

Exhibit No.:

Issues: Cash Working Capital
and Accounts
Receivable Program

Witness: Renee E. Tokic

Sponsoring Party: Missouri Public
Service

Case No.: ER-

Before the Public Service Commission
of the State of Missouri

Direct Testimony

of

Renee E. Tokic

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
DIRECT TESTIMONY OF RENEE E. TOKIC
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 Renee E. Tokic and my business address is 10700 East 350 Highway, Kansas
3 City Missouri.

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 group
6 as a Senior Regulatory Analyst.

7 Q. Please state your educational background and experience.

8 A. I attended Oregon State University in Corvallis Oregon, from which I received a Bachelor
9 of Science Degree. In 1985 I began working for Cargill Incorporated and held several
10 positions within Accounting Services. In 1994 I joined Wesley Medical Center in
11 Wichita Kansas as an Accounting Manager. In 1995 I joined Raytheon Aircraft Services
12 and held several positions within Internal Audit and Government Compliance. In 1998 I
13 joined UtiliCorp as a Senior Auditor and currently hold a position within Regulatory
14 Services.

15 Q. What adjustments are your sponsoring?

16 A. In this case involving UtiliCorp's Missouri Public Service ("MPS") operating division, I
17 am sponsoring a portion of Cash Working Capital and Operations Adjustment No. CS-55
18 called Accounts Receivable Program Cost.

19 Q. What is Cash Working Capital and why should it be a component of Rate Base?

1 A. Cash Working Capital can be defined as the economic input of capital – in excess of the
2 amount used to provide for net utility plant – which is necessary to operate the business.
3 It should be a component of rate base because it will compensate investors for the capital
4 they have provided to operate the business or compensate the customer if cash received
5 from the customer is collected before the payments are made for various expenses.

6 Q. What is a lead/lag study and what is its purpose in determining the Cash Working Capital
7 allowance?

8 A. A lead/lag study is used to calculate the cash requirements necessary to meet the ongoing
9 operating expenses of a company. The results of a lead/lag study are one component used
10 in calculating the working capital component of rate base.

11 Q. How does a lead/lag study measure the amount of cash required for operating expense?

12 A. It measures the difference: (1) the time a service is rendered until the time revenues for
13 that service are received (“lag”), and (2) the time that services, materials, etc. are
14 obtained/used and the time expenditures for those services are made (“lead”). The
15 applicable lead period for each major category of expense is compared to the revenue lag
16 period. The difference between those periods, expressed in days, multiplied by the
17 average daily operating expense provides the amount of cash working capital
18 requirement.

19 Q. How were the test year average lag days for revenue and lead days for operating expense
20 determined?

21 A. The revenue lag days were determined by averaging the account receivable turnover days
22 during the test year. The average revenue lag days were then further adjusted for the fact
23 that UtiliCorp sells the MPS accounts receivable. The percentage of accounts receivable

1 retained during the test year was multiplied by the average accounts receivable turnover
2 during the test year. The average reading date and the average bill processing time were
3 then included to produce the revenue lag in days. The expense lead days were
4 determined by compiling/analyzing actual data for the test year for each of the categories
5 documented in Schedule RET-1.

6 Q. How is the adjustment CS-55 calculated?

7 A. This adjustment is based on the difference between the revenue lag without the accounts
8 receivable sales program versus the revenue lag with the accounts receivable sales
9 program has been divided by 365 days. This result is then multiplied times the
10 annualized test year expenses subject to the revenue lag. This amount is then multiplied
11 times the Accounts Receivable Sales Program Investor Assignee Rate at June 30, 2000.
12 The result represents the expense included as Operations Adjustment No CS-55 as shown
13 on schedule GLC-4 which is attached to Gary Clemens testimony who has filed
14 testimony in this case.

15 Q. Please explain the Accounts Receivable Program?

16 A. The Accounts Receivable Program was implemented by UtiliCorp whereby it sells
17 MPS's receivables. This program reduces the accounts receivable balance and turnover
18 ratio, which in turn reduces the revenue lag and subsequently the cash working capital in
19 the rate base. Since the selling of these accounts receivables is not cost free, it is
20 appropriate to consider the interest or financing costs that is incurred with the selling of
21 these accounts receivables.

22 Q. Does this Accounts Receivable Program adjustment effectively adjust interest expense to
23 the correct level?

1 A. Yes.

2 Q. Does this conclude your direct testimony?

3 A. Yes.

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MPS

Cash Working Capital - Schedule 6

TYE 06/30/00

| Line # | Account Description (A) | W/P Ref | (Elec-Juris) Test Year Expenses (B) | Revenue Lag (C) | Expense Lead (D) | Net (Lead)/Lag (C) - (D) (E) | Factor (Col E/365) (F) | CWC Req (B) X (F) (G) |
|---|--|-----------------|--|-----------------------|------------------------|---------------------------------------|------------------------------|-----------------------------|
| Operations & Maintenance Expense | | | | | | | | |
| 1 | Cash Vouchers | diff | \$ 33,920,442 | 21.59 | 44.14 | (22.5492) | (0.06178) | (2,095,556) |
| 2 | Federal Income Tax Withheld | CWC-10 | 6,827,192 | 21.59 | 18.09 | 3.5008 | 0.00959 | 65,482 |
| 3 | State Income Tax Withheld | CWC-10 | 1,779,676 | 21.59 | 22.44 | (0.8492) | (0.00233) | (4,140) |
| 4 | FICA Withheld - Employee's portion | CWC-10 | 3,184,110 | 21.59 | 18.09 | 3.5008 | 0.00959 | 30,540 |
| 5 | Net Payroll | CWC-10 | 17,707,358 | 21.59 | 15.05 | 6.5408 | 0.01792 | 317,317 |
| 6 | Accrued Vacation | CWC-10 | 692,393 | 21.59 | 365.00 | (343.4092) | (0.94085) | (651,436) |
| 7 | Deferred Vacation | CWC-10 | 60,899 | 21.59 | 638.75 | (617.1592) | (1.69085) | (102,971) |
| 8 | Purchased Gas & Oil | Sch 7, AC 547 | 971,573 | 21.59 | 47.37 | (25.7792) | (0.07063) | (68,620) |
| 9 | Injuries & Damages | CS-40 | 1,167,581 | 21.59 | 388.00 | (366.4092) | (1.00386) | (1,172,089) |
| 10 | Materials & Supplies | CWC-20 | 3,454,066 | 21.59 | 44.00 | (22.4092) | (0.06139) | (212,062) |
| 11 | Prepayments | CWC-30 | 2,954,388 | 21.59 | 38.00 | (16.4092) | (0.04496) | (132,819) |
| 12 | Purchased Power | Sch 7, AC 555 | 86,596,961 | 21.59 | 36.24 | (14.6492) | (0.04013) | (3,475,545) |
| 13 | Sibley - Coal & Freight | Sch 7, AC 501 | 35,937,366 | 21.59 | 25.00 | (3.4092) | (0.00934) | (335,662) |
| 14 | | | | 21.59 | 23.00 | (1.4092) | (0.00386) | 0 |
| 15 | Jeffrey Coal & Freight | CS-60 | 15,397,377 | 21.59 | 7.01 | 14.5808 | 0.03995 | 615,086 |
| 16 | Lease Payments | CS-25 | 4,101,401 | 21.59 | 67.32 | (45.7292) | (0.12529) | (513,846) |
| 17 | Total Operation & Maintenance Expense | | \$ 214,752,782 | | | | | (7,736,322) |
| 18 | Interest Expense | CWC-40 or Sch 8 | \$ 24,556,368 | 21.59 | 90.19 | (68.5992) | (0.18794) | (4,615,196) |
| Taxes other than Income Taxes | | | | | | | | |
| 19 | Ad Valorem/Property | CWC-50 | \$ 14,558,937 | 21.59 | 193.00 | (171.4092) | (0.46961) | (6,837,083) |
| 20 | FICA & Medicare - Employer's portion | CWC-50 | 2,172,235 | 21.59 | 18.09 | 3.5008 | 0.00959 | 20,835 |
| 21 | Unemployment Taxes (FUTA & SUTA) | CWC-50 | 51,898 | 21.59 | 75.19 | (53.5992) | (0.14685) | (7,621) |
| 22 | Corporate Franchise | CWC-50 | 452,972 | 21.59 | (75.50) | 97.0908 | 0.26600 | 120,492 |
| 23 | City Franchise | CWC-50 | 10,399,281 | 21.59 | 68.22 | (46.6292) | (0.12775) | (1,328,520) |
| 24 | Sales Taxes | CWC-50 | 6,484,708 | 21.59 | 37.05 | (15.4592) | (0.04235) | (274,653) |
| 25 | Other Taxes | CWC-50 | (274,310) | 21.59 | 44.14 | (22.5492) | (0.06178) | 16,946 |
| 26 | Total Taxes other than Income Taxes | | \$ 33,845,721 | | | | | (8,289,605) |
| 27 | Current Income Taxes-Federal | Sch 8 | 4,592,169 | 21.59 | 58.95 | (37.3592) | (0.10235) | (470,026) |
| 28 | Current Income Taxes-State | Sch 8 | 721,627 | 21.59 | 62.05 | (40.4592) | (0.11085) | (79,990) |
| 29 | Total Cash Working Capital Requirement | | 278,468,667 | | | | | (21,191,139) |

**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)

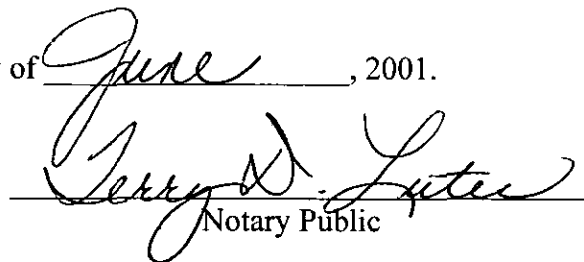
AFFIDAVIT OF RENEE E. TOKIC

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



Renee E. Tokic

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


Notary Public

My Commission expires:

8/20/2004

