

Exhibit No.:

Issues: Employee Benefits

Witness: Angela D. Hattley

Sponsoring Party: Missouri Public  
Service

Case No.: ER-

Before the Public Service Commission  
of the State of Missouri

Direct Testimony

of

Angela D. Hattley

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI  
DIRECT TESTIMONY OF ANGELA D. HATTLEY  
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 Angela D. Hattley and my business address is 10700 East 350 Highway,  
3 Kansas, City, Missouri.

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

5 A. I am presently employed by UtiliCorp United Inc. ("UtiliCorp") as a Senior Regulatory  
6 Analyst.

7 Q. Please describe your educational and employment history.

8 A. In 1996 I received a Bachelors of Science degree in Accounting, from Kansas State  
9 University. I am currently working on a Masters of Business Administration from Baker  
10 University, with an estimated completion date of May 2002. In 1994, I began working  
11 for Missouri Public Service, a division of UtiliCorp, as an Accounting Intern. In 1997, I  
12 joined UtiliCorp as a Payroll Accountant and transferred to my current position in  
13 October 1999.

14 Q. What is the purpose of your testimony in this proceeding?

15 A. The purpose of my testimony is to support and explain various benefit adjustments in the  
16 Cost of Service area.

17 **Benefits**

18 Q. Does Schedule GLC-4 include several benefits adjustments?

19 A. Yes.

1 Q. What benefits are included?

2 A. This schedule includes 401(k) (CS-11), pensions (CS-12), Employee Stock Option Plan  
3 ("ESOP") (CS-13), health and dental (CS-14), and SFAS 106 other post employment  
4 benefits ("OPEB") (CS-15).

5 Q. Can you please explain UtiliCorp's 401(k) plan?

6 A. UtiliCorp provides its employees with an optional benefit known as the 401(k) plan. The  
7 plan is administered by American Century Investments. The 401(k) plan is a retirement  
8 savings program that allows employees to invest a percentage of their salary for  
9 retirement.

10 Q. Is there a portion that is matched by UtiliCorp?

11 A. Yes. UtiliCorp matches a portion of the funds invested by employees.

12 Q. How much does UtiliCorp match?

13 A. UtiliCorp matches up to six percent of base pay.

14 Q. How was this amount calculated for the purpose of the cost of service in this proceeding?

15 A. This matched portion, called 401(k) Employer Share, was calculated by taking the 401(k)  
16 balance, at twelve months ending June 30, 2000, and dividing it by the per books base  
17 pay, net of incentives, at twelve months ending June 30, 2000 to arrive at a percentage  
18 being matched. The aforementioned ratio was then multiplied by the annualized net base  
19 pay to come up with an annualized 401(k) amount.

20 Q. Why were incentives excluded from this calculation?

21 A. Incentives were excluded because these earnings are not 401(k) eligible.

22 Q. How was the employer pension plan adjustment calculated?

1 A. The employer pension share was calculated using the latest available William M. Mercer  
2 Incorporated ("Mercer") study with fiscal 2000 data. UtiliCorp employs Mercer as its  
3 actuary for computing pensions and FASB 106 liabilities. The adjustment was calculated  
4 by taking the "Total Allocated Net Periodic Pension Cost" per the Mercer Study, less the  
5 amount recorded at June 30, 2000.

6 Q. How was the ESOP portion of the adjustment calculated?

7 A. The ESOP portion was calculated by multiplying the annualized net base salary and  
8 wages by 3%, which is the UtiliCorp contribution portion and comparing this annualized  
9 amount to the as recorded amount.

10 Q. Can you please explain the adjustment made to the health, dental and vision benefits?

11 A. Yes. The amount on the books at June 30, 2000 was adjusted by the known health, dental  
12 and vision priced at 2001 rates.

13 Q. Where were the 2001 rates obtained?

14 A. The rates for 2001 were provided by the Human Resources Department of UtiliCorp.  
15 The rates are per UtiliCorp's contract with Blue Cross Blue Shield.

16 Q. What was the method used to adjust health, dental and vision with the 2001 rates?

17 A. The employee count, as of December 31, 1999 was used to determine the existing  
18 coverage and coverage amount for each employee. The employee count, summarized by  
19 department, was multiplied by the various types of employee coverage. This figure was  
20 then multiplied by the 2001 rates for health, dental and vision costs. This adjustment was  
21 made, based on the assumption that each employee would have on-going coverage.

22 Q. What types of employee coverage are involved?

1 A. The types of employee coverage are: employee, employee plus one, and employee plus  
2 two or more.

3 Q. What are the components of MPS' SFAS 106 adjustment?

4 A. The annual OPEB expense under SFAS 106 includes the employee service costs, which  
5 are the estimated cost of benefits paid in the future, discounted to the present year. The  
6 interest cost is the increase in the projected benefit obligation due to the passage of time.  
7 Differences between the actuarial assumptions and actual experience, the gains/losses, are  
8 amortized over five years. Another component of the OPEB adjustment is the transition  
9 obligation, which is the unfunded and unrecognized accumulated postretirement benefit  
10 obligation for all plan participants at the date SFAS 106 is adopted. The prior service  
11 cost component results from amendments to the pension plan.

12 Q. How were the components used in calculating the OPEB adjustment?

13 A. The following components were added together; service cost, interest cost, amortization  
14 of transition amount, amortization of gain/loss, amortization of prior service cost. The  
15 expected return on assets was then subtracted out of this calculation to derive the  
16 estimated OPEB expense. This number was taken less the OPEB amount recorded on the  
17 books as of June 30, 2000 to calculate the adjustment.

18 Q. Are any other UtiliCorp benefits, as adjusted, included in Cost of Service Adjustment  
19 Number 10?

20 A. No. Only the benefits determined and listed above are included in Cost of Service  
21 Adjustment Number 10.


22 Q. Does this conclude your direct testimony?

23 A. Yes.

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]

Angela D. Hattley, being first duly sworn, deposes and says that she is the witness who sponsors the accompanying testimony entitled "Direct 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 1st day of June, 2001.

of June, 2001.

Gerrard D. Lutes  
Notary Public

8/20/2004

