

Exhibit No.:
Issues: Bad Debt
Witness: Angela D. Hattley
Sponsoring Party: Missouri Public
Service
Case No.: ER-2001-672

Before the Public Service Commission
of the State of Missouri

FILED²

JAN 22 2002

Surrebuttal Testimony

of

Angela D. Hattley

Missouri Public
Service Commission

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

1 Q. Please state your name and business address.

2 A. My name is Angela D. Hattley and my business address is 10700 East 350 Highway,
3 Kansas City, Missouri, 64138.

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

7 A. Yes.

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

10 A. The purpose of my testimony is to respond to the rebuttal testimony of Ms. Janis Fischer
11 of the Commission Staff ("Staff"), in which she uses a five-year average to compute a
12 normalized bad debt net write-off ("uncollectible") rate.

13 Q. What is the purpose of computing an uncollectible rate?

14 A. The uncollectible rate represents the amounts which, over time, have been proven to be
15 uncollectible or never paid. This amount is offset by amounts, previously "written-off"
16 as viable collectible accounts, but are later paid by customers. The net of those two
17 amounts is considered "net write-offs". An inherent cost of having revenues, is the fact
18 that there will be a percentage of the customer base that will not pay their bills.

1 Q. Do you agree with the Staff's five-year normalization method to compute an uncollectible
2 rate for net write-offs?

3 A. No. As stated in my rebuttal testimony, normalization is used to smooth out yearly
4 fluctuations and to "demonstrate a reasonable level of expected on-going activity".
5 Schedule ADH-1 to my rebuttal illustrates the steady increase in the uncollectible rate.
6 The Staff's five-year average rate might smooth out fluctuations, but it will not ensure
7 that costs are representative of on-going levels.

8 Q. Please explain.

9 A. Schedule ADH-1 to my rebuttal lists the actual uncollectible rates from 1993-2001.
10 MPS' proposed three-year level addresses both the smoothing out of fluctuations and
11 reflects on-going uncollectible levels.

12 Q. Is the 2001 rate consistent with the proposed 3-year average rate?

13 A. Yes. The 2001 rate, as of the ten months ending October 30, 2001, as shown on Schedule
14 ADH-1 to my rebuttal is .7982543%, which illustrates a consistent increase over the 2000
15 rate of .7224716%, set out on the same schedule. With increasing employment we expect
16 the on-going uncollectible levels to continue to be consistent with the current 2000 and
17 2001 trending.

18 Q. What is the position of MPS as to the appropriate normalized uncollectible rate?

19 A. The appropriate rate should be based on a three-year average.

20 Q. Do you agree with page 2, lines 10-12 of Ms. Fischer's rebuttal testimony where she
21 states, "The actual dollar difference is a \$210,022 reduction in expense when using the
22 Staff's annualized revenue and a five-year average bad debt net write-off rate were used"?

1 A. No.

2 Q. Please explain.

3 A. The actual dollar difference between Staff's Electric Adjustment and MPS' is a \$340,383
4 reduction in expense.

5 Q. What accounts for this \$340,383 difference?

6 A. As Schedule ADH-1 attached to my surrebuttal sets out; this difference is comprised of
7 \$12,432 due to a difference in annualized revenue between Staff and MPS. \$196,276 is
8 due to the difference in the average uncollectible rate calculated, and \$131,676 is due to
9 an error in the per book number utilized by Staff.

10 Q. Please explain this error in the per book number used by Staff.

11 A. Staff's adjustment uses a number for per books that is wrong. The source of this number
12 is the updated case workpapers prepared by MPS and provided to Staff in Data Request
13 MPSC 0001B. MPS has since revised this number to reflect the proper use of the utility
14 allocation factors as sponsored by MPS witness Beverlee R. Agut.

15 Q. Was Staff made aware of this revision?

16 A. Yes.

17 Q. Please summarize your testimony.

18 A. Use of a three-year average for the purpose of normalizing Bad Debt Expense in this case
19 is appropriate. The three-year average method smoothes out yearly fluctuations as well as
20 demonstrates a reasonable level of expected on-going activity.

21 Q. Does this conclude your surrebuttal testimony?

22 A. Yes.

Bad Debt Reconciliation

	<u>Five-year Average Proposed by Staff</u>	<u>Three-year Average Proposed by MPS</u>	<u>Difference</u>
Annualized Revenues	291,323,774	294,195,830	(2,872,056)
X Avg Uncoll Rate	0.432852%	0.4995680%	
Computed Ann'lzd	1,261,001	1,469,708	(208,707)
Per books	2,453,825	2,322,149	131,676
Total Adjustment (Elec)	(1,192,824)	(852,441)	(340,383)

Juris factors Staff & MPS both used 100%

RECONCILIATION:

MPS X change in uncoll rates:	294,195,830	x	-0.0667160%	(196,276)	
Change in revenues				(12,432)	(208,707)
Per book error				(131,676)	
Total difference between Staff and MPS				<u>(340,383)</u>	

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

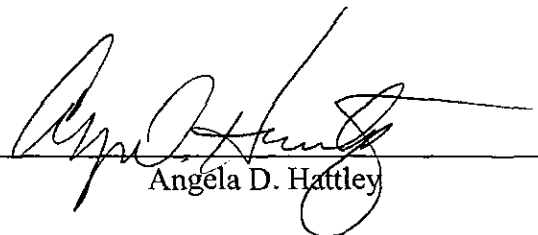
In the matter of Missouri Public Service)
of Kansas City, Missouri, for authority)
to file tariffs increasing electric rates)
for service provided to customers in the)
Missouri Public Service area)

Case No. ER-2001-672

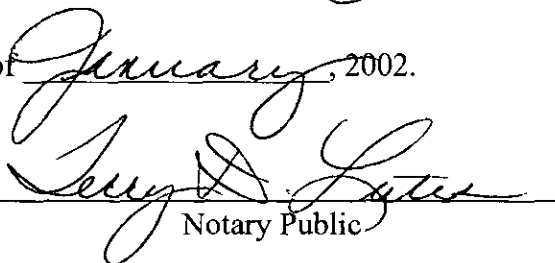
County of Jackson)
) ss
State of Missouri)

AFFIDAVIT OF ANGELA D. HATTLEY

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


Angela D. Hattley

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


Notary Public

My Commission expires:

8-20-2004

