Exhibit No.:
Issues: True-Up & Customer Annualization
Witness: Gary L. Clemens
Sponsoring Party: Missouri Public Service
Case No.: ER-2001-672

Before the Public Service Commission
of the State of Missouri

Surrebuttal Testimony

of

Gary L. Clemens

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
SURREBUTTAL TESTIMONY OF GARY L. CLEMENS
ON BEHALF OF MISSOURI PUBLIC SERVICE,
A DIVISION OF UTILICORP UNITED INC.
CASE NO. ER-2001-672

Q. Please state your name and business address.

A. My name is Gary L. Clemens and my business address is 10700 East 350 Highway, Kansas City, Missouri, 64138.

Q. Are you the same Gary L. Clemens that filed direct and rebuttal testimony in this case with the Missouri Public Service Commission ("Commission") on behalf of Missouri Public Service ("MPS")?

A. Yes.

Q. What is the purpose of your testimony?

A. To respond to the true-up issue involving off-system sales addressed by Commission Staff witness Cary Featherstone's rebuttal testimony and the revenue issue as addressed in Staff witness Janis Fischer's rebuttal testimony. I will also be sponsoring Surrebuttal Schedule GLC-1 which supports a return on equity ("ROE") matter addressed in MPS witness Jon Empson's surrebuttal testimony.

Q. What portions of Mr. Featherstone's testimony regarding the true-up for off-system sales are you addressing?

A. The discussion on true-up of off-system sales begins on page 11 of Mr. Featherstone's rebuttal testimony.

Q. Do you agree with Mr. Featherstone's statement on page 11 of his rebuttal testimony, that off-system sales are a part of the true-up process in this case?

A. Yes. On August 31, 2001, a joint filing was made for all parties of this case which listed the items that are to be trued-up.

> "2. Subsequent to the above order the parties have conferred and jointly recommend the following list of items **to be trued-up**:" (emphasis added)

Q. Do you agree with the statement on page 11 line 11 of Mr. Featherstone's rebuttal testimony by which he is responding to the question :

> "Q. Is there an agreement between the parties as to the proper levels of off-system sales that should be included in the true-up revenue requirement calculation?"

and he answers "No"?

A. I do not agree with Mr. Featherstone's statement in its entirety.

Q. Please explain.

A. Mr. Featherstone has clouded the real issue. I agree the "proper level of off-system sales" has not been agreed to among the parties in this case. The "proper level issue" will be addressed at trial and will be finally determined by the Commission. In this regard, MPS believes the off-system sales margins should be shared between the customers and shareholders at a 50/50 level. The other parties in the case believe that all the margins should be flowed to the customers. This issue is addressed in more detail in the testimony of MPS witness Mr. Steve Ferry. The methodology applied to off-system sales will be decided by the Commission. However the time period to apply this method to has been addressed in the true-up list that was filed on August 31, 2001 and thus has been agreed to among the parties. The items listed on page 3 of the joint filing are to be trued-up to January 31, 2002.

Q. Why were the items on the jointly filed list selected to be trued-up?

A. They are major rate case items that can easily be audited. As stated in paragraph 4 of the joint filing dated August 31, 2001:

> "4. The parties agree that to be included in the true-up audit, standard monthly documentation must be available for all applicable items (i.e., monthly operating reports, ledgers and supporting invoices) which assure that the item in fact has occurred or is in service, has been booked, payment has been recorded in UtiliCorp's account payable system and is auditable at the time of the true-up audit."

Q. Do you take exception to Mr. Featherstone's statement made on page 11, lines 14-18 of his rebuttal testimony?

A. Yes.

Q. Why?

A. If Staff is going to pick and choose among the 26 items listed on the true-up, to determine if representative levels exist to see if it will include any of these items, then 2 days will not be enough time for the true-up hearing. The true-up is intended to update rate base and the income statement to the most current available information to allow the "matching principle" to work effectively. The matching principle allows revenues, costs and the effective date of new rates to be in sync. The items selected on the true-up list are major cost and revenue items that for the most part are time sensitive, meaning that the item will be increasing or decreasing on a going forward basis. For example, fuel price is one of the true-up items. It may be that fuel price for coal is increasing and the fuel price for gas decreasing. But they are what they are and should be part of the true-up period because they will represent the most current information available and will match more closely when new rates will go into effect.

Q. What part of Janice Fischer's rebuttal testimony are you addressing?

A. I am responding to the revenues portion of Ms Fischer's rebuttal that begins on page 4 of her rebuttal testimony.

Q. What items in the revenue section are you addressing?

A. On page 5 Ms. Fischer states the only difference between MPS's method and Staff's is the Staff's use of actual customer counts by rate class instead of MPS's use of projected customer counts by rate class. MPS only used the projected customer count to estimate the actual count at the time of true-up. MPS fully intends to true-up to actual customers at January, 31 2002.

On page 8, Ms. Fischer states that Staff has not received any information to change its position on customer count. This was a true statement at the time of filing rebuttal testimony. MPS has now been able to provide Staff with some additional information on customer counts. This information will help determine the proper level of customers to use for calculating revenues.

Q. What is the issue on customer counts?

A. The issue is what is the proper customer count for rate class 710 and 711. Rate classes 710 and 711 are small commercial customers. MPS is discontinuing adding any new customers in rate class 710 except for temporary meter sets for construction of new premises and moving all existing 710 customer are to rate class 711. The 711 rate class requires a demand meter be used. MPS will be switching the 710 customers to 711 over the next 3 to 5 years at about 3,000 customers a year. This switching of customers from 710 to 711 caused an abnormal customer adjustment based on the methodology used for annualization.

Q. Please explain.

A. The customer annualization adjustment for rate class 711 is over $4,000,000. The customer annualization methodology uses Kwh per customer then prices the Kwh at current rates. The problem is the customers that are being switched from rate class 710 to 711 are small customers which have a lot less usage then the average use per customer in rate class 711.

Q. Do you agree with the methodology used by Staff for customer annualization?

A. Yes. This methodology is the same used by MPS in past cases. However, MPS has a problem with the inputs used for customer counts i.e., the customer count used for rate class 711.

Q. Does Staff agree that there is a problem with this class?

A. I believe it does. But MPS and Staff continue to work toward an agreement on how to adjust for the problem. Staff has not completed its analysis, but MPS will be meeting with Staff next week to hopefully come to an agreement the proper level of revenue that should be used in setting rates.

Q. Are there any other issues relating to revenues that you know about?

A. Not to my knowledge.

Q. Please describe the Surrebuttal Schedule GLC-1 attached to your testimony?

A. MPS witness Jon Empson has written Surrebuttal on the ROE issue. I have put together the average residential rate impact of a $4 million rate increase. The $4 million is based on a 1% increase in ROE. The $4 million in calculated on a capital structure of 48% common equity and 52% debt for MPS. MPS rate base is about $575 million, times 48% equity, times 1% change in ROE, times a tax factor of 1.6. This calculation equals about $4 million. My Surrebuttal Schedule GLC-1 applied the $4 million increase to determine the approximate impact to residential customers. As shown on the schedule, the impact is $14 annual revenue increase to a residential customer using 1500 kwh per month in the 4 summer months and 1000 kwh per month in the 8 remaining months.

Q. Does this conclude your testimony at this time?

A. Yes.

Missouri Public Service
Rate Case
Rate Impact on $4 Million Increase

One percent change in ROE equal approximately $4 million of Revenue Requirement

Assume increase is across the board for Residential Customers

Summer Residential	Current	1.4%	1983 Rates
First 600 Kwh	$ 0.0700	$ 0.0710	0.0822
Next 400 Kwh	$ 0.0720	$ 0.0730	
Excess Kwh	$ 0.0756	$ 0.0767	0.0700
Usage KWH	1,500	1,500	1,500
Energy Bill	108.60	110.12	$ 110.69
Customer Charge	$ 6.71	$ 6.80	$ 2.98
Total Bill	$ 115.31	$ 116.92	$ 113.67
Summer Months	4	4	4
Total Summer Bill	**$ 461**	**$ 468**	**$ 455**

Winter Residential	Current	1.4%	
First 600 Kwh	$ 0.0700	$ 0.0710	$ 0.0822
Next 400 Kwh	$ 0.0479	$ 0.0486	
Excess Kwh	$ 0.0479	$ 0.0486	$ 0.0553
Usage KWH	1,000	1,000	1,000
Energy Bill	61.16	62.02	$ 69.81
Customer Charge	$ 6.71	$ 6.80	$ 2.98
Total Bill	$ 67.87	$ 68.82	$ 72.79
Winter Months	8	8	8
Total Winter Bill	**$ 543**	**$ 551**	**$ 582**
Annual Bill	**$ 1,004**	**$ 1,018**	**$ 1,037**
Annual Effect		**$ 14**	

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Missouri Public Service of Kansas City, Missouri, for authority to file tariffs increasing electric rates for service provided to customers in the Missouri Public Service area	)))))	Case No. ER-2001-672

County of Jackson)
) ss
State of Missouri)

AFFIDAVIT OF GARY L. CLEMENS

Gary L. Clemens, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Surrebuttal Testimony of Gary L. Clemens;" that said testimony was prepared by him and under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge, information, and belief.

Gary L. Clemens

Gary L. Clemens

Subscribed and sworn to before me this 21st day of January, 2002.

Terry D. Lutes

Notary Public

My Commission expires:

8-20-2004

TERRY D. LUTES
Jackson County
My Commission Expires
August 20, 2004