

Exhibit No.:

Issues: Acquisition Premium  
& Return on Equity

Witness: Jon R. Empson

Sponsoring Party: Missouri Public  
Service

Case No.: ER-2001-672

Before the Public Service Commission  
of the State of Missouri

**FILED<sup>2</sup>**

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**Missouri Public  
Service Commission**

Surrebuttal Testimony

of

Jon R. Empson

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**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI  
SURREBUTTAL TESTIMONY OF JON R. EMPSON  
ON BEHALF OF MISSOURI PUBLIC SERVICE,  
A DIVISION OF UTILICORP UNITED INC.  
CASE NO. ER-2001-672**

1 Q. What is your name and title?

2 A. My name is Jon R. Empson and I am a Senior Vice President with UtiliCorp United.

3 Q. Are you the same Jon R. Empson that filed rebuttal testimony in this case?

4 A. Yes I am.

5 Q. What is the purpose of your surrebutal testimony?

6 A. My primary purpose is to respond to policy issues raised by five Commission Staff  
7 witnesses concerning the recovery of acquisition premiums and/or transaction costs. I  
8 will also apply a "sore thumb" test to the reasonableness of Staff and Public Counsel's  
9 return on equity ("ROE") recommendations that were reconfirmed in the Rebuttal  
10 Testimony of Mr. Mark Burdette and Mr. David Murray.

11 Q. What five Staff witnesses filed rebuttal testimony concerning the recovery of the  
12 acquisition premium and/or transaction costs?

13 A. Staff Witnesses Janis Fischer, Charles Hyneman, Mark Oligschlaeger, Michael Proctor  
14 and Cary Featherstone have all expressed their opinion about why UtiliCorp should not  
15 recover any of what they term "transaction" related costs in this case. In fact, Staff has  
16 not even included any "transition costs" in this case even though Witnesses  
17 Oligschlaeger and Hyneman both state that including transition costs would be  
18 appropriate. I am assuming that Staff will modify its position through surrebutal to  
19 include transition costs based upon UtiliCorp Witness Siemeks' rebuttal testimony.  
20 However, Staff has not expressed any interest in enabling UtiliCorp to recover any  
21 transaction related costs.

1 Q. What is UtiliCorp's position concerning the recovery of transaction costs related to  
2 acquisitions or mergers?

3 A. UtiliCorp's position is very logical and simple. The creation of synergies or reductions  
4 in the cost to serve customers from two companies merging can only occur if a  
5 transaction occurs. In order for a transaction to occur, transaction costs must be  
6 incurred. Once a transaction has been finalized, then transition costs – the second set of  
7 costs required to reduce the costs to serve customers – are incurred. In the present  
8 situation UtiliCorp believes that it is only fair that it has a reasonable opportunity to  
9 recover both the transaction and transition costs involved with the SJLP merger to the  
10 extent that synergies are created from the merger to fund that recovery. It appears that  
11 Staff does not accept the basic premise that the transaction costs are the precondition for  
12 the merger to occur. Without the transaction costs, by definition, there are absolutely no  
13 merger related synergies!!

14 Q. UtiliCorp has a history of acquiring and merging with utilities. Is there an example of  
15 how UtiliCorp's position on recovering transaction costs was reflected in a regulatory  
16 decision?

17 A. Yes. On September 27, 1991, the Kansas Corporation Commission ("KCC") issued its  
18 order and certificate in the case approving UtiliCorp's acquisition of the Centel  
19 properties.

20 In its order, the KCC stated:

21 Staff and CURB's major opposition to the proposed acquisition stemmed from the  
22 alleged existence of an acquisition premium and the lack of significant benefits  
23 for ratepayers. The Commission has determined that the existence of cost savings  
24 and synergies is an important consideration in acquisition proceedings...UtiliCorp  
25 is bound not to seek recovery of the premium beyond the level of savings  
26 generated by the acquisition...(emphasis added) (Docket No. 175, 456-U; Order,  
27 p.15, ¶30).

28 The Commission further stated:

29 Under the terms of the S&A, UtiliCorp has agreed not to seek recovery of any  
30 acquisition premium and transaction costs related to the Centel acquisition, except,

1        at a maximum, to the extent that it can demonstrate and quantify savings on the cost  
2        of service due to the acquisition. (emphasis added) (Order, p. 17, ¶34).

3        In other words the KCC has confirmed that to the extent synergies are created by the  
4        Centel acquisition, UtiliCorp could use those synergies to recover its transaction and  
5        premium costs. The KCC set the standard and UtiliCorp viewed this order as a  
6        favorable indication that the KCC, during a rate case, would give reasonable  
7        consideration to premium and other transaction cost recovery.

8        Q. But isn't this the same merger that Staff Witness Fischer uses as an example of how  
9        UtiliCorp has failed in its efforts to track merger savings?

10       A. Yes. However I am not sure that Staff Witness Fischer had the opportunity to review  
11       the evolution of this case in its entirety.

12       Q. Please explain.

13       A. The KCC also stated in its order approving the acquisition that:  
14       ...the Commission recognizes the need to identify areas of cost savings and  
15       establish a benchmark cost of service so that in future rate cases the Commission  
16       can determine the level of savings on synergies generated by the acquisition... the  
17       lack of such a benchmark would place Staff and UtiliCorp in the precarious  
18       position of attempting to determine savings retroactively...The Commission directs  
19       Staff to open a proceeding to identify potential areas of savings and the appropriate  
20       method for measuring such savings resulting from the acquisition. (emphasis  
21       added) (Order, p.18, ¶35).

22       Q. Was a subsequent docket opened?

23       A. Unfortunately no, but the KCC Staff did begin gathering the information as specified by  
24       the KCC in its order. First, in order to track what happened, one must know that  
25       UtiliCorp renamed the Centel properties, WestPlains Energy (WPE). During 1992 and  
26       1993, the KCC Staff sent a series of information requests to UtiliCorp. On March 9,  
27       1993, KCC Staff Information Request No. 13, attached as Schedule JRE 2, asked WPE:  
28       Please identify the potential areas of savings that WestPlains expects to arise from  
29       the sale and transfer of the Centel properties to UtiliCorp.

30       WestPlains responded by listing eight areas of identified potential acquisition related  
31       savings.

1 Q. Please continue.

2 A. On April 27, 1993, the KCC Staff sent WestPlains Information Request No. 15 (JRE 2):  
3 Please quantify the savings associated with each of the eight areas of savings that  
4 WestPlains has identified in its response to KCC Staff Information Request No. 13  
5 by providing the work papers and analysis that support each area.

6 Q. Did WestPlains respond?

7 A. Yes. WestPlains provided the information it had available. (Schedule JRE 3).  
8 Unfortunately, the KCC Staff, after gathering this information, never opened an official  
9 docket. Since the KCC Staff had never challenged the validity of the merger related  
10 synergies, WestPlains believed for the following six years that the synergy areas of  
11 identified acquisition related savings would be the basis for determining the extent of  
12 transaction cost and premium recovery. In fact, I have been advised that WPE  
13 personnel even kept a log to document their savings as they occurred.

14 Q. Why didn't UtiliCorp itself initiate a formal docket in order to formally gain acceptance  
15 of their stated synergy categories?

16 A. UtiliCorp had assumed that the KCC Staff would comply with the KCC order to initiate  
17 a formal docket. WPE and UtiliCorp operated in good faith that since Staff had not  
18 challenged the validity of the categories, that time should be spent making sure the  
19 synergies were realized. After all, the realization of the synergies was the means for  
20 UtiliCorp to recover the premium and transaction costs. In hindsight, this was a bad  
21 decision by UtiliCorp.

22 Q. What happened during the WPE Docket No. 99-WPEE-818-RTS, the KCC Case  
23 referenced by Staff Witness Fischer?

24 A. Staff Witness Fischer is correct in that while WPE provided the documentation for the  
25 synergies identified in the 1993 Information Requests, the KCC made the decision not  
26 to accept several categories. The largest category not accepted was the renegotiation of  
27 the coal contracts for the Jeffrey Energy Center.

1 Q. Did the KCC Staff ever indicate that the coal contract renegotiation would not be  
2 included?

3 A. No. In fact, when KCC Staff Witness Holloway was cross-examined during the  
4 hearing, he admitted that he never advised WPE that this specific category of synergy  
5 would not be considered:

6 Q. What information did Staff provide to WestPlains following the DR responses in 1992  
7 and 1993 that the new coal contracts and the negotiations involved were not going to be  
8 considered to be a merger related savings?

9 A. I don't know that Staff ever provided that indication (Schedule JRE 4).  
10 Contrary to Staff Witness Fischer's testimony, UtiliCorp did propose a method for  
11 identifying and quantifying savings (Fischer Rebuttal p. 38, line 4) and the reason  
12 UtiliCorp attempted to claim the coal contracts as merger related savings was simply  
13 because the KCC Staff never denied during the period from 1993 – 1998 that they  
14 weren't. It is hardly fair for Witness Fischer to chastise UtiliCorp for this action  
15 without understanding, as Paul Harvey would say, the "rest of the story."

16 Q. What is your current perspective about the WPE cases that dealt with the recovery of the  
17 merger premium?

18 A. During the proceedings in KCC Docket No. 99-WPEE-818-RTS, I was initially very  
19 disappointed and felt like Charlie Brown in the fall.

20 Q. What do you mean?

21 A. You might recall that every fall before the football season started, Lucy would always  
22 entice Charlie Brown to kick the football with the pledge that she wouldn't pull the ball  
23 away. But every year, Lucy would pull the football away and Charlie Brown would fall  
24 on his back. I felt like the KCC Staff was "Lucy" and UtiliCorp was "Charlie Brown."  
25 We operated in good faith only to have the "ball pulled away". However, while

1 disappointed, the reality is that WPE had from 1991 until 1998 to capitalize on  
2 regulatory lag to fund the premium. Then, the KCC's decision in Docket No. 99-  
3 WPEE-818-RTS stated, "the applicant shall be permitted to recover ... \$2,350,000 of  
4 annualized savings in its cost of service in this proceeding. This level of annualized  
5 savings adequately compensates the applicant for the Centel acquisition." (order, Case  
6 99-WPEE-818-RTS, p. 2). Given that the KCC Staff had maintained that no premium  
7 should be recovered and that all of the synergies documented by WPE were not merger  
8 related, having approximately 50% of the premium funded by synergies and included in  
9 the WPE cost of service was a good initial decision.

10 Q. Did WPE attempt to recover more of the premium in a subsequent case?

11 A. Yes. In KCC Docket No. 01-WPEE-473-RTS, WPE attempted to introduce new  
12 testimony on the coal contract renegotiation and fund 100% of the premium from  
13 synergies and have 100% of the premium reflected in the cost of service.

14 Q. What was the end result?

15 A. While WPE still strongly believes that it was instrumental in negotiating these savings  
16 for its customers, the KCC again would not accept our arguments. The customers  
17 received the benefits from both the coal and natural gas fuel savings through the ECA  
18 clause since the inception of the merger and continue to receive these benefits today.  
19 However, the KCC did adopt a consistent framework for calculating the cost of service  
20 and premium recovery. Basically, the jurisdictional annual lease payment for Jeffrey,  
21 which includes the premium, totals \$8,911,848 (Order, Case No. 01-WPEE-473-RTS, 6,  
22 p.9). The annual premium itself is about \$3,529,848 (Order p.9) and UtiliCorp is now  
23 recovering \$2,350,000 or about 67% of the premium in the WPE cost of service. The  
24 combination of regulatory lag and premium recovery in the cost of service approved by  
25 the KCC has provided UtiliCorp with a reasonable opportunity to recover the  
26 transaction and premium costs associated with the Centel acquisition.

1 Q. Did UtiliCorp ever attempt to recover the Centel premium and/or transaction costs from  
2 Missouri ratepayers?

3 A. No. While a strong argument can be made that Missouri ratepayers did benefit from the  
4 Kansas Centel transaction, no attempt was ever made to recover the transaction costs  
5 from Missouri customers.

6 Q. How do you view the potential for recovering merger and acquisition related  
7 transactions and transition costs in Missouri?

8 A. I have continually believed that UtiliCorp would have a reasonable opportunity to  
9 recover all costs associated with the merger of UtiliCorp with SJLP.

10 Q. Why do you continue to believe in this position given the Staff's vehement stand  
11 against recovery in this case?

12 A. First, I believe that the Missouri Commission has always had an open-mind about  
13 recovery of premium if considered within the context of a rate proceeding.

14 Second, I accept comments made by the Staff as being sincerely open-minded  
15 particularly during the Merger Case and hope that I am not going to experience the fate  
16 of Charlie Brown again.

17 Third, we just completed two cases in Kansas where the concept of recovering a  
18 premium was favorably addressed. While it appears the Missouri Staff wants to use  
19 these Kansas cases as examples of the glass being "half empty", I clearly believe the  
20 glass is more than "half full."

21 Finally, other states are clearly recognizing that an appropriate incentive to stimulate  
22 mergers that benefit customers is to give companies a reasonable opportunity to recover  
23 merger costs.

24 Q. On what basis have you concluded that the Missouri Commission has an open-mind  
25 about considering the recovery of a merger premium?

1 A. There are at least three Commission orders that provide the basis for this belief. In Case  
2 No. EM-91-213 (September 24, 1991), the Commission stated that it "did not wish to  
3 discourage companies from actions which produce economies of scale and savings  
4 which can benefit ratepayers and shareholders alike." The major caveat was that the  
5 savings should be merger related.

6 In WR-95-205/SR-95-206, the order stated: "The Commission finds that, on a policy  
7 basis, it is not necessarily opposed to consideration of acquisition adjustment..." and  
8 "that it does not wish to discourage companies from actions which produce economies  
9 of scale and savings which can benefit ratepayers and shareholders alike."

10 Finally, in the Commission order in Case No. EM-2000-92, approving the UtiliCorp  
11 and SJLP merger, the Commission stated:

12 "In other words, UtiliCorp asks that it be allowed to recover from SJLP's  
13 ratepayers, through its rates, the acquisition premium it paid to purchase SJLP, to  
14 the extent that the ratepayers would benefit from the savings arising from the  
15 merger... The Commission will give due consideration to a proposal to provide for  
16 recovery of a merger premium if that proposal is presented in a rate case. (emphasis  
17 added).

18  
19 Q. What do you conclude from their orders?

20 A. First, the Commission, in the merger order, did not state that from a policy perspective  
21 recovery of premium was inappropriate. In fact, the Commission apparently has a much  
22 better understanding of UtiliCorp's position than does the Staff. UtiliCorp has never  
23 asked for a guarantee that it recover the premium nor has it asked that rates be increased  
24 to recover the premium. I have concluded that provided the appropriate information  
25 within the context of this rate case, the Commission will give reasonable consideration  
26 for UtiliCorp to recover the premium. As UtiliCorp Witness Siemek states in his  
27 rebuttal testimony in this case, there can be no disagreement that the merger synergies  
28 quantified by the Staff are a direct result of the merger. Therefore the concern raised by  
29 the Commission in the Orders cited earlier is not an issue. Also, the transaction costs

1 are known. If the Missouri Commission can accept the same principle used by the KCC  
2 – UtiliCorp cannot seek recovery of the premium beyond the level of savings generated  
3 by the acquisition – the end result of the case should be fair. This approach is also  
4 consistent with the “not detrimental to the public” legal standard used by the Missouri  
5 Commission in approving this merger.

6 Q. Hasn’t the Staff been very explicit in this case in it’s position against direct recovery of  
7 merger/acquisition premiums in rates?

8 A. Yes. Staff Witness Oligschlaeger states, “the Staff views recovery of acquisition  
9 adjustments in rates as inappropriate.” (Oligschlaeger Rebuttal Testimony p. 12, line  
10 16). Witness Featherstone, after restating 78 pages of testimony from the merger  
11 docket, concludes that “the recovery of the acquisition adjustment should be rejected  
12 and not adopted by the Commission in this case.” (Featherstone Rebuttal Testimony p.  
13 98, lines 17-18).

14 Q. Given those statements, why have you concluded that the Staff was open-minded?

15 A. In Case No. EM-97-515, Staff Witness Oligschlaeger stated: “Staff believes that it is  
16 good policy to allow shareholders some opportunity to retain benefits from mergers and  
17 acquisitions, as well as other actions undertaken that have the potential to increase  
18 efficiency and productivity.” (Oligschlaeger Rebuttal Testimony p. 18, lines 5 – 7).

19 Q. Have other Staff Witnesses shown this same receptivity to retain benefits from mergers?

20 A. Yes. Staff Witness Featherstone, during a transcribed interview with UtiliCorp’s Bob  
21 Green during Case No. EM-2000-292 stated: “(o)ur position has been in the past, what  
22 you’ve said in mind, we also believe that prudent business people have to have some  
23 incentive. They have to have some reasonable assurance they’re going to get their  
24 return back.” (Schedule JRE 5).

25 He further stated: “(s)o for us it has been the indirect, or what you do in those three or  
26 four or five years, you have a powerful incentive in those years to go aggressively and

1 get the savings. And what you do with those savings, if you want to say that is part of  
2 recovering the premium, is fine. That doesn't offend us." (Schedule JRE 5).

3 In Case No. EM-2000-292, Rebuttal Testimony, Mr. Featherstone stated: "Staff does  
4 not, and has not, advocated keeping all the merger savings for the customers" (p. 31,  
5 lines 14 – 15). "While it is true that this Commission has never allowed direct recovery  
6 of an acquisition adjustment in rates, it is equally true that this Commission has afforded  
7 utilities retention of related merger and acquisition benefits. In every instance I can  
8 think of, utilities were given opportunities up-front to capture these savings through  
9 regulatory lag. (emphasis added) (p. 34, lines 14 –18).

10 Mr. Featherstone also recognizes in his Rebuttal Testimony in this case (p. 88, lines 15-  
11 25) that customers benefit when investments are made for technology improvements  
12 that result in cost savings. The cost of the technology improvement is included in the  
13 cost of service for a utility as is the cost reduction. I am not aware that Staff has ever  
14 recommended that the cost of technology improvements should be borne by the  
15 shareholders and the savings flowed through to the customers. Obviously, the cost of  
16 the investment should be included which is analogous to the premium and the  
17 transaction cost investments in this case.

18 While it would have been UtiliCorp's preference to directly recover the acquisition  
19 premium under a model comparable to the Kansas precedent discussed earlier, we  
20 instead accepted the words of Staff about regulatory lag and as explained by UtiliCorp  
21 Witness Siemek, designed this rate case filing to be consistent with the Staff's views as  
22 expressed during the merger proceeding. Unfortunately, it appears that "Lucy has  
23 struck again."

24 Q. What is UtiliCorp seeing in other states as far as recovery of premium in rates is  
25 concerned?

1 A. I have already described the most recent case involving UtiliCorp in Kansas. UtiliCorp  
2 has also received favorable decisions in Nebraska. We acquired Minnegasco's  
3 Nebraska properties in 1993 and in the 1996 rate cases for Rate Areas II and III we  
4 requested premium recovery. The following decisions were issued:

5 "The Rate area Two II Negotiating Team and Peoples agree that Peoples will  
6 recognize in its rate base one-third of the \$8,636,790 of the acquisition  
7 adjustment paid for Minnegasco assets to be amortized over twenty (20) years.  
8 For the purpose of any subsequent rate proceedings occurring prior to the time  
9 said acquisition adjustment is fully amortized, Peoples may include the annual  
10 amortization expense related to the full acquisition adjustment amount as a  
11 legitimate operating expense and such expense will be considered to be just  
12 and reasonable. One-third of the unamortized balance will be included in the  
13 rate base (emphasis added).

14  
15 "The Rate Area Utility Consultant, Special Counsel, Rate Area Three  
16 Negotiating Team and Peoples agree that Peoples will amortize \$8,098,945 of  
17 the acquisition adjustment paid for Minnegasco assets over 10 years. The  
18 unamortized portion of the acquisition adjustment shall not be included in  
19 Peoples' rate base. For the purpose of any subsequent rate proceedings  
20 occurring prior to the time said acquisition adjustment is fully amortized,  
21 Peoples may include the annual amortization expense related to the acquisition  
22 adjustment amount as a legitimate operating expense and such expense will be  
23 considered to be just and reasonable (emphasis added).

24 UtiliCorp has requested premium recovery in three jurisdictions and has received  
25 favorable decisions in all three jurisdictions. We have found that the decision-making  
26 bodies have demonstrated very reasonable consideration of our requests.

27 Q. Did UtiliCorp seek recovery of the premiums incurred to purchase the Nebraska  
28 properties from Missouri customers?

29 A. No. Again, while a strong argument can easily be made that Missouri ratepayers  
30 benefited from the Nebraska transaction, no attempt was made to recover the Nebraska  
31 premium in Missouri.

32 Q. What about premium recovery precedent in jurisdictions outside UtiliCorp's service  
33 territory?

1 A. UtiliCorp Witness McKinney provides detailed information about other jurisdictions.

2 Q. Do you agree with Staff Witnesses Featherstone (Rebuttal Testimony p. 40, lines 14-23)  
3 and Proctor (Rebuttal Testimony p. 10, lines 4-10) that having a regulatory policy of  
4 allowing recovery of an acquisition premium will result in higher bids?

5 A. No. First of all, we are not asking the Commission to adopt a policy stating that in all  
6 cases, premiums can be recovered. As I stated earlier, UtiliCorp believes that the  
7 Missouri Commission has already set the appropriate standard for considering recovery  
8 in previous cases.

9 Q. Do you see other flaws in the Staff's statements?

10 A. Yes. Merger decisions are based upon financial analyses. UtiliCorp's Bob Green  
11 explained this analysis in detail in his testimony in Case No. EM-2000-292. Obviously,  
12 the financial analysis includes the level of savings that can be created from the merger.  
13 UtiliCorp has always maintained that it should only recover the merger costs to the  
14 extent that merger synergies are created. As I stated earlier, the merger savings created  
15 by the transaction fund the transaction and transition costs. The bid any company  
16 makes, whether regulated or nonregulated, must be based on this premise if the  
17 shareholders are going to get a reasonable return on their investment. In fact, I agree  
18 with Mr. Proctor when he states "(t)he expected synergies from the merger should place  
19 a cap on what any company would be willing to offer..."(Rebuttal Testimony p. 10,  
20 lines 7-8). Having participated in several meetings discussing the financial analysis for  
21 this merger and many others, Mr. Proctor's causal chain of "a certain level of recovery  
22 of the synergies from the merger causes a cap on the offer price for the acquisition" was  
23 clearly considered.

24 Q. Do you agree with Staff Witness Proctor that mergers in non-regulated business offer no  
25 recovery of an acquisition premium (Rebuttal Testimony p. 11, lines 1)?

1 A. No. The concept is the same whether a business is regulated or nonregulated. A  
2 nonregulated company must be able to recover any premium paid or it would go out of  
3 business. Nonregulated businesses use the same concepts -- create savings or increase  
4 revenues by combining companies to offset the premiums. UtiliCorp believes that  
5 regulated businesses should get the same opportunity to recover premiums as  
6 nonregulated; i.e. retain the savings to fund the premiums. UtiliCorp is not seeking to  
7 increase its prices to recover the premium, but rather to maintain its prices and let the  
8 created synergies "pay for the premium" just like a nonregulated business would.

9 Q. You have mentioned several times that UtiliCorp has not attempted to recover the  
10 transaction and premium costs from transactions outside Missouri (i.e. Kansas and  
11 Nebraska) from Missouri ratepayers. Why have you made those points?

12 A. Unfortunately, Mr. Featherstone has stated in his testimony that UtiliCorp is not  
13 honoring a prior commitment made to the Missouri Commission regarding the recovery  
14 of acquisition adjustments. (Featherstone Rebuttal p. 94, lines 15-18). Mr.  
15 Featherstone continues to offer his incorrect interpretation of Mr. Richard Green's  
16 comments rather than accepting testimony from both Mr. Richard Green and Mr. Robert  
17 Green filed in earlier rate cases.

18 Q. Can you please clarify the record?

19 A. Yes. UtiliCorp basically launched its growth strategy in about 1984 with the stated  
20 strategy to:

- 21 1. Spread the regulatory risks to various states, rather than being dependent  
22 upon a single state. (i.e. Missouri)
- 23 2. Lessen the effect of weather on our business by expanding to states and  
24 regions where weather patterns will offset each other.
- 25 3. Diversify our "product mix" by balancing sales of winter-peaking natural  
26 gas and summer-peaking electricity.
- 27 4. Lessen investment risk by having a bigger base of assets spread into other  
28 states.

29 Q. How many domestic utilities have been acquired during the past 17 years?

1 A. Excluding SJLP, UtiliCorp has made 9 domestic acquisitions and now operates in seven  
2 states. As stated in the UtiliCorp strategy, the goal was to diversify on a geographic  
3 basis and therefore all of these acquisitions were non-Missouri utilities. When Mr.  
4 Featherstone quotes Mr. Richard Green, from the 1984 – 1990 timeframe, that mindset  
5 of growth outside Missouri must be kept in mind. UtiliCorp never sought recovery of  
6 any of the premiums associated with these “non-Missouri” utilities from Missouri  
7 customers. The Missouri customers have been insulated from these transactions except  
8 to the extent they have greatly benefited from the growth in scale and scope of the  
9 business.

10 Q. Is UtiliCorp’s position in this case inconsistent with the comments made by Mr. Richard  
11 Green 11 – 17 years ago?

12 A. No. UtiliCorp is not requesting that Missouri customers bear any negative results from  
13 the SJLP merger. UtiliCorp is simply stating that the merger has created synergies that  
14 even Staff has identified and has labeled as merger related. However, significant costs  
15 had to be incurred by UtiliCorp’s shareholders to create the opportunity for these  
16 reductions in the MPS cost of service. It is only fair and reasonable, as Mr.  
17 Featherstone has stated, that UtiliCorp have the opportunity to recover these  
18 investments because the cost reductions are a direct result of the investment. There is  
19 no detriment to MPS customers as long as the recovery of costs does not exceed the  
20 level of savings.

21 Q. Is UtiliCorp now proposing in this case that the transition and transaction costs should  
22 in fact be funded by the synergies that have been created?

23 A. UtiliCorp believes that the approach taken in Kansas is a very viable and reasonable  
24 approach for utilities to recover the costs that had to be incurred to create the reductions  
25 in cost of service. This approach is also consistent with the Missouri “not detrimental to  
26 the public” standard. However, we still believe that the best approach at this time is to

1 accept the filing as submitted originally by the company and give us the chance to use  
2 regulatory lag – the preferred Staff model – to start recovering the merger-related costs.

3 Q. Has UtiliCorp considered any other options that the Commission might consider?

4 A. There is a third alternative that might be considered at this time.

5 Q. Please continue.

6 A. Both the Commission in previous cases and the Staff in the UtiliCorp/SJLP merger case  
7 have expressed an interest in a shared savings approach. In Case No. EM-91-213, the  
8 Commission Order stated that:

9 The Commission is not opposed to the concept of the savings sharing plan provided  
10 that only merger-related savings are shared. ...To avoid any detriment to  
11 ratepayers it is imperative that only savings which would not have occurred absent  
12 the merger be shared by ratepayers with shareholders.

13 Q. Has the Commission Staff also expressed a position about sharing merger savings?

14 A. Staff Witness Proctor provides a detailed discussion of the policy implications for  
15 various methods of sharing merger savings in his rebuttal testimony, pages 11 – 19. He  
16 provided the framework for the Commission to evaluate any proposal UtiliCorp might  
17 submit, given that the Staff rejected the regulatory lag model UtiliCorp had originally  
18 proposed. Mr. Proctor said the following:

19 Q. Does exclusion of an acquisition premium as a merger cost imply that  
20 there should be a policy of not allowing utilities any retention of the synergies from  
21 the merger?

22 A. No, that is not my conclusion. The Commission may allow some sharing  
23 of the savings from the merger between shareholders and ratepayers. But any  
24 policy of sharing merger savings should not be based on the amount of the  
25 acquisition premium...

26 Mr. Proctor continues his testimony in great detail on possible methods of sharing  
27 including regulatory lag.

28 Q. Is Mr. Proctor the only Staff Witness that has discussed sharing of merger savings?

29 A. No. Mr. Siemek provides a detailed, lengthy list of Staff positions on this issue.

1 I found the following to be very helpful in developing a third alternative for  
2 Commission consideration. Mr. Oligschlaeger, in the UtiliCorp/SJLP merger docket,  
3 stated in his Rebuttal Testimony the following:

4 "allowing utilities to retain some level of merger savings is therefore superior, in  
5 that it allows for a sharing to be accomplished in a currency (merger savings) that  
6 benefits customers and utility shareholders alike." (p. 47, lines 12 -14).

7 "any future Staff considerations of merger savings sharing proposals would be  
8 tied to production of evidence demonstrating incremental net customer benefits that can  
9 clearly be tied to the SJLP merger, and that would not have been possible without the  
10 merger occurring. ...Finally, the Staff would evaluate the past ability of UtiliCorp to  
11 retain merger savings through means of regulatory lag before considering any proposals  
12 to share merger savings in rate cases." (emphasis added) (p. 49, lines 7 - 9).

13 "In past merger applications, the Staff has expressed the opinion that at least 50%  
14 of total merger benefits should be reflected in customer rates over the long term if a  
15 specific "regulatory plan" for a merger is to be adopted. The Staff also has stated that if  
16 utilities propose to assign less than half of total merger savings to customers through a  
17 regulatory plan, then the company should state compelling reasons why the public  
18 interest would justify that result." (p. 33, lines 1 - 6).

19 Q. What is UtiliCorp's third alternative that encompasses the positions expressed by Staff?

20 A. Since the synergies identified by Staff in this case are no doubt merger related per the  
21 Staff's own testimony, UtiliCorp has offered a third alternative for consideration.  
22 UtiliCorp Witness Siemek has calculated a merger-savings sharing proposal that shares  
23 the savings on a 75/25 and 50/50 basis between shareholders and customers and is not  
24 tied to any transaction or premium costs.

25 Q. Can you summarize the three alternatives that UtiliCorp has proposed in this case?

26 A. Yes. The first alternative is the case as filed. That is, the changes in allocation factors  
27 and the joint dispatch of the MPS and SJLP power plants should not be considered in  
28 this case. This approach would be consistent with the Staff's regulatory-lag model.  
29 The second alternative is what I will characterize as the "Kansas model." This is,  
30 recovery of the acquisition premium and transaction cost can be recovered to the extent  
31 these costs can be funded through merger-related synergies. This is another way of

1 stating the same legal standard used by the Missouri Commission in approving the  
2 merger – not detrimental to the public interest.

3 The final alternative is some level of immediately sharing net merger savings between  
4 customers and shareholders. This method would appear to be Staff's preferred  
5 alternative and hopefully not another attempt by "Lucy" to have "Charlie Brown" kick  
6 the ball.

7 Q. What is UtiliCorp's preference?

8 A. The alternatives are listed in the preferred order for consideration. If alternative three –  
9 shared synergies – is preferred by the Commission, I would recommend that since  
10 UtiliCorp has invested over \$100 million in transaction costs to bring these savings to  
11 the customers, that the initial sharing be based upon a 75% shareholders/25% customer  
12 sharing of synergies until the next MPS rate case and be re-evaluated at that time.

13 ROE

14 Q. What observations would you make about both the Staff and Office of Public Counsel  
15 position on ROE?

16 A. From a management perspective, it is important for decision makers to not become so  
17 engrossed in evaluating methodologies that they lose sight of the reasonableness of the  
18 end result. A good manager should always be attempting to benchmark results to  
19 determine if the calculations or methodologies are flawed. When I saw how low the  
20 recommended ROE's were in this case and the recent ROE decision issued by the  
21 Missouri Commission concerning Empire, I felt the reasonableness test had been lost.

22 Q. Why did you conclude this?

23 A. First, UtiliCorp monitors Commission decisions in the Midwest and nationally to  
24 identify trends and precedent setting actions. Also, as indicated earlier, during 2001 a  
25 UtiliCorp division, WPE was involved in an electric rate case in Kansas. On August 15,  
26 2001, the Kansas Commission issued an order granting WPE a 10.91% ROE.

1 Immediately preceding our case was Kansas Power and Light and Kansas Gas and  
2 Electric who on July 25, 2001, were granted 11.02% ROE's. During this same  
3 timeframe, Empire District Electric was litigating a case in Missouri and an order was  
4 issued on September 21, 2001 by the Missouri Commission granting a 10% ROE,  
5 almost one percentage point lower than the Kansas orders.

6 Q. What was your reaction?

7 A. The difference between an 11% ROE and 10% ROE is significant in that it equates to  
8 about \$4MM in revenue requirement for MPS. Therefore, I began reviewing the  
9 research on the trends in ROE during 2001 and any current or pending decisions in  
10 2002.

11 Q. What did you find out?

12 A. During 2001, there were 17 electric rate cases that were decided by Commissions and  
13 the granted ROE's ranged from 10% (Missouri) to 13.249% (Mississippi). The average  
14 ROE granted was 11.08%, which was consistent with the Kansas decisions but  
15 significantly higher than Missouri. Assuming, like in diving competitions, the high and  
16 low should be dropped, the average for 15 cases was 11.01%. Then I dropped the two  
17 highest and two lowest and the average was still 10.95% (Schedule JRE 6). My  
18 conclusion from this basic reasonableness test was that both the Empire decision and the  
19 Staff (9.43% -10.43%) and Office of Public Counsel (10.0 – 10.25%) ranges in this case  
20 appear to be unreasonable and that a flaw in the methodology could exist. If this  
21 significant variance from benchmarks existed within my department, I would certainly  
22 ask my managers to review the methodology and make sure inappropriate biases did not  
23 exist.

24 Q. Did you also look at other states as far as more recent or pending decisions?

25 A. Yes. UtiliCorp operates a gas utility in Iowa and I had been following a pending  
26 MidAmerican electric rate case. In December 2001, MidAmerican settled this case and

1 the Commission approved the settlement, granting a 12% threshold ROE in a sharing  
2 grid. In other words, MidAmerican could earn up to a 12% ROE before sharing  
3 earnings with customers. I was also monitoring two electric cases in Illinois and found  
4 that the Staff and the Administrative Law Judge were recommending to the Illinois  
5 Commerce Commission that UE and CIPS be granted an 11.35% ROE. Again, it  
6 appears that the methodology used by both the Staff and the Office of Public Counsel  
7 have a negative bias when benchmarked against recent decisions for electric utilities.

8 Q. What did you do next?

9 A. Given the benchmark data, I asked UtiliCorp Witness John Dunn to explain in his  
10 Surrebuttal Testimony the technical flaws in the Staff and Office of Public Counsel  
11 methodologies that would produce the lowest ROE rates in the United States. The  
12 obvious conclusion is that utilities operating in Missouri are at an investment  
13 disadvantage compared to utilities in the surrounding states.

14 Q. If you look at a reasonable balance between the interest of shareholders and the impact  
15 on customers, what do you conclude?

16 A. I asked UtiliCorp Witness Gary Clemens to calculate for me the impact of increasing  
17 the MPS ROE 1% (i.e. 9.93% Staff midpoint to 10.93%). Mr. Clemens has provided  
18 his calculations in his surrebuttal testimony. This calculation indicates that granting  
19 MPS a higher ROE adds about \$4 million to the revenue requirement but only increases  
20 the residential bill by \$14 a year or \$1.17 per month. The balance between providing a  
21 reasonable return for utilities as benchmarked by other decisions, and a relatively minor  
22 increase in costs for residential customers is reasonable.

23 Q. Can you please summarize your testimony?

24 A. UtiliCorp has presented three reasonable alternatives for the Missouri Commission to  
25 consider for addressing the relationship between merger costs and merger savings.  
26 UtiliCorp has attempted to be responsive to Staff's preferences in developing these

1 alternatives and believes that the regulatory lag and shared savings alternatives reflect  
2 past positions articulated by both the Missouri Commission and the Missouri Staff. The  
3 "Kansas model" is consistent with the causal concepts discussed by Staff Witness  
4 Proctor and the Missouri "not detrimental to the public" standard in that the recovery of  
5 merger-related costs is limited to the level of merger related synergies.

6 Finally, given the "sore thumb" analysis on ROE's, I would encourage the Commission  
7 to question why the Staff and Office of Public Counsel models are producing the lowest  
8 ROE's in the United States and significantly lower than any of the surrounding states.

9 Q. Does this conclude your surrebuttal testimony?

10 A. Yes, it does.

Request No. 13

Section 2

**KANSAS CORPORATION COMMISSION**

**INFORMATION REQUEST**

APPLICANT: WestPlains/Centel

DATE OF REQUEST: March 9, 1993

DOCKET NO.: 175,456-U

DATE INFO. NEEDED: March 23, 1993

TEST YEAR ENDED: December 31, 1990

DATE INFO. SUPPLIED: \_\_\_\_\_

**RE: Potential Areas of Savings**

Per page 18, section 35 of the September 1992 order authorizing the sale and transfer of the Centel properties:

"The Commission directs staff to open a proceeding to identify potential areas of savings and the appropriate method for measuring such savings resulting from the acquisition."

Please identify the potential areas of savings that WestPlains expects to arise from the sale and transfer of the Centel properties to UtiliCorp.

Below is a list of potential areas of savings that WestPlains Energy (WPE) has identified resulting from the acquisition.

1. **Corporate Overheads**  
Comparison of overheads allocated to WPE between Centel and UtiliCorp.
2. **SFAS 106 Costs**  
Comparison of what the transition obligation would have been under Centel to what it is under UtiliCorp. UtiliCorp has taken aggressive steps to minimize SFAS 106 transition obligation costs.
3. **Fuel Costs**  
WPE has aggressively negotiated new purchase gas contracts that have reduced fuel costs and has taken a more proactive position with fuel costs at Jeffrey Energy Center. Also, WPE through its IRP process expects to find additional fuel savings. These savings are and will continue to be passed directly on to customers through the ECA clause.
4. **Tree Trimming**  
A combined contract for Kansas and Colorado operations is being negotiated which would significantly reduce tree trimming expense in Kansas. Under Centel separate contracts were negotiated for each state.

5. **Purchasing**  
Through synergy's with Missouri Public Service and other UCU divisions savings will be realized in the purchase of vehicles, transformers and cable.
6. **Synergy's with UCU Divisions**  
Savings that can be potentially realized by combining of operations and tasks with other UCU divisions when feasible.
7. **Strategic Business Combinations**  
Any business combinations that WPE or UCU may enter into that result in lower costs to customers.
8. **Economic Development/Marketing**  
WPE under UCU ownership is actively pursuing economic development and marketing in its Kansas Service Area. Any load growth as a result of these activities will reduce rates to current ratepayers. These type of activities were not encouraged under Centel.

The process of identifying the appropriate method for measuring savings resulting from the acquisition needs to be tied into a process that identifies how the premium will be calculated and the amount of the premium.

SUBMITTED BY: John S. Bell

SUBMITTED TO: Joe Bahr

If for some reason(s) the above information cannot be furnished by the date requested, please provide written explanation of those reasons.

**VERIFICATION OF RESPONSE**

I have read the foregoing Data Request and Answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to the Data Request.

Signed: \_\_\_\_\_

Dated: \_\_\_\_\_

Request No. 15

Section 2

KANSAS CORPORATION COMMISSION

INFORMATION REQUEST

APPLICANT: WestPlains/Centel

DATE OF REQUEST: April 27, 1993

DOCKET NO.: 175,456-U

DATE INFO. NEEDED: May 7, 1993

TEST YEAR ENDED: December 31, 1990

DATE INFO. SUPPLIED: \_\_\_\_\_

**RE: Information Request No. 13**

Please quantify the savings associated with each of the eight areas of savings that WPE has identified in its response to KCC Staff Information Request No. 13 by providing the workpapers and analysis that support each area.

**ANSWER**

**1. CORPORATE OVERHEADS**

Attachment A shows the comparison of corporate overheads allocated to WestPlains between Centel and UtiliCorp. The savings generated as a result of the acquisition, when using a 1990 base year and applying an index factor of 4% each year and comparing that amount to 1992 overheads, are \$3,687,524.

**2. SFAS 106 COSTS**

Attachment B shows the projection of WestPlains SFAS 106 expenses under UCU compared to what the projected expense would have been under Centel on Attachment C. These projections were prepared by William M. Mercer of Kansas City on December 12, 1992. These projections show the January 1, 1993 Accumulated Post-Retirement Benefit Obligation for WPE being \$6,345,311 compared with \$11,995,089 under Centel. The projected annual savings for 1993 is approximately \$1 million and increases each year out before applying any present value factor.

The reason for the large decrease in costs is due to the change in the benefit package that took place at the time of the acquisition. UtiliCorp has taken an aggressive approach in minimizing costs as a result of having to adopt SFAS 106.

**3. FUEL COSTS**

WestPlains Energy is in the process of negotiating several new gas purchase contracts in Kansas that should result in significant savings. The negotiations should be completed within the next month and we will be able to quantify savings at that time.

WestPlains Energy has combined resources with Missouri Public Service to take a more proactive position in JEC operations. Phil Rogers of Missouri Public Service has been appointed to the JEC fuel committee due to his expertise in this area, and represents both Missouri Public Service and WestPlains Energy interests in this area. This fuel committee has negotiated new

Data Request 15  
Page 2

coal contracts and is in the process of negotiating new rail contracts which will result in substantial savings to WestPlain's Kansas ratepayers. We will be able to quantify the savings when the rail contract is finalized.

In June WestPlains Energy will be performing an operational audit at JEC as well as reviewing the rail contract and Western Resource audit papers relating to JEC. As this audit has yet to be performed, no savings can be quantified at this time.

#### **4. TREE TRIMMING**

The combined contract for Kansas and Colorado operations have been negotiated and we will have the savings quantified early next week. Previously, these contracts were negotiated independently in each state.

#### **5. PURCHASING**

UtiliCorp is in the process of obtaining quotes from vendors based on the combined requirements of all divisions and subsidiaries for electric items and vehicles. We are in the process of quantifying savings at this time.

#### **6. SYNERGY'S WITH UCU DIVISIONS**

Thus far WestPlains Energy has developed synergy's with People's Natural Gas in meter reading by having meter readers in common service areas read both the electric and gas meters. This resulted in People's not having to hire 3 new meter readers resulting in savings of approximately \$150,000. As this change in operation has just been instituted, the split in savings between WestPlains and Peoples is not exactly known at this time but it should be approximately a 50/50 split. WestPlains is exploring other areas of synergy's with People's and other UCU business units but will not put them in place until we are sure they are operationally feasible and do not compromise customer service.

In the area of coal procurement, WestPlains has retained Phil Rogers of Missouri Public Service on an as needed basis to handle this function. This has resulted in WestPlains not having to hire an employee or an outside consulting firm to handle this function. The amount of savings resulting from this synergy is approximately \$50,000-\$60,000 annually.

#### **7. STRATEGIC BUSINESS COMBINATIONS**

At this time neither WestPlains or UtiliCorp have entered into any strategic business combinations that will result in savings.

#### **8. ECONOMIC DEVELOPMENT/MARKETING**

WestPlains has just completed the staffing of its economic development/marketing department and will begin a concentrated effort in these areas shortly.

SUBMITTED BY: John S. Bell

SUBMITTED TO: Joe Bahr

If for some reason(s) the above information cannot be furnished by the date requested, please provide written explanation of those reasons.

Data Request 15  
Page 3

VERIFICATION OF RESPONSE

I have read the foregoing Data Request and Answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to the Data Request.

Signed: \_\_\_\_\_

Dated: \_\_\_\_\_

*Joe Bahr*  
*5-7-93*

WESTPLAINS ENERGY  
COMPARISON OF CORPORATE ALLOCATIONS  
CENTEL 1990 VS. UTILICORP 1992

FERC ACCT	DESCRIPTION	YEAR 1990	YEAR 1992
920	A & G Salaries	1,159,480	560,804
921	Office Supplies Expense	242,607	113,733
923	Outside Services	116,639	349,140
924	Property Insurance	272,565	81
925	Injuries & Damages	515,782	4,926
926	Employee Benefits	854,423	121,394
930	Misc. General Expense	1,462,461	404,060
931	Rents	224,627	44,089
935	Maint. Office Equip	0	2,380
408	General Taxes	88,362	51,670
	Total	4,936,946	1,652,277
	Base year indexed 4% annually	5,339,801	
	Savings Generated	3,687,524	



ACCT #	DESCRIPTION	ACTUAL 1992	ACTUAL 1990	DOLLAR CHANGE	PERCENT CHANGE	ADJUSTED 1990	DOLLAR CHANGE	PERCENT CHANGE
WEST PLAINS ENERGY - KANSAS CORPORATE COST COMPARISON CENTEL 1990 TO UTILICORP 1992								
		1992	1990	DOLLAR CHANGE	PERCENT CHANGE	ADJUSTED 1990	DOLLAR CHANGE	PERCENT CHANGE
920	ADM GENERAL SALARIES	580,803	1,159,480	(598,677)	-51.63%	1,242,064	(681,261)	-54.85%
921	OFFICE SUPPLIES EXP	113,733	242,607	(128,874)	-53.12%	259,887	(146,154)	-56.24%
923	OUTSIDE SERVICES	349,140	116,639	232,501	199.33%	124,947	224,193	179.43%
924	PROPERTY INSURANCE	81	272,585	(272,484)	-99.97%	291,978	(291,897)	-99.97%
925	INJURIES & DAMAGES	4,926	515,782	(510,856)	-99.04%	552,519	(547,593)	-99.11%
926	EMPLOYEE PENSION BEN.	121,394	854,423	(733,029)	-85.79%	915,279	(793,885)	-86.74%
930	MISC. GENERAL EXP	406,440	918,909	(512,469)	-55.77%	984,358	(577,918)	-58.71%
930.1	GENERAL AD EXPENSE	0	543,552	(543,552)	-100.00%	582,266	(582,266)	-100.00%
931	RENTS	44,169	224,627	(180,458)	-80.34%	240,626	(196,457)	-81.64%
408	GENERAL TAXES	51,670	88,362	(36,692)	-41.52%	94,656	(42,986)	-45.41%
	TOTAL CORPORATE EXP	<u>1,652,356</u>	<u>4,936,946</u>	<u>(3,284,590)</u>	<u>-66.53%</u>	<u>5,288,580</u>	<u>(3,636,224)</u>	<u>-68.76%</u>

*Continue*

## Projection of SFAS No. 106 Expense\*

## Current Retiree Benefits - Under UCU

Year	Beg. of Year APBO	Beg. of Year Service Cost	Employer Cash Flow	NPPBC	End of Year Accrued NPPBC
1992	\$6,360,143	\$5,701	\$510,961	\$510,961	\$0
1993	\$6,345,311	\$6,045	\$545,072	\$824,813	\$279,741
1994	\$6,293,119	\$5,439	\$563,558	\$819,089	\$535,272
1995	\$6,216,446	\$5,634	\$589,281	\$811,913	\$757,904
1996	\$6,106,293	\$6,146	\$606,835	\$802,656	\$953,725
1997	\$5,969,076	\$6,682	\$615,257	\$791,568	\$1,130,036
1998	\$5,812,415	\$6,895	\$629,498	\$778,287	\$1,278,825
1999	\$5,628,051	\$7,078	\$627,620	\$763,352	\$1,414,558
2000	\$5,431,106	\$7,233	\$627,092	\$747,294	\$1,534,760
2001	\$5,219,018	\$7,624	\$619,799	\$730,521	\$1,645,482
2002	\$4,998,041	\$8,041	\$611,042	\$713,103	\$1,747,542
2003	\$4,769,024	\$8,149	\$604,776	\$694,584	\$1,837,351
2004	\$4,528,221	\$8,466	\$591,177	\$675,622	\$1,921,796
2005	\$4,282,807	\$8,846	\$573,299	\$656,524	\$2,005,021
2006	\$4,036,971	\$8,911	\$558,694	\$636,916	\$2,083,243
2007	\$3,786,702	\$9,394	\$535,850	\$617,734	\$2,165,127
2008	\$3,540,919	\$9,447	\$503,098	\$598,865	\$2,260,894
2009	\$3,310,098	\$9,602	\$480,651	\$580,916	\$2,361,159
2010	\$3,084,344	\$9,721	\$456,411	\$563,420	\$2,468,168
2011	\$2,865,831	\$9,939	\$430,433	\$546,700	\$2,584,435

\* Assumes SFAS No. 106 is adopted on January 1, 1993, the transition obligation is recognized on a deferred basis and all actuarial assumptions are realized.

*Medical Trend Rate:*

1992	15.00%
1993	14.00%
1994	12.50%
1995	10.00%
1996	8.25%
Thereafter	6.00%

*Amortization Period: 20 years*

Schedule JRE 3  
p. 7 of 24

**WestPlains Energy Division - Kansas Employees**  
**Projection of SFAS No. 106 Expense\***  
**Prior to 1991 Retiree Benefit Plan Changes - Under Control**

Year	Beg. of Year APBO	Beg. of Year Service Cost	Employer Cash Flow	NPPBC	End of Year Accrued NPPBC
1992	\$11,383,037	\$217,252	\$524,845	\$524,845	\$0
1993	\$11,995,089	\$247,795	\$582,573	\$1,833,557	\$1,250,984
1994	\$12,628,624	\$271,892	\$637,267	\$1,909,652	\$2,523,368
1995	\$13,165,296	\$306,343	\$699,150	\$1,988,667	\$3,812,885
1996	\$13,755,163	\$351,119	\$766,809	\$2,083,010	\$5,129,087
1997	\$14,456,762	\$404,389	\$806,825	\$2,196,907	\$6,519,168
1998	\$15,236,054	\$451,745	\$852,139	\$2,310,592	\$7,977,621
1999	\$16,086,422	\$503,046	\$878,849	\$2,435,179	\$9,533,951
2000	\$17,037,420	\$557,499	\$924,768	\$2,570,687	\$11,179,871
2001	\$18,080,144	\$627,342	\$969,012	\$2,730,492	\$12,941,351
2002	\$19,240,623	\$701,853	\$1,002,643	\$2,905,503	\$14,844,211
2003	\$20,541,475	\$768,355	\$1,058,737	\$3,082,498	\$16,867,972
2004	\$21,960,273	\$848,568	\$1,109,543	\$3,284,283	\$19,042,712
2005	\$23,525,649	\$939,130	\$1,164,596	\$3,509,190	\$21,387,305
2006	\$25,257,470	\$1,018,963	\$1,221,708	\$3,736,128	\$23,901,725
2007	\$27,154,285	\$1,126,570	\$1,254,347	\$4,007,753	\$26,655,131
2008	\$29,283,353	\$1,215,755	\$1,297,448	\$4,278,166	\$29,635,849
2009	\$31,630,468	\$1,323,254	\$1,349,724	\$4,586,014	\$32,872,139
2010	\$34,220,638	\$1,438,271	\$1,404,093	\$4,921,966	\$36,390,013
2011	\$37,074,593	\$1,566,998	\$1,445,911	\$5,295,040	\$40,239,141

\* Assumes SFAS No. 106 is adopted on January 1, 1993, the transition obligation is recognized on a deferred basis and all actuarial assumptions are realized.

**Medical Trend Rate:**

1992	15.00%
1993	14.00%
1994	12.50%
1995	10.00%
1996	8.25%
Thereafter	6.00%

**Amortization Period: 20 years**

Request No. 15

Section 2

KANSAS CORPORATION COMMISSION

INFORMATION REQUEST

APPLICANT West Plains/Centel DATE OF REQUEST April 27, 1993  
DOCKET NO. 175,456-U DATE INFO.NEEDED May 7, 1993  
TEST YEAR ENDED December 31, 1990 DATE INFO.SUPPLIED \_\_\_\_\_

Re: Information Request No. 13

Please quantify the savings associated with each of the eight areas of savings that WPE has identified in its response to KCC Staff Information Request No. 13 by providing the workpapers and analysis that support each area.

SUBMITTED BY John S. Bell

SUBMITTED TO Joseph M. Bahr

If for some reason(s) the above information cannot be furnished by the date requested, please provide written explanation of those reasons.

VERIFICATION OF RESPONSE

I have read the foregoing Data Request and Answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed: \_\_\_\_\_

Dated: \_\_\_\_\_



# WESTPLAINS ENERGY

Schedule JRE '3  
p. 9 of 24

200 West 1st Street  
P.O. Box 75  
Pueblo, CO 81002-0075

719-545-0360

May 24, 1993

Mr. John S. Bell  
Senior Regulatory Auditor  
Kansas Corporation Commission  
1500 S.W. Arrowhead Road  
Topeka, Kansas 66604-4027

Dear Mr. Bell:

Enclosed please find additional information to WestPlains Energy's response to KCC Staff's Information Request Number 15, regarding KCC Docket No. 175, 456-U, to quantify savings for item number 4 tree trimming costs. The information enclosed includes a summary of tree trimming costs comparing 1993 projected costs to the 1990 base year costs, a detailed workpaper comparing the costs between the two periods for each tree trimming service and a copy of the contracts with the tree trimming services. As the attached workpapers show, the reduction in savings from the 1990 base year is \$418,348.

The assumptions used in arriving at the \$418,348 are as follows:

1. Based on 1993 projected level of 13,700 crew hours.
2. 75% of 1993 work completed by 2 man crews, remainder by 3 man crews.
3. Breakdown of hours for 1990 by service is 30% each for Solida, Asplundh, Davey and 10% for Schenk.
4. Used a 4% indexing factor each year for 1991, 1992 and 1993.

Sincerely,

Jeffrey A. Larson  
Manager - Revenue Requirements

**WESTPLAINS ENERGY  
SUMMARY OF TREE TRIMMING COSTS  
1993 PROJECTED VS. 1990 BASE YEAR**

**1993 PROJECTED COST:**

2 Man Crews	\$ 361,942
3 Man Crews	<u>148,206</u>
<b>TOTAL PROJECTED COST</b>	<b><u>510,148</u></b>

**1990 INDEXED COSTS**

Solida	269,430
Asplundh	298,208
Davey	275,425
Schenk	<u>85,433</u>
<b>TOTAL INDEXED COST</b>	<b><u>928,496</u></b>

<b>REDUCTION IN TREE TRIMMING COSTS</b>	<b>\$ <u>418,348</u></b>
---	--------------------------

**WESTPLAINS ENERGY  
COMPARISON OF TREE TRIMMING COSTS  
1993 PROJECTED VS. 1990 BASE YEAR**

	1993 Contract	1993 Contract	1990 Solida	1990 Asplundh	1990 Davey	1990 Schenk
<b>LABOR</b>						
Working foreman	\$ 13.70	\$ 13.70	\$ 18.17	\$ 21.54	\$ 20.81	\$ 14.50
Trimmer	10.69	10.69	14.83	17.70	14.99	13.00
Groundman	8.45	0.00	11.17	14.17	11.92	12.00
<b>Total Rate/Man Hour</b>	<b>32.84</b>	<b>24.39</b>	<b>44.17</b>	<b>53.41</b>	<b>47.72</b>	<b>39.50</b>
<b>EQUIPMENT</b>						
Aerial truck with tools	8.50	8.50	10.40	9.00	9.55	8.75
Chipper	2.25	2.25	3.85	2.25	2.45	6.00
<b>Total Rate/Crew Hour</b>	<b>10.75</b>	<b>10.75</b>	<b>14.25</b>	<b>11.25</b>	<b>12.00</b>	<b>14.75</b>
<b>TOTAL RATE/HOUR</b>	<b>43.59</b>	<b>35.14</b>	<b>58.42</b>	<b>64.66</b>	<b>59.72</b>	<b>54.25</b>
<b>1993 INDEXED RATE/HOUR</b>	<b>43.59</b>	<b>35.14</b>	<b>65.71</b>	<b>72.73</b>	<b>67.18</b>	<b>61.02</b>
<b>TOTAL CREW HOURS</b>	<b>3,400</b>	<b>10,300</b>	<b>4,100</b>	<b>4,100</b>	<b>4,100</b>	<b>1,400</b>
<b>TOTAL COSTS</b>	<b>148,206</b>	<b>361,942</b>	<b>269,430</b>	<b>298,208</b>	<b>275,425</b>	<b>85,433</b>

The 1993 indexed rate/hour was arrived at using a 4% Index factor for 1991, 1992 and 1993.



## WESTPLAINS ENERGY

P.O. Box 75  
Pueblo, CO 81002-0075

## AGREEMENT

THIS AGREEMENT, made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 1993, between WestPlains Energy, a Division of UtiliCorp United, Inc., a corporation ("WestPlains" or the "Company"), and Asplundh Tree Expert Co., 4212 N.W. 145th (Independent Contractor),  
Oklahoma City, Oklahoma 73134

WHEREAS, the Company desires to have certain work performed for it; and

WHEREAS, the Independent Contractor desires to do this work for the Company;

NOW, THEREFORE, in consideration of the agreements herein set forth, the parties hereto agree as follows:

1. Independent Contractor agrees to do and perform to the entire satisfaction of the Dir. N. & S. Regions of the Company, or such other representative of the Company as may be designated from time to time, the following work located at Various locations in company's Kansas operation as specified by an authorized company representative.

Provide tree trimming and/or removal services as per company's 1993 tree trimming contact specifications (Exhibit A, PG. 1-3) copy attached and becoming apart of this agreement.

Charges to be as per independent contractors rate schedule (Exhibit B) copy attached and also becoming a part of this agreement.

All work shall be performed with promptness and diligence and in accordance with generally accepted professional standards and any applicable laws.

2. Independent Contractor shall, at its own expense, furnish all necessary tools, equipment, materials and other facilities for the performance of the work.

3. For this work, the Independent Contractor agrees to accept as full and complete payment the sum of \$ See Exhibit B plus sales tax in the amount of \$ applicable (if applicable). Upon completion and acceptance by the Company of all work called for hereunder, Independent Contractor shall submit an invoice to the Company. Unless disputed by the Company, payment by the Company shall be made within thirty (30) days of receipt of such invoice.

4. All of said work is to be completed on or before \_\_\_\_\_, 19\_\_.

☐ If the work is not complete by said date, WestPlains shall be entitled to liquidated damages in the amount of \$ \_\_\_\_\_ per day.

☐ If the work is not complete by said date, WestPlains shall be entitled to its actual damages incurred as a result of Independent Contractor's failure to complete.

5. Independent Contractor in the doing and performing of the work above provided, shall act and shall be considered as an independent contractor. All persons employed by the Independent Contractor and working upon said work shall be informed that they are employed by, and working under the control of the Independent Contractor and that they are not employed by the Company. All work is to be performed at the sole risk of Independent Contractor and Independent Contractor shall take all precautions for the proper and safe performance thereof. This section shall not be construed as limiting the right of the Company to inspect the work as it progresses for the purpose of determining that the same is being done in a manner satisfactory to the Company in conformance with this Agreement.

6. Independent Contractor shall maintain such insurance as will protect it from claims under Workmen's Compensation and the limits of liability shall be those as required by law. Liability insurance shall be maintained, at all times, while this Agreement is operative, as will protect the Independent Contractor from claims for damages because of bodily injury, including death, and property damage which may arise from and during operations under this Agreement, whether such operations be by itself or by any subcontractors or anyone directly or indirectly employed by either of them. All insurance coverage contemplated under this paragraph shall be with insurance companies authorized to do business in the State of Kansas and shall be subject to the approval of the Company as to company and amounts. Certificates of Insurance and Performance Bond shall be furnished to the Company as requested. In addition, Independent Contractor shall furnish to the Company a complete release of all liens arising out of the work, including providing written lien waivers or releases from all subcontractors, laborers and materialmen providing labor, services or material on the job. Such lien waivers or releases shall be provided before payment is to be made by WestPlains. The Independent Contractor agrees to the terms and conditions contained on the reverse side of this Agreement.

7. Independent Contractor warrants that all work performed hereunder shall be free from defects. This warranty is in addition to and does not waive any rights or remedies available to the Company at law or in equity. Independent Contractor also warrants that it has all requisite professional licenses and permits which may be required by the jurisdiction in which the work is to be performed.

8. Independent Contractor agrees fully to exonerate, indemnify and save harmless the Company from and against any and all claims or actions, and all expenses incidental to the defense of any such claims or actions, arising out of the performance or nonperformance of Independent Contractor under this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed the date and year first above written.

WESTPLAINS ENERGY  
a Division of UtiliCorp United, Inc.

Asplundh Tree Expert Co.

Independent Contractor

By \_\_\_\_\_

By Brent D. Asplundh

Authorized Official

Brent D. Asplundh J.P.

Title: \_\_\_\_\_

EXHIBIT B

35.14

TREE TRIMMING  
LABOR AND EQUIPMENT PRICING  
1993

FOREMAN	13.70 HR. ✓
TRIMMER	10.69 HR. ✓
GROUNDMAN	8.45 HR.
AERIAL WITH TOOLS	8.50 HR. ✓
MANUAL CHIP TRUCK WITH TOOLS	4.05 HR. ✓
2 WHEEL DRIVE PICK-UP	3.50 HR.
4 WHEEL DRIVE PICK-UP	3.90 HR.
CHIPPER	2.25 HR.
STUMPER	9.00 HR.
LOADER	15.00 HR.
MANUAL SPRAYER	--- HR.
TREE INJECTION UNIT	1.00 HR.
DUMP FEES	ACTUAL COST
STUMP TREATMENT	COST PLUS

ADDENDUM #2

WHEREAS, there is presently in effect, an agreement dated February 9, 1990 and Addendum #1 dated July 25, 1990 between The Davey Tree Expert Company of Kent, Ohio and Centel Corporation of Great Bend, Kansas covering tree trimming and/or removal services in various locations in the Central Division of Centel Electric-Kansas facilities, and

WHEREAS, the present agreement and Addendum #1 does not cover all items of labor required to accomplish future projects, the following items and rates are hereby revised.

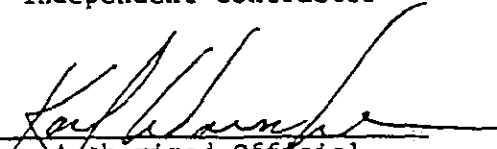
<u>Equipment</u>	<u>Rate/Crew Hour</u>
Aerial Bucket with hydraulic tools, 57' working height	\$10.03
Manual Tree Trimming Truck, 14 cu. yd. Capacity	5.38
12" Brush Chipper	2.57
4 x 4 Truck Mounted Chipper	5.85
Power Saw	.66
Backpack Sprayer	No Charge
Herbicide	Local Cost + 15%
Dump Fees	At Cost

Equipment costs are based on maximum gasoline cost of \$1.00 per gallon

ACCEPTED AND APPROVED, this 29 day of October, 1990.

THE DAVEY TREE EXPERT COMPANY  
Independent Contractor

By

  
Authorized Official

CENTEL CORPORATION  
Company

By

  
Vice President

ADDENDUM #1

WHEREAS, there is presently in effect, an agreement dated February 9, 1990 between the Davey Tree Expert Company of Kent, Ohio and Centel Corporation of Great Bend, Kansas covering tree trimming and/or removal services in various locations in the Central Division of Centel Electric-Kansas facilities, and

WHEREAS, the present agreement does not cover all items of labor required to accomplish future projects, the following items and rates are hereby added:

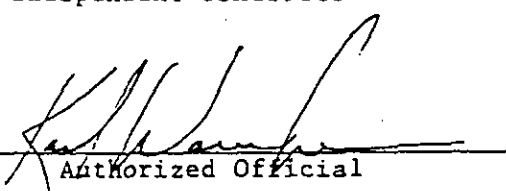
<u>Labor</u>	<u>Rate/Time &amp; One Half</u>	<u>Rate/Double Time</u>
Working Foreman	28.09	34.34
4th Year Trimmer	22.98	28.08
3rd Year Trimmer	21.80	26.65
2nd Year Trimmer	18.87	23.07
1st Year Trimmer	17.28	21.12
2nd Year Groundman	17.28	21.12
1st Year Groundman	14.89	18.20

ACCEPTED AND APPROVED, this 25 day of July, 1990.

THE DAVEY TREE EXPERT COMPANY

Independent Contractor

By

  
Authorized Official

CENTEL CORPORATION

Company

By

  
Vice President

## THE DAVEY TREE EXPERT COMPANY

## PROPOSED LABOR AND EQUIPMENT RATES

FOR

CENTEL

EFFECTIVE JANUARY 1, 1990LABORRATE/MAN HOUR

Working Foreman	\$ 20.81
4th Year Trimmer	17.02
3rd Year Trimmer	16.15
2nd Year Trimmer	13.98
1st Year Trimmer	12.80
2nd Year Groundman	12.80
1st Year Groundman	11.03

EQUIPMENTRATE/CREW HOUR

Aerial Bucket with hydraulic tools, 57' working height	\$ 9.55
Manual Tree Trimming Truck, 14 cu. yd. capacity	5.05
12" Brush Chipper	2.45
4x4 Truck Mounted Chipper	5.40
Power Saw	.60
Backpack Sprayer	No charge
Herbicide	Local Cost + 15%
Dump Fees	At Cost

Equipment costs are based on maximum gasoline cost of \$1.00 per gallon.

AGREEMENTSchedule JRE 3  
p. 17 of 24  
Tree Trimming and/or Removal

THIS AGREEMENT, made and entered into this 9 day of February, 1990, between Centel Corporation, a Kansas corporation (the Company), and DAVEY TREE EXPERT CO. (Independent Contractor).

WHEREAS, the Company desires to have certain work performed for it; and 1500 N. Mantua Street,

WHEREAS, the Independent Contractor desires to do this work for the Company; Kent, Ohio 44240

NOW, THEREFORE, in consideration of the agreements herein set forth, the parties hereto agree as follows:

1. Independent Contractor agrees to do and perform to the entire satisfaction of the Div. Mgr.-Central of the Company, or such other representative of the Company as may be designated from time to time, the following work located at various locations in the Central Division of Centel Electric-Kansas facilities. Provide tree trimming and/or removal service. Charges to be as per contractor's hourly rate schedule (Exhibit A) copy attached and becoming a part of this agreement. Labor Agreement between Centel Corporation and I.B.E.W. Local #304 (Exhibit B, P. 1-24) effective October 27, 1989, copy attached and becoming a part of this agreement.

Note: This contract to supersede all previous contracts with contractor.

All work shall be performed with promptness and diligence and in accordance with generally accepted professional standards and any applicable laws.

2. Independent Contractor shall, at its own expense, furnish all necessary tools, equipment, materials and other facilities for the performance of the work. See attached rate

3. For this work, the Independent Contractor agrees to accept as full and complete payment the sum of \$sch. (Exh. A) plus sales tax in the amount of \$applicable (if applicable). Upon completion and acceptance by the Company of all work called for hereunder, Independent Contractor shall submit an invoice to the Company. Unless disputed by the Company, payment by the Company shall be made within thirty (30) days of receipt of such invoice.

4. All of said work is to be completed on or before --- 19---. A penalty in the amount of --- per --- will be assessed if said work is not completed on the above date.

5. Independent Contractor in the doing and performing of the work above provided, shall act and shall be considered as an independent contractor. All persons employed by the Independent Contractor and working upon said work shall be informed that they are employed by, and working under the control of Independent Contractor and that they are not employed by the Company. All work is to be performed at the sole risk of Independent Contractor and Independent Contractor shall take all precautions for the proper and safe performance thereof. This section shall not be construed as limiting the right of the Company to inspect the work as it progresses for the purpose of determining that the same is being done in a manner satisfactory to the Company in conformance with this Agreement.

6. Independent Contractor shall maintain such insurance as will protect him from claims under Workmen's Compensation and the limits of liability shall be those as required by law. Liability insurance shall be maintained, at all times, while this Agreement is operative, as will protect the Independent Contractor from claims for damages because of bodily injury, including death, and property damage which may arise from and during operations under this Agreement, whether such operations be by himself or by any subcontractors or anyone directly or indirectly employed by either of them. All insurance coverage contemplated under this paragraph shall be with insurance companies authorized to do business in the State of Kansas, and shall be subject to the approval of the Company as to company and amounts. Certificates of Insurance and Performance Bond shall be furnished to the Company as requested. In addition, Independent Contractor shall furnish to the Company a complete release of all liens arising out of the work. The Independent Contractor agrees to the terms and conditions contained on the reverse side of this agreement.

7. Independent Contractor warrants that all work performed hereunder shall be free from defects. Independent Contractor also warrants that it has all requisite professional licenses and permits which may be required by the jurisdiction in which the work is to be performed. This warranty is in addition to and does not waive any rights or remedies available to the Company at law or in equity.

8. Independent Contractor agrees fully to exonerate, indemnify and save harmless the Company from and against any and all claims or actions, and all expenses incidental to the defense of any such claims or actions, arising out of the performance or nonperformance of Independent Contractor under this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed the date and year first above written.

CENTEL CORPORATION

Company

By

Vice-President

Title

THE DAVEY TREE EXPERT CO.

Independent Contractor

By

Authorized Official

K. J. Warnke-Vice President & Gen. Mgr.

AGREEMENT

THIS AGREEMENT, made and entered into this 21 day of March, 1990, between Centel Corporation, a Kansas corporation (the Company), and Schenk Tree Surgery (Independent Contractor).

WHEREAS, the Company desires to have certain work performed for it; and 642 E. 15th, Concordia, KS 66901

WHEREAS, the Independent Contractor desires to do this work for the Company;

NOW, THEREFORE, in consideration of the agreements herein set forth, the parties hereto agree as follows:

1. Independent Contractor agrees to do and perform to the entire satisfaction of the Div. Mgr. - Northern of the Company, or such other representative of the Company as may be designated from time to time, the following work located at various locations in company's Concordia district. & Smith Center District.

Provide tree trimming and/or removal service. Charges to be as per contractor's hourly rate schedule (Exhibit A), copy attached and becoming a part of this agreement. Labor Agreement between company and I.B.E.W. Local #304 (Exhibit B, Page 1-24), effective October 27, 1989, or later approved labor agreement with I.B.E.W. Local #304 applies, copy/s attached and becoming a part of this agreement. This agreement cancels and supersedes previous agreement with Independent Contractor dated May 30, 1989.

All work shall be performed with promptness and diligence and in accordance with generally accepted professional standards and any applicable laws.

2. Independent Contractor shall, at its own expense, furnish all necessary tools, equipment, materials and other facilities for the performance of the work.

See attached

3. For this work, the Independent Contractor agrees to accept as full and complete payment the sum of \$ Rate Sched. plus sales tax in the amount of \$ applicable (if applicable). Upon completion and acceptance by the Company of all work called for hereunder, Independent Contractor shall submit an invoice to the Company. Unless disputed by the Company, payment by the Company shall be made within thirty (30) days of receipt of such invoice.

4. All of said work is to be completed on or before --- 19---. A penalty in the amount of --- per --- will be assessed if said work is not completed on the above date.

5. Independent Contractor in the doing and performing of the work above provided, shall act and shall be considered as an independent contractor. All persons employed by the Independent Contractor and working upon said work shall be informed that they are employed by, and working under the control of Independent Contractor and that they are not employed by the Company. All work is to be performed at the sole risk of Independent Contractor and Independent Contractor shall take all precautions for the proper and safe performance thereof. This section shall not be construed as limiting the right of the Company to inspect the work as it progresses for the purpose of determining that the same is being done in a manner satisfactory to the Company in conformance with this Agreement.

6. Independent Contractor shall maintain such insurance as will protect him from claims under Workmen's Compensation and the limits of liability shall be those as required by law. Liability insurance shall be maintained, at all times, while this Agreement is operative, as will protect the Independent Contractor from claims for damages because of bodily injury, including death, and property damage which may arise from and during operations under this Agreement, whether such operations be by himself or by any subcontractors or anyone directly or indirectly employed by either of them. All insurance coverage contemplated under this paragraph shall be with insurance companies authorized to do business in the State of Kansas, and shall be subject to the approval of the Company as to company and amounts. Certificates of Insurance and Performance Bond shall be furnished to the Company as requested. In addition, Independent Contractor shall furnish to the Company a complete release of all liens arising out of the work. The Independent Contractor agrees to the terms and conditions contained on the reverse side of this agreement.

7. Independent Contractor warrants that all work performed hereunder shall be free from defects. Independent Contractor also warrants that it has all requisite professional licenses and permits which may be required by the jurisdiction in which the work is to be performed. This warranty is in addition to and does not waive any rights or remedies available to the Company at law or in equity.

8. Independent Contractor agrees fully to exonerate, indemnify and save harmless the Company from and against any and all claims or actions, and all expenses incidental to the defense of any such claims or actions, arising out of the performance or nonperformance of Independent Contractor under this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed the date and year first above written.

CENTEL CORPORATION

Company

By [Signature]

Vice-President

Title

SCHENK TREE SURGERY

Independent Contractor

By [Signature]

Authorized Official

# Schenk Tree Surgery

642 E. 15th St. • C.F. Schenk • Phone 913-243-1351

Complete Care of Trees

Line Clearing • Spraying • Tree Moving • Right-Away Clearing

Certified Arborist • Certified Pesticide Applicator

Landscaping Service

Concordia, Kansas 66001

Jan. 3, 1990

Tree Trimming Prices for 1990 in Northern Division for Centel Corp.

## Labor

Working Foreman @	14.50 Hr.
Trimmers @	13.00 Hr.
Groundmen @	12.00 Hr.

## Equipment

Aerial Bucket Truck With Tools Working Height 40 ft.	8.75 Hr.
Chipper Truck 14 yd. capacity	6.00 Hr.
12 in Chipper	6.00 Hr.
Dump Fees \$2.00 per load	

Schenk Tree Surgery

*C. F. Schenk*

AGREEMENT

Tree Trimming/Removal

THIS AGREEMENT, made and entered into this 6 day of February, 19 90, between Centel Corporation, a Kansas corporation (the Company), and ASPLUNDH TREE EXPERT CO. (Independent Contractor).

WHEREAS, the Company desires to have certain work performed for it; and 16014 E. 71st Street South

WHEREAS, the Independent Contractor desires to do this work for the Company; Rose Hill, KS 67133

NOW, THEREFORE, in consideration of the agreements herein set forth, the parties hereto agree as follows:

1. Independent Contractor agrees to do and perform to the entire satisfaction of the Div. Mgr. - Southern of the Company, or such other representative of the Company as may be designated from time to time, the following work located at various locations in the Dodge City/Liberal district of Centel' facilities.

Provide tree trimming and/or removal service. This contract to supersede previous contracts with contractor. Charges to be as per contractor's hourly rate schedule (Exhibit A) copy attached and becoming a part of this agreement.

Labor Agreement between Centel Corporation and I.B.E.W. Local #304 (Exhibit B, Page 1-24) effective October 27, 1989, copy attached and becomes a part of this agreement.

All work shall be performed with promptness and diligence and in accordance with generally accepted professional standards and any applicable laws.

2. Independent Contractor shall, at its own expense, furnish all necessary tools, equipment, materials and other facilities for the performance of the work.

See Rate Schedule

3. For this work, the Independent Contractor agrees to accept as full and complete payment the sum of \$ Att. (Exh A) plus sales tax in the amount of \$ applicable (if applicable). Upon completion and acceptance by the Company of all work called for hereunder, Independent Contractor shall submit an invoice to the Company. Unless disputed by the Company, payment by the Company shall be made within thirty (30) days of receipt of such invoice.

4. All of said work is to be completed on or before --- 19 --- A penalty in the amount of --- per --- will be assessed if said work is not completed on the above date.

5. Independent Contractor in the doing and performing of the work above provided, shall act and shall be considered as an independent contractor. All persons employed by the Independent Contractor and working upon said work shall be informed that they are employed by, and working under the control of Independent Contractor and that they are not employed by the Company. All work is to be performed at the sole risk of Independent Contractor and Independent Contractor shall take all precautions for the proper and safe performance thereof. This section shall not be construed as limiting the right of the Company to inspect the work as it progresses for the purpose of determining that the same is being done in a manner satisfactory to the Company in conformance with this Agreement.

6. Independent Contractor shall maintain such insurance as will protect him from claims under Workmen's Compensation and the limits of liability shall be those as required by law. Liability insurance shall be maintained, at all times, while this Agreement is operative, as will protect the Independent Contractor from claims for damages because of bodily injury, including death, and property damage which may arise from and during operations under this Agreement, whether such operations be by himself or by any subcontractors or anyone directly or indirectly employed by either of them. All insurance coverage contemplated under this paragraph shall be with insurance companies authorized to do business in the State of Kansas, and shall be subject to the approval of the Company as to company and amounts. Certificates of Insurance and Performance Bond shall be furnished to the Company as requested. In addition, Independent Contractor shall furnish to the Company a complete release of all liens arising out of the work. The Independent Contractor agrees to the terms and conditions contained on the reverse side of this agreement.

7. Independent Contractor warrants that all work performed hereunder shall be free from defects. Independent Contractor also warrants that it has all requisite professional licenses and permits which may be required by the jurisdiction in which the work is to be performed. This warranty is in addition to and does not waive any rights or remedies available to the Company at law or in equity.

8. Independent Contractor agrees fully to exonerate, indemnify and save harmless the Company from and against any and all claims or actions, and all expenses incidental to the defense of any such claims or actions, arising out of the performance or nonperformance of Independent Contractor under this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed the date and year first above written.

CENTEL CORPORATION

Company

By

[Signature]

Vice-President

Title

ASPLUNDH TREE EXPERT CO.

Independent Contractor

By

[Signature]

Authorized Official

EXHIBIT A

<u>Labor</u>	<u>Straight Time</u>	<u>Overtime</u>
Tree Trimmer Working Foreman	\$21.54	\$31.23
Tree Trimmer Journeyman	17.70	25.67
Tree Trimmer 2nd Year	14.71	21.33
Tree Trimmer 1st Year	13.52	19.60

<u>Equipment</u>	
Aerial Bucket with Chip Box	\$ 9.00
Manual Tree Truck	4.05
Chipper	2.25
Power Saw	.50 each
Herbicide (Stump Treatment)	20.80 per gallon
Dump Fees	Actual Cost



# John Solida and Sons

Tree Service, Inc.

P.O. Box 421  
Phillipsburg, Kansas 67661-0421

December 18, 1989

Mr. Wayne Stull  
Centel Corp.  
P.O. Box 170  
Great Bend, KS 67530

Dear Mr. Stull,

Our prices for labor and equipment for the 1990 year will remain the same as our prices for 1989 tree trimming. If you have any questions, please do not hesitate to call.

We look forward to working with you in the future.

Happy Holidays!

JOHN SOLIDA & SONS  
TREE SERVICE, INC.

Rick Solida, Pres.

AGREEMENTOCCASIONAL/EMERGENCY POWER  
LINE MAINTENANCE

THIS AGREEMENT, made and entered into this 13 day of December, 1988, between Centel Corporation, a Kansas corporation (the Company), and JOHN SOLIDA & SONS TREE SERVICE (Independent Contractor).

WHEREAS, the Company desires to have certain work performed for it; and P. O. Box 421, Phillipsburg, KS 67661-0421

WHEREAS, the Independent Contractor desires to do this work for the Company;

NOW, THEREFORE, in consideration of the agreements herein set forth, the parties hereto agree as follows:

1. Independent Contractor agrees to do and perform to the entire satisfaction of the Division Manager of the Company, or such other representative of the Company as may be designated from time to time, the following work located at various locations of Centel Electric-Kansas facilities.

This contract to cancel and supercede agreement dated 12/14/87 with contractor. Contract for occasional/emergency power line maintenance, tree trimming, and/or removal. Charges to be as per contractor's rate schedule (Exhibit A), copy attached and becoming a part of this agreement. Labor Agreement between Centel Corporation and I.B.E.W. Local #304 (Exhibit B) effective October 27, 1986, copy attached and becomes a part of this agreement.

All work shall be performed with promptness and diligence and in accordance with generally accepted professional standards and any applicable laws.

2. Independent Contractor shall, at its own expense, furnish all necessary tools, equipment, materials and other facilities for the performance of the work.

3. For this work, the Independent Contractor agrees to accept as full and complete payment the sum of See Rate Schedule attached (Exhibit A) plus sales tax in the amount of \$ applicable (if applicable). Upon completion and acceptance by the Company of all work called for hereunder, Independent Contractor shall submit an invoice to the Company. Unless disputed by the Company, payment by the Company shall be made within thirty (30) days of receipt of such invoice.

4. All of said work is to be completed on or before ---, 19 ---. A penalty in the amount of --- per --- will be assessed if said work is not completed on the above date.

5. Independent Contractor in the doing and performing of the work above provided, shall act and shall be considered as an independent contractor. All persons employed by the Independent Contractor and working upon said work shall be informed that they are employed by, and working under the control of Independent Contractor and that they are not employed by the Company. All work is to be performed at the sole risk of Independent Contractor and Independent Contractor shall take all precautions for the proper and safe performance thereof. This section shall not be construed as limiting the right of the Company to inspect the work as it progresses for the purpose of determining that the same is being done in a manner satisfactory to the Company in conformance with this Agreement.

6. Independent Contractor shall maintain such insurance as will protect him from claims under Workmen's Compensation and the limits of liability shall be those as required by law. Liability insurance shall be maintained, at all times, while this Agreement is operative, as will protect the Independent Contractor from claims for damages because of bodily injury, including death, and property damage which may arise from and during operations under this Agreement, whether such operations be by himself or by any subcontractors or anyone directly or indirectly employed by either of them. All insurance coverage contemplated under this paragraph shall be with insurance companies authorized to do business in the State of Kansas, and shall be subject to the approval of the Company as to company and amounts. Certificates of Insurance and Performance Bond shall be furnished to the Company as requested. In addition, Independent Contractor shall furnish to the Company a complete release of all liens arising out of the work. The Independent Contractor agrees to the terms and conditions contained on the reverse side of this agreement.

7. Independent Contractor warrants that all work performed hereunder shall be free from defects. Independent Contractor also warrants that it has all requisite professional licenses and permits which may be required by the jurisdiction in which the work is to be performed. This warranty is in addition to and does not waive any rights or remedies available to the Company at law or in equity.

8. Independent Contractor agrees fully to exonerate, indemnify and save harmless the Company from and against any and all claims or actions, and all expenses incidental to the defense of any such claims or actions, arising out of the performance or nonperformance of Independent Contractor under this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed the date and year first above written.

CENTEL CORPORATION

Company

By

Vice-President

Title

JOHN SOLIDA &amp; SONS TREE SERVICE

Independent Contractor

By

Authorized Official

EXHIBIT A

Furnish all labor and equipment to trim and remove trees as directed by authorized company representative.

Prices submitted for 1989 trimming:

Working Foreman	\$18.17 @ hr.
Trimmer	14.83
Groundman	11.17
Hydraulic Bucket Truck	10.40
Chipper Truck (21 cu. yd. cap.)	5.05
16" Chipper	3.85
Basal Chemical Treatment	Local purchase + 10%
Landfill Charges	Cost

All chain saws, hydraulic tools, sprayers, and other miscellaneous tools used in the tree trimming operation are provided at no extra charge.

Furnish operator and hydraulic bucket truck to perform occasional and emergency power line maintenance, construction and retirement in various areas of the company's Kansas operations as directed by authorized company representative.

Prices submitted for 1989:

Working Foreman	\$18.17 @ hr.
Hydraulic Bucket Truck	20.00

WITNESS: HOLLOWAY EXAM BY MR. FOX

1 in '98. I know it has a '98 number but it may have easily  
2 been late '97, but I don't know. But there was some  
3 discussion going on between UtiliCorp and Staff regarding  
4 WestPlains' electric earnings going into that time.

5 Q. Larry, I think you misperceive the question. And  
6 let me see if I can clarify and then I will ask the question  
7 again. My question is not aimed at pointing fingers. I  
8 think Commissioner Moline has clearly identified where we are  
9 and that is that there is a lease involved that has built  
10 into it some level of acquisition premium and we need to  
11 figure out in this hearing what amount of it should be offset  
12 by merger savings. And I'm not pursuing a finger-pointing.  
13 That's useless.

14 A. Uh-huh.

15 Q. What I'm trying to get at is not what was Staff  
16 doing, but what information did Staff provide to WestPlains,  
17 after it gave these answers in '93 to the DRs, that Staff  
18 believed that, in fact, as represented, the new coal  
19 contracts and the negotiations involved were not going to be  
20 considered to be a merger related savings?

21 A. I don't know that Staff ever provided that  
22 indication. I think when you look at the initial order,  
23 Staff was ordered to do a review and set up a mechanism. I  
24 think you kind of see as you go through the history, Staff  
25 did some initial review, we got some answers. We then

WITNESS: HOLLOWAY EXAM BY MR. FOX

1 entered into this November 7, 1995 agreement. Later on in  
2 '97, I know informally at least in '97 we did start looking  
3 at WestPlains' earnings. And it became apparent to us, and I  
4 think the show cause alludes to this, that we could do all we  
5 wanted to benchmark merger savings or whatever, but we felt  
6 like WestPlains was over-earning at the time and the best  
7 move to make as far as ratepayers were concerned was to go  
8 ahead and do a full review of WestPlains' rates.

9 Q. Larry, in all fairness, you would admit that from  
10 1993 until, I will suggest the show cause, we could even use  
11 this letter, although it doesn't really apply to the coal  
12 contracts, that WestPlains had every reason to believe that  
13 Staff was comfortable with its representations made in its  
14 responses to these DRs and had a reason to believe that  
15 pursuing those savings as represented was an appropriate  
16 course?

17 A. Well, I really can't speak as to what WestPlains  
18 may or may not have believed. It's always been my opinion  
19 that merger savings, the utility would have the burden of  
20 proof to show that when you go through a cost of service  
21 adjustment that anything that is claimed merger savings isn't  
22 just part of the entire mix of items you consider when you  
23 look at the utility's revenues.

24 Q. Okay.

25 MR. FOX: That's all I have. Thank you.

1 A. I guess, it depends on how you define direct. I mean, I  
2 don't think it necessarily has to be direct, but it  
3 can't be intangible. It's got to be real. It's got to  
4 hit the bottom line.

5 MR. SWEARENGEN: Cary, let me just ask you,  
6 when you say "indirect," I want to make sure I  
7 understand what you are talking about. I know the  
8 staff in the past has been a proponent of rate  
9 freezes as a way to recover investment, let's say,  
10 or recover premium. And is that what you're  
11 talking as an indirect way?

12 MR. FEATHERSTONE: The staff really has taken  
13 the position, while we are kind of indifferent to  
14 the merger process, we are in favor of kind of the  
15 no comment earlier, we don't want to stop the  
16 process. We're not necessarily wanting to be a  
17 cheerleader or encourager either, we're just kind  
18 of caught in the middle, so to speak.

19 Q. (By Mr. Featherstone) And our policy -- I don't know  
20 whether it's even a policy. Our position has been in  
21 the past, what you've said in mind, we also believe that  
22 prudent business people have to have some incentive.  
23 They have to have some reasonable assurance they're  
24 going to get their return back. So for us it has been  
25 the indirect, or what you do in those three or four or

1 five years, you have a powerful incentive in those years  
2 to go aggressively and get the savings. And what you do  
3 with those savings, if you want to say that is part of  
4 recovering the premium, is fine. That doesn't offend  
5 us.

6 A. So with that definition, I mean part of it could be  
7 indirect. But we're going -- it's five years, we're  
8 going to make a judgment about what we think -- and we  
9 have made a judgment about what we think we can  
10 accomplish in five years. And we can effectively -- if  
11 we can have a five-year moratorium, we only need to  
12 recover, effectively, half of the premium and can  
13 deliver rate reductions to the rate payers, which seems  
14 like a win/win fair deal. Freeze rates for five years,  
15 no increases, and then being able to reduce rates. So  
16 there would -- there are other ways to get there and  
17 we'd consider other ways. We've laid out our preferred  
18 method.

19 Q. We asked Mr. McKinney -- and I do this every time and he  
20 gets a little angry at me so --

21 MR. SWEARENGEN: I've never gotten angry at  
22 you.

23 Q. (By Mr. Featherstone) -- by bringing in the other  
24 interviews that we've had. We talked to Mr. McKinney a  
25 few weeks ago. And I think the question, I'm going to

## Electric Rate Case Decisions Calendar Year 2001

<b>Date</b>	<b>Company (State)</b>	<b>1 ROE %</b>	<b>2 ROE %</b>	<b>3 ROE %</b>
01/23/2001	Green Mountain Power (VT)	11.25	11.25	11.25
02/08/2001	Hawaii Electric Light (HI)	11.50	11.50	11.50
05/08/2001	Montana Power (MT)	10.75	10.75	10.75
06/26/2001	Central Vermont Public Service (VT)	11.00	11.00	11.00
07/25/2001	Kansas Power & Light (KS)	11.02	11.02	11.02
07/25/2001	Kansas Gas & Electric (KS)	11.02	11.02	11.02
07/31/2001	PacifiCorp (WY)	11.00	11.00	11.00
08/15/2001	WestPlains Energy (KS)	10.91	10.91	10.91
08/31/2001	Portland General Electric (OR)	10.50	10.50	10.50
09/07/2001	PacifiCorp (OR)	10.75	10.75	10.75
09/10/2001	PacifiCorp (UT)	11.00	11.00	11.00
09/21/2001	Empire District Electric (MO)	10.00		
10/12/2001	Niagra Mohawk (NY)	10.60	10.60	10.60
10/24/2001	Central Hudson Electric & Gas (NY)	10.30	10.30	
10/24/2001	Southwest Gas (AZ)	11.00	11.00	11.00
12/03/2001	Mississippi Power (MS)	13.249		
12/20/2001	Georgia Power (GA)	12.50	12.50	
<b>AVERAGE</b>		<b>11.08</b>	<b>11.01</b>	<b>10.95</b>

- Case 1:** All decisions  
**Case 2:** All decisions less the high and low.  
**Case 3:** All decisions less the 2 high and 2 low.

Source: Regulatory Research Associates

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

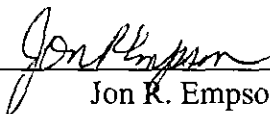
In the matter of Missouri Public Service    )  
of Kansas City, Missouri, for authority       )  
to file tariffs increasing electric rates       )  
for service provided to customers in the       )  
Missouri Public Service area                    )

Case No. ER-2001-672

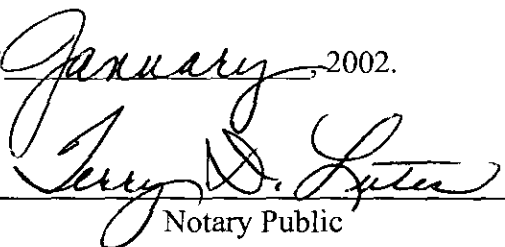
County of Jackson    )  
                              )       ss  
State of Missouri     )

**AFFIDAVIT OF JON R. EMPSON**

Jon R. Empson, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Surrebuttal Testimony of Jon R. Empson;" 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.

  
\_\_\_\_\_  
Jon R. Empson

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

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

My Commission expires:

8-20-2004

