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## Missouri Public Service Commission

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July 25, 2001

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Secretary/Chief Regulatory Law Judge  
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**FILED<sup>2</sup>**

JUL 25 2001

Missouri Public  
Service Commission

Mr. Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

**RE: Case No. ER-2001-672 – In the matter of the Tariff Filing of Missouri Public Service (MPS), a Division of UtiliCorp United, Inc., to Implement a General Rate Increase for Retail Electric Service Provided to Customers in the Missouri Service Area of MPS.**

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of the **STAFF'S TRUE-UP RECOMMENDATION AND CONCURRENCE IN MOTION OF UTILICORP UNITED, INC. D/B/A MISSOURI PUBLIC SERVICE TO RESCHEDULE TRUE-UP HEARING.**

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Nathan Williams  
Associate General Counsel  
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Enclosure  
cc: Counsel of Record

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

**FILED<sup>2</sup>**

**JUL 25 2001**

**Missouri Public  
Service Commission**

In the matter of the Tariff Filing of Missouri )  
Public Service (MPS), a Division of UtiliCorp )  
United, Inc., to Implement a General Rate Increase )  
for Retail Electric Service Provided to Customers )  
in the Missouri Service Area of MPS. )

Case No. ER-2001-672

**STAFF'S TRUE-UP RECOMMENDATION AND  
CONCURRENCE IN MOTION OF UTILICORP UNITED, INC. D/B/A  
MISSOURI PUBLIC SERVICE TO RESCHEDULE TRUE-UP HEARING**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff), (1) in response to the June 21, 2001, Suspension Order And Notice of the Missouri Public Service Commission (Commission) directing the Staff to file on or before July 25, 2001, a pleading stating its recommendation concerning a true-up, and (2) in concurrence with UtiliCorp United, Inc. d/b/a Missouri Public Service's (MPS) Motion To Reschedule True-Up Hearing, and states:

1. On July 10, 2001, pursuant to the Commission's June 21, 2001, Suspension Order And Notice, MPS filed its Request For True-Up in which MPS states, in part, the following:

2. As reflected at page 6 of the prepared direct testimony of MPS witness Gary L. Clemens filed on June 8, 2001, MPS requests a true-up audit and hearing since the test year, as updated, will likely not include all of the appropriate costs of the Power Sales Agreement for electric power generated for MPS by the MEP Pleasant Hill, L.L.C. power unit. As a result, a true-up audit and hearing should be scheduled for March 26 and 27, 2002, for the purpose of examining the costs relating to the Power Sales Agreement and the costs of the other items listed in paragraph 3 of this pleading.

3. The Commission's order states that the true-up request should specify a complete list of accounts or items of expense, revenues and rate base to be trued up to prevent any mismatch in those areas. Accordingly, MPS proposes that the true-up apply to the following items:

**RATE BASE:**

1. Plant in Service;
2. Accumulated Depreciation;
3. Any deferred taxes associated with the true-up items;
4. True-up prices for natural gas, coal and oil for fuel inventories;
5. Effect on cash working capital for true-up items.

**CAPITAL STRUCTURE:**

1. Cost of capital structure components;
2. Capital structure components.

**INCOME STATEMENT:**

1. Customer growth revenues;
2. Payroll – employee levels and current wages;
3. Fuel and purchase power expense associated with customer growth;
4. Increase in purchase power demand charges;
5. Depreciation expense;
6. Rate case expense;
7. Related income tax effects.

MPS further states in that pleading the following:

The Commission has already reserved the week of February 4, 2002, for a true-up hearing in this case. (See, Ordered paragraph 12 of June 21, 2001 Order) While the reservation of time for a true-up is appropriate, the dates need to be adjusted to deal with the fact that the costs subject to the true-up will not be booked by MPS and available for audit until February 15, 2002. Accordingly, a true-up hearing before that time would not be appropriate. MPS has discussed suitable dates for a true-up hearing with representatives of the Staff of the Commission. The Staff has suggested to MPS that March 26 and 27, 2002, are appropriate dates for a true-up hearing and these dates are acceptable to MPS. Therefore, MPS suggests that the Commission reschedule the true-up hearing from the week of February 4, 2002 to March 26 and 27, 2002.

The Staff concurs in MPS's Motion To Reschedule True-Up Hearing in which MPS recommends that the Commission move the true-up hearing from the week of February 4, 2002

to March 26 and 27, 2002. As indicated in the Staff's Test Year Recommendation filing, the Staff concurs in MPS's recommended test year of the twelve (12) months ended December 31, 2000, updated for material, known and measurable changes through June 30, 2001 that maintain a proper matching of revenues, expenses and rate base.

2. Based on the test year and true-up pleadings filed by MPS on July 10, 2001 and conversations of an MPS representative and a Staff representative, the Staff has reason to believe that there is no disagreement between MPS and the Staff on test year and true-up matters, although MPS and the Staff may use terms such as "update" and "true-up" differently. The Commission in its June 21, 2001, Suspension Order And Notice scheduled an early prehearing conference for August 1, 2001. The Staff suggests that in addition to discussing a procedural schedule at the August 1, 2001, early prehearing conference, MPS, the Staff and the other parties should attempt to determine whether there are any differences in their proposals respecting test year and true-up, and advise the Regulatory Law Judge of the results of their discussions.

3. The Staff proposes that material, known and measurable changes through June 30, 2001 (a period reasonably beyond the proposed test year of the twelve (12) months ended December 31, 2000), which maintain a proper matching of revenues, expenses and rate base, be included in the Staff's filing of its direct testimony and schedules, the date for which has yet to be set by the Commission. The Staff concurs with MPS's proposal to reflect material changes to the revenue requirement for items through January 31, 2002. The true-up audit should be performed for the purpose of updating the capital structure and associated embedded costs. The Staff recommends true-up of the items following:

**RATE BASE:**

- (1) Plant in service, including the MEP Pleasant Hill, L.L.C. power unit (the Aries Combined Cycle unit) (a) if determined to be "fully operational and used for service" (Section 393.135 RSMo 2000), which is scheduled to be operational on January 1, 2002, and (b) related items for which MPS has received an invoice, approved and authorized payment, recorded payment in its accounts payable system and are auditable at the time of the true-up audit
- (2) Depreciation reserve;
- (3) Deferred taxes;
- (4) Fuel inventories for oil and coal – prices;
- (5) Related cash working capital.

**CAPITAL STRUCTURE:**

- (1) Rate of return – embedded cost of long-term debt, short-term debt and preferred stock;
- (2) Capital structure.

**INCOME STATEMENT:**

- (1) Revenues and kWh sales to account for customer growth;
- (2) Payroll – employee levels, current wage rates, payroll related benefits and payroll taxes;
- (3) Fuel prices for gas, oil and freight;
- (4) Purchased power prices;
- (5) System loads;
- (6) Fuel and purchased power expense to reflect fuel prices, purchased power prices and net system load (i.e., re-run production cost model);
- (7) Rate case expense;
- (8) Property insurance;

- (9) Depreciation expense;
- (10) Property taxes – if applicable and appropriate;
- (11) Income tax effects.

Additionally, the allocation factors will be true-up to maintain the relationship of the allocators and related items at a consistent point in time.

4. To be included in the true-up audit, standard monthly documentation must be available for all applicable items (i.e., monthly operating reports, MPS ledgers and supporting invoices) which assure the Staff that the item in fact has occurred or is in service, has been booked, payment has been recorded in MPS's accounts payable system and is auditable at the time of the true-up audit.

MPS notes in its Request For True-Up And Motion To Reschedule True-Up Hearing that:

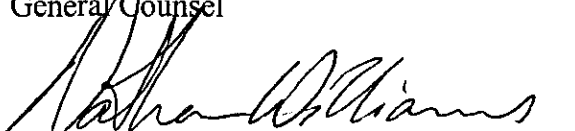
. . . the test year as updated will likely not include all of the appropriate costs of the Power Sales Agreement for electric power generated for MPS by the MEP Pleasant Hill, L.L.C. power unit. As a result, a true-up audit and hearing should be scheduled for March 26 and 27, 2002, for the purpose of examining the costs relating to the Power Sales Agreement . . . .

The Staff supports the true-up cutoff date of January 31, 2002 because the MEP Pleasant Hill, L.L.C. power unit (the Aries Combined Cycle unit) is scheduled to become operational January 1, 2002.

**WHEREFORE** the Staff submits its recommendation concerning a true-up and concurs in MPS's Motion To Reschedule True-Up Hearing as indicated hereinabove.

Respectfully submitted,

DANA K. JOYCE  
General Counsel



Nathan Williams  
Associate General Counsel  
Missouri Bar No. 35512

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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 25th day of July 2001.



**Service List for**  
**Case No. ER-2001-672**  
**Verified: July 25, 2001 (rr)**

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