

*Exhibit No.:*  
*Issue:* Maintenance Expense  
*Witness:* Amanda C. McMellen  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Surrebuttal Testimony  
*Case Nos.:* ER-2001-672 and EC-2002-265  
*Date Testimony Prepared:* January 22, 2002

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**FILED<sup>3</sup>**

**SURREBUTTAL TESTIMONY**

**JAN 22 2002**

**OF**

**Missouri Public  
Service Commission**

**AMANDA C. McMELLEN**

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

**CASE NOS. ER-2001-672 AND EC-2002-265**

*Jefferson City, Missouri  
January 2002*



Surrebuttal Testimony of  
Amanda C. McMellen

1 provide data to perform the five-year (1996 through 2000) analysis of maintenance  
2 expense that the Staff typically performs. Since the time of the Staff's direct testimony,  
3 maintenance expense for 1996 was also analyzed (1997 data is still unavailable). This  
4 information was not provided by the Company but is available in the Staff workpapers in  
5 MPS' last rate case (Case No. ER-97-394). Including 1996 in the average shows the  
6 historical annual volatility in the maintenance expense accounts. The Staff calculated a  
7 four-year average based on this additional data. Please reference Schedule 1 attached to  
8 this testimony.

9 Q. Why does the Staff typically analyze five years of data for maintenance  
10 expense?

11 A. Five years of data provides the Staff with enough historical analysis to  
12 smooth any significant fluctuations in maintenance expense that may have occurred from  
13 year-to-year during that five years.

14 Q. Specifically, what is Ms. Motens' objection to utilizing a three-year  
15 average for normalizing MPS' maintenance expense?

16 A. Ms. Motens' opposition relies almost entirely on the fact that actual costs  
17 have been "steadily increasing from 1998-2000" (rebuttal testimony, page 2, line 10).  
18 However, the inclusion of 1996 in the Staff's averaging calculation further demonstrates  
19 the annual volatility experienced in maintenance expense. In some accounts, the 1996  
20 expense is even higher than the test year. Since some maintenance expenses are  
21 continually increasing, decreasing or fluctuating over the four years (1996, 1998, 1999  
22 and 2000) in the Staff's analysis period, the Staff calculated an average for total  
23 maintenance expense in order to normalize these impacts.

Surrebuttal Testimony of  
Amanda C. McMellen

1 Q. What do you mean by "total" maintenance expense?

2 A. Total maintenance expense includes production, transmission and  
3 distribution maintenance expenses.

4 Q. Do you have a graph that shows the fluctuations in maintenance expense  
5 since 1996?

6 A. Yes. Please reference Schedule 2 attached to this testimony. The graph  
7 shows the substantial drop in expense from 1996 to 1998. In just a two-year period of  
8 time, total maintenance expense dropped by more than \$1.5 million. An average was  
9 calculated in this case in order to take into account the possibility that upward or  
10 downward volatility may recur based upon historical experience.

11 Q. Is the Staff suggesting a change in its position on maintenance expense?

12 A. Yes. Since the 1996 data is available, the Staff is now proposing to use a  
13 four-year average to calculate maintenance expense, reflecting the years 1996, 1998,  
14 1999 and 2000.

15 Q. How much is this change in the Staff's position on maintenance expense?

16 A. The total change in position is worth \$72,289. Regarding Production  
17 maintenance expense, the additional 1996 data now shows little difference (\$663)  
18 between the Company and the Staff. Transmission maintenance expense is a difference  
19 of (\$257,238) between the Company and the Staff. With Distribution maintenance  
20 expense, there is a (\$561,702) difference between the Company and the Staff.

21 Q. Might another year of maintenance expense information be sufficient for  
22 the Staff to determine if there is, in fact, an upward trend in transmission and/or  
23 distribution maintenance expense?

Surrebuttal Testimony of  
Amanda C. McMellen

1           A.     Yes. Information, for all or part of 2001, would help the Staff determine if  
2     there is, in fact, an upward trend as proposed by Ms. Moten. The Staff plans to review  
3     2001 maintenance data in the true-up audit in this case.

4           Q.     Has the Staff utilized this normalization process for maintenance expense  
5     in previous cases with MPS?

6           A.     Yes. The Staff also utilized a five-year average of maintenance expense in  
7     a complaint case it brought against MPS (Case Nos. ER-97-362) and MPS's last rate case  
8     (Case No. ER-97-394). Although the Commission did not adopt the Staff's use of an  
9     average maintenance calculation in the rate case, it is still the Staff's position that use of  
10    multi-year averaging is appropriate for ratemaking purposes when there is annual  
11    volatility in expenses.

12          Q.     Has the Staff proposed utilizing a multi-year normalization process in  
13    determining any other costs to be included in the cost of service in this case?

14          A.     Yes. Please refer to page 25 of the direct testimony of Staff Accounting  
15    witness Janis E. Fischer. Ms. Fischer states, "Taking a five-year average has normalized  
16    the fluctuation in the level of bad debt write-offs."

17          Q.     Does this complete your surrebuttal testimony?

18          A.     Yes, it does.

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

In the Matter of the Application of the Tariff	)	
Filing of Missouri Public Service (MPS)	)	
A Division of UtiliCorp United Inc., to	)	Case No. ER-2001-672
Implement a General Rate Increase for Retail	)	
Electric Service Provided to Customers in the	)	
Missouri Service Area of MPS	)	

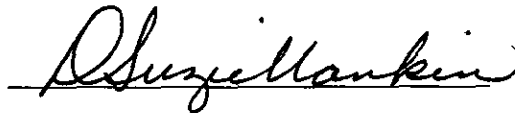
AFFIDAVIT OF AMANDA C. MCMELLEN

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

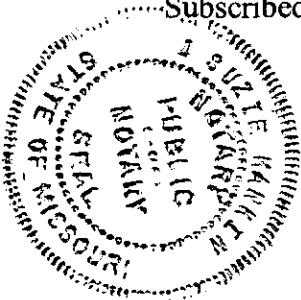
Amanda C. McMellen, being of lawful age, on her oath states: that she has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 4 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

  
Amanda C. McMellen

Subscribed and sworn to before me this 18<sup>th</sup> day of January 2002.



**D SUZIE MANKIN**  
**NOTARY PUBLIC STATE OF MISSOURI**  
**COLE COUNTY**  
**MY COMMISSION EXP. JUNE 21, 2004**



Utilicorp/ Missouri Public Service  
Case No. ER-01-672  
Calculation of Normalized Maintenance Expense  
For the Year 2000

Prepared By: Amanda C. McMellen

Production Maintenance Expense

Account	1996	1998	1999	2000	4 Year Total	Adjustment*	Adj #	Adjustment*	Adj #
510	\$817,213	\$1,230,815	\$1,038,169	\$1,075,122	\$4,161,319	\$ (68)	S- 20.2	\$ (14,751)	S- 20.6
511	\$79,091	\$656,281	\$1,007,459	\$1,191,507	\$2,934,338	\$ (76)	S- 21.2	\$ (16,348)	S- 21.6
512	\$6,225,349	\$4,023,879	\$4,747,666	\$5,078,777	\$20,075,671	\$ (323)	S- 22.2	\$ (69,685)	S- 22.8
513	\$1,302,638	\$2,860,174	\$2,942,519	\$2,476,731	\$9,582,062	\$ (157)	S- 23.2	\$ (33,983)	S- 23.8
514	\$972,970	\$35,597	\$93,733	\$158,664	\$1,260,964	\$ (10)	S- 24.2	\$ (2,177)	S- 24.5
551	\$82,159	\$919	\$36	\$1,955	\$85,069	\$ (0)	S- 30.2	\$ (27)	S- 30.6
552	\$47,875	\$53,762	\$91,780	\$56,095	\$249,512	\$ (4)	S- 31.2	\$ (770)	S- 31.7
553	\$170,201	\$459,495	\$469,489	\$370,697	\$1,469,882	\$ (24)	S- 32.2	\$ (5,086)	S- 32.8
554	\$60,678	\$1,653	\$316	\$12,627	\$75,274	\$ (1)	S- 33.4	\$ (173)	S- 33.6
Total Production	\$9,758,174	\$9,322,575	\$10,391,167	\$10,422,175	\$39,894,091				
Less Payroll	(\$2,293,351)	(\$2,862,531)	(\$3,131,478)	(\$3,359,773)	(\$11,647,133)				
Less Overhaul Accrual	(\$500,000)		(\$500,000)	(\$500,000)	(\$2,000,000)				
Net Production	\$6,964,823	\$5,960,044	\$6,759,689	\$6,562,402	\$26,246,958				
4 Year Average Production Maintenance Expense					\$6,561,740				
Staff Adjustment# 1 \$6,561,740 - (\$10,422,175 (2000 Books) - \$3,359,773 (Payroll))					(\$663)				
Staff Adjustment# 2 \$357,000 (Normalized Overhaul Accrual (\$2,500,000 / 7 yrs)) - \$500,000 (2000 Overhaul Accrual (\$2,500,000 / 5 yrs))					(\$143,000)				
Total Staff Adjustment					(\$143,663)				

Transmission Maintenance Expense

Account	1996	1998	1999	2000	4 Year Total	Adjustment*	Adj #
568	\$677	\$45,799	\$64,060	\$48,299	\$158,835	\$ (7,293)	S- 45.2
569	\$20,698	\$75,795	\$34,868	\$29,882	\$161,243	\$ (4,512)	S- 46.5
570	\$137,754	\$368,849	\$550,710	\$405,460	\$1,462,773	\$ (61,225)	S- 47.5
571	\$857,402	\$574,299	\$967,618	\$1,106,976	\$3,506,295	\$ (167,154)	S- 48.5
572	\$0	\$6,996	\$33	\$97	\$7,126		
573	\$828	\$149,307	\$145,489	\$112,839	\$408,463	\$ (17,053)	S- 49.5
Total Transmission	\$1,017,359	\$1,221,045	\$1,762,778	\$1,703,553	\$5,704,735		
Less Payroll	(\$112,925)	(\$319,980)	(\$372,278)	(\$295,236)	(\$1,100,419)		
Net Transmission	\$904,434	\$901,065	\$1,390,500	\$1,408,317	\$4,604,316		
4 Year Average Transmission Maintenance Expense					\$1,151,079		
Staff Adjustment \$1,151,079 - (\$1,703,553 (2000 Books) - \$295,236 (Payroll))					(\$257,238)		

Distribution Maintenance Expense

Account	1996	1998	1999	2000	4 Year Total	Adjustment*	Adj #
590	\$123,631	\$302,792	\$42,271	\$26,471	\$495,165	\$ (1,758)	S- 60.2
591	\$44,650	\$31,920	\$20,635	\$52,759	\$149,964	\$ (3,505)	S- 61.5
592	\$756,200	\$617,176	\$554,952	\$581,186	\$2,509,514	\$ (38,607)	S- 62.5
593	\$5,272,144	\$5,124,631	\$5,237,918	\$5,775,400	\$21,410,093	\$ (383,644)	S- 63.5
594	\$831,289	\$280,420	\$521,957	\$738,289	\$2,371,955	\$ (49,043)	S- 64.5
595	\$103,642	\$47,616	\$40,721	\$33,560	\$225,539	\$ (2,229)	S- 65.2
596	\$240,966	\$348,544	\$297,654	\$356,531	\$1,243,695	\$ (23,683)	S- 66.2
597	\$148,516	\$85,910	\$68,844	\$23,618	\$326,888	\$ (1,569)	S- 67.5
598	\$233,441	\$729,066	\$787,020	\$868,069	\$2,617,596	\$ (57,664)	S- 68.5
Total Distribution	\$7,754,479	\$7,568,075	\$7,571,972	\$8,455,883	\$31,350,409		
Less Payroll	(\$2,387,880)	(\$2,713,921)	(\$2,435,913)	(\$2,588,010)	(\$10,125,724)		
Net Distribution	\$5,366,599	\$4,854,154	\$5,136,059	\$5,867,873	\$21,224,685		
4 Year Average Distribution Maintenance Expense					\$5,306,171		
Staff Adjustment \$5,306,171 - (\$8,455,883 (2000 Books) - \$2,588,010 (Payroll))					(\$561,702)		

\* Allocated based on 2000 information

(\$961,940)

# Missouri Public Service Total Non-Payroll Maintenance Expense 1996 and 1998-2000

