

Exhibit No.:
Issue: Revenue Requirement
Witness: Roy M. Boltz, Jr.
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: TT-2001-117

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

ROY M. BOLTZ, JR.

OZARK TELEPHONE COMPANY

CASE NO. TT-2001-117

Jefferson City, Missouri
November, 2000

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

REBUTTAL TESTIMONY

OF

ROY M. BOLTZ, JR.

OZARK TELEPHONE COMPANY

CASE NO. TT-2001-117

Q. Please state your name and business address.

A. Roy M. Boltz, Jr., P.O. Box 360, Jefferson City, Missouri, 65102.

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

A. I am a Regulatory Auditor with the Missouri Public Service Commission
(Commission).

Q. Please describe your educational background.

A. I attended Lincoln University in Jefferson City, Missouri, from which I
received a Bachelor of Science degree in Business Administration, with a major in
Accounting, in May 1975.

Q. Have you previously testified before this Commission?

A. Yes, I have. Please refer to Schedule 1, which is attached to my rebuttal
testimony, for a list of cases in which I have previously filed testimony.

Q. Have you made an investigation or study of the books and records of the
Ozark Telephone Company (Company) in Case No. TT-2001-117?

A. Yes I have, with the assistance of other members of the Commission Staff
(Staff).

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

Rebuttal Testimony of
Roy M. Boltz, Jr.

1 A. The purpose of my rebuttal testimony is to present the preliminary
2 findings of Staff's review of Ozark Telephone Company's telephone operations. This
3 review was performed as a result of the Company implementing a revenue surcharge
4 following the Commission's decision to eliminate the Primary Toll Carrier (PTC) Plan in
5 Case No. TO-99-254, by Order dated June 10, 1999. Staff Accounting witnesses Mark L.
6 Oligschlaeger and William A. Meyer, Jr. will provide rebuttal testimony presenting
7 Staff's overall proposals concerning the Company's tariff filing made in this proceeding.
8 My rebuttal testimony will identify the preliminary revenue requirement as determined
9 by Staff in its review of the Company's telephone operations and will provide a general
10 overview of the process Staff used in conducting this review.

11 Q. Briefly describe the Company's operations.

12 A. Ozark Telephone Company is a telecommunications company providing
13 telephone and internet service to customers in the southwest part of Missouri. The
14 Company was organized on April 1, 1996, in the merger case TM-95-134. Ozark
15 Telephone Company provides telephone service to approximately 2,200 access lines
16 serving two exchanges (Noel and Southwest City).

17 Q. When did Ozark Telephone Company start providing intraLATA toll
18 dialing parity to its telephone customers?

19 A. Ozark Telephone Company started providing intraLATA dialing parity on
20 July 22, 1999.

21 Q. What processes did Staff use to determine the preliminary findings it is
22 presenting in this proceeding?

Rebuttal Testimony of
Roy M. Boltz, Jr.

1 A. Staff submitted a series of data requests to obtain information relating to
2 the Company's operations. After reviewing the responses to these data requests, Staff
3 conducted an on-site audit of the Company's books and records. In addition, Staff
4 reviewed the Company's Board of Directors' minutes, the Company's Annual Report
5 filed with the Commission, the consultant's workpapers, the cost study used to determine
6 separation factors for Missouri jurisdictional allocation factors for the revenue
7 requirement in this case and the Commission's orders relating to intraLATA toll dialing
8 parity. Staff discussed with Company personnel the method employed to allocate costs to
9 the non-regulated operations of the Company. Additionally, Staff identified the test year
10 revenue and expense amounts directly from the Company's general ledger.

11 Q. What areas did Staff examine?

12 A. Staff reviewed the area of revenue and various expense items, payroll
13 costs, advertising and donation costs, and allocations of shared employees and facilities
14 needed to provide regulated and non-regulated services.

15 Q. Did Staff develop a revenue requirement run as part of its review of Ozark
16 Telephone Company?

17 A. Yes. Staff developed a traditional revenue requirement run based on the
18 test year, which was the 12 months ended June 30, 2000. Staff developed its run based
19 on adjusted telephone operations. The run was based on Missouri intrastate operations
20 only, excluding any non-regulated services.

21 Q. How did Staff allocate the cost of the Company's intrastate and interstate
22 operations?

Rebuttal Testimony of
Roy M. Boltz, Jr.

1 A. Staff used the most recent cost study provided by the Company. This cost
2 study developed the separations factors that were used to develop the revenue
3 requirement in this case on a Missouri jurisdictional basis.

4 Q. Did Staff make any adjustments to the test year data?

5 A. Yes. Staff annualized payroll, payroll taxes and revenues. Staff also
6 made adjustments to disallow certain advertising and donations. Staff made an
7 adjustment to Directors' fees. Staff made an adjustment to aerial cable expense to
8 disallow the cost to remove aerial cable that was removed from service but had not
9 physically been discarded or cleaned up.

10 Q. Why is the revenue requirement identified as preliminary?

11 A. Staff attempted to develop a preliminary revenue requirement to comply
12 with the procedural schedule issued in this case. It was Staff's view that in order for the
13 Commission to determine the status of the "interim and subject to refund" rates, a
14 revenue requirement needed to be developed. With the time constraints of the case, Staff
15 was unable to fully develop a complete and final revenue requirement. It was Staff's
16 belief that if the preliminary revenue requirement showed a material excess earnings
17 amount, then additional audit work would have to be completed and, if warranted, a
18 complaint case filed with the Commission.

19 Q. What does Staff intend to do subsequent to the November 30, 2000
20 rebuttal testimony filing?

21 A. Staff will do more audit work and concentrate in the areas of allocations
22 between regulated and non-regulated operations and additional expense account analysis.

Rebuttal Testimony of
Roy M. Boltz, Jr.

1 Q. Has Staff included the amount for outside services in its revenue
2 requirement determination?

3 A. Yes, to the extent these amounts were included for the 12 months ending
4 June 30, 2000, the test year. Any post-test year amounts for consultants' and attorneys'
5 fees relating to this case will be considered if they are reasonable and prudently incurred.
6 Subsequent to the filing of this rebuttal testimony, Staff will attempt to identify these
7 amounts through the pre-hearing conference for inclusion in the revenue requirement run.

8 Q. Over what period of time should Ozarks' costs for rate case expense be
9 normalized?

10 A. Staff proposes that rate case expense should be amortized over a five-year
11 period. Staff believes five years is reasonable since the Company has not filed for a rate
12 increase for several years.

13 Q. What are the preliminary findings of Staff's review of Ozark Telephone
14 company?

15 A. Staff's preliminary findings show Ozark Telephone Company has a
16 negative revenue requirement of approximately \$700,000, which indicates the
17 Company's current rates are excessive.

18 Q. How does the Staff propose to handle the Company's excess earnings?

19 A. Staff believes it is appropriate to provide the findings of the preliminary
20 revenue requirement to the Company for its review. After Company has had an
21 opportunity to review Staff's findings, we will meet with the Company and attempt to
22 negotiate a reduction in its current rates. If negotiations are unsuccessful, then to the

Rebuttal Testimony of
Roy M. Boltz, Jr.

1 extent it is warranted, Staff will file a complaint case with the Commission to reduce
2 Ozark Telephone's current rates.

3 Q. Does Staff expect the additional audit work will result in a positive
4 revenue requirement?

5 A. No. Staff believes the results will still be materially negative.

6 Q. Does this conclude your rebuttal testimony in this proceeding?

7 A. Yes, it does.

**D SUZIE MANKIN
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP. JUNE 21, 2004**

RATE CASE PROCEEDING PARTICIPATION

ROY M. BOLTZ, JR.

<u>COMPANY</u>	<u>CASE NO.</u>
Arkansas Power & Light	ER-81-364
Associated Natural Gas Company	GR-90-152
Bowling Green Gas	GR-82-104
Capital City Water Company	WR-94-297
Capital City Telephone	TC-78-145
Central Telephone Company	18,698
Central Telephone Company	TR-78-258
Empire District Electric Company	ER-79-19
Empire District Electric Company	ER-80-143
Empire District Electric Company	ER-81-209
Empire District Electric Company	ER-83-42
Empire District Electric Company	ER-94-174
Empire District Electric Company	ER-97-81
Gas Service Company	GR-78-70
General Telephone Company	TR-81-47
Grand River Mutual Telephone Company	TR-87-25
Great River Gas Company	GR-79-145
Great River Gas Company	GR-83-363
Laclede Gas Company	GR-83-233
Missouri-American Water Company	WR-95-205
Missouri-American Water Company	SR-95-206

<u>COMPANY</u>	<u>CASE NO.</u>
Missouri Edison Company	GR-82-197
Missouri Edison Company	ER-82-198
Missouri Gas Energy	GR-96-285
Missouri Utilities Company	GR-79-270
Missouri Utilities Company	ER-80-215
Saline Sewer Company	SR-82-262
Sho-Me Power Corporation	18,654
Sho-Me Power Corporation	ER-80-83
Sho-Me Power Corporation	ER-83-80
Steelville Telephone Exchange	TR-96-123
Union Electric Company	18,314
Union Electric Company	ER-84-168
United Cities Gas Company	GR-91-249
United Telephone Company	TC-78-146
GTE North Incorporated	TR-89-182
St. Joseph Light & Power Company	EC-92-214
St. Joseph Light & Power	ER-93-41
St. Joseph Light & Power	GR-93-42
United Water Missouri, Inc.	WR-99-326
Western Resources, Inc. D/b/a Gas Service	GR-93-240