Exhibit No.:
Issues: Rate Base and Various O&M Adjustments
Witness: Allison K. Moten
Sponsoring Party: Missouri Public Service
Case No.: ER-

Before the Public Service Commission
of the State of Missouri

Direct Testimony

of

Allison K. Moten

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
DIRECT TESTIMONY OF ALLISON K. MOTEN
ON BEHALF OF MISSOURI PUBLIC SERVICE,
A DIVISION OF UTILICORP UNITED INC.
CASE NO. ER-_____

Q. Please state your name and business address.

A. My name is Allison K. Moten and my business address is 10700 East 350 Highway, Kansas City, Missouri, 64138.

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

A. I am employed by UtiliCorp United Inc. ("UtiliCorp") as Senior Regulatory Analyst in the Regulatory Services department.

Q. Please briefly describe your duties and responsibilities as Senior Regulatory Analyst for UtiliCorp.

A. I am responsible for the preparation of financial and other data in connection with filings before regulatory bodies having jurisdiction over UtiliCorp's Missouri operations.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Science Degree in Business Administration with a major in Accounting from the University of Missouri-Columbia in July 1984. After graduation, I joined a local CPA firm. As staff accountant, I was responsible for monthly processing of clients financial information, tax preparation for the firm's clients, and was involved in several audit engagements. In July 1985, I accepted a position with UtiliCorp's Missouri Public Service ("MPS") division as a Staff Accountant in Property Accounting. Since then I have held various positions in the Accounting, Tax, Audit and Regulatory departments. In November 1992 I passed the Certified Public Accountants exam and I

am licensed in Missouri. In May 1999 I transferred from Regulatory Accounting to my current position at UtiliCorp.

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

A. The purpose of my testimony is to present certain schedules in support of UtiliCorp's request to increase the electric rates for its MPS division.

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

A. I am sponsoring the following rate base items which are listed on Schedule GLC-2 attached to UtiliCorp witness Gary Clemens' testimony.

- Plant-in-Service
- Accumulated Reserve for Depreciation
- Accounting Authority Orders
- Materials and Supplies, Emission Allowances
- Accumulated Deferred Income Taxes
- Unamortized Investment Tax Credit

Also I am sponsoring the following cost of service (operations) adjustments which are listed on Schedule GLC-4 attached to Mr. Clemens' testimony.

- Payroll Annualization
- Injuries and Damages
- Bad Debt Expense
- Ad Valorem Taxes
- Depreciation Annualization
- Payroll Taxes

PLANT-IN-SERVICE

Q. Briefly explain net utility plant-in-service and its role in rate base.

A. Rate base is the investment a utility has in its plant and equipment, net of depreciation reserve, adjusted for various items. Adjustments are made for rate base additions such as, materials and supplies, accounting authority orders, and cash working capital, as explained in UtiliCorp witness Renee Tokic's testimony. These assets are used to operate the company and as such, the company is allowed to earn a rate of return on those investor-supplied assets. Conversely, negative adjustments, called rate base offsets, are made for customers' funds which finance plant investment. Since MPS is entitled to earn a return on rate base, this adjustment ensures a return is not earned on those customer-financed assets. I will discuss in detail specific rate base additions and rate base offsets later in my testimony.

Q. Please explain Plant in Service.

A. In summary, MPS' Direct and MPS' Allocated portion of common general plant-in-service affecting electric jurisdictional operations by Federal Energy Regulatory Commission ("FERC") utility account was analyzed and listed by functional class. Plant functional classes are defined as production, transmission, distribution, general and common. Afterwards, each utility account was jurisdictionalized based on its functional class. Each step in calculating this plant-in-service amount is detailed further in my testimony.

Q. Please explain what you mean by "Direct" and "Allocated" plant.

A. **Direct plant** includes plant-in-service assets that support MPS' electric utility operations. Within the electric direct plant category is electric plant and an electric portion of MPS' common utility plant. Examples of electric plant are generating stations, poles, transformers, substations, and wire. Examples of common utility plant are vehicles,

tools, equipment, and service center buildings. These assets serve the entire electric and gas utility operations, and as such, should be apportioned to MPS' electric operations.

Allocated plant includes plant-in-service assets that support UtiliCorp's infrastructure. This plant is classified as common general plant. Examples of common general plant are computer hardware and software, such as the customer billing system and general ledger system and the Raytown and Kansas City office buildings. As mentioned previously, these assets support UtiliCorp's infrastructure and, accordingly, are allocated to departments and business units throughout UtiliCorp. As a UtiliCorp operating division, MPS receives an allocable portion of common general plant.

The allocation methodology is referred to in UtiliCorp witness Beverlee Agut's testimony. The explanation of the inclusion of MPS' electric jurisdictional share of those assets is detailed further in my testimony.

Q. Please continue your testimony regarding plant-in-service.

A. MPS' direct plant amounts start with per book electric plant balances from the 1999 FERC Form 1, pages 204-207 and 356a, from UtiliCorp's fixed asset system detailed records. MPS' allocated plant begins with electric per books balances from the 1999 FERC Form 1, page 356a. Next, a jurisdictional allocation factor based on functional class is applied to compute MPS' electric jurisdictional share.

Q. Were any adjustments made?

A. Yes. The electric jurisdictional December 31, 1999 amounts were adjusted for two major items: (1) MPS' Direct and Allocated electric jurisdictional construction projects scheduled to be in-service by the known and measurable ("K&M") period of

September 30, 2001 and (2) MPS' electric jurisdictional share of Jeffrey Energy Center ("JEC") Common plant-in-service.

Q. Please explain item 1.

A. A study was done from the project cost accounting system to review all open MPS Direct electric construction projects at December 31, 1999 that had estimated completion dates near September 30, 2001. From that population, only those with balances over $50,000 were chosen. Then, the work orders were sorted by estimated completion (in-service) date and assigned a utility plant account based on their work order description. Afterwards, jurisdictional allocation factors were applied based on their functional class. A similar study was done for Allocated plant. After all allocable construction or investment projects were identified, each project was analyzed to determine if it had an impact on MPS' electric jurisdictional operations. Those projects affecting MPS' electric operations had jurisdictional allocation factors applied based on each project's functional class.

Q. Have projected net retirements been included in plant-in-service, and if so, how was this calculated?

A. Yes. A retirement rate was calculated by dividing the MPS Direct electric year 2000 retirements into the year 2000 MPS Direct plant. This ratio was applied against monthly electric (Direct and Allocated) plant balances, thereby reducing gross electric plant. This ensures that plant-in-service is not overstated.

Q. By including open construction projects with estimated completion dates near the September 30, 2001 K&M date, is that the same as including Construction Work in Progress ("CWIP"), which by definition describes projects that are not yet completed?

A. No. The plant-in-service amount does not include CWIP amounts. The plant-in-service amounts in this filing represent investments considered to be used and useful in providing safe and reliable service to MPS electric customers by our K&M date of September 30, 2001.

Q. Please explain item 2.

A. JEC Common electric jurisdictional plant was included as another adjustment to December 31, 1999 plant-in-service. From the MPS' Case No. ER-90-101 workpapers on JEC Common Plant, the FERC utility accounts and amounts had previously been determined and were used in this filing. Further information about JEC Common Plant is explained in UtiliCorp witness Lisa Starkebaum's testimony.

ACCOUNTING AUTHORITY ORDERS

Q. What is the purpose of your discussion of accounting authority orders ("AAO")?

A. The purpose is to explain the necessity of rate case recovery of costs deferred by the AAO's issued to MPS by the Commission in Case Nos. EO-90-114 and EO-91-358, in connection with MPS' Sibley Rebuild Program and Sibley Western Coal Conversion Project.

Q. What is an AAO and what is its purpose?

A. An AAO is an order issued by the Commission which permits the requesting utility to defer certain costs on its books (outside of a rate case) with the opportunity to subsequently recover these costs through rates as opposed to being required to expense these costs in the current period. This can lessen the effect of regulatory lag, or the time between incurring costs and the recovery of those costs in rates.

Q. Please discuss the AAO's issued to MPS.

A. In Case Nos. EO-90-114 and EO-91-358, MPS requested and was granted AAO's for the previously mentioned Sibley Rebuild Program and Sibley Western Coal Conversion Project.

Q. Please discuss these projects.

A. Both projects were and are critical to MPS' ability to continue to provide reliable electric service to its customers at a reasonable cost. Briefly, the Sibley Rebuild Program extended the life of its three generating units by 20 years. Without this rebuild program, MPS would have had to find alternative sources of energy before Sibley Units 1 and 2 were retired from use in 1990 and Sibley Unit 3 by the mid-1990's. The Sibley Western Coal Conversion Project allowed MPS to achieve significant reductions in sulfur dioxide ("SO_2") emissions at the Sibley Generating Station. This project allowed MPS to stay in compliance with the Clean Air Act Amendments, provide safe, reliable, and environmentally desirable source of capacity and to protect the environment.

Q. What costs are being deferred by MPS?

A. MPS' AAO addition to rate base includes deferred depreciation and carrying costs (interest) associated with the plant-in-service resulting from the previously discussed Sibley projects at June 30, 2001. A jurisdictional factor was applied to each AAO to ensure only the portion affecting MPS' electric jurisdictional operations was included in rate base.

ACCUMULATED RESERVE FOR DEPRECIATION

Q. What is accumulated reserve for depreciation ("Reserve")?

A. MPS records its books and records under generally accepted accounting principles ("GAAP") thereby allowing accrual based accounting. As such, GAAP recognizes the

normal wear and tear on long-lived assets and allows a non-cash reserve account to build for the annual depreciation on these assets on the balance sheet, with an offset of that annual depreciation expense charged against current annual income. As this Reserve builds over time as a contra-asset account to plant-in-service, it shows the current net accounting (economic) value of those long-lived assets.

Q. How was the Reserve computed in this filing?

A. The calculation begins with December 31, 1999 electric reserve balances by utility plant account from the fixed asset system and totaled by functional class. The latter was compared to 1999 FERC Form 1, page 219 and adjustments were made to tie to page 219 based on the allocable share of reserve costs by utility plant account. Next, the Reserve from MPS' electric portion of common utility plant and MPS' Allocated portion of common general plant from December 31, 1999 FERC Form 1 page 356b was added. Next, a jurisdictional allocation factor based on functional class was applied to the Electric Per Books amount to compute MPS' electric jurisdictional share.

Q. Were any adjustments made?

A. Yes. These steps are very similar to plant adjustments mentioned earlier in my testimony. The electric jurisdictional December 31, 1999 amounts were adjusted for two major items: (1) the additional depreciation for MPS' Direct and Allocated electric jurisdictional construction projects scheduled to be in-service by the K&M period of September 30, 2001 and (2) the reserve balance for MPS' electric jurisdictional share of JEC Common plant-in-service.

Q. Please explain item 1.

A. Additional depreciation expense was computed and added to the December 31, 1999 Reserve balance. This additional depreciation expense was based on the December 31, 1999 Direct electric jurisdictional plant plus MPS' Direct electric jurisdictional construction projects with estimated completion dates within the K&M period of September 30, 2001 noted earlier in my testimony. A similar depreciation expense calculation was made for MPS' Allocated electric jurisdictional portion of common general plant. The allocation methodology is referred in Ms. Agut's testimony. The depreciation amounts were computed on depreciation rates established from the last depreciation order in Case No. ER-97-394.

Q. Have projected net retirements been included in the Reserve computation?

A. Yes.

Q. Please explain item 2.

A. JEC Common electric jurisdictional Reserve was included as an adjustment to MPS' reserve balance. From the MPS' Case No. ER-90-101 workpapers on JEC Common Plant, the FERC utility accounts and amounts had been determined and were used in this filing. This will be the offset to the JEC Common Plant amount included in plant-in-service. Further information about JEC Common Plant is explained in UtiliCorp witness Lisa Starkebaum's testimony.

MATERIALS AND SUPPLIES, EMISSION ALLOWANCES

Q. Why are materials and supplies ("M&S") inventories included in rate base?

A. M&S is considered working capital which is defined as the economic input of capital, in excess of the amount used to provide for utility plant, which is necessary to operate the business.

Q. Please explain the computation of the M&S rate base adjustment.

A. A thirteen-month average is used for most working capital items. For M&S, the monthly balances of FERC accounts 154 (Materials and Supplies) and 163 (Stores Expense) were averaged for the months of June 1999 through June 2000. By their general ledger product code, they were designated by utility (electric, gas, common or non-regulated) and function (generation, transmission or distribution).

Q. Please explain why a thirteen-month average calculation was selected.

A. The use of a thirteen-month average is a better measure than the investment at any one single month since monthly amount fluctuate and no one month is representative. The application of thirteen-month averaging has been utilized by both MPS and the Missouri Public Service Commission Staff ("Staff") in previous cases.

Q. Please continue with your explanation of the M&S adjustment.

A. Next, electric utility allocation factors were applied. The 100% Electric utility FERC allocation factor was used for all electric M&S average balances while a 0% Electric utility FERC allocation factor was applied to gas M&S inventories. Based on functional class, the corresponding jurisdictional allocation factor was used. For common M&S inventories, the net plant-in-service electric allocation factor Number 18 was used. A blended jurisdictional allocation factor based on the average of transmission and distribution jurisdictional allocation factors was used to jurisdictionalize the electric portion of common M&S.

Q. Was this blended jurisdictional factor accepted by the Staff in MPS Case No. ER-97-394?

A. Yes. In fact, it was used by the Staff in its computation of common M&S.

Q. What are emission allowances and why are they included with M&S?

A. Emission allowances are held by utilities classified by the Environmental Protection Agency ("EPA") as Phase I or Phase II electric generating plants and pertain to the SO_2 emissions from coal-fired units. SO_2 allowances have also been considered public utility property by the Public Service Commission. They are recorded in FERC account 158.1 and are considered by MPS as inventory. This balance is amortized in FERC account 509, Allowances, based on the tons of SO_2 emissions each month.

Q. How is the rate case adjustment for emission allowances computed in this filing?

A. For emission allowances, the monthly balances of FERC account 158.1 were averaged for the months of June 1999 through June 2000. It pertains 100% to electric operations and an energy jurisdictional factor was applied.

ACCCUMULATED DEFERRED INCOME TAXES

Q. What are accumulated deferred income taxes and how does it impact rate base?

A. As stated earlier in my testimony, accumulated deferred income tax ("ADIT") and the 3% portion of unamortized investment tax credits ("ITC"), along with customer deposits and customer advances, are classified as rate base offsets. These reductions to rate base represent customers' funds that finance plant, thereby ensuring a return is not earned on those customer-financed assets. In summary, the largest rate base offsets, ADIT and ITC, are computed as the sum of FERC accounts 281, 282, 283 (ADIT) and 255 (ITC), less FERC account 190 (ADIT). Deferred income tax liabilities and the 3% portion of unamortized ITC are explained further in my testimony. Ms. Starkebaum explains customer deposits and customer advances in her testimony.

Q. Please explain the calculation of ADIT for MPS direct property.

A. The four components that comprise MPS' electric ADIT are: FERC account 190 (ADIT), FERC account 281 (ADIT-Accelerated Amortization Property), FERC account 282 (ADIT-Other Property), and FERC account 283 (ADIT-Other). Each electric ADIT FERC account has general ledger subaccounts, specifically denoting the tax event to which it refers. If the accounts are identified as electric only, an electric jurisdictional allocation factor is used based on the type of tax event creating the ADIT. Common items which are not readily distinguishable as either electric or gas, are first allocated based on an electric utility factor based on the type of tax event creating the ADIT and then apportioned to retail operations based on a comparable jurisdictional factor.

Q. Where there any adjustments made to the accounts mentioned above?

A. Yes. The portion of FAS 109 recorded in both FERC accounts 186 and 282 has been eliminated.

Q. What time period was used for ADIT?

A. ADIT as of June 30, 2000 was used. This will be updated through February 1, 2002.

Q. Was this methodology used in prior MPS rate cases?

A. Yes. Both MPS and Staff used this methodology in MPS' Case No. ER-97-394.

Q. Please explain the calculation of ADIT for MPS' allocated share from UtiliCorp.

A. MPS is allocated a portion of UtiliCorp's FERC account 282 (ADIT-Other Property). That allocation is based on the same allocation factors used to allocate UtiliCorp's common plant assets to MPS. Since this is based on common plant, an electric utility allocation factor based on net plant-in-service factor No. 18 is applied to the ADIT balance and to the electric balance, a plant jurisdictional factor is applied.

UNAMORTIZED INVESTMENT TAX CREDIT

Q. What is the investment tax credit and why is it considered a rate base offset?

A. Investment tax credit ("ITC"), recorded as FERC account 255, was created by the federal government to encourage plant investment in the public sector. It allows a company to directly reduce its taxes payable balance. Over the years, the government offered various percentage levels of investment to be taken as a tax credit. For MPS, the 3% vintage is allowed as a rate base offset. As stated earlier in my testimony, this reduction to rate base represents customers' funds that finance plant-in-service, thereby ensuring a return is not earned on those customer-financed assets.

A. What time period was used for ITC?

Q. ITC as of June 30, 2000 was used. This will be updated through February 1, 2002.

Q. Please explain computation of the unamortized ITC amount in this case.

A. MPS' electric portion of FERC account 255 (ITC) as of June 30, 2000 was identified. The plant jurisdictional factor was applied to the electric balance to determine the total ITC applicable to MPS' electric jurisdictional operations.

PAYROLL ANNUALIZATION

Q. Please explain the Payroll operations adjustment CS-5.

A. MPS' payroll expense operations adjustment reflects annualized employee headcount and wage levels through the K&M test period.

Q. Please explain how the adjustment was calculated.

A. Standard earnings for the pay period ending August 25, 2000, were annualized, based on 26 pay periods in a year, which is consistent with the UtiliCorp bi-weekly payroll schedule.

Q. What is meant by "Standard Earnings"?

A. Standard Earnings categorize common labor costs that would determine each employee's typical hours per year. Examples of these earnings types include regular, holiday, vacation, or sick pay.

Q. Please continue with your explanation.

A. Annualized Standard Earnings were then added to actual "Other than Standard" earnings paid from September 1999 through August 2000. This timeframe represents 26 weeks of other than standard pay near the August 25, 2000 pay period ending date used to annualize Standard Earnings.

Q. What are examples of "Other than Standard" Earnings?

A. Other than Standard Earnings categorize labor costs that are price extras on an employee's standard pay. Examples would include shift differential, overtime and call-out pay.

Q. Please continue with your explanation.

A. Adjustments for pay increases, for both union and non-union personnel, and actual incentives paid are included to more accurately reflect the on-going payroll expense of the company. The total MPS adjusted annualized payroll was compared to the June 30, 2000 adjusted per books payroll to determine the amount of the adjustment. The adjustment was allocated to FERC accounts based on the year 2000 actual expense by FERC account.

Q. Why was the period ending August 25, 2000 used in the annualization?

A. The August 25, 2000 pay period was used in the annualization because it was the most current payroll available at the time the adjustment was originally prepared.

Q. How is overtime included in the adjustment?

A. Overtime is considered as Other than Standard pay. Only actual Other than Standard pay from September 1999 through August 2000, or 26 pay periods, is included.

Q. How was the payroll for JEC handled?

A. JEC employees are not employees of UtiliCorp; they are employees of Western Resources. MPS owns 8% of the JEC power plant and Western Resources bills MPS for 8% of the costs associated with operating and maintaining the plant on a monthly basis. The portions of payroll costs incurred that are for the direct benefit of MPS are recorded in a single department in the general ledger. Based on the department, the actual payroll expenses incurred during the test year were directly added to the annualization.

Q. Please continue.

A. The annualization is separated between Directly Charged payroll and Allocated payroll.

Q. What is the difference between Directly Charged and Allocated payroll expenses?

A. Directly Charged payroll are those expenses charged directly to the business unit that is benefiting from the function. Allocated payroll expenses represent costs that cannot be directly assigned to a particular business unit within UtiliCorp, yet the benefit of the function belongs to several business units. These expenses are typically administrative and general in nature.

Q. How are Allocated annualized payroll expenses assigned in this adjustment?

A. Allocated annualized payroll expenses were assigned to MPS based upon allocation factors effective January 1, 2001. Further discussion of the allocation process is referred to in Ms. Agut's testimony.

Q. How were payroll expenses Directly Charged to MPS by an allocable business unit handled?

A. Payroll expenses that were Directly Charged to MPS by an allocable business unit were subtracted from the payroll costs to be allocated. Once the allocation step of the payroll annualization process was complete, these expenses were added back.

Q. What is the rationale for using the above method to handle payroll expenses Directly Charged to MPS by an allocable business unit?

A. The rationale is, although most of the annualized payroll costs from other business units are allocable costs, some employees in those departments Directly Charge MPS business units. Therefore, those costs alone are 100% directly assigned to MPS and should be accounted for accordingly.

Q. How are payroll expenses that are Directly Charged from MPS to another business unit handled in this adjustment?

A. Payroll expenses that are Directly Charged from MPS to another business unit are excluded from the annualized payroll expenses.

Q. How are Allocated payroll expenses handled in this adjustment?

A. Only the MPS portion of the allocable payroll expense is included in this adjustment.

Q. Was an adjustment included to annualize wage increases?

A. Yes.

Q. In regard to wage increases, what percentage was used?

A. For all non-union employees 4.2% was used. For UtiliCorp union employees 4.0% was used. For JEC union employees 1.85% was used.

Q. How was the percentage for wage increases determined?

A. The percentages for UtiliCorp employees were provided by the Human Resources department. The non-union percentage represents average projected non-union employee

payroll increases for 2001. The UtiliCorp union percentage increase is per the current union contract for bargaining employees. The Western Resources Human Resources department provided the percentage for JEC union employees, per the JEC Plant Operations union contract.

Q. When are pay increases normally effective?

A. Pay increases for UtiliCorp non-union employees are normally effective annually on March 1. Pay increases for UtiliCorp union employees are based on the current union contract and are effective annually on October 1st. Pay increases for JEC Plant Operations employees are based on their current union contract, and are effective July 1, 2001.

Q. How were incentives handled in this adjustment?

A. The actual Direct and Allocable portion, by department, of the 1999 plan year incentive, paid in March 2000 was included in the adjustment.

Q. Why are vacant positions excluded from this payroll adjustment?

A. At any point in time, a large company, such as MPS, will have a certain number of vacant positions. At this time, it is deemed that the number of open positions is within a normal range. Therefore, no adjustment is required for this annualization period.

Q. Why is the payroll adjustment split between "Direct" and "Allocated"?

A. The payroll adjustment needs to be divided because both payroll and non-payroll allocation changes effective January 1, 2001, are already incorporated in Operations Adjustment CS-20 as sponsored by Ms. Agut. An adjustment has been made to the per book payroll in order to match the annualized payroll which incorporates the January 1, 2001 effective allocation factors. If an adjustment is not made to match the two allocated

payroll amounts, it would have the effect of doubling the adjustment for changes in allocation factors.

Q. From the annualization payroll total, how was the electric portion determined?

A. The allocations to electric were based on MPS' electric portion of actual payroll costs for the year 2000.

Q. What is the capitalization ratio, and how is it used in this adjustment?

A. The capitalization ratio represents the portion of expenses that are not operation and maintenance type expenses. Included in these expenses are all capital and balance sheet accounts and other deductions to income accounts. The payroll adjustment is decreased by a factor of 1 minus the capitalization ratio to arrive at an operating and maintenance only payroll expense adjustment.

Q. Was this adjustment jurisdictionalized?

A. Yes, the payroll adjustment was jurisdictionalized. Once the total operation and maintenance expense adjustment was calculated, the most current jurisdictional factors were applied based on FERC account. These factors are explained in the direct testimony of Ms. Agut.

PAYROLL TAXES

Q. What type of payroll taxes included in this adjustment, CS-70?

A. This adjustment was for FUTA (Federal Unemployment Tax), SUTA (State Unemployment Tax), FICA (Social Security Tax) and Medicare. In computing the adjustment, FUTA, SUTA and FICA taxes were computed differently than Medicare because the former three have wage limits on which their tax rates are applied. Medicare has no wage limit.

Q. How was the payroll tax adjustment calculated?

A. **FUTA and SUTA tax**:

A tax rate ratio was computed by comparing the June 30, 2000 MPS' per book electric portion of FUTA tax to MPS electric per books base payroll at June 30, 2000. That ratio was applied to the adjusted annualized electric payroll from the payroll annualization. The adjustment was the difference between the computed annualized payroll taxes and payroll taxes per books at June 30, 2000. The same method was used for SUTA taxes.

FICA tax:

A tax rate ratio was computed by comparing the June 30, 2000 MPS' per book electric portion of FICA tax to MPS electric per books at June 30, 2000 electric base payroll plus incentive. That ratio was applied to the adjusted annualized electric payroll plus incentive from the payroll annualization. The adjustment was the difference between the computed annualized payroll taxes and payroll taxes per books at June 30, 2000.

Medicare:

The medicare tax rate of 1.45% was applied to the difference between adjusted annualized base payroll plus incentive to the adjusted electric per books base payroll plus incentive.

Q. What occurs after computing the electric adjustments for FUTA, SUTA, FICA and Medicare as stated above?

A. The capitalization ratio and the Payroll jurisdictional factor No. 10 is applied to each adjustment.

INJURIES AND DAMAGES

Q. What costs are included as injuries and damages in adjustment CS-40?

A. The injuries and damages ("I&D") liability reserve FERC account 228.2 consists of four major areas: general liability, worker's compensation, property damage and auto liability. The reserve is increased (credit) with a corresponding debit to FERC account 925, I&D expense. FERC account 228.2 houses the reserve until a payment relieves the account.

Q. Please explain the calculation of this adjustment.

A. This adjustment averages the last three years of payout history from FERC account 228.2, which shows the payout cycle for I&D. The periods averaged were 12 months ended December 31, 1998, 12 months ended December 31, 1999 and 12 months ended June 30, 2000 that is the test year for this filing.

Q. Why was a three-year average chosen?

A. A three-year average best represents MPS going-level of I&D payments while under the current corporate Risk Management department which consolidated operations in 1996-1997. This department is responsible for the risk management duties for all business units within UtiliCorp, including MPS.

Q. Please continue.

A. The three-year average was for total MPS' electric and gas operations. Therefore, an I&D FERC utility allocation factor was used to determine the electric share of average payouts. The MPS electric payout was compared to the test year ending June 30, 2000 electric MPS per books expense in FERC account 925.

Q. Why does FERC account 925 have a negative balance?

A. This occurred due to a true-up to the I&D reserve balance. This adjustment reverses the impact of a prior period entry to more accurately reflect the I&D liability.

Q. Please continue with the explanation of this adjustment.

A. The electric share of the payout was compared with the electric per books amount and to that difference, jurisdictional allocation factor was applied.

BAD DEBT EXPENSE

Q. What is the purpose of a bad debt adjustment in CS-43?

A. A bad debt adjustment updates MPS' electric jurisdictional per book bad debt expense to be in line with MPS' new weather normalized electric jurisdictional revenue level. The first step annualizes MPS' uncollectible account via net write-offs to an annualized level for the test year. The annualized level of bad debt expense is calculated by multiplying the actual average net write-off rate for the last 3 years (1997-1999) times that adjusted test year level of jurisdictional electric operating revenues.

Q. Why is a three-year average used?

A. The three-year average used was the most current available at the time the adjustment was prepared. This will be updated for 1998-2000 period.

Q. Please continue.

A. Next, the new electric jurisdictional bad debt level is compared with MPS' electric jurisdictional per books bad debt expense. The difference is the MPS' electric jurisdictional bad debt adjustment.

AD VALOREM TAXES

Q. Please explain the ad valorem tax adjustment CS-73.

A. This adjustment annualizes ad valorem taxes, also known as property taxes, for the test year ending June 30, 2000.

Q. Please explain the method for annualizing ad valorem taxes.

A. The method is based on the gross electric jurisdictional plant-in-service balance at June 30, 2000, adjusted for K&M additions through September 30, 2001. Also, the electric jurisdictional portion of materials and supplies and fuel stock is included to derive Total Original Asset Cost (electric-jurisdictional). Next, the Rate of Assessed Value as a percentage of Total Plant was applied to determine the assessed value of the MPS electric jurisdictional property. The calculated assessed value was then multiplied by the rate of "Taxes paid as a percent of Assessed Value". Both rates pertained to the 1999 tax year and will be updated to the 2000 tax year. This annualized electric jurisdictional ad valorem amount was compared to the electric jurisdictional portion of property tax expenses for the test year.

Q. Was this methodology used in prior MPS rate cases?

A. Yes. This methodology was used by the Staff in MPS' Case No. ER-97-394.

DEPRECIATION ANNUALIZATION

Q. Please explain the details of the depreciation adjustment CS-80.

A. This adjustment computes the annualized depreciation expense on MPS' Direct and Allocated electric jurisdictional plant-in-service at the K&M date of September 30, 2001. The definition of Direct and Allocated plant was discussed earlier in my testimony. The methodology for allocated common general plant is referred to in Ms. Agut's testimony.

Q. What depreciation rates are used in your depreciation calculation?

A. All rates are from the depreciation order from MPS Case No. ER-97-394.

Q. Please continue with your explanation.

A. An applicable depreciation rate, per the depreciation order, was applied to each electric jurisdictional plant-in-service amount by FERC utility account. This calculated MPS'

annualized electric jurisdictional depreciation expense for both MPS Direct and Allocated electric jurisdictional plant. The adjustment is the difference between the computed annualized electric jurisdictional depreciation expense and the MPS per books electric jurisdictional depreciation expense at June 30, 2000.

Q. Does this conclude your direct testimony?

A. Yes.

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-_____

County of Jackson)
) ss
State of Missouri)

AFFIDAVIT OF ALLISON K. MOTEN

Allison K. Moten, being first duly sworn, deposes and says that she is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Allison K. Moten;" 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.

Allison K. Moten

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

Notary Public

My Commission expires:

8/20/2004

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