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## Missouri Public Service Commission

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December 20, 2001

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General Counsel

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

**FILED<sup>2</sup>**  
DEC 21 2001  
Missouri Public  
Service Commission

**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 **STAFF'S MOTION FOR LEAVE TO FILE SUPPLEMENTAL DIRECT TESTIMONY AND SUPPLEMENTAL DIRECT TESTIMONY OF STAFF WITNESS STEVE M. TRAXLER.**

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>**

DEC 21 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 MOTION FOR LEAVE TO FILE  
SUPPLEMENTAL DIRECT TESTIMONY**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff) and for its Motion for Leave to File Supplemental Direct Testimony states:

1. Staff, as directed by the Commission in its Order amending the original procedural schedule, filed its direct testimony in this case on December 6, 2001.

2. The prehearing conference scheduled by the Commission in this case took place on December 12-14 & 17-18, 2001. During the prehearing conference the Staff and representatives from UtiliCorp United Inc., as well as other parties, participated in numerous discussions where new information and data were exchanged. As a result of those discussions, and exchange of information and data, the Staff has determined that it is appropriate to make corrections to positions that it took in its direct testimony filing made on December 6, 2001. The effect of these corrections is to reduce by \$2.6 million the Staff's direct-filed position that the Missouri Public Service division of UtiliCorp United Inc. has excess earnings/revenues of \$39.8 million at the midpoint of the Staff's return on equity range.

3. The purpose of the Staff's supplemental direct testimony is to present these corrections before the filing of rebuttal testimony in this case and to set out the Staff's most

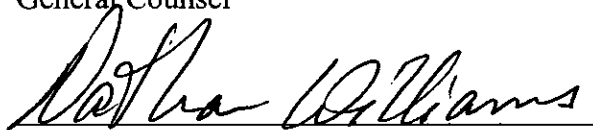
updated position for the filing by the Staff of an excess earnings/revenues complaint case against UtiliCorp United Inc. respecting its Missouri Public Service division.

4. Submitted herewith for filing is the Supplemental Direct Testimony of Staff Witness Steve M. Traxler in which he sets out the corrections to the Staff's positions.

**WHEREFORE** the Staff requests the Commission for leave to file in this case the Supplemental Direct Testimony of Staff Witness Steve M. Traxler.

Respectfully submitted,

DANA K. JOYCE  
General Counsel

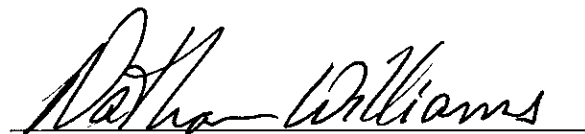
A handwritten signature in cursive script, appearing to read "Nathan Williams", written over a horizontal line.

Nathan Williams  
Associate General Counsel  
Missouri Bar No. 35512

Attorney for the Staff of the  
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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 20th day of December 2001.

A handwritten signature in cursive script, appearing to read "Nathan Williams", written over a horizontal line.

**Service List for**

**Case No. EC-2002-265**

**Verified: December 20, 2001, (cgo)**

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*Exhibit No.:*  
*Issues:* Updated Revenue Requirement  
*Witness:* Steve M. Traxler  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Supplemental Direct Testimony  
*Case No.:* ER-2001-672  
*Date Testimony Prepared:* December 20, 2001

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**FILED**

DEC 21 2001

Missouri Public  
Service Commission

**SUPPLEMENTAL DIRECT TESTIMONY**

**OF**

**STEVE M. TRAXLER**

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

**CASE NO. ER-2001-672**

*Jefferson City, Missouri  
December 2001*

1                                   **SUPPLEMENTAL DIRECT TESTIMONY**

2                                                           **OF**

3                                                           **STEVE M. TRAXLER**

4                                                           **UTILICORP UNITED INC.**

5                                                           **D/B/A MISSOURI PUBLIC SERVICE**

6                                                           **CASE NO. ER-2001-672**

7           Q.     Please state your name and business address.

8           A.     Steve M. Traxler, Noland Plaza Office Building, 3675 Noland Road,  
9     Independence, Missouri 64055.

10          Q.     By whom are you employed and in what capacity?

11          A.     I am a Regulatory Auditor for the Missouri Public Service Commission  
12     (Commission).

13          Q.     Have you previously filed direct testimony in Case No. ER-2001-672?

14          A.     Yes, I have.

15          Q.     What is the purpose of this supplemental direct testimony?

16          A.     The Accounting Schedules supporting the Staff's direct filing, filed on  
17     December 6, 2001, reflected current revenues of \$39.8 million in excess of its revenue  
18     requirement for UtiliCorp United Inc.'s (UtiliCorp or UCU) Missouri Public Service  
19     Division (MPS) prior to recognition of an allowance for the impact of the true-up audit.  
20     The \$39.8 million in excess revenues reflected on Accounting Schedule 1, Revenue  
21     Requirement, was reduced by \$25 million to reflect the anticipated impact of the January  
22     2002 true-up audit and for changes/corrections resulting from discussions during the  
23     prehearing conference.

1       The net excess revenues reflected in Staff Accounting Schedule 1, Line 16, was  
2       \$14.8 million.

3       The purpose of this supplemental direct testimony is to provide an update of the  
4       Staff's recommended revenue requirement following prehearing discussions on the major  
5       issues between the Staff and MPS.

6       Q.     Referring to page 5, lines 5-8 of your direct testimony filed in this case,  
7       you state, do you not, the Staff's intention to file a complaint against MPS in the event  
8       that the Staff's revenue requirement recommendation is still in a significant excess  
9       revenue position at the end of prehearing discussions?

10      A.     Yes.

11      Q.     Have sufficient prehearing discussions between the Staff, Company and  
12      other parties to this case occurred so as to allow the Staff to determine if the filing of a  
13      complaint against MPS is necessary at this time?

14      A.     Yes. The Company has had significant time to discuss the major issues  
15      with the Staff and other parties to this case. At this date, the Staff has made corrections  
16      to its filed position of approximately \$2.6 million. These corrections result in changing  
17      the Staff's determination of the Company's revenues in excess of its revenue requirement  
18      from \$39.8 million to approximately \$37.2 million without consideration of the impact of  
19      the true-up audit for known and measurable changes that occur between June 30, 2001  
20      and January 31, 2002.

21      Q.     What is the Staff's current estimate for the expected change in the Staff's  
22      recommended revenue requirement resulting from the completion of the true-up audit  
23      ordered for this Case No. ER-2001-672?

1           A.     As stated on page 3, lines 17-19 of my direct testimony, the primary cost  
2 of service change to result from the January 31, 2002 true-up audit, is the cost to reflect  
3 either the new purchase power contract between MPS and its affiliate, Merchant Energy  
4 Partners-Pleasant Hill (MEPPH) or the recognition of rate base treatment for the Aries  
5 plant which is supplying the power to MPS under the contract. The Staff has not  
6 finalized its recommendation on this issue due to the need to review additional data  
7 recently made available to the Staff. However, the revenue requirement impact of this  
8 issue will not exceed \$17 million, at most.

9           Since the Staff does not expect the net impact of truing-up other cost of service  
10 areas to be significant, the Staff still anticipates the Company will still be realizing  
11 significant revenue in excess of its revenue requirement, even after recognizing all known  
12 and measurable changes through January 31, 2002 in the true-up audit.

13          Q.     Briefly summarize the corrections made in the Staff's case since its direct  
14 filing on December 6, 2001.

15          A.     The corrections made to the Staff's revenue requirement recommendation  
16 since its direct filing are summarized below:

Staff's Revenue Requirement as Filed	(\$39,832,456)
Corrections to Payroll Tax and Benefits	196,491
Correction to Fuel Expense Annualization	749,483
Correction to Dues and Donations Disallowance	971,130
Correction to Customer Deposit Interest	189,522
Corrections to Rate Base	387,673
Other Miscellaneous Corrections	<u>132,051</u>
Staff Revenue Requirement as of December 20, 2001	<u>(\$37,206,106)</u>



1 Q. Please explain the corrections made in the payroll tax and employee  
2 benefits areas.

3 A. The Staff's adjustments to annualize payroll tax and employee benefits  
4 failed to use the most current allocation factor for allocating these costs between expense  
5 and construction (capitalization) activity. Correcting this error increased these costs  
6 approximately \$197,000.

7 Q. Please explain the correction made to the Staff's adjustment to annualize  
8 fuel expense.

9 A. Non-labor fuel handling costs must be added back to the annualized fuel  
10 and purchase power costs from the Staff's production cost model in order to include total  
11 fuel costs in cost of service. The amount added back for non-labor fuel handling was a  
12 St. Joseph Light and Power (SJLP) division cost instead of an MPS division cost. Using  
13 the correct cost for the MPS division increased the fuel cost adjustment approximately  
14 \$750,000.

15 Q. Please explain the correction to the Staff's adjustment to exclude certain  
16 dues and donations from cost of service.

17 A. In calculating the adjustment to exclude certain dues and donations from  
18 cost of service, the Staff used amounts at the UtiliCorp total Company level instead of  
19 MPS's allocated share of these costs. This error overstated the Staff's adjustment by  
20 approximately \$971,000.

21 Q. Please explain the correction made to the Staff's annualization adjustment  
22 for interest on customer deposits.

1           A.     The wrong rate of interest was used in calculating this adjustment. The  
2 adjustment was corrected to reflect the interest rate identified in MPS's tariff for interest  
3 to be accrued on customer deposits. Correcting this error increased interest on customer  
4 deposits by approximately \$190,000.

5           Q.     Please explain the corrections made to the amounts included in rate base.

6           A.     The amounts included in rate base for the unamortized balance of the  
7 Accounting Authority Orders (AAOs) for the Sibley Plant conversion and rebuild  
8 projects was based upon a projected balance at January 31, 2002. These balances were  
9 changed to reflect the balances at June 30, 2001 consistent with other rate base amounts  
10 in the Staff's direct filing.

11                     During the true-up audit, the Staff will reflect these balances in rate base  
12 based upon the actual balances as of January 31, 2002. Restating these balances to the  
13 June 30, 2001 amounts increased Staff's recommended revenue requirement by  
14 approximately \$388,000.

15           Q.     Have you prepared a reconciliation that reflects the current positions of  
16 the Staff and the Company at this time?

17           A.     Yes. Attached as Schedule SMT-1 to this supplemental direct testimony,  
18 is a reconciliation of the differences between the Staff and MPS positions at this time.  
19 Line 13 on Schedule SMT-1 reflects Staff's current excess revenue recommendation of  
20 \$37.2 million prior to the completion of the true-up audit.

21           Q.     What is your recommendation regarding MPS's revenue requirement?

22           A.     Based upon the reconciliation reflected on Schedule SMT-1, the Staff is  
23 recommending that a complaint in the amount of \$37.2 million be filed against

1 UtiliCorp's MPS division. This amount is estimated to be reduced by as much as \$17  
2 million as a result of the January 2002 true-up audit ordered for this case.

3 Q. Does this conclude your supplemental direct testimony?

4 A. Yes, it does.



Missouri Public Service Division

Case No. ER-2001-672

Reconcilement as of Close of Prehearing Discussions

Line No.	Description	Revenue Requirement
1	MPS Revenue Requirement	\$ 47,264,416
2	Revenue Annualization - Customer Growth & Weather	\$ (4,527,979)
3	Recognition of Interchange Sales Margin	\$ (7,192,714)
4	Fuel & Purchase Power Annualization - Energy Costs	\$ (10,189,328)
5	Demand Costs - Aries Plant Purchased Power Contract	\$ (17,382,638)
6	Allocation of UCU Corporate Overhead Costs	\$ (3,571,373)
7	Annualization of Payroll and Incentive Compensation	\$ (2,906,238)
8	Reflect Staff's New Depreciation Rates	\$ (15,408,008)
9	Income Tax - Straight Line Tax Depreciation	\$ (9,541,462)
10	Rate Base Treatment for Greenwood Units 1 & 2	\$ (2,753,754)
11	Recommended Return on Equity Difference	\$ (9,384,426)
12	Other Miscellaneous Issues	\$ (1,612,602)
13	Staff Current Revenue Requirement - prior to True Up Audit	\$ (37,206,106)
14	Less Allowance for True-Up Audit Impact	\$ 17,000,000
15	<b>Estimated</b> Staff Revenue Requirement after True-Up Audit	<u>\$ (20,206,106)</u> =====