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November 5, 2001

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

**FILED<sup>3</sup>**

NOV 05 2001

Missouri Public  
Service Commission


**RE: UtiliCorp United Inc.**  
**Case No. ER-2001-672**

Dear Mr. Roberts:

Enclosed for filing in the above-referenced case please find the original and eight copies **PUBLIC COUNSEL'S RESPONSE TO STAFF'S MOTION TO MODIFY PROCEDURAL SCHEDULE AND MOTION TO DISMISS**. Please "file" stamp the extra-enclosed copy and return it to this office.

Thank you for your attention to this matter.

Sincerely,

  
John B. Coffman  
Deputy Public Counsel

JBC:jb

cc: Counsel of Record

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

**FILED<sup>3</sup>**  
NOV 05 2001  
Missouri Public  
Service Commission

In the Matter of the tariff filing of )  
UtiliCorp United Inc., ("UtiliCorp") to )  
implement a general rate increase for )  
retail electric service provided to customers )  
in the Missouri service area. )

Case No. ER-2001-672

**PUBLIC COUNSEL RESPONSE TO STAFF'S MOTION  
TO MODIFY PROCEDURAL SCHEDULE  
AND MOTION TO DISMISS**

COMES NOW the Office of the Public Counsel (Public Counsel) and for its response to Staff's Motion to Modify Procedural Schedule and Motion to Dismiss, states as follows:

1. On October 26, 2001, the Staff of the Commission (Staff) filed its Motion to Modify Procedural Schedule, accompanied by three affidavits detailing incredible difficulties Staff has encountered in receiving accounting data from UtiliCorp (Company) that is sufficiently competent and substantial upon which to perform a reliable audit.

2. Public Counsel has encountered similar difficulties in attempting to audit the data Company has provided in response to data requests. Company has not yet supplied some of the most basic information necessary to analyze a proposed rate increase. Specifically, Company has not adequately responded to a July 10, 2001 Public Counsel Data Request asking for a copy of UtiliCorp's monthly general ledgers for its MPS and SJLP divisions for the period January 1, 2000 to the present. Company responded with mere "trial balances." Public Counsel has attempted to work with Company to obtain the necessary financial data that would constitute a general ledger that

could be audited, but to no avail. Public Counsel's difficulty in obtaining a general ledger to audit are explained in the Affidavit of Public Counsel Public Utility Accountant Ted Robertson. See pages 2 through 6 of Attachment 1 to this pleading. The lack of a general ledger, combined with a new "updated rate case" submitted by Company on October 26, has fatally hindered the ability to audit to proposed rate increase.

3. Company's unusual accounting system does not maintain accounts in conformity with the Uniform System of Accounts (USOA) as ordered by Commission Rule 4 CSR 240-20.030(1). This rule requires that "Every electrical corporation subject to the commission's jurisdiction shall keep all accounts in conformity with the Uniform System of Accounts . . ." Failure to keep accounting records in the format required by the Commission's Rules has, thus far, prevented Public Counsel from conducting any meaningful audit of Company's proposed rate increase. Attachment 1, p. 6.

4. As Public Counsel has previously stated, Company's requested rate increase was not filed in a manner that legally encompasses all of the service territory Company now serves subsequent to the merger approved on December 14, 2000. It has now become apparent that Company's accounting records do not even permit seasoned auditors at Staff and at the Public Counsel to sufficiently analyze the proposed rate increase. Public Counsel continues to believe that the only appropriate remedy at this time is to dismiss this case, requiring Company to refile the proposed rate increase based upon the Commission's rules and applicable law.

5. While it seems that Company does not have sufficiently competent and substantial accounting information upon which to support a rate increase, at a minimum, the Commission should grant an extension of the procedural schedule. If the

Commission will not dismiss this case, Public Counsel recommends the Commission grant Staff's proposal to extend the procedural schedule with two changes as described below.

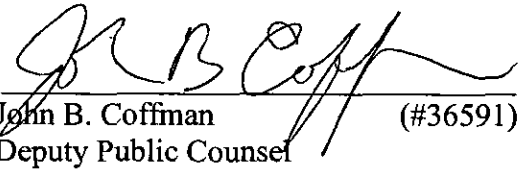
It would not be possible for Public Counsel to file class cost of service and rate design direct testimony on the same day that it files revenue requirement direct testimony. This is the reason that class cost of service and rate design testimony usually follows other direct testimony by a week or so.

Furthermore, it is unreasonable to expect the parties to negotiate a Statement of Issues and prepare Position Statements on the same day. Public Counsel recommends that the deadline for filing a Statement of Issues be established on some day in-between the deadline for rebuttal testimony and the deadline for surrebuttal testimony. The deadline for Positions Statements should be due following the deadline for surrebuttal testimony.

WHEREFORE Public Counsel respectfully requests that the Commission dismiss Company's request for a rate increase because Company has no general ledger and because its records are currently in violation of 4 CSR 240-20.030(1), or in the alternative, extend the schedule as proposed by Staff and with the changes recommended by Public Counsel.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By:   
John B. Coffman (#36591)  
Deputy Public Counsel

P. O. Box 7800

Jefferson City, MO 65102

(573) 751-1304

(573) 751-5562 FAX

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

In the Matter of the tariff filing of UtiliCorp                     )  
United Inc., ("UtiliCorp") to implement a                     )  
General rate increase for retail electric service                     )       Case No. ER-2001-672  
Provided to customers in the Missouri service                     )  
Area.                     )

**AFFIDAVIT OF TED ROBERTSON**

STATE OF MISSOURI    )  
                                  )   ss  
COUNTY OF COLE    )

Ted Robertson, of lawful age and being first duly sworn, deposes and states:

1. My name is Ted Robertson. 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 affidavit consisting of pages 1 through 12.
3. I hereby swear and affirm that my statements contained in the attached affidavit are true and correct to the best of my knowledge and belief.

*Ted Robertson C.P.A.*  
Ted Robertson, C.P.A.  
Public Utility Accountant III

Subscribed and sworn to me this 5<sup>th</sup> day of November, 2001.

*Roger Marsh*  
Notary Public  

ROGER MARSH  
Notary Public - Notary Seal  
STATE OF MISSOURI  
Cole County  
My Commission Expires: April 11, 2005

Attachment 1

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**AFFIDAVIT**  
**OF**  
**TED ROBERTSON**  
**UTILICORP UNITED, INC.**  
**d/b/a MISSOURI PUBLIC SERVICE**  
**CASE NO. ER-2001-672**

**INTRODUCTION**

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Ted Robertson, PO Box 7800, Jefferson City, Missouri 65102.

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

A. I am employed by the Office of the Public Counsel of the state of Missouri  
("OPC" or "Public Counsel") as a Public Utility Accountant III.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND OTHER  
QUALIFICATIONS.

A. I graduated from Southwest Missouri State University in Springfield, Missouri,  
with a Bachelor of Science Degree in Accounting. In November, 1988, I passed  
the Uniform Certified Public Accountant Examination, and obtained C. P. A.  
certification from the state of Missouri in 1989.

1 Q. WHAT IS THE NATURE OF YOUR CURRENT DUTIES WHILE IN THE  
2 EMPLOY OF THE OPC?

3 A. Under the direction of the OPC Chief Public Utility Accountant, Mr. Russell W.  
4 Trippensee, I am responsible for performing audits and examinations of the books  
5 and records of public utilities operating within the State of Missouri.

6  
7 Q. WHAT IS THE PURPOSE OF YOUR AFFIDAVIT?

8 A. The purpose of this Affidavit is to express the Public Counsel's concerns  
9 regarding the following:

- 10
- 11 1. Company's failure to maintain and provide a general ledger.
  - 12 2. Company's failure to respond to Public Counsel discovery in a  
13 timely manner.
  - 14 3. Company's failure to respond to Public Counsel discovery with  
15 complete and accurate information.
  - 16 4. Company's updated rate case model.
  - 17 4. Corporation overhead allocations process and model.
  - 18 5. Public Counsel's recommendations.
- 19  
20  
21  
22  
23



GENERAL LEDGER

Q. DID THE PUBLIC COUNSEL REQUEST THAT THE COMPANY PROVIDE IT ACCESS TO THE GENERAL LEDGER FOR THE TEST YEAR AND UPDATE PERIOD?

A. Yes. On July 10, 2001 OPC requested the UtiliCorp United Inc. ("UCU"), and Missouri Public Service ("MPS") and St. Joseph Light & Power ("SJLP") electric divisions monthly general ledger for the period January 1, 2000 to present. Public Counsel Data Request No. 1001 stated:

Please provide an electronic (Microsoft Excel) or microfiche copy of the UtiliCorp United Inc., the MPS electric division and the St. Joseph electric division monthly general ledger for the period January 1, 2000 to present. This is a continuing request; please update the information as each new month closes.

On August 2, 2001 OPC received a response from the Company. The response contained a copy of the Company's response to the MPSC Staff Data Request No. 70. The response to Data Request No. 70 consisted of the following:

1. MPS Federal Energy Regulatory Commission ("FERC") Trial Balance by Month Balance Sheet Accounts for fiscal years 1997-2000 and the first five months of fiscal year 2001.

- 1           2.     MPS FERC Trial Balance by Month Income Statement Accounts  
2                     for fiscal years 1997-2000 and the first five months of fiscal year  
3                     200.

4  
5           A Trial Balance is not a general ledger. It is a summary, by account, of the total  
6           amounts recorded in a general ledger according to the FERC Uniform System of  
7           Accounts. Also, the response contained only MPS data. I contacted Mr. Clemens  
8           shortly after receiving the first response and we discussed the new PeopleSoft  
9           Accounting System that the Company had recently installed. I was led to believe  
10          that the Company did not have a hard copy or electronic copy of the general  
11          ledger. Subsequently in a supplemental response to Public Counsel Data Request  
12          No. 1001, the Company provided the following additional Trial Balances:

- 13  
14          1.     UCU and SJLP MPS FERC Trial Balance by Month Balance Sheet  
15                     Accounts for fiscal year 2000 and the first six months of fiscal year  
16                     2001.  
17          2.     UCU and SJLP FERC Trial Balance by Month Income Statement  
18                     Accounts for fiscal year 2000 and the first six months of fiscal year  
19                     2001.

20  
21          Subsequently, in August of 2001, I and most of the members of the Staff's audit  
22          team met with Company personnel in Raytown to discuss the operation of the  
23          new PeopleSoft Accounting System. Again, while attending these meetings,

1 Company personnel stated several times that it did not develop or maintain a  
2 general ledger. Public Counsel was led to believe that if a general ledger could be  
3 prepared, the end result would be more than extremely voluminous. In fact, the  
4 Company personnel stated that the document would fill a room and that most of  
5 the entries would be basically (or at least initially) indecipherable due to the fact  
6 that it would contain allocations from various Enterprise Support Functions and/or  
7 Intra-Business Units that provided services to and/or for UtiliCorp United Inc. and  
8 affiliates.  
9

10 Q. WHAT IS A DETAILED GENERAL LEDGER.

11 A. A General Ledger contains the fundamental financial data upon which auditors  
12 rely when comparing a utility's alleged cost structure with the cost structure that  
13 is actually occurring. It is the financial record wherein the detail accounting  
14 entries related to a company's Balance Sheet and Income Statement information  
15 is booked. It contains the detail accounting entries which, when summed, create  
16 the Trial Balance the Company provided in its response to OPC Data Request No.  
17 1001.  
18

19 The General Ledger data allows an auditor to trace an actual cost of service item  
20 from the recorded amount back to the source documents and forward to the public  
21 financial reports. It is a block in the audit trail that permits the auditor the ability  
22 to not rely solely on utility employees for the validity and accuracy the data  
23 presented. Without a general ledger and access to the data contain within, the

1 auditor must rely on the utility's employees for the development and presentation  
2 of all data subject to audit. If an auditor is put in a situation where they must rely  
3 solely on the utility employees for the data they audit instead of providing a  
4 complete picture of the utility's operation, the audit is severely compromised.  
5 Public Counsel is of the belief that the Company has not yet provided the data  
6 necessary to support an audit of its case and that that has created a situation  
7 whereby this audit is compromised.  
8

9 Q. DOES COMPANY MAINTAIN IT'S ACCOUNTING SYSTEM UTILIZING  
10 THE FERC UNIFORM SYSTEM OF ACCOUNTS?

11 A. No. It's my understanding that the Company apparently utilizes a non-FERC  
12 chart of accounts and derives the FERC account cost information only for the  
13 purposes of a rate case or other regulatory filing.  
14

15 Q. DID THE PUBLIC COUNSEL REQUEST PERSONAL ACCESS TO THE  
16 ACCOUNTING COMPUTER SYSTEM?

17 A. Yes, but Company personnel indicated that access to the accounting system could  
18 not be accomplished due to the inherent complexities of the system. Instead  
19 Company stated it would prepare any queries and provide the information  
20 required by the auditors.  
21

1 Q. HAS THE COMPANY PROVIDED TIMELY ANSWERS TO PUBLIC  
2 COUNSEL QUERIES OF DATA NORMALLY FOUND IN A GENERAL  
3 LEDGER?

4 A. No. As of this date, the Company still has not provided all the detail (#300  
5 account) plant balances first sought with Public Counsel Data Request No. 1001.  
6 In fact, the detailed plant balances that we now have were provided in the  
7 workpapers to the Company's "updated rate case". The updated rate case  
8 workpapers were provided to the Public Counsel on or about October 25, 2001  
9 and they contain only the plant balances of MPS as of June 30, 2001. Company  
10 did provide several plant reports prior to the filing of the updated rate case that  
11 purported to provide the detail plant account balances; however, the data in the  
12 reports either did not balance to the FERC Form No. 1, did not balance to each  
13 other, or had inconsistencies in the depreciable balance amounts.

14  
15 Plant balances by #300 account for both MPS and SJLP for the periods twelve  
16 months ended January 2000 and June 2001 were requested on or about July 10,  
17 2001. The balances for MPS for June 2001 was provided on or about October 25  
18 with the updated rate case model, however, the December 2000 balances for MPS  
19 and the December 2000 and June 2001 balances for SJLP have yet to be provided.  
20 Public Counsel has, in the spirit of cooperation, attempted to provide the  
21 Company with flexibility in the answering of our data requests, however, we still  
22 do not have access to basic accounting data three months after requesting a copy  
23 of a general ledger.

1 Q. DID THE COMPANY ULTIMATELY PROVIDE PUBLIC COUNSEL WITH A  
2 COPY OF ITS GENERAL LEDGER?

3 A. Public Counsel was told many times that the Company does not develop or  
4 maintain a monthly detailed general ledger. In fact, in a memorandum sent by  
5 Mr. Clemens to me on October 17, 2001 he states, "We do not have a general  
6 ledger." However, in response to inquiries by Staff auditors the Company created  
7 a report that provided a listing by FERC Account functionalized (by resource  
8 code number and description) balances for total MPS operations for calendar  
9 years 1998-August 2001.

10  
11 On or about October 24, 2001 the Company provided to the Public Counsel a  
12 copy of the detailed monthly general ledger for the fiscal year 2000 for SJLP  
13 only. It also provided a functionalized (costs summarized by function rather than  
14 detailed by each actual vendor etc.) general ledger for MPS for the period January  
15 2000 through August 2001. These responses were approximately 106 days after  
16 the initial date of the request. At this late date (10 days before the direct  
17 testimony deadline) OPC is not sure what value the "functionalized" MPS general  
18 ledger or the SJLP calendar year 2000 detailed general ledger will be.

19  
20 **COMPANY'S UPDATED RATE CASE**

21  
22 Q. WHEN WAS THE UPDATED RATE CASE MODEL PROVIDED?

1 A. Company's updated rate case model was provided to Public Counsel on October  
2 25, 2001. Twenty one days before the filing due date of direct testimony. The  
3 workpapers associated with the updated rate case model were provided to Public  
4 Counsel on or about October 26, 2001 (twenty days before the filing due date of  
5 direct testimony).

6  
7 Q. IS TWENTY TO TWENTY-ONE DAYS A REASONABLE AMOUNT OF  
8 TIME TO ANALYZE THE COMPANY'S NEW MODEL AND AUDIT THE  
9 ASSOCIATED COSTS?

10 A. No. This updated rate case should have been made available to the Public  
11 Counsel no less than two months ago. It is unrealistic to believe that the updated  
12 case could be analyzed and audited in the time remaining for the filing of direct  
13 testimony in this case.

14  
15 **CORPORATION OVERHEAD ALLOCATION MODEL**  
16

17 Q. WHEN WAS THE CORPORATION OVERHEAD ALLOCATIONS MODEL  
18 PROVIDED?

19 A. Company provided the updated corporate allocations model on or about October  
20 25, 2001 (twenty-one days before the filing due date of direct testimony). The  
21 model has been update for allocation factors as of July 2001. In addition, the  
22 model has been modified from that originally provided with the direct testimony  
23 of the Company. The updated model removes allocated payroll and other

1 employee benefit costs from the allocation process and instead includes the costs  
2 in the calculation of the various rate case expense annualizations.  
3

4 Q. IS TWENTY-ONE DAYS A REASONABLE AMOUNT OF TIME TO  
5 ANALYZE THE COMPANY'S NEW MODEL, AUDIT THE ASSOCIATED  
6 COSTS AND PREPARE TESTIMONY ON THIS ISSUE?

7 A. No. This allocation model should have been made available to the Public Counsel  
8 no less than two months ago. It is unrealistic to believe that the updated case  
9 could be analyzed and auditing in the time remaining for the filing of direct  
10 testimony in this case. This fact is further emphasized by the situation that the  
11 identification and support for the detailed costs allocated have not yet been  
12 provided to Public Counsel for audit purposes.  
13

14 **PUBLIC COUNSEL RECOMMENDATION**  
15

16 Q. HOW MANY YEARS HAVE YOU BEEN AUDITING REGULATED  
17 UTILITIES?

18 A. I have been employed by the Office of the Public Counsel since July 9, 1990. My  
19 work experience associated with the auditing of regulated utilities exceeds eleven  
20 years.

21 Q. HAVE YOU EVER EXPERIENCED SUCH DIFFICULTY IN OBTAINING  
22 AND AUDITING DATA SUBMITTED BY A UTILITY IN A RATE CASE?



1 A. No, I have not. In the time that I have been employed by the Office of the Public  
2 Counsel I have never audited a utility, except for extremely small operations, that  
3 did not prepare and maintain a detailed monthly general ledger. The lack of this  
4 very basic, but extremely important, accounting record has done much to create  
5 the difficult situation we now find ourselves in. Company has not, in many  
6 instances, been able to provide all the support necessary to prove-up its filed or  
7 updated rate case. Much of this support would have been identifiable from the  
8 entries included in a detailed general ledger. Once identified, it is possible that  
9 the production of additional support documentation could have been lessened  
10 significantly to a more manageable level.

11

12 Q. PLEASE SUMMARIZE THE PUBLIC COUNSEL'S RECOMMENDATION?

13 A. Public Counsel recommends that the instant case be dismissed. The ability of the  
14 Public Counsel and other parties to audit the Company's filed and updated rate  
15 case has been seriously compromised and as such it is not likely that the parties  
16 can audit the Company within the time frame originally ordered by the  
17 Commission. Sufficient time and information necessary to ensure the accurate  
18 completion of audit responsibilities in this case does not exist. The MPSC Staff  
19 has proposed to extend the filing date of direct testimony by shortening the days  
20 between the filing of rebuttal and surrebuttal testimonies; however, Public  
21 Counsel does not believe that that proposal would assist all parties in their  
22 responsibilities to audit the Company's filed rate case. It may be that the MPSC  
23 Staff believes it is able to audit the Company within the modified time frame it

1 has proposed but the Public Counsel, and I believe other interested parties, would  
2 require more time due to limitations on our personnel and resources. The  
3 Company's lack of a general ledger and untimely responses to data requests has  
4 seriously misled the Public Counsel and hampered our activities with regard to  
5 auditing the Company's filed case. Public Counsel recommends that the  
6 Commission dismiss the Company's instant case and order UCU to file a new  
7 case which includes all the electric operations of its MPS and St. Joseph divisions  
8 once it has aggregated the data necessary to prepare the case and to support an  
9 audit of its findings.

10  
11 Q. DOES THIS CONCLUDE YOUR AFFIDAVIT?

12 A. Yes, it does.

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed or hand-delivered to the following this 5th day of November 2001:

Nathan Williams  
Missouri Public Service Commission  
P O Box 360  
Jefferson City MO 65102

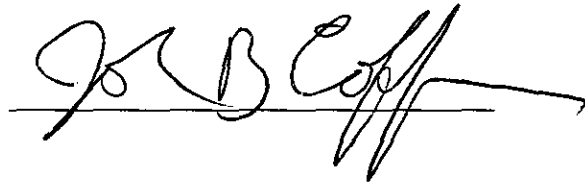
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A handwritten signature in black ink, appearing to read 'J. B. Finnegan', is written over a horizontal line.