

MISSOURI PUBLIC SERVICE

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

FILED³

JUN 08 2001

Missouri Public
Service Commission

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

DIRECT TESTIMONY
EXHIBITS

ORIGINAL

Exhibit No.:

Issues: Case Summary, Test
Year and Income
Taxes

Witness: Gary L. Clemens

Sponsoring Party: Missouri Public
Service

Case No.: ER-

Before the Public Service Commission
of the State of Missouri

Direct Testimony

of

Gary L. Clemens

TABLE OF CONTENTS

PURPOSE OF FILING.....	1
REASONS FOR FILING.....	3
TEST YEAR.....	5
TRUE-UP.....	6
INCOME TAXES.....	10

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

1 Q. Please state your name and business address.

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

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by UtiliCorp United Inc. ("UtiliCorp") in the Regulatory Services
6 Department. My position is Regulatory Services Manager in UtiliCorp's Missouri
7 Public Service ("MPS") operating division.

8 Q. Please state your educational background and experience.

9 A. I attended Northwest Missouri State University in Maryville, Missouri from which I
10 received a Bachelor of Science Degree in Business Administration with a major in
11 Accounting. After graduating in 1980, I joined Missouri Public Service Company
12 which later became UtiliCorp, as a Staff Accountant in the Rate Department. Since
13 then I have held various positions in the Accounting and Regulatory departments.

14 **Purpose of Filing**

15 Q. What is the purpose of your testimony?

16 A. The purpose of my testimony is to present to the Missouri Public Service
17 Commission ("Commission") certain schedules in support of the revised tariffs filed
18 by UtiliCorp in this case.

1 Q. Please identify the schedules and any adjustments that you are sponsoring.

2 A. Attached Schedules GLC-1 through 4, generally consist of financial and other
3 information, which supports the MPS's revenue requirement. I am also sponsoring
4 Adjustments No. CS-90, CS-91, CS-92 and CS-93 on Schedule GLC-4.

5 Q. Are you sponsoring all of the adjustments on Schedule GLC-4?

6 A. No. There will be several other UtiliCorp witnesses referencing Schedule GLC-4 that
7 are sponsoring various income statement adjustments.

8 Q. Were these schedules prepared by you or under your direct supervision?

9 A. Yes.

10 Q. Please describe Schedule GLC-1.

11 A. Schedule GLC-1 represents the revenue deficiency calculated on a range of return on
12 equity's ("ROE") of 11.75% to 12.00% and 12.25%, low, mid and high respectively.

13 Q. What information is included on Schedule GLC-2?

14 A. This Schedule depicts the detailed components of rate base. Rate base is UtiliCorp's
15 investment to provide service to the customers in the MPS service territory.

16 Q. Please describe Schedule GLC-3.

17 A. Schedule GLC-3 is the adjusted income statement which reflects the net income
18 available after all known and measureable changes have been reflected.

19 Q. Are the facts represented therein true and correct to the best of your knowledge and
20 belief?

21 A. Yes.

Reasons for Filing

1

2 Q. What are the key reasons UtiliCorp is filing for the proposed change in rates?

3 A. The three primary reasons are:

4 1) Increase in fuel and purchased power costs

5 2) Purchased power capacity contract

6 3) Plant additions

7 The first two the items are described in detail in the testimony of UtiliCorp witness

8 Steve Ferry. The third item is described in the testimony of UtiliCorp witness Allison

9 Moten.

10 Q. Are there other events that may effect the proposed change in rates?

11 A. Yes. On December 30, 2000, UtiliCorp finalized its merger with St. Joseph Light &
12 Power Company ("SJLP"). This merger could impact the UtiliCorp filing in several
13 different ways depending on how the Commission decides this case. Two options are
14 available for handling the SJLP merger in the MPS case. The first, and preferred
15 method is to treat this filing and case as though the merger did not happen.

16 Q. Please explain.

17 A. The process of merging the two companies will take up to a year to complete. One of
18 the key drivers in generating synergies from the merger is the ability to jointly
19 dispatch the MPS and SJLP operating systems. It will be at least another 6 to 9
20 months before this can take place.

21 Q. Why?

1 A. UtiliCorp must first get Federal Energy Regulatory Commission ("FERC") approval
2 of our updated market power study. The market power study is to determine if there
3 are any transmission constraints on the MPS and SJLP systems when joint
4 dispatching. The updated study has been completed and has been filed at FERC.

5 Q. What about the allocation of costs?

6 A. UtiliCorp utilizes a central office administrative process whereby common
7 administrative functions are allocated to each of its various jurisdictions. As
8 UtiliCorp grows, normally these corporate costs are allocated over a larger pool
9 thereby lowering the cost to each division. But for purposes of this case we do not
10 intend to allocated any costs to the SJLP division. Ultimately, however, we will do
11 this. In addition the transition and transaction costs from the SJLP merger will need
12 to be allocated to those divisions receiving the benefit of lower corporate cost, along
13 with a portion of any premium that may have been paid for stock in connection with
14 the merger. Again, however, since the SJLP merger has only been in place for a very
15 short time, our preference for this case is to treat MPS as though the merger did not
16 take place with no merger impacts. The second option would be to treat SJLP as
17 being fully intergraded into UtiliCorp. Although the full impact of synergies is not
18 known, Vern Siemek has filed direct testimony in this case which includes his
19 synergy estimates as provided in the UtiliCorp and SJLP merger Case No. EM-2000-
20 292. If the Commission Staff would pursue the second option, then our position

1 would be to include for rate recovery the merger transition and transaction costs and a
2 portion of the merger premium as well.

3 Q. What other consequences result from treating the rate case as though the merger has
4 not taken place?

5 A. Future synergies resulting from the SJLP merger will be easily identifiable in this
6 case if UtiliCorp is treated as though the merger did not happen. This rate case can be
7 used to create a baseline for use in subsequent UtiliCorp rate cases.

8 Q. How will the baseline be used?

9 A. The best example is joint dispatching. By the time UtiliCorp files its next rate case,
10 joint dispatching of both the SJLP and MPS systems will be in place. The saving
11 created by the joint dispatch can then be measured against a pre-merger baseline.
12 This case as filed will establish the baseline that can be used for measuring synergies
13 in future cases.

14 **Test Year**

15 Q. What test year did UtiliCorp use to develop the revised tariffs which are the subject of
16 this case?

17 A. UtiliCorp used the historical test-year ending June 30, 2000 for purposes of its filing
18 in this case. In addition, we made certain adjustments to rate base, operating income
19 and the cost of capital to reflect changes through September 30, 2001 to make this test
20 period more representative of the periods during which the requested rates would
21 actually be in effect.

1 Q. What type of adjustments should be made to the historical test period?

2 A. The historical test period should be adjusted so that it will be representative of the
3 period when rates determined in this case are effective. This involves the proper
4 matching of the components of rate base, operating expense and revenue in a
5 consistent manner. Only through the use of appropriately adjusted test year will
6 UtiliCorp be allowed the opportunity to earn a reasonable rate of return, maintain its
7 financial integrity, and provide equitable rates.

8 Q. Should the adjusted test period used to develop revised rates be updated in this case?

9 A. Yes. New information is now available and additional information will become
10 available as each accounting month is completed. To incorporate as much new
11 information as possible in the data presented to the Commission and still respect the
12 anticipated Commission schedule, UtiliCorp recommends that in this case the
13 Commission use a historical test year ending December 31, 2000 properly adjusted
14 and further adjusted and updated for known and measurable changes through
15 September 30, 2001.

16 Q. Are there any other additional items past September 30, 2001 which you are seeking
17 the Commission to consider in the final rate order in this case?

18 A. Yes. We will ask for a "true-up" to include certain items that will be known as of
19 February 2002.

20 **True-up**

21 Q. Is UtiliCorp requesting a true-up audit and hearing if necessary?

1 A. Yes.

2 Q. What is the purpose of a true-up?

3 A. A true-up of financial information to a date closer to the effective date of the new
4 tariffs often provides a better match of rate base, operating revenues and operating
5 expenses. In addition, by conducting a true-up just prior to the issuance of an order in
6 this case, the Commission will have available the most current information on which
7 to base the tariffs.

8 Q. Has the Commission Staff ("Staff") performed true-ups in the past?

9 A. Yes. In UtiliCorp Case No. ER-93-37 Staff performed a true-up of certain costs
10 including plant and reserve, cost of fuel and revenue. In that case, UtiliCorp had
11 converted its Sibley power plant to western coal. The ability to get the costs of the
12 western coal conversion project in rates with the least amount of regulatory lag
13 provided UtiliCorp the ability to earn a fair and reasonable return on its utility
14 investment.

15 Q. Has the Staff utilized the true-up process in any recent cases?

16 A. Yes. In the pending Empire District Electric Company Case No. ER-2001-299, Staff
17 witness Phillip Williams, in his direct testimony, recommends certain items for true-
18 up. The key reason for this true-up is Empire's new State Line Combine Cycle Plant.

19 Q. Do you agree with the true-up items that Phil Williams listed should be updated in
20 this UtiliCorp rate case?

1 A. Yes. Although, there may be reasons to include or exclude certain items, we are in
2 agreement that those items listed by Phil Williams should be used in this UtiliCorp
3 rate case.

4 Q. Why is UtiliCorp requesting a true-up in this proceeding?

5 A. UtiliCorp is entering into a new purchase power capacity contract that replaces a
6 much lower priced capacity contract that has expired. The new contract begins in
7 June 2001 in which UtiliCorp will purchase 320 mw for the summer. Then in
8 January 2002 UtiliCorp will begin the second phase of the contract which it will
9 purchase 200 mw in January – March, 500 mw in April – September, then back to
10 200 mw for October – December. This is explained in detail by Steve Ferry in his
11 direct testimony in this case.

12 Q. Are there any other reasons a true-up is needed?

13 A. Yes. The volatility of the costs of fuel is another reason a true-up is needed.
14 UtiliCorp has several gas fired units and the increase in the costs of gas has driven up
15 the cost of purchased power energy. UtiliCorp also obtains 30% of its coal from the
16 spot market, that in the last several months has increased substantially. Without a
17 fuel adjustment clause that allows the pass through of fuel cost to customers it is
18 critical to obtain the most current available costs of fuel to match the costs of service
19 of the utility. The true-up will allow fuel costs that most represent those that will be
20 in effect during the period these new rates, if changed, will be in place.

21 Q. What items should be included in the true-up audit?

1 A. The true-up should recognize all significant cost of service increases and decreases
2 that have occurred through the true-up date. Those key items normally include the
3 following:

- 4 (1) Plant and depreciation reserve
- 5 (2) Reserve for deferred taxes, customer advances and deposits
- 6 (3) Fuel inventories for oil and coal prices
- 7 (4) Related cash working capital effects
- 8 (5) Capital structure and rate of return
- 9 (6) Revenues (adjusted for change in customers)
- 10 (7) Cost of fuel and purchased power
- 11 (8) Payroll and payroll taxes (level of employees and wages)
- 12 (9) Rate case expense
- 13 (10) Property taxes
- 14 (11) Depreciation expense
- 15 (12) Income tax effect

16 Q. What true-up period are you requesting?

17 A. The above items should be trued-up through February , 1, 2002.

18 Q. Why was February 1, 2002 selected as the true-up date?

19 A. The primary reason is to insure the Aries power plant is operating and providing the
20 capacity to UtiliCorp. This date will also allow enough time to audit the true-up

1 items before the operational law date of the new tariffs, if a change is authorized by
2 this Commission.

3 **Income Taxes**

4 Q. Please explain adjustment CS-90, current income taxes.

5 A. Adjustment CS-90 is the calculation of the provision for current taxes for the adjusted
6 test year. This adjustment takes the net income before taxes and adjusts it for various
7 additions and subtractions to come up with the proper net taxable income. The net
8 taxable income is then multiplied by the appropriate tax rate to get the current
9 provision for income tax. The difference between the calculated income tax and the
10 per book income tax is the amount shown as Adjustment CS-90 as depicted on
11 Schedule GLC-4.

12 Q. Please describe adjustment CS-91, deferred taxes.

13 A. The deferred income tax adjustment is the difference between the per book deferred
14 taxes and the amount adjusted for the test year. The calculated deferred taxes utilize
15 the interperiod income tax allocation procedure, which in the utility industry are more
16 commonly referred to as "normalization", recognize the tax effect of book versus tax
17 timing differences in the same period in which the related transactions are recognized
18 in book income. Normalization is distinguished from the "flow-through" method
19 which does not attempt to relate the measurement of income tax expense for a period
20 to book income. The Commission has historically allowed only normalization of
21 those items which are statutorily protected; that is those differences that are required

1 by the Internal Revenue Code. For purposes of this proceeding, we have determined
2 to seek normalization of only those items historically provided such treatment by this
3 Commission.

4 Q. Please describe the timing differences which you have identified.

5 A. The timing differences include advances for constructions, contributions in aid of
6 construction and accelerated depreciation.

7 Q. Why have you adjusted Current Income Tax a second time as depicted on adjustment
8 Number CS-93?

9 A. This is the additional current income taxes associated with the additional revenue
10 requirement reflected in Adjustment Number CS-92.

11 Q. What is the additional revenue requirement reflected in Adjustment Number CS-92?

12 A. This is the incremental revenue increase that UtiliCorp is asking the Commission to
13 rule on in this case. This revenue increase is required for UtiliCorp to provide safe
14 and reliable service to its customers and earn a fair rate of return on its investment.

15 Q. Does this conclude your direct testimony?

16 A. Yes.

UtiliCorp United Inc
DBA Missouri Public Service
Case No. ER-
Twelve Months Ended June 30, 2000

Revenue Requirement

Line		Low 9.909% Return	Mid 10.029% Return	High 10.149% Return
	(a)	(b)	(c)	(d)
1	Net Orig Cost of Rate Base (Sch 2)	\$ 573,961,485	\$ 573,961,485	\$ 573,961,485
2	Rate of Return	9.909%	10.029%	10.149%
3	Net Operating Income Requirement	\$ 56,873,844	\$ 57,561,449	\$ 58,249,055
4	Net Income Available (Sch 3)	\$ 27,154,588	\$ 27,154,588	\$ 27,154,588
5	Additional NOIBT Needed	29,719,255	30,406,861	31,094,467
6	Additional Current Tax Required	\$ 18,517,474	\$ 18,945,907	\$ 19,374,341
7	Required Deferred ITC			
8	Test Year Deferred ITC			
9	Additional Deferred ITC Required	\$ -	\$ -	\$ -
10	Total Additional Tax Required	18,517,474	18,945,907	19,374,341
11	Gross Revenue Requirement	48,236,729	49,352,769	50,468,808

Schedule GLC-1

UtiliCorp United Inc
DBA Missouri Public Service
Case No. ER-
Twelve Months Ended June 30, 2000

Rate Base

Line No.	Line Description	Amount
	(a)	(b)
Total Plant :		
1	Total Plant in Service-MPS Only (Sch 3)	\$ 1,041,249,353
1a	Total Plant in Service-MPS' Share of UCU (Sch 3a)	61,087,980
	Total Plant	1,102,337,333
Subtract from Total Plant:		
2	Depr Reserve-MPS & UCU Share (Sch 5)	454,467,320
	Total Depreciation Reserve	454,467,320
3	Net Plant in Service	\$ 647,870,013
Add to Net Plant in Service		
4	Cash Working Capital	(21,191,139)
5	Materials and Supplies	13,206,742
6	Prepayments	1,752,990
7	Fuel Inventory - Oil	1,718,701
8	Fuel Inventory - Coal	8,732,243
9	Fuel Inventory - Coke	0
10	AAO Def Sibley Rebuild & Western Coal 1990	1,827,397
11	AAO Def Sibley Rebuild & Western Coal 1993	1,678,707
Subtract from Net Plant:		
12	Customer Advances for Construction	\$ 3,340,556
13	Customer Deposits	2,794,388
14	Deferred Income Taxes - Depreciation	75,275,435
15	Deferred Income Taxes - AAO	0
16	Unamortized Investment Tax Credit	223,791
17	Total Rate Base	\$ 573,961,485

UtiliCorp United Inc
DBA Missouri Public Service
Case No. ER-
Twelve Months Ended June 30, 2000

Income Statement

Line No.	Description	Total Electric	Electric Non-Juris	Electric Jurisdictional	Adjustment	Jurisdictional As Adjusted
	(A)	(B)	(C)	(D)	(E)	(F)
1	Operating Revenue	320,327,615	9,691,164	310,636,451	(2,433,675)	308,202,776
2	Operating Expenses:					
3	Production	126,047,036	5,359,859	120,687,177	39,725,303	160,412,480
4	Transmission	6,780,840	243,568	6,537,272	76,196	6,613,468
5	Distribution	14,313,992	47,235	14,266,757	370,389	14,637,146
6	Customer Accounting	6,675,475	221	6,675,254	275,084	6,950,338
7	Customer Services	331,750	(1)	331,751	(36,280)	295,471
8	Sales	852,690	(1)	852,691	(342,891)	509,800
9	A & G Expenses	27,582,622	463,543	27,119,079	(1,784,999)	25,334,080
10	Total O & M Expenses	182,584,406	6,114,425	176,469,981	38,282,801	214,752,782
11	Depreciation Expense	42,968,485	864,956	42,103,529	4,382,949	46,486,478
12	Amortization Expense	138,027	739	137,288	(6,087)	131,201
13	Taxes other than Income Tax	28,160,947	350,992	27,809,955	(10,828,179)	16,981,776
14	Net Operating Income before Ta	66,475,750	2,360,052	64,115,698	(34,265,158)	29,850,540
15	Income Taxes	19,104,216	678,246	18,425,970	(13,112,174)	5,313,796
16	Income Taxes Deferred	(4,839,961)	(97,428)	(4,742,533)	2,933,238	(1,809,295)
17	Investment Tax Credit	(825,159)	(16,610)	(808,549)	-	(808,549)
18	Total Taxes	13,439,096	564,208	12,874,888	(10,178,936)	2,695,952
19	Total Net Operating Income	53,036,654	1,795,844	51,240,810	(24,086,222)	27,154,588

MISSOURI PUBLIC SERVICE
DESCRIPTION OF ADJUSTMENTS TO NET OPERATING INCOME
FOR THE YEAR ENDED JUNE 30, 2000

Adj No.	Description of Adjustment (A)	Witness	Increase (Decrease) (B)
R-10	Customer & Weather Adj This adjusts test period revenues to reflect normal cooling and heating degree days and annualizes revenues for 2001 customer level. Operating Revenues	Adkins	\$ 18,292,185
R-20	Eliminate Franchise Tax This adjustment eliminates Franchise tax from the revenue requirement computation. Operating Revenues	Starkebaum	\$ (10,399,281)
R-30	Eliminate Unbilled Revenues This adjusts revenues to a billed basis. Operating Revenues	Starkebaum	\$ (117,834)
R-40	Off-system Revenue Sharing This adjustment provides a 50% sharing of the revenues to the customers and shareholders for profits made from off-system sales. Operating Revenues	Pella	\$ (10,208,745)
FPP-10	Fuel and Purchased Power Energy This adjustment annualizes the test year fuel expense for changes in the test year through December 31, 2001. Steam Power/Other Power Generation - Fuel Purchased Power	Ferry	\$ 25,975,071
FPP-20	Purchased Power Demand Charge This adjustment annualizes the demand component of purchased power for changes in capacity effective January 1, 2002. Purchased Power	Ferry	\$ 12,757,957
FPP-30	Off System Sharing This adjustment provides a 50% sharing of the margins to the customers and shareholders for profits made from off-system sales. Production Expense	Pella	\$ (2,426,145)
FPP-50	Guaranteed Generation This adjustment annualizes the cost of guaranteed generation in case of a major outage. Production Expense	Pella	\$ 892,514

MISSOURI PUBLIC SERVICE
DESCRIPTION OF ADJUSTMENTS TO NET OPERATING INCOME
FOR THE YEAR ENDED JUNE 30, 2000

Adj No.	Description of Adjustment (A)	Witness	Increase (Decrease) (B)
CS-5	Payroll This adjustment annualizes payroll expense for the test year. Production Transmission Distribution Customer Accounting Customer Service Sales Administrative & General Total	Moten	\$ 2,087,223
CS-11	Employee Benefits - 401 (K) This adjustment annualizes the MPS portion of the 401 (k) payment made on behalf of its employees. Administrative and General	Hattley	\$ 34,837
CS-12	Employee Benefits - Pensions This adjustment annualizes the MPS pension expense that it pays on behalf of its employees. Administrative and General	Hattley	\$ (911,561)
CS-13	Employee Benefits - Employee Stock Option Plan (ESOP) This adjustment annualizes the MPS ESOP expense that it pays on behalf of its employees. Administrative and General	Hattley	\$ 49,422
CS-14	Employee Benefits - Health and Dental This adjustment annualizes the MPS Health and Dental expense that it pays on behalf of its employees. Administrative and General	Hattley	\$ 831,911
CS-15	Employee Benefits - OPEB SFAS 106 This adjustment annualizes the MPS OPEB SFAS 106 expense that it pays on behalf of its employees. Administrative and General	Hattley	\$ 205,531
CS-20	Enterprise Support Function (ESF) and Intra Business Utility (IBU) This adjustment updates the ESF and IBU corporate allocation factors to January 2001 drivers excluding SJLP effect. Administrative and General	Agut	\$ (4,765,501)
CS-25	Greenwood Power Plant Lease This adjustment annualizes the effect of the new Greenwood power plant leases. Other Production Expenses	Pella	\$ 1,973,255

MISSOURI PUBLIC SERVICE
DESCRIPTION OF ADJUSTMENTS TO NET OPERATING INCOME
FOR THE YEAR ENDED JUNE 30, 2000

Adj No.	Description of Adjustment (A)	Witness	Increase (Decrease) (B)
CS-40	Injuries and Damages Expense This adjusts Injuries and Damages to an annualized level based on a three year average. Administrative and General	Moten	\$ 1,170,727
CS-43	Bad Debt Expense This adjusts bad debt expense to an annualized level based on a three year average rate times annualized revenue Customer Accounting Expense	Moten	\$ (268,217)
CS-46	PSC Assessment This adjustment annualizes the PSC assessment to the most current bill received. Administrative and General	Starkebaum	\$ 115,415
CS-49	Customer Deposit Interest This entry annualized the interest expense related to customer deposit. Customer Accounting Expense	Starkebaum	\$ 25,300
CS-50	Rate Case Expense This adjustment annualizes the expense related to the preparation of the rate case and amortizes it over 3 years. Administrative and General	Starkebaum	\$ 250,000
CS-51	FERC Assessment This adjustment eliminates the non-jurisdictional portion of the FERC assesement from the retail operations Administrative and General	Starkebaum	\$ (2,186)
CS-52	Dues and Donations This adjustment eliminates all dues and donations except EPRI, EEI and Power Pool dues. Administrative and General	Starkebaum	\$ (277,235)
CS-53	Miscellaneous Per Book Adjustments This adjustment corrects the per book amounts due to product coding errors. Administrative and General	Starkebaum	\$ (47,924)
CS-54	Advertising Expense This adjustment eliminates all advertising except safety, informational and general. Customer Service and Informational Expense Sales Expense	Starkebaum	\$ (314,992)

MISSOURI PUBLIC SERVICE
DESCRIPTION OF ADJUSTMENTS TO NET OPERATING INCOME
FOR THE YEAR ENDED JUNE 30, 2000

Adj No.	Description of Adjustment (A)	Witness	Increase (Decrease) (B)
CS-55	Accounts Receivable Program Cost This adjustment annualizes the expense incurred in the Accounts Receivable Program. Customer Accounting Expense	Tokic	\$ 729,720
CS-56	Postage Expense This adjustment annualizes postage expense to the current postage rate. Customer Accounting Expense	Starkebaum	\$ 25,461
CS-70	Payroll Taxes This adjustment annualizes FICA, Medicare, FUTA and SUTA tax expense. Taxes Other Than Income Tax	Moten	\$ 91,479
CS-73	Ad Valorem Taxes This adjustment annualizes Property taxes based on plant in service adjusted in this case. Taxes Other Than Income Tax	Moten	\$ (413,557)
CS-75	Franchise Taxes This adjustment eliminates test year franchise tax from the revenue requirement calculation, see R-20 above. Taxes Other Than Income Tax	Starkebaum	\$ (10,399,281)
CS-80	Depreciation This adjustment annualizes depreciation expense for plant additions through the end of the test year. Depreciation Expense	Moten	\$ 4,830,288
CS-86	ITRON Maintenance This adjustment annualizes the hand held meter reader maintenance expense for the test year. Maintenance for General Plant	Starkebaum	\$ 28,707
CS-90	Current Income Taxes Expense This adjustment annualizes the current income tax based on adjusted net operating income. Income Taxes, Operating Income	Clemens	\$ (13,112,136)
CS-91	Deferred Taxes & ITC This adjustment annualizes deferred income tax to the appropriate level. Deferred Income Taxes	Clemens	\$ 2,933,238

MISSOURI PUBLIC SERVICE
DESCRIPTION OF ADJUSTMENTS TO NET OPERATING INCOME
FOR THE YEAR ENDED JUNE 30, 2000

Adj No.	Description of Adjustment (A)	Witness	Increase (Decrease) (B)
CS-92	Revenue Adjustment This adjustment reflects the revenue increase needed based upon the revenue deficiency. Operating Revenues	Clemens	\$ 49,352,668
CS-93	Current Income Taxes This adjust income taxes to reflect Adjustment CS-92 above. Income Taxes, Operating Income	Clemens	\$ 19,374,302

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)

[illegible]

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

Subscribed and sworn to before me this 1st day of June, 2001.

My Commission expires:

8/20/2004

