

*Exhibit No.:*

*Issues: Test Year, True-Up  
Jurisdictional Allocations  
Cost per Kwh Comparison  
Historical Rate Increases /  
Decreases  
Cash Working Capital  
Plant, Depreciation Expense /  
Depreciation Reserve  
Accounting Authority Order,  
AFUDC and  
Sale of Accounts Receivable*

*Witness: Phillip K. Williams*

*Sponsoring Party: MoPSC Staff*

*Type of Exhibit: Direct Testimony*

*Case No.: ER-2001-672*

*Date Testimony Prepared: December 6, 2001*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**DIRECT TESTIMONY**

**OF**

**PHILLIP K. WILLIAMS**

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

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

*Jefferson City, Missouri  
December 2001*

**FILED<sup>3</sup>**  
DEC 6 2001  
Missouri Public  
Service Commission

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**DIRECT TESTIMONY OF**

**PHILLIP K. WILLIAMS, CPA, CIA**

**UTILICORP UNITED INC.**

**d/b/a MISSOURI PUBLIC SERVICE**

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

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1 Q. Have you previously filed testimony before this Commission?

2 A. Yes. Please refer to Schedule 1, attached to this direct testimony, for a list  
3 of cases in which I have previously filed testimony before this Commission.

4 **Purpose of Testimony**

5 Q. With reference to Case No. ER-2001-672, have you made an examination  
6 of the books and records of Missouri Public Service (MPS or MPS Division) a division of  
7 UtiliCorp United, Inc. (UtiliCorp or UCU)?

8 A. Yes, I have, with the assistance of other members of the Commission Staff  
9 (Staff).

10 Q. What are your areas of responsibility in regard to Case No. ER-2001-672?

11 A. I was assigned the area of allocations and to support other Accounting  
12 Staff as needed. I will be sponsoring plant-in-service, depreciation expense, depreciation  
13 reserve, cash working capital (CWC), accounts receivable sales, unamortized accounting  
14 authority order balances (AAO), and jurisdictional allocations of administrative and  
15 general expense (A&G Expense). I will address the test year and the true-up procedures  
16 the Staff plans to use in this case. Additionally, I will provide testimony about the rate  
17 increases and reductions of Missouri's five largest investor-owned electric utility  
18 companies, and I will provide a comparison of the cost per kilowatt-hour (kWh) of  
19 UCU/Missouri Public Service and other large investor-owned electric utility companies  
20 operating in the state of Missouri.

21 Q. What Accounting Schedules are you sponsoring in Case  
22 No. ER-2001-672?

23 Accounting Schedule 1 Revenue Requirement

Accounting Schedule 2 Rate Base  
Accounting Schedule 3 Total Plant in Service  
Accounting Schedule 4 Adjustments to Total Plant  
Accounting Schedule 5 Depreciation Expense  
Accounting Schedule 6 Depreciation Reserve  
Accounting Schedule 7 Adjustments to Depreciation Reserve  
Accounting Schedule 8 Cash Working Capital  
Accounting Schedule 9 Income Statement  
Accounting Schedule 10 Adjustment to Income Statement

I am sponsoring the following Income Statement adjustments:

Depreciation Expense S-22.3, S-22.6, S-23.3, S-23.6, S-25.9, S-25.10,  
S-32.5, S-32.6, S-37.9, S-37.10, S-38.8, S-38.9,  
S-41.8, S-41.9, S-43.8, S-43.9, S-45.5, S-45.6,  
S-46.9, S-46.10, S-47.6, S-47.10, S-48.6,  
S-48.10, S-49.9, S-49.10, S-50.8, S-50.9,  
S-52.8, S-52.9, S-53.7, S-53.8, S-54.3, S-54.8,  
S-55.4, S-55.5, S-56.8, S-56.9, S-57.4, S-57.5,  
S-58.9, S-58.10, S-60.5, S-60.6, S-61.9,  
S-61.10, S-62.9, S-62.10, S-63.6, S-63.11,  
S-64.6, S-64.10, S-65.5, S-65.6, S-66.5, S-66.6,  
S-67.9, S-67.10, S-68.10, S-68.11, S-70.8,  
S-70.9, S-71.9, S-71.10, S-73.8, S-73.9, S-80.6,  
S-80.7, S-92.1 and S-93.4

1 Test year booking correction S-58.3

2 I am also sponsoring the following Plant and Depreciation Reserve adjustments:

3 Plant Adjustments P-13.1, P-14.1, P-15.1 and P-16.1

4 Reserve Adjustments R-12.1, R-13.1 and R-14.1

5 Q. What test year is the Staff using in this case?

6 A. The test year that the Staff used is the test year that the Commission  
7 ordered - is the 12 month period ending December 31, 2000, updated for known and  
8 measurable changes through June 30, 2001, for utility plant-in-service, accumulated  
9 depreciation, deferred taxes, fuel prices, cash working capital, capital structure and cost  
10 of capital, customer growth revenues, payroll, fuel and purchased power expense,  
11 depreciation expense, system loads, rate case expense, property insurance, income and  
12 property taxes, purchased power demand charges, and allocation factors. "Updates" are  
13 known and measurable changes, which occur within a reasonable time after the close of  
14 the test year.

15 The parties in this case are in agreement as to a true-up with respect to various  
16 items set out in Staff's true-up recommendation, filed on July 25, 2001, with the related  
17 cost booked to revenue and expense by January 31, 2002.

18 Q. Would you please describe a test year and how it is used?

19 A. The test year is a 12 month period, which is used as the basis for the audit  
20 of any rate filing or complaint case. This period serves as the starting point for review  
21 and analysis of the utility's operations to determine the reasonableness and  
22 appropriateness of the rate filing. The test year forms the basis from which any  
23 adjustments necessary to remove abnormalities that have occurred during the period and

1 to reflect any increase or decrease to the accounts of the utility. Adjustments are made to  
2 the test year level of revenues, expenses and rate base to determine the proper level of  
3 investment on which the utility is allowed to earn a return. After the recommended  
4 rate-of-return is determined for the utility, a review of existing rates is made to determine  
5 if any additional revenues are necessary. If the utility's earnings are deficient, rates need  
6 to be increased. In some cases, existing rates generate earnings in excess of authorized  
7 levels, which may indicate the need for rate reductions. The test year is the time period  
8 that is used to evaluate and determine the proper relationship between revenue, expense  
9 and investment. This relationship is essential to determine the appropriate level of  
10 earnings for the utility. In this case the Staff recommended a test year of the 12 months  
11 ended December 31, 2000 updated through June 30, 2001.

12 Q. Why did the Staff recommend a test year of the 12 months ended  
13 December 31, 2000, updated through June 30, 2001?

14 A. Shortly after the MPS Division filed its case on June 8, 2001, it  
15 approached Staff to discuss the test year Staff planned to recommend. On July 6, 2001  
16 Staff witness Cary G. Featherstone met with Mr. Gary Clemens and Ms. Bev Agut of  
17 UtiliCorp to discuss the test year and true-up for this case.

18 Staff witness Featherstone described the above meeting in his verified statement  
19 filed on October 26, 2001:

20 At this meeting, UtiliCorp indicated its strong preference for using  
21 calendar year 2000 for the test year, with an update for known and  
22 measurable items through June 30, 2001. They also indicated the  
23 need to have a true-up period through January 31, 2002 to allow  
24 sufficient time to audit the second phase of the purchase power  
25 agreement between UtiliCorp and MEP Pleasant Hill, L.L.C.,  
26 which was included in its direct case (the Aries Power Plant jointly  
27 owned by a subsidiary of UtiliCorp and Calpine Corporation).

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1 This agreement involves a new generating unit that is a  
2 600-megawatt capacity combined cycle natural gas-fired unit.  
3 Missouri Public Service will have the benefit of 500 megawatts of  
4 this capacity.

5 During the July 6<sup>th</sup> meeting UtiliCorp stated that it wanted to use  
6 the calendar year 2000 test year because the Company believed it  
7 would be both a "cleaner" test year and easier to use because of the  
8 recent merger with St. Joseph Light & Power. UtiliCorp said that  
9 information for that year also would be immediately available to  
10 audit, since the close of the year 2000 operations had taken place  
11 over six months prior to the time of the meeting.

12 Staff believed the 2000 test year would allow the MPS to supply data on a  
13 more timely basis and any problems with stale data would be alleviated by the  
14 June 30, 2001 known and measurable period.

15 Q. Why is a test year update being utilized in this case?

16 A. The use of a test year update allows test year data to remain current  
17 through the update period for changes in material items that are known and measurable.  
18 Such items could include plant additions and retirements, payroll increases, customer  
19 growth, changes in fuel prices, etc. Test year amounts are adjusted to enable the parties  
20 to make rate recommendations on the basis of the most recent auditable information  
21 available.

22 Q. Is a true-up proposed for this case?

23 A. Yes. UtiliCorp requested, in the direct testimony of MPS Division witness  
24 Gary Clemens, that a true-up be used. The Commission approved the use of a true-up in  
25 its August 31, 2001 Order upon the recommendation of the UCU, Office of the Public  
26 Counsel and Staff.

27 Q. What cost of service items is the Staff recommending be included in the  
28 true-up?

1           A.    The Commission authorized true-up of the following items to  
2   January 31, 2002:

3                   RATE BASE:

- 4                   1. Plant-in-service;
- 5                   2. Depreciation reserve;
- 6                   3. Deferred taxes;
- 7                   4. Fuel inventories for oil and coal prices;
- 8                   5. Related cash working capital;
- 9                   6. Materials and supplies;
- 10                  7. Prepayments;
- 11                  8. Advances and contributions;
- 12                  9. Customer deposits;
- 13                  10. Income tax offsets; and
- 14                  11. Interest expense offset.

15                  CAPITAL STRUCTURE:

- 16                  1. Rate-of-return – embedded cost of long-term debt, short-term debt  
17                     and preferred stock (excludes return on equity); and
- 18                  2. Capital structure.

19                  INCOME STATEMENT:

- 20                  1. Revenues and kWh sales to account for customer growth;
- 21                  2. Uncollectables;
- 22                  3. Payroll – employee levels, current wage rates, payroll related  
23                     benefits and payroll taxes;

4. Fuel prices for gas, oil, coal and freight;
5. Purchase power prices;
6. System loads;
7. Fuel and purchase power expense to reflect fuel prices, purchase power prices and net system load (i.e. re-run production cost model);
8. Rate case expense and MoPSC assessment;
9. Property insurance;
10. Depreciation expense;
11. Property taxes, if applicable and appropriate; and
12. Income tax effects.

Additionally, the allocation factors will be trued-up through January 31, 2002 to maintain the relationship of the allocators and related items at a consistent point in time. To be included in the true-up audit, standard monthly documentation must be available for all applicable items (i.e., monthly operating reports, monthly fuel reports, company ledgers and supporting invoices) to assure the Staff that the change has occurred or that the asset is, in fact, in service and booked and auditable at the date of true-up audit.

**ACCOUNTING SCHEDULES:**

Q. Please describe Accounting Schedule 1, Revenue Requirement.

A. Accounting Schedule 1 is the Revenue Requirement Schedule, which contains the calculation of the Staff's gross revenue requirement for UCU/MPS operations. This Accounting Schedule contains information from the Rate Base, Income Statement and Income Tax Accounting Schedules to determine the actual revenue

1 requirements that the Staff recommends. This Accounting Schedule details the net  
2 original cost rate base to which the rate-of-return range (supplied by Staff witness David  
3 Murray of the Financial Analysis Department) is applied to determine the required net  
4 operating income requirement before income taxes. This schedule compares the net  
5 operating income requirement with the net income available determined from Accounting  
6 Schedule 9, Income Statement, to determine the overall net revenue deficiency.

7 Q. Please describe Accounting Schedule 2, Rate Base.

8 A. This Accounting Schedule takes the MPS Division's adjusted  
9 jurisdictional plant-in-service balance from Accounting Schedule 3, Total Plant in  
10 Service, and deducts the MPS Division's adjusted jurisdictional depreciation reserve  
11 from Accounting Schedule 6, Depreciation Reserve, to compute the net plant-in-service.  
12 Added to net plant-in-service are amounts for cash working capital, materials and  
13 supplies, prepayments and fuel stock. Rate base deductions include the federal tax offset,  
14 state tax offset, interest expense offset, customer advances, customer deposits, injuries  
15 and damages reserve, amortization of electric plant and reserve for deferred income taxes.  
16 The mathematical total of these items is the Rate Base amount that is incorporated in the  
17 Gross Revenue Requirement recommendation shown on Accounting Schedule 1,  
18 Revenue Requirement.

19 Q. Please describe the items that are added to net plant-in-service in  
20 determining Rate base.

21 A. Staff's calculation of materials and supplies and prepayments is discussed  
22 in the direct testimony of Staff Accounting witness Dana Eaves. Staff's calculation of

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1 the level of fuel stock inventory is discussed in the direct testimony of Staff Accounting  
2 witness Graham Vesely. Cash working capital will be discussed later in this testimony.

3 Q. Please describe the items that are deducted from net plant-in-service in  
4 determining Rate base.

5 A. Staff's calculation of customer advances and customer deposits are  
6 discussed in the direct testimony of Staff witness Dana Eaves.

7 The Staff's calculation of the reserve for deferred income taxes and the  
8 unamortized investments tax credit is discussed in the direct testimony of Staff  
9 Accounting witness Steve M. Traxler.

10 The federal, state and city tax offsets and the interest expense offset will be  
11 discussed later in this testimony.

12 Q. Are there any additional items that you are sponsoring on Accounting  
13 Schedule 2, Rate Base?

14 A. Yes, I am sponsoring the amount for Amortization of Electric Plant, cash  
15 working capital and the federal, state, and city tax offsets as well as the interest expense  
16 offset.

17 Q. Please explain this component of rate base.

18 A. Amortization of Electric Plant is the Missouri jurisdictional balance of the  
19 accumulated amortization reserve as of June 30, 2001. Use of the balance for this item as  
20 of this date is consistent with the adjusted jurisdictional balance of net plant-in-service as  
21 of June 30, 2001.

22 Q. Please explain Accounting Schedule 3.

1           A.     Accounting Schedule 3, Total Plant in Service, lists in Column B  
2     MPS Division's total plant balances as of June 30, 2001. The total MPS Division plant  
3     adjustments are listed in Column C. Column D lists the Missouri jurisdictional plant  
4     allocation factors. Column F contains the Missouri adjusted jurisdictional plant-in-  
5     service balances.

6           Q.     Please explain Accounting Schedule 4.

7           A.     Accounting Schedule 4, Adjustments to Total Plant, details the Staff's  
8     individual adjustments to total the MPS Division plant-in-service, which are listed in  
9     Column C of Accounting Schedule 3.

10          Q.     Please explain Accounting Schedule 5.

11          A.     Accounting Schedule 5, Depreciation Expense, lists in Column B the  
12     Missouri adjusted jurisdictional plant-in-service balances from Accounting Schedule 3,  
13     Column F. Column C contains the depreciation rates proposed by Staff witness  
14     Jolie L. Mathis of the Staff's Engineering and Management Services Department. The  
15     rates in Column C are then applied to the plant balances in Column B to determine the  
16     annualized level of depreciation expense that appears in Column D.

17          Q.     Please explain Accounting Schedule 6.

18          A.     Accounting Schedule 6, Depreciation Reserve, lists in Column B  
19     MPS Division's total depreciation reserve balances as of June 30, 2001. Column D lists  
20     the Missouri jurisdictional depreciation reserve allocation factors. Column E lists the  
21     Staff's Missouri jurisdictional depreciation reserve adjustments and Column F contains  
22     the Missouri adjusted jurisdictional depreciation reserve balances.

23          Q.     Please explain Accounting Schedule 7.

1           A.     Accounting Schedule 7, Adjustments to Depreciation Reserve, details the  
2 Staff's individual adjustments to total MPS Division depreciation reserve, which are  
3 listed in Column C of Accounting Schedule 6.

4           Q.     Please explain Accounting Schedule 8.

5           A.     Accounting Schedule 8 is Staff's calculation of CWC. The Staff used a  
6 lead/lag study to calculate the MPS Division's CWC. This will be discussed later in my  
7 direct testimony.

8           Q.     Please describe Accounting Schedule 9, Income Statement.

9           A.     Accounting Schedule 9, Income Statement, contains the Staff's adjusted  
10 Missouri jurisdictional revenues and expenses for the test year ended December 31, 2000  
11 and updated through June 30, 2001. Adjustment S-58.3 was made to correct the test year  
12 expenses included in the income statement by including in expense an amount that was  
13 incorrectly charged to Gas Account No. 700 during the test year.

14          Q.     Please explain Accounting Schedule 10, Adjustments to Income  
15 Statement.

16          A.     Accounting Schedule 10, Adjustments to Income Statement, contains a  
17 listing of the specific adjustments, Staff has made to the unadjusted test year income  
18 statement to derive the Staff's adjusted net income. A brief explanation for each  
19 adjustment and the name of the Staff witness sponsoring the adjustment are listed on  
20 Accounting Schedule 10.

21          Q.     Please explain the Accounting Schedule 11, Income Taxes.

22          A.     Accounting Schedule 11, Income Taxes is sponsored by Staff witness  
23 Steve M. Traxler.

**PLANT-IN-SERVICE, DEPRECIATION EXPENSE & DEPRECIATION RESERVE**

Q. Would you please describe the plant-in-service and depreciation reserve balances included in Schedule 3 and Schedule 6 respectively?

A. Yes. The plant-in-service and depreciation reserve balances shown in Schedules 3 and 6 respectively are the June 30, 2001 balances that the MPS Division supplied through a supplemental response to Data Request No. 302 on November 5, 2001.

Q. Would you please explain Plant Adjustment Nos. P-13.1, P-14.1, P-15.1 and P-16.1?

A. Yes. These adjustments were made to include the plant-in-service associated with the Jeffrey Energy Center common plant.

Q. Would you please explain Reserve Adjustment Nos. R-12.1, R-13.1 and R-14.1?

A. Yes. These adjustments were made to include in the depreciation reserve the reserve balances associated with the Jeffrey Energy Center common plant.

Q. Would you please describe Adjustment No. S-92.1?

A. Yes. This adjustment was made to annualize depreciation expense based upon June 30, 2001 plant-in-service and Staff's proposed depreciation rates. Staff witness Mathis is sponsoring the Staff's proposed depreciation rates.

Q. Would you please explain adjustments S-22.3, S-23.3, S-25.9, S-32.5, S-37.9, S-38.8, S-41.8, S-43.8, S-45.5, S-46.9, S-47.6, S-48.6, S-49.9, S-50.8, S-52.8, S-53.7, S-54.3, S-55.4, S-56.8, S-57.4, S-58.9, S-60.5, S-61.9, S-62.9, S-63.6, S-64.6, S-65.5, S-66.5, S-67.9, S-68.10, S-70.8, S-71.9, S-73.8 and S-80.6?

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1           A.     Yes. These adjustments were made to eliminate from test year expense  
2 the costs associated with the depreciation of transportation equipment charged to expense  
3 through clearing Account No. 184, as provided by MPS.

4           Q.     Would you please explain adjustments S-22.6, S-23.6, S-25.10, S-32.6,  
5 S-37.10, S-38.9, S-41.9, S-43.9, S-45.6, S-46.10, S-47.10, S-48.10, S-49.10, S-50.9,  
6 S-52.9, S-53.8, S-54.8, S-55.5, S-56.9, S-57.5, S-58.10, S-60.6, S-61.10, S-62.10,  
7 S-63.11, S-64.10, S-65.6, S-66.6, S-67.10, S-68.11, S-70.9, S-71.10, S-73.9 and S-80.7?

8           A.     Yes. These adjustments were made to include in expense the annualized  
9 costs associated with Staff's recommended rate of depreciation on transportation  
10 equipment charged to expense through clearing Account No. 184.

11          Q.     Did Staff encounter any difficulties in determining the correct balances to  
12 use for the plant accounts included in Staff's rate case calculations?

13          A.     Yes. Plant-in-service and depreciation reserve balances are normally or  
14 historically one of the first items that we load into the revenue system, the EMS  
15 schedules, that are used as the basis for Staff's filing. These balances are normally the  
16 first items to be included in the EMS schedules because of the ease in which they have  
17 been available in the past. Normally, Staff would utilize a test year and known and  
18 measurable period as recent as possible, but still allow sufficient time to complete the  
19 audit using actual historical information. Using the most recent actual information to  
20 determine the revenue requirement enables the Staff to develop its case with information  
21 that is as close to the date rates go into effect, especially when true-up audits are included  
22 in the case. If Staff plans on starting its audit in a particular month, it will plan to use a  
23 test year and update period as to the direct filing as is possible but still have enough time

1 to audit the books and records. In this case, Staff started its audit of UtiliCorp in  
2 July 2001, with the actual field work commencing late August. Since the Commission  
3 Ordered a test year of December 31, 2000 with a known and measurable period through  
4 June 30, 2001, UtiliCorp's books and records should have been readily available at the  
5 very start of field work. The plant-in-service and reserve ledgers should have been  
6 available at the start of the field work. However, during this audit plant ledgers were not  
7 made available until late in the audit process.

8 Q. UtiliCorp stated in its Response to Staff's verified statements that it  
9 "believes that the information provided in DR [Data Request] 302, the plant provided in  
10 its updated case, and the plant ledgers do tie in total." This means the total plant balance  
11 ties in total, not the individual account balances. Does Staff agree?

12 A. No. UtiliCorp has submitted to Staff three different sources for  
13 plant-in-service and reserve, which is highly unusual in its own right. There is no  
14 question, and there should be no debate, that UtiliCorp provided at least two different  
15 sources with two different results for the individual plant-in-service balances as of June  
16 30, 2001, the time frame that the Commission has ordered this case be updated through  
17 (see the Commission's August 14, 2001 Order Concerning Test Year And True-up,  
18 Resetting Evidentiary And True-up Hearings, Adopting Procedural Schedule, And  
19 Concerning Local Public Hearings).

20 Staff received the first source document on Friday, October 5, 2001, around  
21 6:00 p.m. The plant balances received by Staff were segregated by Federal Energy  
22 Regulatory Commission (FERC) Uniform System of Accounts (USOA), account on  
23 several sheets. These sheets appeared to be an Excel spreadsheet printout, rather than an

ongoing monthly report generated by the UCU/MPS accounting system. Staff immediately informed UtiliCorp personnel that it would have to “verify” the balances for plant and reserve to get comfortable with the dollar amounts. On October 12<sup>th</sup>, Staff received a response to its Data Request No. 302 that provided plant-in-service by FERC account for June 30, 2001. The October 12<sup>th</sup> submission cannot be reconciled with the October 5 submission.

It is noteworthy that UtiliCorp states in its Response that the resource documents “do tie in total.” However, they do not tie between plant accounts. Strictly using the source documents supplied by UtiliCorp without any “input and formula” issues relating to Staff, there are differences between production and distribution plant balances. The following table illustrates this point:

**PLANT-IN-SERVICE AS OF JUNE 30, 2001**

<b>FERC Account</b>	<b>Plant-in-Service Balance Supplied October 5, 2001</b>	<b>Plant-in-Service per Data Request No. 302 Provided Oct 12, 2001</b>
310.000 Land & Land Rights	\$ 663,970	\$ 663,970
311.110 Structures & Improve-JEC	18,269,883	
311.120 Structures & Improve—Sibley	<u>40,008,069</u>	
Total Struct & Improve	<u>\$ 58,277,952</u>	58,277,952
312.110 Boiler Plant Equip.—JEC	57,918,025	
312.120 Boiler Plant Equip.—Sibley	<u>128,305,343</u>	
Total Boiler Plant	<u>\$ 186,223,368</u>	186,374,911

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1	313.000		
2	Engines & eng driven generators	---0---	---0---
3	314.110		
4	Turbogenerator---JEC	19,268,587	
5	314.120		
6	Turbogenerator---Sibley	<u>50,005,741</u>	
7	Total Turbogenerator	<u>\$ 69,274,328</u>	<b>70,162,887</b>
8	315.110		
9	Accessory Elec Equip.—JEC	5,387,316	
10	315.120		
11	Accessory Elec Equip.---Sibley	<u>16,323,381</u>	
12	Total Accessory Elec Equip.	<u>\$ 21,710,697</u>	<b>21,738,841</b>
13	316.110		
14	Misc Power Plant Equip.---JEC	1,303,170	
15	316.120		
16	Misc Power Plant Equip.---Sibley	<u>628,899</u>	
17	Total Misc Power Plant	<u>\$ 1,932,069</u>	<b><u>1,939,503</u></b>
18	Total Steam Production	\$338,082,384	<b>\$339,158,064</b>

[NOTE: bold face represents balances that differ from the  
balances provided by MPS on October 5]

In the production plant balance alone there is an approximately \$1.1 million  
difference between the two source documents provided less than a week apart by  
UtiliCorp.

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FERC Account	Plant-in-Service Balance Supplied October 5, 2001	Plant-in-Service per Data Request No. 302 Provided Oct 12, 2001
340.000 Land & Land Rights	\$ 304,943	\$ 304,943
341.000 Structures & Improve	2,116,971	2,116,970
342.000 Fuel Holders, Producers & Acc	1,607,784	1,607,784
343.000 Prime Movers	19,216,206	<b>19,337,666</b>
344.000 Generators	9,176,215	<b>9,151,536</b>
345.000 Accessory Elec Equip.	3,424,668	3,424,668
346.000 Misc Power Plant Equip.	<u>3,898</u>	<u>3,898</u>
Total Other Production	<u>\$ 35,850,685</u>	<u><b>\$ 35,947,466</b></u>
Total Electric Production	\$ 373,933,069	<b>\$ 375,105,530</b>

The difference between the reported balances for Total Other Production plant is \$96,781. The difference between the reported balances for Total Electric Production differences is \$1.2 million.

Distribution plant balances also result in differences when comparing these two source documents, as can be seen below:

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FERC Account	Plant-in-Service Balance Supplied October 5, 2001	Plant-in-Service per Data Request No. 302 Provided Oct 12, 2001
360.000		
Land & Land Rights	\$ 1,313,201	
Land & Land Rights	<u>172,013</u>	
Total Land & Land Rights	1,485,214	<u>\$ 1,485,214</u>
361.000		
Structures & Improve	3,355,844	3,355,844
362.000		
Station equipment	53,735,053	53,735,053
363.000		
Storage battery equip.	---0---	---0---
364.000		
Poles, towers & fixtures	94,606,405	<b>94,464,654</b>
365.000		
Overhead conductors & devices	58,323,646	<b>58,188,930</b>
366.000		
Underground conduit	21,758,719	<b>21,692,593</b>
367.000		
Underground conductors & dev	65,100,167	<b>64,882,793</b>
368.000		
Line transformers	95,682,710	<b>95,386,775</b>
369.000		
Services		11,671,838
Services		<u>35,722,028</u>
Total Services	47,546,280	<b><u>47,393,866</u></b>
370.000		
Meters	23,141,368	<b>23,069,027</b>
371.000		
Installations cust premises	11,334,337	<b>11,323,668</b>

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1	372.000		
2	Leased property cust premises	---0---	---0---
3	373.000		
4	Street lighting & signal sys	<u>18,005,233</u>	<u>17,924,099</u>
5	Total Distribution	\$ 494,074,976	\$ 492,902,516

6 The difference between the two source documents provided by UtiliCorp for  
7 Distribution plant is \$1.2 million but the amount appearing in the October 5, 2001 source  
8 document is greater than the amount provided in Data Request No. 302, just the opposite  
9 of the Production plant.

10 Q. Has Staff attempted to reconcile these differences in plant account  
11 amounts?

12 A. Yes. After receiving the plant ledger, yet a third account sources  
13 document provided by MPS, on October 22, 2001, Staff attempted to identify the  
14 differences between the three documents. On October 29, 2001, Staff submitted Data  
15 Request No. 472 requesting a reconciliation between the three different source  
16 documents. In addition, Staff notified MPS of its desire to meet with MPS personnel to  
17 verify the plant balances by FERC account on October 29 or 30. MPS offered to allow  
18 Staff to "look over the shoulder" of MPS personnel to observe the "query" process. This  
19 meant that Staff would watch as someone from MPS accessed the on-line accounting  
20 records to verify plant account totals. On Wednesday, October 31, 2001, MPS  
21 representative contacted Staff to arrange a time to observe the query process. MPS  
22 indicated that someone from UtiliCorp's corporate office, located in downtown  
23 Kansas City, would need to come to Missouri Public Service's offices, located in  
24 Raytown, Missouri.

1           On Friday afternoon, November 2, 2001 three Staff members met with four MPS  
2 and UCU employees to observe the plant balances by account through this electronic  
3 access process. It took approximately one and one-half hours to look at two plant  
4 accounts. It took approximately 15 to 20 minutes to access one account. Each account  
5 comes up with a balance as of the date queried, not with the June 30, 2001 balance. If  
6 another date is requested, such as December 31, 2000 or June 30, 2001, it takes another 5  
7 to 10 minutes to see this same account balance. The reason it took so long to access the  
8 on-line account balances was that many accounts contains thousands of entries or lines of  
9 data. Once the balance is calculated by the system, the UtiliCorp representative had to  
10 manually calculate the balance of the account by adding all of the different plant ledger  
11 account balances to verify that they "matched" with the on-line system, thus requiring  
12 several more minutes.

13           Q.     How many different plant accounts are there?

14           A.     The source document provided to Staff on October 5<sup>th</sup> contains 58 separate  
15 plant accounts. In addition, there are 18 Missouri-only electric common plant balances  
16 that would have to be examined through this process to verify the individual account  
17 balances. Also, there are common plant accounts at UtiliCorp corporate offices that are  
18 allocated back to Missouri Public Service that would also have to be included in the  
19 verification process. Staff would have to go through the same process to verify the  
20 Depreciation Reserve balances as well. Spending between 20 and 30 minutes to access  
21 and review each of these accounts would be extremely time consuming, and in reality not  
22 practical under the present conditions in which Staff has to perform its audit of UtiliCorp  
23 and its division, Missouri Public Service. This is especially unacceptable considering

1 that the June 30, 2001 plant balances were not supplied until late October. Not only was  
2 this information late, but Staff received three separate plant-in-service documents which  
3 created additional problems for the Staff in verifying the individual account balances.  
4 The question becomes, which source document to use? Adding to the overall problem is  
5 the difficulty in electronically accessing the on-line plant balances.

6 Q. Are the problems that the Staff has encountered with UtiliCorp with  
7 regard to plant-in-service similar to problems it has encountered in prior UtiliCorp rate  
8 cases?

9 A. No. In previous UtiliCorp cases involving rate applications for its  
10 MPS Division the Staff has had access to a paper copy general ledger, which identified  
11 all plant balances by FERC accounts. Staff could pull the necessary information as the  
12 audit progressed when, and as, it needed the data. This has not been the case for this  
13 audit.

14 Q. Has Staff had recent experience getting plant information from a company  
15 using the PeopleSoft accounting system?

16 A. Yes. Staff had to have June 30, 2001 plant-in-service balances for the  
17 true-up audit in the recent Empire rate case (Case No. ER-2001-299). Staff had the  
18 June 30, 2001 plant balances from Empire in paper format by the third week in July  
19 enabling Staff to conclude its true-up audit in a timely fashion. Using the same time  
20 period, UtiliCorp took over three months to provide this information, and then it had  
21 problems with the data that Staff is still attempting to resolve.

22 Q. Does UtiliCorp believe there are any problems with the three separate  
23 source documents?

1           A.     On November 2, 2001, UtiliCorp responded to Data Request No. 472,  
2     which requested reconciliation between these three source documents by saying that Staff  
3     had a formula error:

4                     The plant balances by account supplied on Oct.5, 2001 are correct.  
5                     The total balances for all three as supplied to staff tie. Attached is  
6                     a reconciliation, which apparently shows that several accounts  
7                     were left out of Staff work papers, Comparison of Plant, PKW.  
8                     Also, Staff has a formula error on PKW page 2 of 2, account 301,  
9                     which shows \$19,765 was not included in the total. The  
10                    PowerPlant Ledger does not include the Corporate shared asset  
11                    which is not a part of power plant but was supplied to Staff in DR  
12                    296. Staff did not allocate the common portion of PowerPlant to  
13                    gas, which has to be done when comparing the totals. The  
14                    differences by plant account once all the corrections are made are  
15                    described below.

16                    DR 302 allocated the 106.97 accounts which is a suspense account,  
17                    which has to be allocated to specific account to Distribution plant  
18                    only. In the updated case it was allocated to production and  
19                    distribution.

20                    The plant account differences between the update case and  
21                    PowerPlant Ledger are also caused by the way Account 106.97 is  
22                    allocated.

23           While there may be an explanation for differences between the plant ledger and  
24     the other two plant source documents because of Staff calculations, that explanation does  
25     not, and did not, explain the differences between the October 5, 2001 source document  
26     and that provided in response to Data Request No. 302, provided on October 12, 2001.  
27     UtiliCorp did not provide any explanation to these allocations issues until responding to  
28     Data Request No. 472. If these differences are related to allocations of Account 106.97,  
29     as stated above causing the differences in production and distribution plant accounts, then  
30     that information should have been provided at the time Staff received the three different  
31     plant source documents. While the plant balance differences were small in some cases,  
32     because they were the starting point amounts to be used in the revenue requirement

1 system, Staff believed it had to "reconcile" these differences, thus consuming valuable  
2 audit time that is not typical of other audits of which I am aware.

3 Because of the statements made by the MPS Division in response to Staff's  
4 verified statements, Staff asked for another meeting with the MPS Division to review the  
5 plant balances. During this second meeting on November 13, 2001 Staff again asked the  
6 MPS Division to review several of the plant accounts. Staff witness Featherstone asked  
7 Mr. Mulligan of UCU, to query a land account for Staff. This account balance came up  
8 on the screen very fast, as there are very few entries made to land accounts. To be more  
9 realistic in what the process was going to be like to look at more accounts, I chose a large  
10 distribution account which had in excess of \$93 million of plant balances. Staff was  
11 timing the query to determine how long it would take to pull up this balance.  
12 MPS Division personnel realized the size of the account Staff was querying and stated  
13 that this account would take a long time to query because of the large number of entries  
14 that would be in the account. Ms. Agut, of the MPS Division, asked if we could kill this  
15 query and choose another account or if they could show us a different way to get similar  
16 information. These additional ways to look at information were not offered or discussed  
17 during the original meeting on November 2, 2001. Since it was taking so long the MPS  
18 personnel suggested there were alternatives, or short-cuts. Staff indicated that it would  
19 like to continue the original query to see how long it would take. It took so long that after  
20 over 20 minutes, the computer timed out on the query and kicked the system off. During  
21 the time this query was processing, Staff asked MPS about what other alternatives were  
22 available that could be used to identify plant balances. MPS showed Staff another screen  
23 that could be reviewed and printed out that would accomplish what Staff needed and

1 could be provided relatively easily, possibly a few minutes per account. The question in  
2 Staff's mind is: Why was this data not provided shortly after we arrived on site, instead  
3 of over two months later in the middle of November after several meetings and the filing  
4 of a verified statement with the Commission. The problems with obtaining the basic  
5 plant-in-service and reserve balances consumed considerable audit resources and required  
6 much time that Staff ordinarily would not have to spend on getting per book amounts?

7 **ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION**

8 Q. What is the Allowance for Funds Used During Construction (AFUDC)?

9 A. The Allowance for Funds Used During Construction is a calculation made  
10 by the MPS Division to assign a cost for the interest that would be incurred to borrow  
11 funds to build plant.

12 Q. Did Staff review the MPS Division's calculation of AFUDC?

13 A. Staff tried to review the MPS Division's calculation of AFUDC. In  
14 response to Staff Data Request No. 389, the MPS Division responded, "There is no  
15 AFUDC calculation. The AFUDC rate that is used is approximately the UCU short term  
16 interest rate for all jurisdictions."

17 Upon receipt of the MPS Division's response to Data Request No. 389, Staff  
18 called Gary Clemens to discuss the MPS Division's response and Mr. Clemens stated that  
19 the AFUDC rate used is the same rate that was being used during the 1997 case. Staff  
20 told MPS that it believed MPS was in compliance with FERC requirements regarding the  
21 required annual calculation of the AFUDC rate, as set forth in 18 CFR, Ch. 1, Pt. 101.

22 MPS later stated that they would recalculate the rate for 2000 and 2001  
23 construction projects and provide them to Staff when completed.

1 Q. Does Staff have a recommendation concerning the AFUDC calculation?

2 A. Yes. The Commission should Order UCU/MPS to calculate the AFUDC  
3 rate annually as required by FERC, and to use that rate when appropriate.

4 **CASH WORKING CAPITAL**

5 Q. What is Cash Working Capital?

6 A. Cash Working Capital (CWC) is the amount of cash necessary for the  
7 MPS Division to pay the day-to-day expenses incurred to provide electric service to  
8 Missouri Public Service's customers.

9 Q. Was a lead/lag study performed in this case?

10 A. Yes. Staff performed a partial lead/lag study that included federal and  
11 state income taxes withheld, FICA taxes withheld and the net payroll. Staff did not  
12 recalculate the lags for purchased gas and oil, purchased power, or coal and freight, as the  
13 MPS Division did not provide the invoices required to calculate these lags until  
14 November. In the MPS Division's response to Data Request No. 141, it stated that no  
15 changes have been made to MPS Division policies that would affect the payment/expense  
16 lags used in the last rate case, Case No. ER-97-394. A senior MPS Division official also  
17 told Staff that in preparing its filing for the current case, the MPS Division simply used  
18 the lead/lag days for each account as shown in the Report And Order for its last case –  
19 Case No. ER-97-394.

20 Q. Is the method you used to calculate Missouri Public Service's CWC  
21 requirement the same method the Staff has used in previous rate cases?

1           A.     Yes, the method has been used by the Staff and adopted by the  
2 Commission in numerous rate proceedings dating back to the 1970s, including the  
3 MPS Division's most recent rate cases (Case Nos. ER-93-37 and ER-97-394).

4           Q.     What is the purpose of a lead/lag study?

5           A.     The lead/lag study determines the amount of cash that is necessary on a  
6 day-to-day basis for the MPS Division to provide electric service to its customers. A  
7 lead/lag study analyzes the cash flows related to the payments received by the  
8 MPS Division from its customers for the provision of electric service and the  
9 disbursements made by the MPS Division to its vendors.

10           A lead/lag study determines the number of days the MPS Division has to make  
11 payments after receiving goods or services from a vendor and is compared with the  
12 number of days it takes the MPS Division to receive payment for the electric service it  
13 provides to its customers. A lead/lag study also determines who provides cash working  
14 capital.

15           Q.     What are the sources of CWC?

16           A.     The shareholders and ratepayers.

17           Q.     How do shareholders supply CWC?

18           A.     When the MPS Division spends cash to pay for an expense before the  
19 ratepayers provide the cash, the shareholders must provide the cash. This cash represents  
20 a portion of the shareholders' total investment in the MPS Division. The shareholders are  
21 compensated for the CWC funds they provided by the inclusion of these funds in rate  
22 base. By including these funds in rate base the shareholders earn a return on the funds  
23 they have invested.

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1 Q. How do ratepayers provide CWC?

2 A. Ratepayers supply CWC when they pay for electric service that they  
3 receive before the MPS Division pays the expenses it incurred to provide that service.  
4 Ratepayers are compensated for the CWC they provide by reducing rate base by the  
5 amount of CWC the ratepayers provide.

6 Q. How has the Staff determined the amount of CWC provided by both the  
7 ratepayers and shareholders?

8 A. The Staff has performed a lead/lag study.

9 Q. How does the Staff interpret the lead/lag study results?

10 A. A positive CWC requirement indicates that, in the aggregate, the  
11 shareholders provided the CWC for the test year. This means that, on average, the  
12 MPS Division paid the expenses incurred to provide the electric service to the ratepayers  
13 before the ratepayers paid cash for the service.

14 A negative requirement indicates that, in the aggregate, the ratepayers provided  
15 the CWC during the test year. This means that, on average, the ratepayers paid for their  
16 electric service before the MPS Division paid the expense incurred to provide that  
17 service.

18 Q. Please explain the components of the Staff's calculation of CWC that  
19 appear on Accounting Schedule 8.

20 A. The components of the Staff's calculation are as follows:

21 1) Column A (Account Description): lists the types of cash expenses, which  
22 the MPS Division pays on a day-to-day basis.

1           2)     Column B (Test Year Expenses): provides the amount of annualized  
2 expense included in the cost of service. It shows the dollars associated with the items  
3 listed in Column A on an adjusted Missouri jurisdictional basis.

4           3)     Column C (Revenue Lag): indicates the number of days between the  
5 midpoint of the provision of service by the MPS Division and the payment for the service  
6 by the ratepayer. I will explain the revenue lag later in this direct testimony.

7           4)     Column D (Expense Lag): indicates the number of days between the  
8 receipt of and payment for the goods and services (i.e., cash expenditures) used to  
9 provide service to the ratepayer. I will discuss the individual expense lags later in this  
10 testimony.

11          5)     Column E (Net Lag): results from the subtraction of the Expense Lag  
12 (Column D) from the Revenue Lag (Column C).

13          6)     Column F (Factor): expresses the CWC lag in days as a fraction of the  
14 total days in the test year. This is accomplished by dividing the Net Lags in Column E  
15 by 365.

16          Q.     Please describe the revenue lag.

17          A.     The revenue lag is the amount of time between the day the MPS Division  
18 provides the service, and when it receives payment from the ratepayers for that service.  
19 The overall revenue lag in this case is the sum of three subcomponent lags. They are as  
20 follows:

21           1) Usage Lag: The midpoint of average time elapsed from the beginning of the  
22 first day of a service period through the last day of that service period.

1           2) Billing Lag: The period of time between the last day of the service period, the  
2 day the meter is read, and the day the bill is placed in the mail by the company.

3           3) Collection Lag: The period of time between the day the bill is placed in the  
4 mail by the company and the day the company receives payment from the ratepayer for  
5 services performed.

6           Q.     Did the MPS Division use the same three subcomponent lags discussed  
7 above in developing its total revenue lag?

8           A.     Yes. The MPS Division's and the Staff's revenue lag subcomponents are  
9 identified below:

10                   Usage Lag               15.21 days

11                   Billing Lag             2.00 days

12                   Collection Lag         4.38 days

13                   Total Revenue Lag     21.59 days

14           Q.     Please explain how the usage lag was determined.

15           A.     The usage lag was determined by dividing the number of days in a typical  
16 year (365) by the number of months in a year (12) to yield the average number of days in  
17 a month (30.42). The 30.42 was then divided by two to yield an average usage lag of  
18 15.21 days. This further calculation using two as the divisor is necessary since the  
19 MPS Division bills monthly, and it is assumed that service is delivered to the customer  
20 evenly throughout the month.

21           Q.     Please explain the Staff's approach to determining the billing lag.

22           A.     The billing lag is the time it takes between when the MPS Division reads  
23 the meter and when the bills are subsequently mailed to the customer.

1 Q. Please explain the Staff's approach to determining the collection lag.

2 A. The collection lag is the average number of days that elapse between the  
3 day that the bill was mailed and the day when the MPS Division receives payment for  
4 that bill. The MPS Division determined revenue lag days by averaging the account  
5 receivables turnover days during the year ended June 30, 2000. The average revenue lag  
6 days were further adjusted for the fact that UtiliCorp sells MPS Division's accounts  
7 receivable to Citibank. The percentage of accounts receivable retained for the year  
8 ending June 30, 2000 was multiplied by the average accounts receivable turnover for the  
9 year ending June 30, 2000. The average reading date and average bill processing time  
10 were then included to produce the revenue lag in days. The MPS Division calculated that  
11 without the accounts receivable sales program the revenue lag was 38.05 days and with  
12 the accounts receivable sales program the revenue lag was reduced to 21.59 days.

13 Q. What was the scope of the Staff's work in the calculation of expense lags  
14 in this case?

15 A. The Staff attempted to calculate expense lags in areas where significant  
16 expenses were involved, or in areas where significant changes in payment pattern  
17 occurred since previous rate cases.

18 Q. What expense lags did the Staff calculate?

19 A. The Staff calculated the following expense lags in this audit: (1) payroll  
20 expense; (2) federal, state and FICA taxes withheld; (3) employee and employer 401(k)  
21 contributions; and (4) federal and state unemployment taxes.

22 Q. What expense lags, calculated by the MPS Division, did the Staff accept?

23 A. The Staff accepted the following MPS Division expense lags because

1 there have been no known statutory or payment date changes since the previous rate case:  
2 (1) medical care expenses; (2) property taxes; (3) gross receipts taxes; and (4) sales and  
3 use taxes.

4 Q. What other expense lags did the Staff accept from the prior case?

5 A. The Staff did not recalculate the expense lag for cash vouchers. The Staff  
6 believes that there were not sufficient changes to the accounts payable functions for  
7 payments of these miscellaneous expenses to warrant the time and resources required to  
8 perform a full cash voucher expense lag analysis.

9 Q. Please describe the expense lag for cash vouchers as found on Accounting  
10 Schedule 8.

11 A. Cash vouchers are miscellaneous expenditures that do not coincide with  
12 other operations and maintenance (O&M) expense items, and that were not specifically  
13 examined elsewhere in the CWC analysis study (e.g., payroll, fuel, etc.). The Staff  
14 accepted the MPS Division's calculation that cash voucher expense lag is 44.14 days.

15 Q. Please explain the Payroll expense lag found on Accounting Schedule 8.

16 A. The payroll expense lag is the time lapse between the midpoint of the  
17 period in which the employees earned wages, and the date the MPS Division paid the  
18 wages. The MPS Division pays all employees on the Friday following the two-week pay  
19 period, which ended on the previous Friday. The payroll expense lag is 13.93 days. This  
20 is seven days, to the midpoint of the 14-day period, plus 6.93 days between the end of the  
21 pay period and the Friday pay date.

22 Q. Please explain the expense lag for FICA and federal income withholding  
23 taxes as found on Accounting Schedule 8.

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1           A.     The expense lag for FICA and federal income withholding taxes relating  
2 to payroll taxes is the period of time between the midpoint of the pay period for which  
3 the taxes are withheld, and the date the tax withholdings must be paid to the taxing  
4 authorities. Payments for the employee's portion of FICA taxes and employer's portion  
5 of FICA taxes are made at the same time. An employer must typically deposit the  
6 income tax withheld and the FICA taxes with an authorized commercial bank depository  
7 or Federal Reserve Bank on the Monday following the previous Friday payday. The  
8 FICA, federal withholdings and employer FICA were weighted by the total amounts paid  
9 and then averaged together. The tax lags are 16.93 days. This includes the payroll  
10 expense lag, plus the weekend and Monday holidays.

11           Q.     Please describe the expense lag for State withholding taxes as found on  
12 Accounting Schedule 8.

13           A.     The expense lag for the State withholding taxes (Missouri, Oklahoma,  
14 Kansas and Arkansas) is the period of time between the midpoint of the pay period for  
15 which the taxes were withheld, and the date that the tax withholdings must be turned over  
16 to the taxing authorities. The lag for State withholding taxes is 21.10 days.

17           Q.     Please explain the Federal and State unemployment tax lags as found on  
18 Accounting Schedule 8.

19           A.     Federal and State unemployment taxes (FUTA and SUTA, respectively)  
20 are paid quarterly and are due at the end of the month following each quarter. The Staff  
21 accepted the MPS Division's calculation of FUTA and SUTA expense lags of 75.19  
22 days.

1 Q. Please explain the expense lag associated with property taxes as found on  
2 Accounting Schedule 8.

3 A. Property taxes for the MPS Division are paid once a year, due by  
4 December 31 in Missouri. Staff accepted the MPS Division's lag of 207.0403 days.

5 Q. Please explain the expense lags associated with gross receipts taxes and  
6 sales and use taxes as found on Accounting Schedule 8.

7 A. Because there have been no known or statutory or payment date changes  
8 associated with gross receipts, and sales and use taxes since the last rate case, the Staff  
9 accepts the MPS Division's expense lags 20.53 and 19.15 days, respectively.

10 Q. Why do the revenue lags for gross receipts taxes and sales and use taxes  
11 differ from the revenue lags discussed earlier?

12 A. The MPS Division acts solely as an agent of the taxing authority in  
13 collecting sales and use taxes and gross receipt taxes from the ratepayer, and paying the  
14 proper institution on a timely basis. The MPS Division has not provided any service to  
15 the ratepayer associated with the gross receipts and sales and use taxes. Therefore, in  
16 order to match the same time frames for these components, Staff adopted the collection  
17 lag and used it as the revenue lag. As explained earlier, the Staff calculated a 20.84-day  
18 collection lag, and used this number as the revenue lag for gross receipts and sales and  
19 use tax lags.

20 Q. What components of CWC are not on Staff's Accounting Schedule 8?

21 A. The Federal Income Tax offset, State Income Tax offset and Interest  
22 Expense offset do not appear in the Staff's Accounting Schedule 8. These items appear  
23 as separate line items in the Staff's Rate Base Schedule, Accounting Schedule 2.



1           Q.     Why are the Federal Income Tax offset, State Income Tax offset, and  
2 Interest Expense offset included in the Staff's Rate Base Accounting Schedule, rather  
3 than the Staff's CWC schedule, Accounting Schedule 8?

4           A.     The normalized Missouri jurisdictional expense component used for these  
5 offsets is tied directly to the computation of the revenue requirement. The Staff's  
6 revenue requirement computer program (EMS run) has the capability to extract these  
7 amounts from Accounting Schedule 11, Income Tax. The computer program applies the  
8 CWC factor to each component, and places the CWC requirement directly in Accounting  
9 Schedule 2, Rate Base.

10          Q.     Please explain and describe the inclusion of taxes in the Staff's analysis of  
11 CWC.

12          A.     Unlike other line items reflected within the CWC Accounting Schedule,  
13 taxes are not considered as O&M expenses, but they are known and certain obligations of  
14 the MPS Division with payment periods and payment dates established by statutes. Rates  
15 paid by customers to cover taxes payable represent a source of cash to the MPS Division  
16 until passed on to the appropriate taxing authority.

17          Q.     Please explain the federal and state income tax offsets.

18          A.     The federal and state income tax expense lags represent the period of time  
19 between the midpoint of the tax or calendar year and the dates the income taxes must be  
20 paid to the federal and state taxing authority. Currently, 100% of the estimated federal  
21 tax must be paid during the year in four installments, which are due by the 15<sup>th</sup> day of  
22 April, June, September and December. The state of Missouri requires that at least 90% of  
23 the MPS Division's estimated tax liability be paid during the year in four equal

1 installments, which must be paid by the 15<sup>th</sup> day of April, June, September, and  
2 December. Unlike the estimated federal tax requirements, the remaining 10% tax  
3 liability is due by April 15<sup>th</sup> following the close of the tax year. Because there have been  
4 no known changes to these payment dates, the Staff accepted the lags used by MPS  
5 Division of 37.5 and 62.55 days for the federal and state income tax lags, respectively.  
6 The CWC factor is placed in the Rate Base Accounting Schedule, and the Staff's  
7 computer program calculated the CWC requirement for income taxes.

8 Q. Please explain the Interest Expense offset.

9 A. Although not an O&M expense, interest expense is included in the Staff's  
10 lead/lag analysis because interest is a source of cash provided by the ratepayer and  
11 therefore, properly considered in CWC. The MPS Division has a known and certain  
12 obligation to pay cash, in the form of interest on its debt. The interest is pre-collected  
13 through rates from the ratepayer for the purpose of passing it on to the bondholder. The  
14 funds are a source of cash to the MPS Division for use toward any purpose that it desires  
15 until they are passed on to the bondholder.

16 The expense lag for interest was computed by dividing the number of days in the  
17 year by four. All UCU's long-term debt bears semi-annual interest. The lag represents  
18 the period of time between the midpoint of the semi-annual period, and the date interest  
19 paid. The expense lag computed for interest is 91.25 days ( $365 / 4$ ). The CWC factor  
20 was placed in the Rate Base Accounting Schedule and the Staff's computer program  
21 calculated the CWC requirement for interest.

22 Q. What was the overall result of the Staff's lead/lag calculation?

1           A.     The lead/lag study performed by the Staff resulted in a negative CWC  
2 requirement. This means that in the aggregate the ratepayer has provided the CWC to the  
3 MPS Division during the test year. Therefore, the ratepayer is compensated for the CWC  
4 that the ratepayer provides, through a reduction to rate base. This is shown on  
5 Accounting Schedule 2, as an offset to rate base.

6           **ACCOUNTS RECEIVABLE SALES**

7           Q.     Does UCU's Missouri Public Service Division participate in an accounts  
8 receivable sales program?

9           A.     Yes, UCU's Missouri Public Service Division participates in an accounts  
10 receivable sales program along with several other UtiliCorp United business entities.

11          Q.     What is an accounts receivable sales program?

12          A.     An accounts receivable sales program is a way to enhance cash flow and  
13 eliminates UCU's and its MPS Division's, need for short-term loans from investors,  
14 banks and other financial institutions. Depending on the amount of accounts receivables  
15 sold, the program produces an immediate influx of cash. UCU in the late 1980's  
16 implemented the accounts receivable sales program to increase immediate cash flow.  
17 Depending upon UCU's cash needs, UCU sells its MPS Division's accounts receivables,  
18 less uncollectables. Basically, it is a loan from a third party backed by MPS Division's  
19 accounts receivables.

20          Q.     How does the ratepayer benefit from the accounts receivable program?

21          A.     The ratepayer benefits from the reduction in the cash working capital. The  
22 accounts receivable program significantly reduces the revenue lag in the cash working

1 capital calculation thereby decreasing the amount of funds that the ratepayer must  
2 contribute to cash working capital.

3 Q. How does UCU/MPS benefit from the accounts receivable program?

4 A. The benefit to the UCU/MPS is that the accounts receivable program  
5 provides short-term funds to UCU/MPS at a cost less than a financial institution might  
6 charge.

7 Q. What expenses did UCU/MPS incur in selling its accounts receivable?

8 A. Under the agreement with the buyer of the MPS Division's accounts  
9 receivable, UCU/MPS is required to pay fees to various parties. These fees include  
10 interest on the outstanding balance plus an administrative fee, a program fee and an  
11 investment fee. Also, UCU/MPS is required to pay for any defaults on the receivables  
12 sold.

13 Q. Were these accounts receivable program expenses booked above or below  
14 the line in the MPS Division's test year expenses?

15 A. According to UCU/MPS's response to Data Request No. 376, all accounts  
16 receivable sales program expenses were booked below the line, although during a  
17 meeting with MPS Division officials on September 28, 2001, one senior MPS Division  
18 official suggested that banking fees related to the program might have been booked above  
19 the line. Also, according to an audit by the Federal Energy Regulatory Commission, the  
20 MPS Division failed to properly classify expenses related to the sale of accounts  
21 receivable. According to the report, the MPS Division recorded amounts equal to interest  
22 expense included in fees billed by the seller in Account 431, Other Interest Expense. The  
23 MPS Division charged the remainder of the fees to Account 930.2 Miscellaneous General

1 Expenses. Unlike Account 431, which is below the line, Account 930.2 is above the line.  
2 Any expenses charged to Account 431 are below-the-line charges and would not be  
3 recovered from ratepayers.

4 Q. Were you able to determine if all expenses associated with the program  
5 were booked above or below the line?

6 A. Not with 100 percent certainty. However, the MPS Division has stated  
7 that all costs are booked in Account 431. Further, on November 9, 2001, the MPS  
8 Division responded to Data Request No. 376 providing a summary of the journal entries,  
9 which show the cost being booked to Account 431. Therefore, Staff has made  
10 adjustment S-71.11 which was made to include in the cost of service interest for the  
11 accounts receivable program

12 **UNAMORTIZED ACCOUNTING AUTHORITY ORDER BALANCE**

13 Q. Please describe the unamortized AAO balance included in rate base.

14 A. The unamortized AAO balance at June 30, 2001 was included in rate base.  
15 This was done to include in the cost of service the amortization of the unamortized  
16 amounts of the AAO deferrals authorized by the Commission in Case Nos. ER-90-101  
17 and ER-93-37. These AAO deferrals were associated with the Sibley rebuild project and  
18 conversion to generate power from western coal.

19 **JURISDICTIONAL ALLOCATION FACTORS**

20 Q. What jurisdictional allocation factors did the Staff use in this case?

21 A. The allocation factors, are broken out between the following: 1) UCU  
22 corporate administrative and general allocators, which Staff Accounting witness  
23 Charles R. Hyneman developed; 2) the demand and plant allocators, were calculated and

1 provided by Staff witness Alan Bax of the Engineering Section of the Commission's  
2 Energy Department; 3) the allocation between electric and gas operations, which  
3 allocations the MPS Division provided; and 4) the administrative and general expense  
4 allocations, which are separated into directly assignable costs and costs which should be  
5 allocated based upon a factor derived from a composite of all other operating and  
6 maintenance expenses.

7 Staff then calculated Missouri jurisdictional factors utilizing the above described  
8 factors which are appropriate for each individual account. The electric expense accounts,  
9 which are 100% electric, were multiplied by the demand, distribution or transmission  
10 allocator supplied by Staff witness Bax. The A & G expenses allocations were derived  
11 by first allocating the A&G expense between electric and gas operations. The electric  
12 allocation ratio is then multiplied by the ratio of other operation and maintenance  
13 expenses to arrive at the jurisdictional allocation factor.

14 Q. Why is it necessary to allocate costs in this case?

15 A. Since Missouri Public Service has both electric and gas operations within  
16 the state of Missouri and provides wholesale power to several entities, an allocation  
17 process is needed to identify costs to specific jurisdictional operations.

#### 18 **HISTORICAL RATE INCREASES/REDUCTIONS**

19 Q. What has been the rate history of Missouri's five largest, investor-owned  
20 electric utilities?

21 A. Most of Missouri's investor-owned electric utilities have had several rate  
22 reductions since the mid to late 1980's. These reductions are a result of declining costs  
23 relating to such factors as tax reform, low inflation, declining rate bases and streamlining

1 operations, among other things. Most of the rate increases that have occurred since 1987  
2 have been the result of generating capacity-building programs and/or generation asset  
3 refurbishment. Three of the five largest electric utilities in Missouri have had generally  
4 declining rates since completion of a construction cycle of generating facilities. Kansas  
5 City Power & Light Company and AmerenUE (UE), owners of the only two nuclear  
6 generating units operated by utilities in this state, have had declining rates since the  
7 phase-ins of rates for the Wolf Creek and Callaway units were completed in the late  
8 1980s. Only UCU's MPS and Empire have not had their rates reduced from those that  
9 were in effect as of January 1, 1990. UCU's MPS Division has experienced both rate  
10 increase and rate reductions during the 1990s. UCU provides electric and gas service to  
11 Missouri customers through its MPS Division. References in this testimony to MPS refer  
12 to the Missouri jurisdictional operations of UCU. MPS's actual growth in rates over the  
13 January 1, 1990, level is due to refurbishment of its Sibley Generating Unit for plant  
14 upgrades and modifications to this unit that were required to convert to the burning of  
15 western coal. Once these construction projects were completed in 1993, the Commission  
16 Ordered MPS to decrease its electric rates as a result of Staff's earnings complaint filed  
17 in 1997, Case Nos. EO-97-144 and EC-97-362.

18 For a complete list of rate increases and decreases since April 1985 for Missouri  
19 investor-owned electric utilities, please see Schedule 2 attached to my testimony.

20 Q. Please describe the recent history of rate changes for Missouri Public  
21 Service.

22 A. Since June 1986, Missouri Public Service has had four rate reductions and  
23 two rate increases and is currently seeking an additional \$49,000,000 increase. The

following Table 1 summarizes MPS's rate changes that have occurred since June of 1986:

Table 1

Date of Order	Case Number	Rate Request	Public Service Commission Decision
06/11/1986	EO-86-83	Not Applicable	(\$ 308,575)
09/12/1986	EO-87-9	Not Applicable	(\$10,000,000)
09/10/1987	EO-88-36	Not Applicable	(\$ 5,400,000)
10/05/1990	ER-90-101	\$25,000,000	\$ 12,400,000
06/18/1993	ER-93-37	\$19,400,000	\$ 4,900,000
03/06/1998	ER-97-394	\$25,000,000	(\$17,000,000)

The net reduction in rates to MPS's customers since June 1986 has been \$15,408,575. However, since 1990, MPS has incurred a net increase in rates of \$300,000. MPS's last general rate change resulted from an overearnings rate investigation by the Staff, which led to a complaint case being filed with the Commission. UCU/MPS in turn filed for a rate increase, which was docketed as Case No. ER-97-394. As a result of Staff's actions the Commission issued a Report And Order reducing rates that became effective in March 1998.

Q. Please describe the rate history of St. Joseph Light & Power Company (SJLP), which has become a division of UCU.

A. SJLP has reduced its rates four times since February 1987, totaling \$12,076,000, in addition to a single rate increase in 1994 of \$2,150,000. The Staff believes that SJLP's commitment to low corporate overheads and its past reductions in rates allowed it to remain one of the lowest cost providers of electricity in the Midwest

1 and in Missouri. On December 31, 2000 UCU acquired SJLP and now serves the former  
2 SJLP customers through its SJLP division.

3 Q. Please describe the recent rate history for Empire District Electric  
4 Company.

5 A. Since November of 1986, Empire District Electric Company has had two  
6 rate reductions and five rate increases. Empire District Electric Company increased its  
7 rates four times during the 1990s, totaling \$28,000,000. During 2001, Empire District  
8 Electric Company has received a \$36,000,000 rate increase of which \$19,000,000 is  
9 subject to refund.

10 Q. Please describe the recent rate history for Kansas City Power & Light  
11 Company.

12 A. Kansas City Power & Light Company rates have been reduced four times  
13 since its last rate increase, of \$8.5 million, relating to the final portion of the Wolf Creek  
14 phase-in rate increase in May 1988. The total amount of rate reductions for Kansas City  
15 Power & Light Company since December 29, 1993 has been \$47,500,000.

16 Q. Please describe the recent rate history for Union Electric Company  
17 (now doing business as AmerenUE).

18 A. AmerenUE rates have been reduced three times during the 1990s.  
19 AmerenUE has had only a single rate increase on December 21, 1987, after the last of the  
20 phase-in rate increases for the Callaway Nuclear Facility was completed in April of 1987.  
21 The total amount of the rate reductions for AmerenUE during the 1990s has been  
22 \$100,000,000 as of the end of 1999. Staff has recently filed a complaint against

1 AmerenUE seeking to further reduce its rates, in Case No. EC-2002-1, which has yet to  
2 be decided.

3 **COST PER kWh COMPARISONS**

4 Q. Will you please provide this Commission with a comparison of costs for  
5 residential customers of the Missouri Public Service Division of UCU with respect to  
6 other Missouri investor-owned electric utilities?

7 A. Yes. Attached as Schedule 3 to my testimony is a comparison of the  
8 operating revenues divided by kilowatt-hour (kWh) sales of Missouri's five largest  
9 investor-owned utilities by year for 1995 through 2000, prior to the merger of UCU and  
10 SJLP. The revenue per kWh numbers represent the residential customer's cost per kWh.  
11 Operating revenues divided by kWh of sales is equivalent to cents per kWh of operating  
12 revenues. Cents per kWh of operating revenues is equal to the cost per kWh of energy  
13 charged to the customers by utilities.

14 Information supplied in response to Staff Data Request No. 262 in Case  
15 No. EM-2000-292 (UtiliCorp's merger application of UCU and SJLP), for the years 1994  
16 through 1999 was taken from my Rebuttal Testimony in Case No. EM-2000-292.  
17 Information for the 2000 averages were taken from the Typical Bills and Average Rates  
18 Report by the Edison Electric Institute, page 158.

19 Q. How do Missouri Public Service's residential rates compare to those of the  
20 four other large investor-owned electric utilities in Missouri?

21 A. Missouri Public Service had the highest rates of Missouri's five largest  
22 investor-owned utilities during the period 1994 through 2000. The following identifies

the respective rankings of Missouri's five largest investor-owned electric utilities residential electric rates, based on cost per kWh.

**1994**

- MPS had the highest rate of the five Missouri companies at \$0.0822312 per kWh.
- St. Joseph Light & Power Company had the second lowest rates of the five Missouri companies at \$0.058332 per kWh.
- Empire District Electric had the lowest rates of the five Missouri companies at \$0.056911 per kWh.
- Union Electric had the third lowest rates of the five Missouri companies at \$0.075347 per kWh.
- Kansas City Power & Light Company had the fourth lowest rates of the five Missouri companies at \$0.079256 per kWh

**1995**

- MPS had the highest rate of the five Missouri companies at \$0.082040 per kWh.
- St. Joseph Light & Power Company had the second lowest rates of the five Missouri companies at \$0.060620 per kWh.
- Empire District Electric had the lowest rates of the five Missouri companies at \$0.060230 per kWh.
- Union Electric had the third lowest rates of the five Missouri companies at \$0.075077 per kWh.

- Kansas City Power & Light Company had the fourth lowest rates of the five Missouri companies at \$0.078911 per kWh.

**1996**

- MPS had the highest rate of the five Missouri companies at \$0.080530 per kWh.
- St. Joseph Light & Power Company had the lowest rates of the five Missouri companies at \$0.059532 per kWh.
- Empire District Electric had the second lowest rates of the five Missouri companies at \$0.059711 per kWh.
- Union Electric had the third lowest rates of the five Missouri companies at \$0.072772 per kWh.
- Kansas City Power & Light Company had the fourth lowest rates of the five Missouri companies at \$0.078424 per kWh.

**1997**

- MPS had the highest rate of the five Missouri companies at \$0.080488 per kWh.
- St. Joseph Light & Power Company had the lowest rates of the five Missouri companies at \$0.059646 per kWh.
- Empire District Electric had the second lowest rates of the five Missouri companies at \$0.061992 per kWh.
- Union Electric had the third lowest rates of the five Missouri companies at \$0.072581 per kWh.

- Kansas City Power & Light Company had the fourth lowest rates of the five Missouri companies at \$0.077121 per kWh.

**1998**

- MPS had the highest rate of the five Missouri companies at \$0.077185 per kWh.
- St. Joseph Light & Power Company had the lowest rates of the five Missouri companies at \$0.060685 per kWh.
- Empire District Electric had the second lowest rates of the five Missouri companies at \$0.064939 per kWh.
- Union Electric had the third lowest rates of the five Missouri companies at \$0.070883 per kWh.
- Kansas City Power & Light Company had the fourth lowest rates of the five Missouri companies at \$0.075725 per kWh.

**1999**

- MPS had the highest rate of the five Missouri companies at \$0.075736 per kWh.
- St. Joseph Light & Power Company had the lowest rates of the five Missouri companies at \$0.060288 per kWh.
- Empire District Electric had the second lowest rates of the five Missouri companies at \$0.065458 per kWh.
- Union Electric had the third lowest rates of the five Missouri companies at \$0.073380 per kWh.

- Kansas City Power & Light Company had the fourth lowest rates of the five Missouri companies at \$0.075582 per kWh.

2000

- MPS had the highest rate of the five Missouri companies at \$0.0718 per kWh.
- St. Joseph Light & Power Company rates were not shown, however during 1999 SJLP had the lowest rates of the five Missouri companies at \$0.0603 per kWh and there was no rate increase granted to SJLP rates during 2000, so it probably had the lowest rates of the five Missouri companies.
- Empire District Electric had the second lowest rates of the five Missouri companies at \$0.0655 per kWh.
- Union Electric had the third lowest rates of the five Missouri companies at \$0.0706 per kWh.
- Kansas City Power & Light Company had the fourth lowest rates of the five Missouri companies at \$0.0712 per kWh.

Q. Do you have any other information concerning the relative rate levels of UCU/Missouri Public Service, compared to the other regulated electric utilities in the state of Missouri?

A. Yes. Attached to my testimony as Schedule 3 is an analysis, which compares Missouri electric utility (called "LDC" or Local Distribution Company) rates as of July 1, 2001. This analysis is based upon average rates reported by the Edison Electric Institute, an association representing investor-owned electric utilities.

1 Q. Would you please summarize the average electric rates for residential,  
2 commercial and industrial customers of UCU/MPS and UCU/SJLP as of July 2001?

3 A. Yes. The annual average \$/kWh as July 2001 for residential, commercial  
4 and industrial customers are as follows:

5 Residential

6 UCU/MPS's annual average \$/kWh was \$0.0757

7 UCU/SJLP's annual average \$/kWh was \$0.0659

8 Commercial

9 UCU/MPS's annual average \$/kWh was \$0.0599

10 UCU/ SJLP's annual average \$/kWh was \$0.0533

11 Industrial

12 UCU/MPS's annual average \$/kWh was \$0.0437

13 UCU/ SJLP's annual average \$/kWh was \$0.0410

14 Q. Does the above analysis include the effects of any increase, which may  
15 occur as a result of this rate case?

16 A. No. Any increase as a result of this case would further increase the  
17 UCU/MPS Division's rates in comparison to the other investor-owned utilities included  
18 in this analysis.

19 Q. Why did Staff provide information relating to a comparison of MPS  
20 electric rates to the investor-owned electric utilities operating in the State of Missouri?

21 A. Staff believes the level of rates paid by MPS customers is high and if the  
22 Commission grants the full rate increase filed by UtiliCorp on June 8, 2001, these rates

Direct Testimony of  
Phillip K. Williams

1 will be even higher compared to the other investor-owned electric utilities operating in  
2 this State.

3 Q. Mr. Williams, does this conclude your direct testimony?

4 A. Yes, it does.



## RATE CASE PROCEEDINGS PARTICIPATION

### PHILLIP K. WILLIAMS

Kansas City Power & Light Company	ER-81-42
The Gas Service Company	GR-81-155
United Telephone Company	TR-81-302
Rich Hill-Hume Gas Company	GR-81-332
Missouri Public Service Company	ER-82-39
Missouri Public Service Company	WR-82-50
The Gas Service Company	GR-82-151
Missouri Public Service Company	GR-82-194
Missouri Water Company – Lexington Division	WR-82-279
Missouri Public Service Company	ER-83-40
The Gas Service Company	GR-83-225
Missouri Water Company – Independence Division	WR-83-352
Rich Hill-Hume Gas Company	GR-84-24
Kansas City Power & Light Company	ER-85-128
Kansas City Power & Light Company	EO-85-185
KPL Gas Service Company	GR-86-76
General Telephone Company of the Midwest	TC-87-57
Missouri Public Service Company	GR-88-194
U.S. Water/Lexington, Mo., Inc.	WR-88-255
KPL Gas Service	GR-90-50
UtiliCorp United Inc., Missouri Public Service	ER-90-101

KPL Gas Service	GR-91-291
Raytown Water Company	WR-92-85
UtiliCorp United Inc., Missouri Public Service	ER-93-37
UtiliCorp United Inc., Missouri Public Service	GR-93-172
Western Resources, Inc.	GR-93-240
Raytown Water Company	WR-94-211
Missouri Gas Energy	GR-96-285
UtiliCorp United Inc., Missouri Public Service	GM-97-435
UtiliCorp United Inc., Missouri Public Service	ER-97-394 EC-98-126
Missouri Gas Energy	GR-98-140
Western Resources, Inc. and Kansas City Power & Light Company	EM-97-515
UtiliCorp United Inc. and St. Joseph Light & Power Company	EM-2000-292
UtiliCorp United Inc. and Empire District Electric Company	EM-2000-369
IAMO Telephone Company	TT-2001-116
Empire District Electric Company	ER-2001-299

Date Of Order	Case Number	Rate Request	Missouri Public Service Commission Decision
<b>UtiliCorp United, Inc.(Missouri Public Service)</b>			
03/06/1998	ER-97-394	\$ 25,000,000	\$ (17,000,000)
06/18/1993	ER-93-37	\$ 19,400,400	\$ 4,900,000
10/05/1990	ER-90-101	\$ 25,500,000	\$ 12,400,000
09/10/1987	EO-88-36	Not Applicable	\$ (5,400,000)
09/12/1986	EO-87-9	Not Applicable	\$ (10,000,000)
06/11/1986	EO-86-83	Not Applicable	\$ (308,575)
<b>Saint Joseph Light &amp; Power Company</b>			
08/27/1999	ER-99-247	\$ 6,098,094	\$ (2,500,000)
06/03/1994	ER-94-163	\$ 5,500,000	\$ 2,150,000
06/25/1993	ER-93-41	\$ 6,100,000	\$ (876,000)
12/22/1987	ER-85-157	Not Applicable	\$ (3,700,000)
02/22/1986	EO-87-87	Not Applicable	\$ (5,000,000)
<b>Empire District Electric Company</b>			
10/02/2001	ER-2001-299	\$ 41,000,000	\$ 17,633,422 Permanent
10/02/2001	ER-2001-299		\$ 19,100,000 Interim Rate
09/11/1999	ER-97-81	\$ 23,400,000	\$ 13,600,000
11/03/1995	ER-95-279	\$ 8,500,000	\$ 1,400,000
08/02/1994	ER-94-174	\$ 8,000,000	\$ 7,300,000
08/30/1990	ER-90-138	\$ 8,200,000	\$ 5,700,000
10/14/1987	EO-88-114	Not Applicable	\$ (3,399,608)
11/06/1986	ER-83-42	Not Applicable	\$ (574,000)
<b>Kansas City Power &amp; Light Company</b>			
04/13/1999	ER-99-313	Not Applicable	\$ (15,000,000)
10/07/1997	EO-94-199	Not Applicable	\$ (11,000,000)
07/03/1996	EO-94-199	Not Applicable	\$ (9,000,000)
12/29/1993	ER-94-197	Not Applicable	\$ (12,500,000)
05/05/1988	EO-85-185	\$ 194,700,000	\$ 8,500,000 Wolf Creel Phase-in
04/01/1987	EO-85-185	\$ 194,700,000	\$ 7,700,000 Wolf Creel Phase-in
04/23/1986	EO-85-185	\$ 194,700,000	\$ 78,245,000 Wolf Creel Phase-in
<b>Ameren UE (Union Electric)</b>			
07/21/1995	ER-95-411	Not Applicable	\$ (30,000,000)
11/03/1992	ER-93-52	Not Applicable	\$ (40,000,000)
11/06/1990	ER-87-175	Not Applicable	\$ (30,000,000)
12/21/1987	EC-87-114	Not Applicable	\$ 5,600,000
04/02/1987	EO-85-17	\$ 639,000,000	\$ 57,400,000 Wolf Creel Phase-in
04/09/1986	EO-85-17	\$ 639,000,000	\$ 112,428,000 Wolf Creel Phase-in
04/09/1985	EO-85-17	\$ 639,000,000	\$ 168,329,997 Wolf Creel Phase-in

Source: Annual Reports submitted to the Commission

# **Missouri LDC Rate Comparison**

Summer Rates As of July 1, 2001

Winter Rates As of January 1, 2001

	UCU/MOPub	UCU/SJP&L	Empire	KCPL-Mo	Ameren UE-MO
<b>Residential</b>					
Summer @ 1000kWh	\$ 77.51	\$ 69.59	\$ 71.88	\$ 80.11	\$ 88.55
Winter @ 750kWh (2)	\$ 55.90	\$ 47.57	\$ 51.85	\$ 52.04	\$ 52.64
Annual Bills (1)	\$ 757.24	\$ 658.92	\$ 702.32	\$ 736.76	\$ 775.32
Annual kWh	10,000	10,000	10,000	10,000	10,000
Annual Avg. \$/kWh	\$ 0.0757	\$ 0.0659	\$ 0.0702	\$ 0.0737	\$ 0.0775
<b>Commercial</b>					
Winter 50KW / 12500 kWh (2)	\$ 651.00	\$ 605.00	\$ 647.00	\$ 825.00	\$ 836.00
Summer 50 KW / 12500 kWh	\$ 945.00	\$ 789.00	\$ 893.00	\$ 1,008.00	\$ 1,006.00
Annual Bills (1)	\$ 8,988.00	\$ 7,996.00	\$ 8,748.00	\$ 10,632.00	\$ 10,712.00
Annual Kwh	150,000	150,000	150,000	150,000	150,000
Annual Avg. \$/kWh	\$ 0.0599	\$ 0.0533	\$ 0.0583	\$ 0.0709	\$ 0.0714
<b>Industrial</b>					
Winter 1000kW / 400000 kWh (2)	\$ 14,411.00	\$ 14,545.00	\$ 16,839.00	\$ 20,026.00	\$ 18,544.00
Summer 1000 kW / 400000 kWh	\$ 23,571.00	\$ 20,127.00	\$ 22,139.00	\$ 24,049.00	\$ 27,515.00
Annual Bills (1)	\$ 209,572	\$ 196,868	\$ 223,268	\$ 256,404	\$ 258,412
Annual Kwh	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Annual Avg. \$/kWh	\$ 0.0437	\$ 0.0410	\$ 0.0465	\$ 0.0534	\$ 0.0538

(1) Annual bills are calculated by pricing the monthly usage by the base rate effective at the date of this schedule, and includes 12 months of customer charges.

(2) St. Joeseeph Light and Power Jan. 2001, winter information was not available. I used the January 2000 data.

Source Document: Typical Bills and Average Rates Report by Edison Electric Institute