

FILED

JAN 23 2002

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Missouri Public
Service Commission

In the matter of the Tariff Filing)
of Missouri Public Service Company,)
a division of UtiliCorp United,)
Inc., to implement a general rate)
increase for retail electric)
service provided to customers in)
its Missouri service area)

ER-2001-672

SEDALIA INDUSTRIAL ENERGY USERS' ASSOCIATION
STATEMENT OF POSITION ON LISTED ISSUES

COMES NOW Intervenor Sedalia Industrial Energy Users' Association (SIEUA) and respectfully states its positions on the issues listed by the parties generally on or about January 18, 2002.

1. Revenue requirement: What is the proper scope of the revenue requirement to be determined in this case?

SIEUA believes that the scope of the revenue requirement should include all the utility's Missouri operations and be no greater than the minimum amount necessary to properly compensate shareholders. In making this determination, the Commission should recognize that this utility is one of a related family of business entities, some regulated and some not, and that the opportunity is clearly present on the part of the combined entity to obscure its transactions with affiliates in such a way that additional and excess revenue to shareholders is produced from operations that have been supported with ratepayer funds and which would represent an excess earnings situation based on the proper value of the assets that shareholders have devoted to public service.

2. Are the Missouri operations of UtiliCorp's Missouri Public Service and St. Joseph Light & Power Divisions so integrated that a separate rate proceeding, tariff filing and/or complaint proceeding for the Missouri Public Service Division cannot be maintained?

SIEUA supports the position of the Public Counsel in this matter in that we believe these operations have been fully integrated in their dispatch and other operations. We believe the evidence in this proceeding will so show.

3. Cost of Service - Aries Purchase Power Contract:

A. Do any criteria still need to be met before the Aries Purchase Power Contract costs are included in cost of service, i.e., before they should be recoverable in rates?

B. If the Aries Purchase Power Contract is to be included in the cost of service, should any adjustment be made to that cost?

SIEUA generally concurs with the position of the Staff on these issues. However, we will determine a final position after the surrebuttal testimony has been reviewed and cross-examination completed.

4. Cost of Service - Depreciation:

A. Should the test year depreciation expense be adjusted?

(1) Should the future cost of removing retired plant be included in depreciation rates or treated as a current expense?

(2) What is the cost of removal that is included in current depreciation rates?

SIEUA concurs with the position of the Staff or Public Counsel on depreciation issues, whichever results in the lowest current cost to the ratepayers generally.

5. Cost of Service - Income tax expense:

A. What is the proper depreciation level to be used in calculating current and deferred income tax expense?

SIEUA concurs in the position of the Staff or Public Counsel on these issues whichever results in the lowest current cost to the ratepayers.

6. Capital Structure/Rate of Return:

A. What is the appropriate capital structure for UtiliCorp's Missouri Public Service Division?

B. What is the appropriate return on common equity for UtiliCorp's Missouri Public Service Division?

SIEUA concurs in the position of the Staff or Public Counsel that produces the lowest current cost to the ratepaying public.

7. Cost-of-Service - Off-system Sales:

- A. Should any part of interchange sales margins be excluded from cost-of-service?

SIEUA believes that 100% of all off-system sales margins should be included in cost-of-service because these margins are generated with equipment and utility plant that was paid for (or is being paid for) by the ratepayers.

8. Cost-of-Service - Jeffrey Shares:

- A. Do Jeffrey Shares (energy sales and purchases between UtiliCorp's Missouri Public Service Division and WestPlains Energy-Kansas) yield interchange sales margins?

SIEUA believes that 100% of all off-system sales margins should be included in cost-of-service because these margins are generated with equipment and utility plant that was paid for (or is being paid for) by the ratepayers.

9. Cost of Service - Energy costs:

- A. What are the appropriate costs of fuel (natural gas prices)?

SIEUA's position is stated in the testimony of its consultant Maurice Brubaker. That position is that the level of fuel costs, particularly natural gas costs, that has been included in the utility's proposal is far too high and is unrepresentative. A representative natural gas cost on current values appears to be not greater than \$3.00/MMBtu and may in fact be less as will be shown by the evidence. This would have a significant and substantial effect on the fuel costs that are included in the test year measurement period.

10. Cost of Service - Allocation of corporate overhead costs:

- A. What impact, if any, should UtiliCorp's international operations have on corporate overhead allocated to the Missouri Public Service Division?

- B. What impact, if any, should Aquila, Inc. have on corporate overhead allocated to the Missouri Public Service Division?

C. Should UtiliCorp's St. Joseph Light & Power Division be included when determining Missouri Public Service Division's share of corporate allocated costs?

SIEUA believes as to the last question that the SJLP Division should be included. As to the other issues, SIEUA concurs in the position of the Staff and Public Counsel.

D. TransUCU

(1) What level of TransUCU expenses should be included in the cost of service?

SIEUA concurs in the position of the Staff on this issue.

E. Legislative-related activities

(1) What level of expenses for legislative-related activities should be included in the cost of service?

SIEUA believes that no legislative-related activities should be included in utility cost of service or charged to ratepayers in any manner.

11. Cost of Service - Payroll:

A. Incentive Compensation

(1) Shall discretionary, performance-based, incentive pay for employees be allowed?

(2) Shall long-term performance-based incentive pay for employees be allowed?

SIEUA concurs in the position of the Staff or Public Counsel on this issue whichever results in the lowest current cost to ratepayers.

12. Cost of Service - Lease of Greenwood Units 1&2:

A. Should any adjustment be made to the cost of this lease?

SIEUA believes that the cost of this lease should be adjusted so that the utility is not advantaged or ratepayer charges increased by internal corporate machinations and transfers that are accomplished to inflate the value of this equipment.

13. Cost of Service - Bad Debt:

A. Should Missouri Public Service Division's bad debt expense be based on the three-year average that it proposes or the five-year average that the Staff proposes?

SIEUA believes that a five-year average as proposed by the Staff is more representative of utility operations in this case.

14. St. Joseph Light & Power Company - UtiliCorp Merger Savings and Costs:

A. Should Missouri Public Service Division's fuel expense reflect the joint dispatch of Missouri Public Service Division and St. Joseph Light & Power Division generating resources?

B. If Missouri Public Service Division's fuel expense reflects joint dispatch of Missouri Public Service Division and St. Joseph Light & Power Division generating resources, and/or the St. Joseph Light & Power Division is included when determining Missouri Public Service Division's share of corporate allocated costs, should the Missouri Public Service Division be allowed to recover in rates all or a portion of the merger premium and transaction costs (acquisition adjustment) related to UtiliCorp's acquisition of St. Joseph Light & Power Company?

C. If Missouri Public Service Division's fuel expense reflects joint dispatch of Missouri Public Service Division and St. Joseph Light & Power Division generating resources, and/or the St. Joseph Light & Power Division is included when determining Missouri Public Service Division's share of corporate allocated costs, should the Missouri Public Service Division be allowed to recover in rates the transition costs ("cost to achieve") that UtiliCorp has incurred, and will incur, in acquiring St. Joseph Light & Power Company?

The SJLP/UCU merger was touted as a huge cost savings for the ratepayers of both utilities. The decision to merge corporate entities should be authorized only if there is benefit to the ratepaying public and all savings or economies generated from such merger should be assigned to the benefit of the ratepaying public. Shareholders benefit adequately from the overall growth and diversity of their enterprise. No recovery of merger premium in any form should be permitted from the ratepayers.

15. Customer Annualization:

A. Should the customer growth adjustments made for rate classes 710 and 711 be further adjusted to reflect reclassification of customers between these rate classes made in the year 2001?

SIEUA concurs in the position of the Staff on this issue.

16. Maintenance Expense:

A. Should the Missouri Public Service Division's non-labor maintenance expense be based on the three-year average that the Staff proposes or the actual level of maintenance expense that the Missouri Public Service Division incurred during the test year-calendar year 2000-as it proposes?

SIEUA concurs generally in the position of the Staff on this issue. However, we have not yet been able to review all the surrebuttal and rebuttal testimony on this issue and will await final resolution of a position on the outcome of that review and cross-examination.

17. Remaining Accounting Authority Order Deferred Balances:

A. Should the Missouri Public Service Division be allowed to recover as a rate base item the unamortized balances of existing accounting authority orders?

SIEUA concurs generally in the position of the Staff on this issue. However, we have not yet been able to review all the surrebuttal and rebuttal testimony on this issue and will await final resolution of a position on the outcome of that review and cross-examination.

18. Recordkeeping:

A. In the future, should detailed reports be available to the Staff and the Office of the Public Counsel at the beginning of the Staff's field audit?

B. On an ongoing basis, should the Staff and the Office of the Public Counsel be permitted access to certain accounting, financial and operational records that permit independent auditing?

SIEUA believes that both Staff and Public Counsel, and certainly the Commission are entitled by law to accurate and current information from the utility's books and that the utility is required and should be compelled to maintain its books and records in accordance with the FERC standardized accounting system as approved by this Commission. Other parties that choose to intervene should be similarly treated and provided access. Accordingly, our position on both the above issues is "yes."

19. Miscellaneous Tariff Issues:

- A. Should the Missouri Public Service Division be required to file a description of its service territory in the congressional township format?
- B. What is the appropriate level of reconnection charges?
- C. What is the appropriate level of charges for meter reading by special appointment?
- D. What is the appropriate level of charge for a temporary, self-contained meter set used in residential construction?
- E. What is the appropriate level of charge per foot for excess service line length?

SIEUA concurs generally in the position of the Staff or Public Counsel on these issues. However, we have not yet been able to review all the surrebuttal and rebuttal testimony on this issue and will await final resolution of a position on the outcome of that review and cross-examination.

20. Revenues---Annualization of Economic Development Rider Credits:

- A. Is it appropriate to adjust the level of Economic Development Rider Credits to account for the annually declining percentage discount?
- B. Is it appropriate to adjust the level of Economic Development Rider Credits to account for anticipated future participation by new customers?

SIEUA believes that the utility should not benefit from increasing revenues as EDR credits dissipate or expire over the time period that these rates are expected to be in effect. Accordingly, SIEUA believes that the Staff's proposals on these issues should be adopted.

21. Class Cost of Service/Rate Design:

- A. What is the appropriate allocation of any increase in revenues to customer classes?

SIEUA has proposed that the allocation of any increase be on an equal percentage basis among all customer classes and within the components of each individual rate within the class.

B. What is the appropriate allocation of any decrease in revenues to customer classes?

SIEUA agrees with the position of the Staff as proposed by Michael Proctor on this issue.

C. What are the appropriate adjustments to rates for the various customer classes in the event of (1) a rate increase or (2) a rate decrease?

SIEUA agrees with the position of the Staff as proposed by Michael Proctor on this issue.

D. Should the Commission establish a new case to fully examine class cost of service and rate design?

SIEUA supports the "spinoff" of a new case to fully examine the utility's class cost of service and rate design and supports an appropriately constructed load research project so that representative and accurate data may be gathered and an established database of load information developed.

22. What is the appropriate scope of the true-up proceeding in this case?

SIEUA states its general concern that the true-up process currently used by the Commission results in a virtually new rate case proceeding at the end of the current one and that the result of such proceeding is not to make rates more representative or to reduce "regulatory lag," but rather is to create timing differences in which the utility may inordinately profit at the expense of the ratepayers. SIEUA urges the Commission to discontinue the practice of "true up" and address all issues in the context of a proper rate case proceeding.

23. True-Up Issues: The list above represents the issues that the parties believe are appropriate to present to the Commission during the hearings scheduled in January and February, 2002, and thus represent issues where there is a present controversy. The parties have not included in that list (and have not scheduled for hearing at this time) issues that the parties believe are more appropriate to address in the true-up portion of this case, thus, the list presented above is not intended to be a complete list of all possible issues which may arise during the course of this proceeding. Note that, as directed by the Commission in its order of August 14, 2001, the parties in this case jointly filed a list of accounts to be true-up on August 31, 2001. These items will be true-up through January 31, 2002. That list included the following items: a) Rate Base---plant in service,

depreciation reserve, deferred taxes, fuel inventories for oil and coal - prices, related cash working capital; b) Capital Structure---rate of return (embedded cost of long-term debt, short-term debt and preferred stock) and capital structure; c) Income Statement---revenues and customer sales to account for growth, payroll (employee levels, current wage rates, payroll-related benefits, and payroll taxes), fuel prices for gas, oil and freight, purchased power prices, margin from off-system sales, system loads, fuel and purchased power expense, rate case expense, lease cost, property insurance, depreciation expense, property taxes, and income tax effects; and d) allocation factors. Also note that in response to that filing, UtiliCorp objected to treatment of the Aries Plant as being owned by it and application of in-service criteria and rate base treatment of the plant.

See above comments regarding true up proceedings.

Respectfully submitted,

FINNEGAN, CONRAD & PETERSON, L.C.



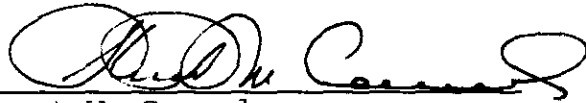
Stuart W. Conrad MBE #23966
3100 Broadway, Suite 1209
Kansas City, Missouri 64111
(816) 753-1122
Facsimile (816) 756-0373
Internet: stucon@fcplaw.com

ATTORNEYS FOR SEDALIA INDUSTRIAL
ENERGY USERS' ASSOCIATION

January 23, 2002

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by facsimile upon counsel for UtiliCorp and, in addition, by electronic or First Class Mail to him and by electronic or First Class Mail to the remaining attorneys of record for all parties as provided on the records of the Commission.

A handwritten signature in black ink, appearing to read "Stuart W. Conrad", written over a horizontal line.

Stuart W. Conrad

Dated: January 23, 2002