

Exhibit No.:

Issues: Maintenance

Witness: Allison K. Moten

Sponsoring Party: Missouri Public  
Service

Case No.: ER-2001-672

Before the Public Service Commission  
of the State of Missouri

Rebuttal Testimony

of

Allison K. Moten

**FILED<sup>3</sup>**  
JAN 08 2002  
Missouri Public  
Service Commission

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI  
REBUTTAL TESTIMONY OF ALLISON K. MOTEN  
ON BEHALF OF MISSOURI PUBLIC SERVICE,  
A DIVISION OF UTILICORP UNITED INC.  
CASE NO. ER-2001-672**

1 Q. Please state your name and business address.

2 A. My name is Allison K. Moten and my business address is 10700 East 350 Highway,  
3 Kansas City, Missouri, 64138.

4 Q. Are you the same Allison K. Moten who filed direct testimony in this proceeding on  
5 behalf of the Missouri Public Service ("MPS") operating division of UtiliCorp United  
6 Inc. ("UtiliCorp")?

7 A. Yes.

8 Q. What is the purpose of your testimony in this proceeding before the Missouri Public  
9 Service Commission ("Commission")?

10 A. The purpose of my testimony is to respond to the adjustment made by Ms. Amanda  
11 McMellen of the Commission Staff ("Staff"), in which she normalizes MPS'  
12 maintenance expense using a three-year historical average instead of using actual  
13 December 31, 2000 test year maintenance costs.

14 Q. What is the total three-year average level of maintenance expense that Ms. McMellen  
15 claims as a "normalized" level for this case?

16 A. Her total non-payroll maintenance expense before allocation to the electric jurisdiction, is  
17 \$13,303,701.

1 Q. What is the position of MPS as to the appropriate normalized level of maintenance  
2 expense in this case?

3 A. The appropriate level of total non-payroll maintenance expense before allocation to the  
4 electric jurisdiction, is \$14,195,735 which is the test year amount.

5 Q. Please discuss Ms. McMellen's three-year average normalization method of maintenance  
6 expense.

7 A. Normalization is used to determine an appropriate level of costs for ratemaking purposes.

8 This method ensures that the annualized costs are neither overstated nor understated.

9 However, from my accompanying Schedule AKM-1, it can be seen that MPS'

10 maintenance expense has been steadily increasing from 1998-2000 as noted by the

11 upward trend line. The graph does not show high and low fluctuations that would

12 necessitate averaging.

13 Q. What is the appropriate normalization method to reflect the yearly increase in  
14 maintenance costs?

15 A. The appropriate method is to use the actual December 31, 2000 test year maintenance  
16 costs which have been adjusted for the seven-year major turbine overhaul maintenance  
17 program. This amount best reflects the on-going maintenance expense level which MPS  
18 will experience.

19 Q. Please describe this turbine overhaul program.

20 A. The turbine overhaul program refers to the inspection, refurbishment, and overhaul of  
21 MPS' largest generating unit, Sibley Unit 3. In prior rate cases, a five-year \$2,500,000

1 turbine overhaul program, or \$500,000 per year, has been allowed in rates. However, the  
2 program cycle has changed to a seven-year cycle, or approximately \$357,000 per year.

3 Q. What is the effect of using historical averaging that Ms. McMellen used?

4 A. This effect is to set maintenance expense costs at a two-year low. Again, the goal should  
5 be to set expense at an on-going level, or a level which can reasonably be expected to  
6 exist when the rates set in this case will be in effect.

7 Q. Can you graph the maintenance expense level?

8 A. Yes, I can. Please refer to my Schedule AKM-2 and note the last column labeled "3 Year  
9 Avg Proposed by Staff". Staff's proposed maintenance expense level, \$13,303,701, is  
10 lower than the adjusted actual costs for years 1999 and 2000 of \$13,643,391 and  
11 \$14,195,735, respectively. As I noted earlier, Staff through its adjustment, is setting  
12 maintenance costs at pre-1999 levels which does not accurately reflect the on-going level  
13 of these costs.

14 Q. Has the trending of costs been proposed by Staff as an appropriate ratemaking device  
15 with respect to any other issue in this case?

16 A. Yes, it has. Please refer to pages 7 and 8 of the direct testimony of Staff witness Mr.  
17 Dana Eaves. Mr. Eaves notes that MPS' customer deposit balances "indicated a decrease  
18 for each month of the test year". His adjustment includes the trending down effect of  
19 customer deposits by including the December 31, 2000 deposit amount which was the  
20 lowest point on his trend line.

21 Q. How does this apply to the maintenance expense issue?

1 A. As noted earlier in Schedule AKM-1, MPS' maintenance expense is on an upward trend  
2 with the highest point at the December 31, 2000 level. As such, the on-going level  
3 should be at the December 31, 2000 test year since it reflects the maintenance expense  
4 trend and thus the on-going level of maintenance expense. This would be consistent with  
5 the Staff's treatment of customer deposit balances.

6 Q. What maintenance expense method did Staff propose in the MPS' last electric rate case,  
7 Case No. ER-97-394?

8 A. In that case, it is my understanding the Staff said that the test year maintenance expense  
9 was abnormally high and therefore used a five-year normalized expense.

10 Q. What position did MPS take?

11 A. MPS argued for the actual test-year expense on the grounds that it best represented the  
12 on-going level of costs.

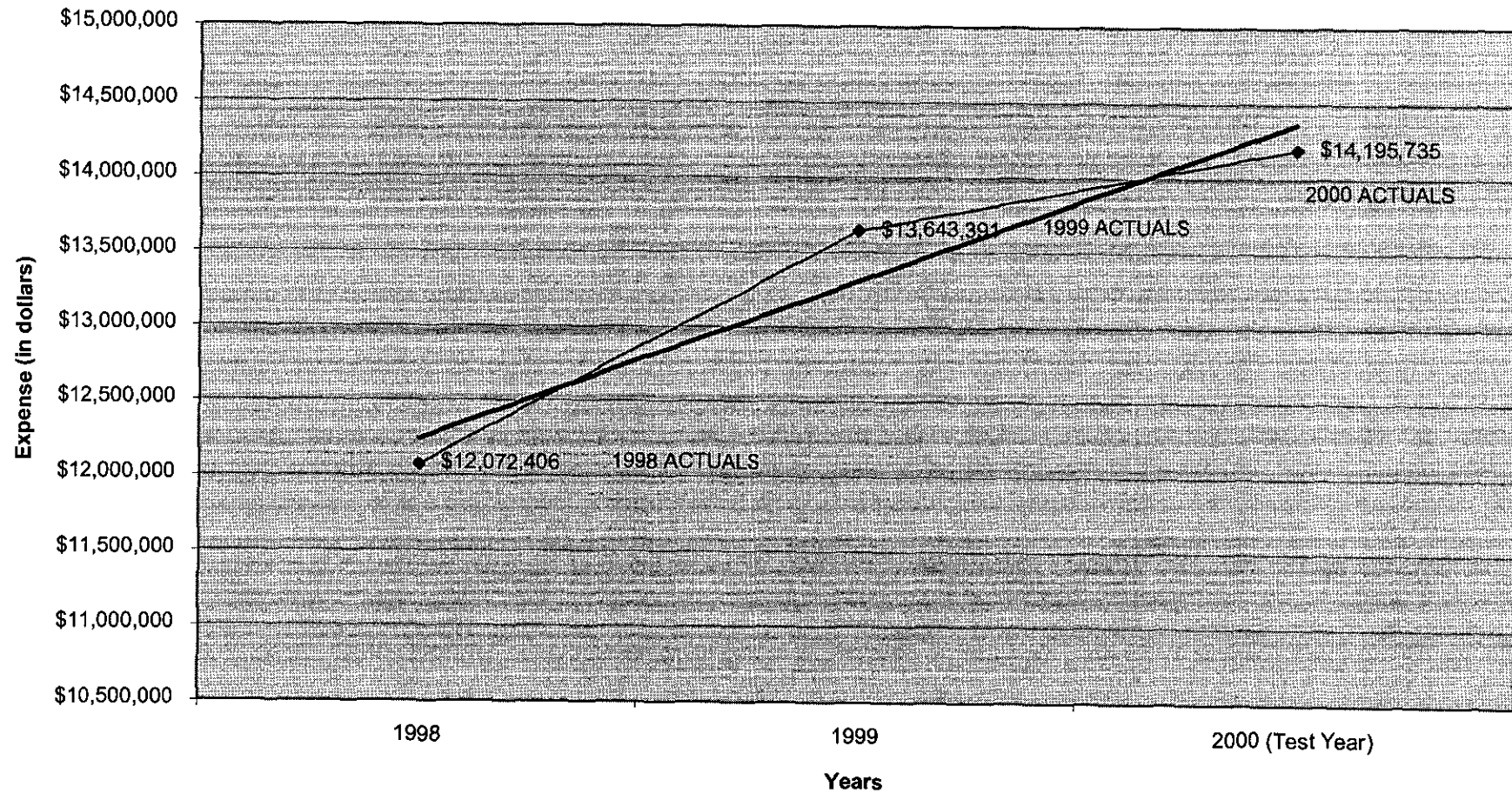
13 Q. What was the conclusion of the Commission in that case?

14 A. The Commission stated in its Report and Order as follows: "The Commission finds the  
15 weight of the evidence to favor UtiliCorp on this (maintenance) issue and will deny the  
16 proposed \$1.1 million adjustment".

17 Q. Does this conclude your rebuttal testimony?

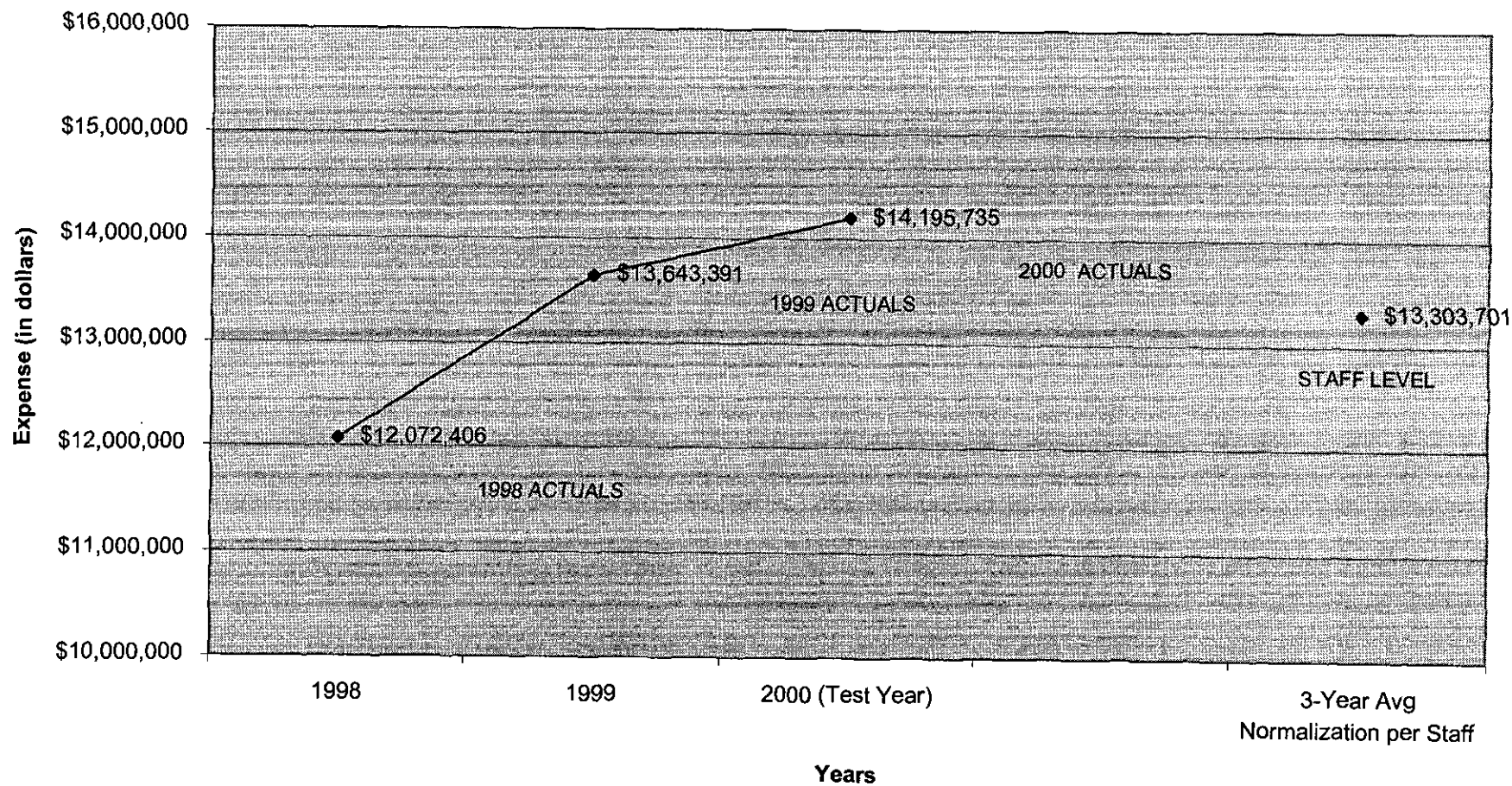
18 A. Yes.

**Missouri Public Service  
Total Maintenance Expense  
1998-2000 Actuals with Trendline**



SCHEDULE AKM-1

**Missouri Public Service  
Total Non-Payroll Maintenance Expense  
1998-2000 (Actuals) as Compared with Staff Normalization Level**



SCHEDULE AKM-2

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

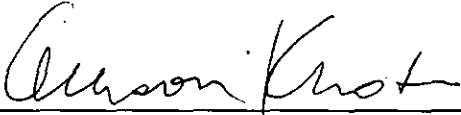
In the matter of Missouri Public Service     )  
of Kansas City, Missouri, for authority     )  
to file tariffs increasing electric rates     )  
for service provided to customers in the     )  
Missouri Public Service area                 )

Case No. ER-2001-672

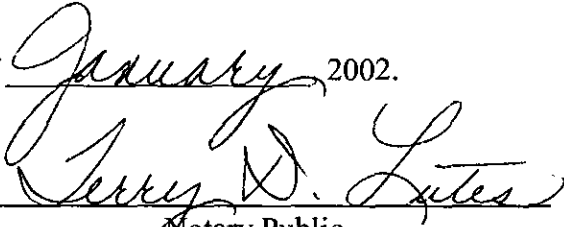
County of Jackson     )  
                               )     ss  
State of Missouri     )

**AFFIDAVIT OF ALLISON K. MOTEN**

Allison K. Moten, being first duly sworn, deposes and says that she is the witness who sponsors the accompanying testimony entitled "Rebuttal Testimony of Allison K. Moten;" that said testimony was prepared by her and under her direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, she would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of her knowledge, information, and belief.

  
\_\_\_\_\_  
Allison K. Moten

Subscribed and sworn to before me this 7th day of January, 2002.

  
\_\_\_\_\_  
Notary Public

My Commission expires:

8-20-2004

