

EXHIBIT

Exhibit No.:

Issue(s):

Payroll and Payroll Taxes;
401K Matching Costs; and
Merger Expense

Witness // Type of Exhibit:

Bolin/Direct

Sponsoring Party:

Public Counsel

Case Nos.:

ER-2001-299

DIRECT TESTIMONY

OF

KIMBERLY K. BOLIN

Submitted on Behalf of the Office of the Public Counsel

The Empire District Electric Company

Case No. ER-2001-299

April 3, 2001

Exhibit No. 84
Date 5/29/01 Case No. ER-2001-299
Reporter KRM

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

In the matter of the application of The Empire)
District Electric Company for a general rate) Case No. ER-2001-299
increase.)

AFFIDAVIT OF KIMBERLY K. BOLIN


STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Kimberly K. Bolin, of lawful age and being first duly sworn, deposes and states:

1. My name is Kimberly K. Bolin. I am a Public Utility Accountant for the Office of the Public Counsel.
2. Attached, hereto and made a part hereof for all purposes, is my direct testimony consisting of pages 1 through 5 and Schedules KKB-1 through KKB-5.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


_____ **Kimberly K. Bolin**

Subscribed and sworn to me this 3rd day of April, 2001.


_____ **Bonnie S. Howard, Notary Public**

My Commission expires May 3, 2001.

DIRECT TESTIMONY

OF

KIMBERLY K. BOLIN

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2001-299

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

2 **A.** Kimberly K. Bolin, P.O. Box 7800, Jefferson City, Missouri 65102.

3 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

4 **A.** I am employed by the Office of the Public Counsel of the State of Missouri (OPC or Public
5 Counsel) as a Public Utility Accountant I.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

7 **A.** I graduated from Central Missouri State University in Warrensburg, Missouri, with a Bachelor of
8 Science in Business Administration, major in Accounting, in May, 1993.

9 **Q. WHAT IS THE NATURE OF YOUR CURRENT DUTIES WITH THE OFFICE OF**
10 **THE PUBLIC COUNSEL?**

11 **A.** Under the direction of the Chief Public Utility Accountant, I am responsible for performing audits
12 and examinations of the books and records of public utilities operating within the state of Missouri.

13 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC**
14 **SERVICE COMMISSION?**

15 **A.** Yes. Please refer to Schedule KKB-1, attached to this direct testimony, for a listing of cases in
16 which I have previously submitted testimony.

1 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

2 A. The purpose of my direct testimony is to express the Public Counsel's position regarding the
3 appropriate regulatory treatment of payroll and payroll taxes, 401K matching costs and merger
4 expense.

5 PAYROLL AND PAYROLL TAXES

6 Q. DID YOU PREPARE AN ANALYSIS OF ANNUALIZED TEST YEAR PAYROLL?

7 A. Yes. I have prepared an analysis to determine a proper and reasonable annualized payroll expense
8 level. OPC's annualized level of Missouri jurisdictional payroll expense is \$18,378,897. (See
9 Schedule KKB-2) I have included all employees' (as of December 31, 2000) hourly wage rates
10 multiplied by 2088 hours to arrive at a total base payroll. I also included in the total base payroll
11 the amount of overtime paid during the test year.

12 Q HOW MANY EMPLOYEES HAVE YOU INCLUDED IN YOUR PAYROLL
13 ANNUALIZATION?

14 A. I included 639 employees. This was the level of Empire employees as of December 31, 2000. In
15 the true-up audit, I plan to update the employee level as of June 30, 2001.

16 Q. DID YOU PERFORM AN ANNUALIZATION OF PAYROLL TAXES IN YOUR
17 PAYROLL ANNUALIZATION?

18 A. Yes, I perform an annualization of payroll taxes which included FICA, federal and state
19 unemployment tax. (See Schedule KKB-3)

1 Q. WHAT IF THE MISSOURI PUBLIC SERVICE COMMISSION DECIDES THAT
2 ALLOCATION FACTORS OTHER THAN THE ONES YOU HAVE USED TO
3 DETERMINE THE MISSOURI JURISDICTIONAL PAYROLL EXPENSE AND
4 PAYROLL TAXES ARE THE CORRECT FACTORS TO USE?

5 A. I have only used the Company's allocation factors for illustrative purposes. Public Counsel did not
6 independently develop jurisdictional allocation factors for Empire District Electric for this case.
7 Therefore, if the Commission should decide to use another allocation factor and decide that the
8 annualized electric payroll expense should be \$21,770,965, this total amount would be multiplied
9 by the new allocation factor for the Missouri jurisdictional electric operations to arrive at the
10 amount of payroll expense the Company should receive. Likewise for the payroll tax, if the
11 Commission should decide to use another allocation factor and decide that the annualized electric
12 payroll taxes expense is \$1,673,034, this amount would be multiplied by the new allocation factor
13 for the Missouri jurisdictional electrical operations to arrive at the amount of payroll taxes expense.

14 401K MATCHING COSTS

15 Q. DID YOU PREPARE AN ANNUALIZATION OF COMPANY 401K MATCHING
16 COSTS?

17 A. Yes. I performed an annualization of Company's 401k matching costs. I divided the test year
18 company 401K matching plan expense by the test year total gross payroll (including overtime) to
19 arrive at a percentage, which I then applied to my annualized level of gross payroll to arrive at an
20 annualized Missouri jurisdictional level of \$408,263 (See Schedule KKB-4)

1 Q. WHAT IF THE MISSOURI PUBLIC SERVICE COMMISSION DECIDES THAT
2 AN ALLOCATION FACTOR OTHER THAN THE ONE YOU HAVE USED TO
3 DETERMINE THE MISSOURI JURISDICTIONAL 401K MATCHING COSTS IS
4 THE CORRECT FACTOR TO USE?

5 A. I have only used the Company's allocation factors for illustrative purposes. Public Counsel did not
6 independently develop jurisdictional allocation factors for Empire for this case. Therefore, if the
7 Commission should decide to use another allocation factor and decide that the annualized total for
8 the Company's electric operations is \$496,912, this amount would be multiplied by the new
9 allocation factor for the Missouri jurisdictional electric operations to arrive at the amount of 401K
10 matching costs.

11 MERGER EXPENSE

12 Q. PLEASE EXPLAIN THE ISSUE.

13 A. On December 15, 1999, Empire District Electric Company and Utilicorp United filed a Joint
14 Application seeking authority to merge Empire with and into Utilicorp. The Missouri Public
15 Service Commission. The Commission approved the merger on December 28, 2000. On January
16 2, 2001, Utilicorp announced that it had terminated the proposed merger with Empire. Public
17 Counsel believes the ratepayers should not have to pay for the expenses associated with the
18 terminated merger. Unless a utility acquisition or merger is necessary for the provision of safe and
19 adequate service to existing customers, utilities should not expect those customers to be captive
20 financiers of acquisition efforts.

1 Q. WHAT IS THE AMOUNT OF MERGER EXPENSE THAT THE COMPANY HAS
2 INCURRED?

3 A. I have identified \$316,147 that the Company incurred during the test year for merger expenses.
4 (See Schedule KKB- 5)

5 Q. PLEASE DESCRIBE THE VARIOUS EXPENSES INCURRED BY EMPIRE
6 CONCERNING THE PENDING MERGER.

7 A. Empire has incurred expenses for legal research concerning FERC and state regulatory matters and
8 legal expertise concerning other various acquisition matters and expense for meals, mileage, and
9 hotel for employees who testified in Case No. EM-2000-369.

10 Q. HOW HAS THE COMPANY RECORDED THE EXPENDITURES INCURRED
11 RELATED TO THE MERGER?

12 A. The Company recorded the merger related expenditures incurred in the test year in account
13 100.000, Projects Dummy Account, then cleared these expenses to Accounts 923 and 930. These
14 merger related expenses were directly assigned to the Company's Missouri operations.

15 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

16 A. Yes.

CASE PARTICIPATION

OF

KIMBERLY K. BOLIN

<u>Company Name</u>	<u>Case Number</u>
St. Louis County Water Company	WR-95-145
Missouri-American Water Company	WR-95-205
Steelville Telephone Company	TR-96-123
St. Louis Water Company	WR-96-263
Imperial Utility Corporation	SR-96-427
Missouri-American Water Company	WA-97-45
Associated Natural Gas Company	GR-97-272
St. Louis County Water Company	WR-97-382
Union Electric Company	GR-97-393
Gascony Water Company, Inc.	WA-97-510
Missouri Gas Energy	GR-98-140
Laclede Gas Company	GR-98-374
St. Joseph Light & Power	ER-99-247 GR-99-246 HR-99-245
Laclede Gas Company	GR-99-315
Missouri-American Water Company	WR-2000-281
St. Louis County Water Company	WR-2000-844
Osage Water Company	SR-2000-556 WR-2000-557

Payroll

	2000 <u>Before Clearing</u>	2000 <u>Clearing Allocated</u>	2000 <u>Total</u>	% of <u>Total</u>	Total Annualized Company <u>Payroll</u>
Electric Expense	21,647,924	505,839	22,153,763	67.55%	21,770,965
Water Expense	237,285	7,298	244,582	0.75%	240,356
Nonutility/Nonreg	312,336	1,798	314,134	0.96%	308,706
Total Expense	22,197,545	514,935	514,935		
Electric Retire		339,221	339,221	1.03%	333,360
Water Retire		397	397	0.00%	390
Total Retire		339,618	339,618		
Electric Construction		3,730,882	3,730,882		
Water Construction		13,950	13,950		
Nonutility/Nonreg		56,111	56,111		
Total Construction	5,761,574	3,800,944	9,562,517	29.16%	9,397,285
Misc Deferred Debits	126,274		126,274	0.39%	124,092
Fuel Stock Undistr.	495,524		495,524	1.51%	486,962
Total Clearing	<u>4,217,146</u>	<u>(4,655,496)</u>	<u>(438,350)</u>	-1.34%	<u>(430,776)</u>
Total Adjusted	32,798,062	0	32,798,062		32,231,339

Annualized Payroll for Electric Operations

<u>Electric Expense</u>	<u>Test Year</u>	% of <u>Total Expense</u>	<u>Total</u> <u>Company</u>	<u>Missouri</u> <u>Jurisdictional</u>
Production	\$ 6,127,826	28.31%	\$ 6,162,655	5,012,087.31
Transmission	\$ 998,152	4.61%	\$ 1,003,826	807,979.33
Distribution	\$ 5,860,159	27.07%	\$ 5,893,466	5,222,200.38
Cust Accts	\$ 1,206,339	5.57%	\$ 1,213,196	1,052,204.57
Cust Assist	\$ 1,906,493	8.81%	\$ 1,917,329	1,662,899.68
Sales	\$ 565,841	2.61%	\$ 569,057	501,623.67
Admin & Gen	\$ <u>4,983,114</u>	23.02%	\$ <u>5,011,436</u>	<u>4,119,901.77</u>
Total	\$ 21,647,924		\$ 21,770,965	\$ 18,378,897

PAYROLL TAXES

Tax	Annualized Amount
FICA (OASDI)	\$ 2,024,775
FICA (Medicare)	\$ 415,259
Federal Unemployment Tax	\$ 35,777
State Unemployment Tax	\$ 1,070
Total Payroll Taxes	\$ 2,476,881
Electric Payroll Expense Ratio	67.546%
Total Electric Expense	\$ 1,673,034
Missouri Jurisdictional	\$ 1,431,281

401K Matching Costs

Test year matching costs \$ 740,634.00

Test Year Gross Payroll \$ 32,449,091.79
(Total Company)

Percentage of 2.282449%

Annualized Gross Payroll \$ 32,231,339.00
(Total Company)

Annualized Total Company 401K \$ 735,663.90

Electric Payroll Expense Ratio 67.546%

Total Electric Expense \$ 496,911.54

Missouri Jurisdictional **\$ 408,262.52**

MERGER EXPENSE

Account Number 923.045

<u>Date</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Jan-00	Businesswire	Merger application filed	\$ 380
Jan-00	Businesswire	Merger application filed	\$ 215
Jan-00	Mizzou Aviation	Merger meeting	\$ 755
Feb-00	B. Burger	Binders	\$ 13
Feb-00	B. Fancher	Car Rental	\$ 51
Feb-00	Cahill Gordon & Reindel	Merger Expense	\$ 3,200
Feb-00	Federal Express	Merger Expense	\$ 44
Feb-00	Realty Mortgage & Appraisals	Property Appraisal	\$ 5,800
Feb-00	UPS	Merger Expense	\$ 17
Mar-00	Anderson Byrd Richeson	Merger calls & letters	\$ 91
Mar-00	Anderson Byrd Richeson	Merger calls & review	\$ 1,814
Mar-00	B. Fancher	Meal	\$ 35
Mar-00	Cahill Gordon & Reindel	Merger Expense	\$ 4,916
Mar-00	Federal Express	Merger Expense	\$ 207
Mar-00	Federal Express	Merger Expense	\$ 20
Mar-00	Federal Express	Merger Expense	\$ 53
Mar-00	Mizzou Aviation	Merger filings	\$ 745
Mar-00	Wright & Talisman, P.C.	Merger expense	\$ 1,638
Mar-00	Wright & Talisman, P.C.	Merger expense	\$ 218
Mar-00	Wright & Talisman, P.C.	Merger Expense	\$ 9,607
Apr-00	Anderson Byrd Richeson	Merger calls & meetings	\$ 469
Apr-00	B. Fancher	misc	\$ 4
Apr-00	Brydon Swearengen & England	Utilicorp Transaction	\$ 38,241
Apr-00	Cahill Gordon & Reindel	Merger Expense	\$ 11,608
Apr-00	Federal Express	Merger Expense	\$ 17
Apr-00	Federal Express	Merger Expense	\$ 29
Apr-00	T. Oliver	meeting	\$ 25
Apr-00	T. Oliver	Mileage	\$ 96
Apr-00	Watson Wyatt	Merger	\$ 2,698
Apr-00	White, Coffey, Galt & Fite	Merger- Oklahoma	\$ 7,580
May-00	Alumbaugh	Mileage	\$ 101
May-00	Anderson Byrd Richeson	Merger calls	\$ 402
May-00	Federal Express	Merger Expense	\$ 67
May-00	Miami News	Merger Publications	\$ 44
May-00	Mizzou Aviation	Merger meeting	\$ 991
May-00	Mizzou Aviation	UCU meeting	\$ 744
May-00	Sheraton	Employee meeting	\$ 234
May-00	T. Oliver	Mileage	\$ 120
May-00	The America	Merger Publications	\$ 44
May-00	V. Williams	Meals	\$ 65
May-00	Vinta Daily	Merger Publications	\$ 45

Direct Testimony of
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<u>Date</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
May-00	Wright & Talisman, P.C.	Merger expense	\$ 73
Jun-00	Cahill Gordon & Reindel	Merger Expense	\$ 3,000
Jun-00	Federal Express	Merger Expense	\$ 203
Jun-00	White, Coffey, Galt & Fite	Merger- Oklahoma	\$ 1,318
Jun-00	White, Coffey, Galt & Fite	Merger- Oklahoma	\$ 1,017
Jun-00	Wright & Talisman, P.C.	Merger expense	\$ 145
Jul-00	Anderson Byrd Richeson	Review staff data	\$ 270
Jul-00	B. Fancher	Meals & misc	\$ 28
Jul-00	B. Fancher	Mileage	\$ 142
Jul-00	Brydon Swearingen & England	Utilicorp Transaction	\$ 26,335
Jul-00	Cahill Gordon & Reindel	Merger Expense	\$ 300
Jul-00	Federal Express	Merger Expense	\$ 331
Aug-00	Anderson Byrd Richeson	Review staff data	\$ 272
Aug-00	B. Fancher	Mileage	\$ 12
Aug-00	B. Fancher	Hotel	\$ 172
Aug-00	Cahill Gordon & Reindel	Merger Expense	\$ 900
Aug-00	Comm. Pub	Merger Publications	\$ 123
Aug-00	Federal Express	Merger Expense	\$ 36
Aug-00	White, Coffey, Galt & Fite	Merger- Oklahoma	\$ 807
Aug-00	White, Coffey, Galt & Fite	Merger- Oklahoma	\$ 291
Aug-00	Wright & Talisman, P.C.	Merger expense	\$ 365
Sep-00	Anderson Byrd Richeson	Review staff data	\$ 178
Sep-00	B. Fancher	Meals & misc	\$ 72
Sep-00	B. Fancher	Mileage	\$ 148
Sep-00	Chisenhall, Nestrud & Julian P.A.	Merger review letter	\$ 2,295
Sep-00	Federal Express	Merger Expense	\$ 161
Sep-00	Mizzou Aviation	Merger, Jefferson City	\$ 787
Sep-00	T. Oliver	meeting	\$ 14
Oct-00	A. Alumbaugh	Meals	\$ 53
Oct-00	Anderson Byrd Richeson	Review staff data	\$ 1,962
Oct-00	B. Fancher	Mileage	\$ 10
Oct-00	B. Fancher	Merger	\$ 3
Oct-00	B. Fancher	Merger Hearing	\$ 640
Oct-00	Brydon Swearingen & England	Utilicorp Transaction	\$ 44,504
Oct-00	Chisenhall, Nestrud & Julian P.A.	Merger	\$ 6,474
Oct-00	Federal Express	Merger Expense	\$ 48
Oct-00	M. McKinne	Merger, meals, hotel	\$ 976
Oct-00	Mizzou Aviation	Merger, Jeff City, Little Roc	\$ 4,653
Oct-00	Mizzou Aviation	Merger, Jefferson City	\$ 2,516
Oct-00	P. Settle	Meals	\$ 138
Oct-00	Sheraton	Employee meeting	\$ 256
Oct-00	T. Oliver	Meeting refreshment	\$ 54
Oct-00	T. Oliver	Merger	\$ 198
Oct-00	White, Coffey, Galt & Fite	Merger- Oklahoma	\$ 4,263
Nov-00	Anderson Byrd Richeson	Merger & staff data	\$ 5,592
Nov-00	B. Fancher	Rental, meals, hotel	\$ 356
Nov-00	Black & Veatch	Merger Testimony	\$ 21,437
Nov-00	Cahill Gordon & Reindel	Severance & retirement plan	\$ 6,100
Nov-00	Chisenhall, Nestrud & Julian P.A.	Merger	\$ 1,811

Direct Testimony of
Kimberly K. Bolin
Case No. ER-2001-299

<u>Date</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Nov-00	Federal Express	Merger Expense	\$ 11
Nov-00	M. McKinne	Rental, meals, hotel	\$ 309
Nov-00	P. Settle	Meals	\$ 133
Nov-00	T. Oliver	Merger - food	\$ 100
Nov-00	Watson Wyatt	Merger	\$ 368
Nov-00	White, Coffey, Galt & Fite	Merger- Oklahoma	\$ 7,701
Dec-00	Anderson Byrd Richeson	Merger & staff data	\$ 1,163
Dec-00	Anderson Byrd Richeson	Merger & staff data	\$ 1,114
Dec-00	Brydon Swearngen & England	Utilicorp Transaction	\$ 42,500
Dec-00	Chisenhall, Nestrud & Julian P.A.	Merger	\$ 760
Dec-00	Mizzou Aviation	Merger meeting	\$ 4,744
Dec-00	Mizzou Aviation	Merger meeting	\$ 1,423
Dec-00	Wright & Talisman, P.C.	Merger expense	\$ 145
Total Account Number 923.045			\$ 295,753

Account Number 930.220

<u>Date</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Jan-00	Mellon Bank	Proxy Solicitation	\$ 103
May-00	Cahill Gordon & Reindel	NYSE Investigation	\$ 1,433
Aug-00	Mellon Bank	Redemp. Pref. Stock	\$ 357
Aug-00	Mellon Bank	Redemp. Pref. Stock	\$ 15,101
Sep-00	Cahill Gordon & Reindel	Drip term. Direct stock purchase program	\$ 1,900
Oct-00	Cahill Gordon & Reindel	Drip term. Direct stock purchase program	\$ 1,500
Total Account Number 930.220			\$ 20,394

TOTAL MERGER EXPENSE \$ 316,147