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January 23, 2002

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

JAN 23 2002

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: UtiliCorp United Inc., d/b/a Missouri Public Service  
Case No. ER-2001-672 and Case No. EC-2002-265**

Dear Mr. Roberts:

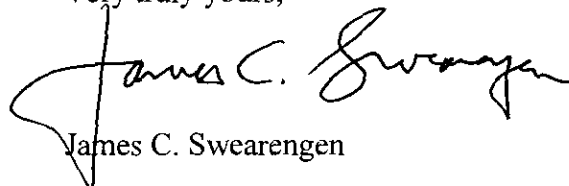
On behalf of UtiliCorp United Inc. d/b/a Missouri Public Service ("MPS"), I deliver herewith for filing with the Missouri Public Service Commission an original and eight (8) copies of MPS's Statement of Position on List of Issues.

Copies of this pleading will be provided to all parties of record.

Would you please bring this filing to the attention of the appropriate Commission personnel.

Thank you very much for your assistance.

Very truly yours,

  
James C. Swearengen

JCS/lar  
Enclosures  
cc: Parties of Record

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED<sup>2</sup>

JAN 23 2002

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 of the Missouri Public Service )  
Commission )

Complainant, )

v. )

Case No. EC-2002-265

UtiliCorp United Inc. d/b/a Missouri )  
Public Service )

Respondent. )

**MPS'S STATEMENT OF POSITION ON LIST OF ISSUES**

**COMES NOW** UtiliCorp United Inc. ("UtiliCorp") d/b/a Missouri Public Service,  
("MPS") by and through its counsel, and for its statement of position on the List of Issues filed in  
this case on January 18, 2002, respectfully states as follows:

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

**MPS's position: For purposes of this case the MPS stand-alone revenue requirement should be used to determine rates.**

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?

**MPS's position: No.**

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?

**MPS's position: No. The contract is a purchased power contract and the application of in-service-criteria would be an inappropriate prerequisite to including the cost of the contract in rates. No adjustment should be made to the cost of the contract.**

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?

**MPS's position: MPS's existing authorized depreciation rates are adequate. Cost of removal should continue to be included in depreciation rates. Because the existing authorized rates were determined without specifying the underlying net salvage, a depreciation study will be required in order to determine what depreciation rates would be which do not include net salvage. No such study is available in this case.**

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?

**MPS's position: The actual book and tax depreciation is the correct level to be used to calculate current and deferred income tax expense instead of the ratio method as proposed by the Staff.**

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?

**MPS's position:** For purposes of settlement of the capital structure issue in this case, MPS agrees with the Staff's capital structure method (corporate capital structure) as set out in the Staff's direct testimony. The appropriate return on common equity is in a range of 11.75% to 12.25%. MPS has used a 12.00% return on common equity, the mid-point of its range, to calculate revenue requirement in this case.

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

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

**MPS's position:** Off-system sales margins should be shared equally between customers and shareholders.

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?

**MPS's position:** There are no margins associated with Jeffrey shares.

9. Cost of Service - Energy costs:

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

**MPS's position:** The appropriate cost of natural gas is the actual 12 months prices that MPS has paid for the period February 2001 through January 2002.

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?

D. TransUCU

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

E. Legislative-related activities

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

**MPS's position: An appropriate level of allocated corporate overhead costs, as requested by MPS in this case, should be included in rates for MPS customers. No reduction in the amount of these requested overhead costs should be made. The St. Joseph Light & Power division should not be included in determining MPS's share unless the costs related to the SJLP acquisition (premium, transaction, transition costs) are reflected in MPS rates.**

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?

**MPS's position: All incentive base pay should be allowed in the cost of service for rate recovery.**

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

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

**MPS's position: No. The lease expense for Greenwood units 1 & 2 should be included in the cost of service.**

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?

**MPS's position: A three year average.**

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?

**MPS's position: Joint dispatching should not be used to determine fuel costs in this case. If joint dispatching is used to determine fuel costs then MPS should be allowed to include in its cost of service and reflect in rates the costs related to the SJLP acquisition (premium, transaction, transition costs).**

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?

**MPS's position: An adjustment should be made to rate classes 710 and 711 because of rate switching between these two rate classes as stated in the surrebuttal testimony of Mr. Clemens.**

16. Maintenance Expense:

- A. Should the Missouri Public Service Division's non-labor maintenance expense be based on the three-year<sup>1</sup> 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?

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<sup>1</sup> Staff will file surrebuttal testimony revising its three-year average in direct to a four-year average.

**MPS's position: The test year maintenance expense best represents the on-going level of expense to be used in determining cost of service.**

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?

**MPS's position: Consistent with the results of the last three electric rate cases involving MPS, the unamortized balance of existing accounting authority orders should be included in rate base.**

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?

**MPS's position: MPS is willing to provide the appropriate reports to allow Staff and the Office of the Public Counsel to perform a field audit. Staff and the Office of the Public Counsel must first identify the reports needed, from their perspective, to perform the audit.**

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?

**MPS's position: MPS has submitted to the parties a proposed stipulation and agreement to resolve these issues and has no reason to believe its proposal will not be accepted by the parties.**

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?

**MPS's position: The Economic Development Rider Credits should not be projected past the true-up date. The level of Economic Development Rider Credits in place at January 2002 is the appropriate level to use in determining the proper level of revenue.**

21. Class Cost of Service/Rate Design:

- A. What is the appropriate allocation of any increase in revenues to customer classes?
- B. What is the appropriate allocation of any decrease in revenues to customer classes?
- 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?
- D. Should the Commission establish a new case to fully examine class cost of service and rate design?

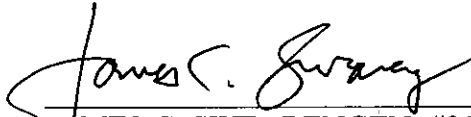
**MPS's position: Any increase should be allocated to all customer classes evenly. For any decrease, MPS is in agreement with Staff witness Proctor's testimony except for specific tail blocks on certain rate classes as identified in Mr. Tracy's rebuttal testimony.**

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

**MPS's position: The items identified in the joint filed true-up list filed on August 31, 2001 should be trued-up unless otherwise agreed to in any settlement of specific issues.**



Respectfully submitted,



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Attorneys for UtiliCorp United Inc.

**Certificate of Service**

I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. Mail, postage prepaid, or hand-delivered, on this 23<sup>RD</sup> day of January, 2002, to all parties of record.

