Kansas City, Missouri 64106.

5 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

6 A. I am testifying on behalf of KCPL.

7 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND BUSINESS EXPERIENCE.**

8 A. I graduated Magna Cum Laude from Kansas State University in Manhattan,
9 Kansas in 1974 with a Bachelors degree in Accounting and earned a Masters of
10 Business Administration – Accounting from the University of Missouri-Kansas
11 City in 1979. I am a Certified Public Accountant licensed to practice in both
12 Kansas and Missouri. Since joining KCPL in 1975, I have served in various
13 Manager positions within the Accounting Department with responsibilities over
14 General Accounting, Property Accounting, Corporate Reporting, Corporate
15 Taxes, Non-Regulated Accounting, Payroll and Accounts Payable.

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 A. The purpose of my testimony is to respond to the apparent misunderstanding of
18 GST's witness Mr. Steven C. Carver regarding the accounting treatment followed
19 by KCPL for insurance proceeds received by KCPL applicable to the February
20 17, 1999 explosion at the Hawthorn Generating Unit.

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1 **Q. WHAT INACCURACIES DID YOU NOTE IN MR. CARVER'S DIRECT**
2 **TESTIMONY FILED ON NOVEMBER 17, 1999?**

3 A. On page 10 of his testimony, Mr. Carver stated that KCPL had received \$80
4 million of insurance proceeds under its property insurance coverage as of
5 September 30, 1999. KCPL had actually received \$85 million as of that date.

6 **Q. DID YOU NOTE OTHER INACCURACIES?**

7 A. Yes. On page 12 of his testimony, Mr. Carver stated that "it is quite clear that the
8 Company has not credited any of those proceeds to expense, which would
9 otherwise have the effect of reducing the increased cost of replacement power
10 resulting from the availability of Hawthorn 5." This is incorrect.

11 The net effect of the journal entries made by KCPL through December 1999 to
12 record the \$85 million of insurance proceeds received was as follows:

13 Increase cash - \$85 million

14 Reduce replacement power expense (A/C 401555) - \$5 million

15 Reduce covered operations and maintenance costs - \$.5 million

16 Reduce Utility Plant Accumulated Depreciation - \$79.5 million

17 **Q. WAS THIS ACCOUNTING TREATMENT IN COMPLIANCE WITH THE FERC**
18 **INSTRUCTIONS RELATING TO PROPERTY INSURANCE RECOVERIES?**

19 A. Yes. Insurance proceeds were credited to the accounts charged with the cost of
20 the damage to the extent that those costs were recoverable. For replacement
21 power, this meant that the replacement power expense account was reduced by
22 \$5 million, the full amount of the extra expense coverage. Proceeds related to

1 the retired boiler plant were properly recorded to the Accumulated Reserve for
2 Depreciation for Electric Boiler Plant Equipment.

3 Q. **DOES THIS COMPLETE YOUR TESTIMONY?**

4 A. Yes.

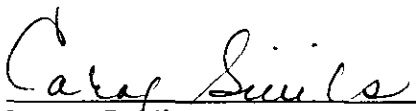
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STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

On the 22nd day of February, 2000, before me appeared Christine M. Davidson, to me personally known, who, being by me first duly sworn, states that she is the Manager of Property and Special Projects Accounting for Kansas City Power & Light Company, and that she has participated in the preparation of the foregoing written testimony, in question and answer form, and believes that the statements therein are true and correct to the best of her knowledge, information and belief.


CHRISTINE M. DAVIDSON

Subscribed and sworn to before me this 22nd day of February, 2000.


Notary Public

My Commission Expires:

