706

Exhibit No.:
Issues: Merger Savings
Witness: V. William Harris
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: EM-2000-292

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

V. WILLIAM HARRIS

UTILICORP UNITED INC.
AND
ST. JOSEPH LIGHT & POWER

CASE NO. EM-2000-292

Jefferson City, Missouri
May 2000

****Denotes Highly Confidential Information****

NP

Exhibit No. 706
Date 7-13-00 Case No. EM-2000-292
Reporter NE

REBUTTAL TESTIMONY

OF

V. WILLIAM HARRIS

UTILICORP UNITED INC.

AND

ST. JOSEPH LIGHT & POWER COMPANY

CASE NO. EM-2000-292

Q. Please state your name and business address.

A. V. William Harris, Noland Plaza Office Building, Suite 110, 3675 Noland Road, Independence, Missouri 64055.

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

A. I am a Regulatory Auditor with the Missouri Public Service Commission (Commission or PSC).

Q. Please describe your educational background.

A. I graduated from Missouri Western State College at St. Joseph, Missouri in 1990 with a Bachelor of Science degree in Business Administration with a major in Accounting. I successfully completed the Uniform Certified Public Accountant (CPA) examination in 1991 and subsequently received the CPA certificate. I am currently licensed as a CPA in the state of Missouri. I also successfully completed the Uniform Certified Internal Auditor (CIA) examination in 1995 and am currently certified as a CIA by the Institute of Internal Auditors in Altamonte Springs, Florida.

Q. Please describe your employment history.

A. From 1991 until I assumed my current position as a Regulatory Auditor with the Commission in 1994, I was employed as a Regulatory Auditor with the

NP

Federal Energy Regulatory Commission in Washington, DC. Prior to that, I was an Internal Auditor and Training Supervisor with Volume Shoe Corporation (d/b/a Payless ShoeSource).

Q. What are your responsibilities with the Commission?

A. I am responsible for assisting in the audits and examinations of the books and records of regulated utility companies operating within the state of Missouri.

Q. Have you previously filed testimony before this Commission?

A. Yes, I have. A list of cases in which I have filed testimony is shown on Schedule 1 of this rebuttal testimony.

Q. With reference to Case No. EM-2000-292, have you examined and studied the books and records of St. Joseph Light & Power Company (SJLP) in conjunction with SJLP's proposed merger with UtiliCorp United Inc. (UCU)?

A. Yes, in conjunction with other members of the Commission Staff (Staff).

Q. What is the purpose of your rebuttal testimony in this proceeding?

A. The purpose of my rebuttal testimony in this proceeding is to address the evidence in the Joint Applicants' testimony and schedules relating to certain purported merger savings. My testimony specifically addresses savings relating to fuel supply expense. I will provide information herein regarding current, non-merger related fuel savings realized by SJLP through its minority ownership in the Iatan generating facility.

Q. What is your involvement in the determination of SJLP's past fuel expense?

A. I coordinated the Staff's examination of SJLP's fuel expense in its two most recent electric rate proceedings, Case Nos. EC-98-573 and ER-99-247. Consequently, I sponsored all Staff adjustments in the area of fuel supply and expense.

NP

Q. Please describe SJLP's minority ownership in the Iatan generating facility.

A. Iatan is a large 670 megawatt (MW) base-load power plant which utilizes low cost, low sulfur western coal as the main boiler fuel. Kansas City Power & Light Company (KCPL) is the majority owner (70%) and operator of the Iatan station. SJLP owns 18% of the Iatan station and The Empire District Electric Company (EDE) owns the remaining 12% of the station. As majority owner and operator of the facility, KCPL makes all operating decisions and records all resulting expenses. Subsequently, KCPL passes on to each minority owner (SJLP and EDE) its respective share of the operating expense.

Q. Was there a significant reduction in fuel supply cost at the Iatan facility during the aforementioned rate proceedings?

A. Yes. When Case No. EC-98-573 began, Iatan was receiving the bulk of its coal under a contract with the Atlantic Richfield Company (ARCO). The contract was effective January 1, 1984 through December 31, 2003. The Arch Coal Company (Arch) acquired ARCO and subsequently negotiated a new contract with KCPL to recoup some of the cash used in the ARCO acquisition. The new contract, which significantly reduced the fuel supply cost at the Iatan facility, became effective from April 1, 1999 through December 31, 2003.

Q. Was this reduction reflected by Staff in Case No. ER-99-247?

A. Yes, it was included in Staff's accounting schedules and fuel model in the stipulated case and is reflected in SJLP's current rates.

Q. Why is it necessary to address the reduction in SJLP's fuel supply cost in this Merger Application proceeding?

NP

A. The Staff wanted to be certain that this reduction in Iatan's fuel supply cost is not considered in merger-related savings. Staff clearly considers this reduction to be non-merger related.

Q. Why should this fuel supply expense reduction be considered non-merger related?

A. This reduction is clearly non-merger related because neither UCU nor SJLP had anything to do with its having taken place. This reduction resulted from an agreement between the coal supplier (Arch) and Iatan's majority owner and managing partner (KCPL). KCPL merely shared its expense reduction at Iatan with its minority partners (SJLP and EDE). Even if SJLP had been involved in the renegotiations of the fuel supply at Iatan, the fuel savings would still be non-merger related because the contract was renegotiated prior to the commencement of the proposed merger between SJLP and UCU.

Please refer to the rebuttal testimony of Staff Accounting witnesses Cary G. Featherstone and Janis E. Fischer for a further discussion of the importance of distinguishing merger and non-merger expense reductions in this proceeding.

Q. What is SJLP's net savings from the fuel expense reduction at Iatan?

A. SJLP's net savings is **_______**. I have attached my calculation of the net savings as Schedule 2. The net savings is a combination of the total coal cost savings, less the rate base treatment for the prepaid contract buyout amount and the associated amortization of this prepaid investment.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

NP

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Joint Application of UtiliCorp United Inc. and St. Joseph Light & Power Company for Authority to Merge St. Joseph Light & Power Company With and Into UtiliCorp United Inc. and, In Connection Therewith, Certain Other Related Transactions	))))))	EM-2000-292

AFFIDAVIT OF V. WILLIAM HARRIS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

V. William Harris, is, of lawful age, and on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 4 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

V. William Harris

V. William Harris

Subscribed and sworn to before me this 15th day of May, 2000.

Toni M. Willmeno

TONI M. WILLMENO NOTARY SEAL NOTARY PUBLIC STATE OF MISSOURI

Toni M. Willmeno
Notary Public, State of Missouri
County of Callaway
My Commission Expires June 24, 2000

V. William Harris

Schedule of Testimony Filings

Case No.	(Type)	Company
ER-95-279	(Direct)	Empire District Electric Company
GR-96-285	(Direct, Rebuttal, Surrebuttal)	Missouri Gas Energy (Southern Union Co.)
GR-97-272	(Direct)	Associated Natural Gas Company
EC-98-573	(Direct, Rebuttal, Surrebuttal)	St. Joseph Light and Power Company
HR-99-245	(Direct, Rebuttal, Surrebuttal)	St. Joseph Light and Power Company
GR-99-246	(Direct, Rebuttal, Surrebuttal)	St. Joseph Light and Power Company
ER-99-247	(Direct, Rebuttal, Surrebuttal)	St. Joseph Light and Power Company

Case No. GR-96-285, Missouri Gas Energy was litigated. All others were stipulated.

SCHEDULE 2

DEEMED TO BE

HIGHLY CONFIDENTIAL

IN ITS ENTIRETY

NP