

1 STATE OF MISSOURI  
2 PUBLIC SERVICE COMMISSION

3  
4 TRANSCRIPT OF PROCEEDINGS

5 Hearing

6 December 11, 1997  
7 Jefferson City, Missouri  
8 Volume 6

9 In the matter of Missouri Public )  
10 Service, a Division of UtiliCorp )  
11 United, Inc., Tariff Designed to )Case No. ER-97-394  
12 Increase Rates for Electric Service)  
13 to Customers in the Missouri )  
14 Service Area of the Company. )

15 and

16 In the Matter of the Filing of )  
17 Tariff Sheets by Missouri Public )  
18 Service, a Division of UtiliCorp )Case No. ET-98-103  
19 United, Inc., Relating to Real-Time)  
20 Pricing, Flexible Rates/Special )  
21 Contract, Line Extension Policy and)  
22 Energy Audit Program. )

23 and

24 The Staff of the Missouri Public )  
25 Service Commission, )  
Complainant, )  
v. )Case No. EC-98-126  
UtiliCorp United, Inc., d/b/a )  
Missouri Public Service, )  
Respondent. )

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JOSEPH A. DERQUE, III, Presiding,  
REGULATORY LAW JUDGE.  
SHEILA LUMPE, Chairperson,  
HAROLD CRUMPTON,  
M. DIANNE DRAINER,  
CONNIE MURRAY,  
COMMISSIONERS.

REPORTED BY:  
PATRICIA A. DURBIN, RMR, RPR, CCR, CSR  
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P R O C E E D I N G S

JUDGE DERQUE: We're on the record.

It's my understanding that we're doing the  
issue of maintenance, beginning with the Staff's  
witness Mr. Shaw.

MR. STEINER: That's right.

JUDGE DERQUE: Why don't you call Mr. Shaw.

MR. STEINER: We call Tom Shaw to the stand.

(Witness affirmed.)

JUDGE DERQUE: Thank you, sir.

Please be seated.

MR. STEINER: Your Honor, I'd like to pre-  
mark some exhibits.

JUDGE DERQUE: What was that?

MR. STEINER: Pre-mark some exhibits. I  
would like to do that.

JUDGE DERQUE: How many pieces of Mr. Shaw's  
testimony do you have?

MR. STEINER: We have direct, rebuttal and  
surrebuttal.

JUDGE DERQUE: Is anything confidential, HC?

MR. STEINER: No.

JUDGE DERQUE: The direct of Shaw will be  
65, the rebuttal of Shaw will be 66 and surrebuttal of  
Shaw will be 67.

1                   We're off the record.

2                   (EXHIBIT NOS. 65 THROUGH 67 WERE MARKED FOR  
3 IDENTIFICATION.)

4                   JUDGE DERQUE: We're back on the record.

5                   Mr. Steiner.

6                   MR. STEINER: Thank you.

7 THOMAS A. SHAW testified as follows:

8 DIRECT EXAMINATION BY MR. STEINER:

9           Q.     Would you state your name for the record,  
10 please?

11          A.     Thomas A. Shaw.

12          Q.     Mr. Shaw, where do you work?

13          A.     I'm Assistant Manager of Accounting for the  
14 Missouri Public Service Commission.

15          Q.     Mr. Shaw, did you file prefiled testimony in  
16 this case, prefiled direct, rebuttal and surrebuttal  
17 testimony which has been marked for purposes of  
18 identification as Exhibits 65, 66 and 67 respectively?

19          A.     Yes, I have.

20          Q.     Do you have any changes to any of those  
21 pieces of testimony?

22          A.     Unfortunately I have one minor change on my  
23 surrebuttal testimony, Exhibit No. 67, on page 8, at  
24 the end of line 2. That should be a period rather  
25 than a question mark.

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1           Q.     Are the answers contained in Exhibits 65, 66  
2     and 67 true and correct to the best of your knowledge,  
3     information and belief?

4           A.     Yes, they are.

5           MR. STEINER: With that, your Honor, I would  
6     tender the witness for cross-examination, and  
7     following the cross-examination, move that these  
8     exhibits be entered into the record.

9           JUDGE DERQUE: Okay. Thank you,  
10    Mr. Steiner.

11           Is there any objection at this time to  
12    Exhibit Nos. 65, 66 and 67?

13           MR. SWEARENGEN: We have none.

14           MR. MILLS: We have none.

15           JUDGE DERQUE: Does anyone want to reserve  
16    for cross?

17           MR. SWEARENGEN: We don't.

18           JUDGE DERQUE: They will be admitted.

19           (EXHIBIT NOS. 65 THROUGH 67 WERE RECEIVED  
20    INTO EVIDENCE.)

21           JUDGE DERQUE: Mr. Mills.

22           MR. MILLS: Mr. Keevil is here. I don't  
23    know if it's his turn first.

24           JUDGE DERQUE: I'm sorry. I saw you back  
25    there, Mr. Keevil.

1           MR. KEEVIL: I have no objection. No cross  
2 for this witness.

3           JUDGE DERQUE: Thank you.

4           MR. MILLS: I also have no cross for this  
5 witness.

6           JUDGE DERQUE: Mr. Swearengen?

7           MR. SWEARENGEN: Yes, your Honor. Thank  
8 you.

9 CROSS-EXAMINATION BY MR. SWEARENGEN:

10          Q. Just as a preliminary matter, Mr. Shaw, I've  
11 always wondered -- and probably everybody else in this  
12 room but me knows this -- but how do you guys decide  
13 what color to put on your testimony?

14          A. I have no idea.

15          Q. Okay. You're not involved in that process?

16          A. I am not. I think that's done at the print  
17 shop.

18          MR. STEINER: We have a computer program  
19 that we've developed over the years.

20 BY MR. SWEARENGEN:

21          Q. Do you have any infinite number of colors?  
22 Do you know that?

23          A. I don't know how many different shades of  
24 colors we have.

25          JUDGE DERQUE: The new and different color  
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1 winner was Randy Flowers for this one. There's no  
2 doubt in my mind. I like the kind of peach color.

3 BY MR. SWEARENGEN:

4 Q. Let me get back to more serious matters,  
5 Mr. Shaw. First of all, just so we're perfectly clear  
6 on what we're going to do here this afternoon, your  
7 direct testimony, up in the upper right-hand corner --  
8 that's 65 -- says Maintenance, and it has injury --  
9 excuse me -- insurance, injuries and damages.

10 I take it, really, the insurance, injuries  
11 and damages is not at issue; is that right?

12 A. That's my understanding.

13 Q. Okay. And then your rebuttal testimony,  
14 Exhibit 66, the subject is transportation contract,  
15 and that's not an issue either; is that right --

16 A. That's correct.

17 Q. -- as far as you know?

18 And then your surrebuttal is devoted  
19 exclusively to maintenance, which is an issue. Is  
20 that right?

21 A. That's correct.

22 Q. That's the issue you're here to try this  
23 afternoon. And for purposes of the record, that issue  
24 is maintenance normalization on the reconciliation.  
25 That's how it's described. And it's Item D-6, I

1 believe.

2 A. That's correct.

3 Q. Thank you.

4 Do you have your direct testimony there in  
5 front of you, Mr. Shaw?

6 A. Yes, I do.

7 Q. Turn to page 3, if you would, there  
8 starting, I think, on line 13 you're asked to explain  
9 some adjustments, and you explained the maintenance  
10 adjustment on the bottom there of page 3, and you  
11 continue over on page 4; is that right?

12 A. That's right.

13 Q. On page 4 on line 14, with reference to the  
14 maintenance issue, you say, "Each account has been  
15 summed, payroll costs deducted and a five-year average  
16 calculated by maintenance function."

17 And my question to you is, what do you mean  
18 by the use of the term "maintenance function"?

19 A. I simply mean taking the maintenance  
20 accounts and subdividing them between production,  
21 transmission and distribution --

22 Q. Okay.

23 A. -- maintenance.

24 Q. So those would be the three components of  
25 the maintenance issue, production, transmission and

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1 distribution?

2 A. That's right.

3 Q. Okay. Now, how long have you been employed  
4 by the Public Service Commission, can you tell us?

5 A. I've been employed with the PSC since March  
6 of 1970-- 1997 in my current position.

7 Q. Okay.

8 A. Prior to that I was employed by the  
9 Commission beginning in October of 1985 and continuing  
10 my employment until November the 1st of 1996. So  
11 between November of 1996 and -- until March of 1997 I  
12 was not employed by the Public Service Commission.

13 Q. And then you came back to the Commission  
14 after that. Right?

15 A. That's correct.

16 Q. How many audits have you been involved in  
17 with respect to Missouri Public Service? Do you  
18 recall just offhand?

19 A. I believe I filed --

20 Q. Go ahead. Refer to your --

21 A. I'm going to refer to --

22 Q. -- Schedule 1 of your direct.

23 A. -- my direct, yes.

24 Q. I notice there you have UtiliCorp United,  
25 Inc., ER-90-101 et al. Was that an electric rate case

1 involving Missouri Public Service?

2 A. Yes, it was.

3 Q. Did you have any experience auditing them  
4 prior to that time?

5 A. No, I didn't.

6 Q. Okay. So from 1985 up until, say, 1989 or  
7 1990, you didn't do any auditing of the Company?

8 A. That's correct. And I did not include any  
9 audits of Missouri Public Service. It may have  
10 occurred as a result of PGA/ACA dockets.

11 Q. Okay.

12 A. Those would not be included in here.

13 Q. So you have been involved in that type of  
14 work?

15 A. Yes, I have.

16 Q. And how far back would that go? Would that  
17 go back to 1985, the --

18 A. No. That would have been in the 1993 period  
19 and subsequent to that.

20 Q. Let me ask you this question: With respect  
21 to the auditing that you have done of the Company,  
22 have you ever seen any evidence that the Company  
23 wasn't properly maintaining its electric system?

24 A. I've -- I've made no such allegations.

25 Q. I understand that. And I'm just asking you,  
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1 have you ever seen any evidence that the Company  
2 wasn't maintaining its system properly, as far as you  
3 know?

4 A. No.

5 Q. Okay. From your standpoint, based on what  
6 you know, would you agree that Missouri Public Service  
7 is spending money as is needed to provide safe and  
8 reliable service with respect to its electrical  
9 system?

10 A. That's difficult for me to answer. I've  
11 tried to obtain how MPS determines the appropriate  
12 level of maintenance to undertake every year, and, you  
13 know, I've not been provided that type of document --

14 Q. I understand that.

15 A. -- documentation.

16 Q. I'm not really trying to get to that  
17 ultimate issue right now, what the appropriate level  
18 is. What I'm trying to get at is, do you believe  
19 that -- do you have any evidence that the Company is  
20 not spending enough money to maintain its system  
21 properly?

22 A. No.

23 Q. Okay. And as a follow-up to that, would you  
24 agree that the service they are providing is safe and  
25 reliable insofar as you know?

1           A.     Insofar as I know. I'm not an engineer,  
2     so . . .

3           Q.     I understand that. I understand that. I  
4     appreciate that.

5                     Now, I don't know if you were here in the  
6     hearing room yesterday, but there was some testimony  
7     about a lobbying expense issue. And did you happen to  
8     hear any of that?

9           A.     I was out of the courtroom most of the  
10    afternoon yesterday, so --

11          Q.     Okay. That's fine.

12          A.     -- I don't recall that.

13          Q.     Mr. Dittmer was the witness on that, and he  
14    testified that it was his understanding that the  
15    Commission has what he called a policy of always  
16    disallowing lobbying expenses for purposes of setting  
17    rates.

18                    And my question to you is, on the  
19    maintenance issue, which is your issue, are you aware  
20    of any policy or ruling that the Commission has with  
21    respect to how it determines the appropriate level of  
22    maintenance expense in an electric rate case such as  
23    the one that we're trying this week?

24          A.     The primary purpose that you have to be  
25    aware of is that the amount included for purposes of

1       ratemaking treatment is a representative amount on an  
2       ongoing level.

3           Q.     Okay.

4           A.     So how that can be done, there's a variety  
5       of ways to determine that.

6           Q.     Okay.  So you would agree then that there  
7       are several methods or a variety of ways to determine  
8       the appropriate level of maintenance expense for  
9       purposes of setting rates?

10          A.     Yes, I believe there is.

11          Q.     And can you give us -- give me some of the  
12       examples that the Commission may have used in the past  
13       to do that?

14          A.     For example, in the last Missouri Public  
15       Service rate case, I believe Linda Welchmeyer was the  
16       staff witness on that issue.  I believe she took the  
17       test year during that rate case.  However, she did  
18       look at a five-year historical average to make sure  
19       that the test year was a representative amount on an  
20       ongoing basis.  I'm also aware of instances where a  
21       three-year average has been used.

22          Q.     Any others?

23          A.     Well, there's other issues in the case that  
24       use different time periods, you know, but for  
25       maintenance, I believe the standard is to usually look

1 at a five-year period and make sure the test year is  
2 representative.

3 Q. Now, you just used the word "standard" and  
4 that's what I'm getting at. Is it your understanding  
5 it's the Commission's -- I'm talking about what the  
6 Commission has decided.

7 Is it your understanding that the Commission  
8 has adopted that as a standard or policy or is that  
9 something that the Commission has done in past cases?

10 A. I don't believe the Commission has ever said  
11 its specific policy will be this for maintenance.

12 Q. They have accepted the test year level of  
13 maintenance --

14 A. Certainly they have --

15 Q. -- in past cases?

16 A. -- yes.

17 Q. Okay. Now, do you have your surrebuttal  
18 testimony handy?

19 A. Yes, I do.

20 Q. And if you would turn to Schedule 1, please.

21 And by the way, just so we're clear on this,  
22 is it my understanding that -- what's the number that  
23 the Staff is supporting is the appropriate test year  
24 level? Is it 12.2 million, that's the right level of  
25 maintenance expense?

1           A.     The number of maintenance expense would  
2     be -- look at Schedule 2 of my direct testimony.

3           Q.     Schedule 2 of your direct.  Okay.

4           A.     Yes.

5           Q.     Underneath the production maintenance  
6     expense function --

7           Q.     Uh-huh.

8           A.     -- there's a row entitled normalized  
9     production maintenance, and that number is  
10    approximately \$6.8 million.

11          Q.     Okay.  I appreciate that.

12          A.     You would take that number, and also add the  
13    transmission maintenance expense, which the five-year  
14    normalized amount I've got is approximately \$708,000,  
15    and to those two you would also add distribution  
16    maintenance, which the five-year number I calculated  
17    is approximately \$4.6 million.  So --

18          Q.     Okay.

19          A.     -- if I had a calculator, I could add those  
20    up for you real quick.

21          Q.     That's fine.

22                 Let me ask you this question:  The dollar  
23    amount that's at issue, the \$1,125,322 amount, that's  
24    the right number, you understand; is that correct?

25          A.     I'm not sure that it is.

1 Q. Okay.

2 A. This morning was the first time I've looked  
3 closely at the reconciliation. I have a question  
4 about how that number was calculated.

5 Q. I was going to ask you how it was  
6 calculated, but you can't answer that. Is that right?

7 A. I can answer that if I have a calculator.

8 Q. Oh, you can?

9 A. I believe I can.

10 Q. Okay. Maybe we'll take a break in a little  
11 bit and you can --

12 JUDGE DERQUE: Oh, yeah. Those questions  
13 are going to have to be answered. The Commission  
14 cannot make an informed decision without having the  
15 right numbers.

16 THE WITNESS: And this is a potential error  
17 that we just discovered probably about eleven o'clock  
18 today, and we need to sit down with the Company and  
19 talk about this, because the Company made an  
20 adjustment that I -- that I don't necessarily --

21 JUDGE DERQUE: That's fine. Go ahead.

22 MR. SWEARENGEN: Your Honor, if I could  
23 indulge the bench for a minute. Maybe we could take  
24 that break right now --

25 JUDGE DERQUE: And get the numbers straight.



1           MR. SWEARENGEN:  -- and get the numbers  
2   straight.

3           JUDGE DERQUE:  I think that would be a good  
4   idea.

5           MR. SWEARENGEN:  Because if they calculate  
6   it right, we may not have anything to try.

7           JUDGE DERQUE:  Yeah.

8           MR. SWEARENGEN:  You never know.

9           JUDGE DERQUE:  Let me say this:  What the  
10   Commission needs to make a decision in this -- and  
11   I've looked at your schedules, Mr. Shaw, and I've read  
12   the testimony and all of that, and I'm still a little  
13   confused.

14           What the Commission needs is a base  
15   number that the Staff thinks the annual level should  
16   be, and I guess I recall MoPub has theirs in their  
17   testimony -- I think I found it in there -- what they  
18   think the level should be, and then the difference.  
19   And they need to be accurate.

20           MR. STEINER:  You mean the difference  
21   between the Staff position and the MoPub position?

22           JUDGE DERQUE:  Yeah, if that million two --  
23   approximately million-two figure is not correct, I  
24   need an accurate position from the Staff and from  
25   MoPub.

1 MR. STEINER: Okay.

2 JUDGE DERQUE: MoPub's position is pretty  
3 clear from the testimony, but there seems to be a  
4 little confusion about the adjustment on the  
5 reconciliation.

6 So I tell you what, why don't we break for  
7 ten minutes, or do you need more?

8 THE WITNESS: Ten minutes should probably do  
9 it.

10 JUDGE DERQUE: Ten or fifteen minutes.

11 MR. SWEARENGEN: Thanks.

12 (A recess was taken.)

13 JUDGE DERQUE: We're back on the record.

14 BY MR. SWEARENGEN:

15 Q. Mr. Shaw, before we went off the record, you  
16 and I were having a discussion as to whether or not  
17 the reconciliation reflected the correct value of the  
18 maintenance issue.

19 It shows the issue worth \$1,125,322, and  
20 that would be the difference between the Company's  
21 position and the Staff's position.

22 While we were off the record I think you had  
23 a discussion with some of your colleagues, and also  
24 with Company representatives, and can I ask you, is  
25 that, in fact, the right number as far as the value of

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1       this issue is concerned?

2           A.     Yes.   After further discussion with the  
3 parties, we have agreed that that is the value.

4           Q.     Okay.   So after further review, the play  
5 will stand.   Right?

6           A.     That's correct.   I'm sorry for any  
7 confusion.

8           Q.     No.   I appreciate that.   And I was glad you  
9 brought it up at that time so that we didn't spend the  
10 afternoon trying the wrong set of numbers.

11                   What led into that discussion and that  
12 revelation was I called your attention to Schedule 1  
13 to your surrebuttal testimony, and I wanted to ask you  
14 a couple of questions about that.

15                   First of all, in the left-hand column you  
16 have several items listed there.   One is production  
17 and then I'll skip down one.   You have transmission  
18 and then you have distribution.

19                   Are those the three areas of maintenance  
20 expense that you described earlier?

21           A.     Yes, they are.

22           Q.     Okay.   Now, right under production there's  
23 one listed Norm.Ovhl.   What is that?

24           A.     That's the normalized overhaul amount that  
25 has been included for purposes of the test year.

1           Q.     Okay.  And it's the overall -- overhaul of  
2     what?

3           A.     The Company undertakes a generating  
4     unit overhaul on Sibley Unit 3 approximately every  
5     five years and at a cost of approximately  
6     \$2 1/2 million.  So for purposes of this case, we have  
7     added back a normalized amount of 500,000 per year to  
8     reflect that unit overhaul.

9           Q.     And that \$2 1/2 million expenditure you said  
10    occurs every five years?

11          A.     That's correct.

12          Q.     Okay.  Back to the item labeled production,  
13    could you just briefly describe what goes into  
14    production expense?

15          A.     Well, those are -- they're Accounts 510  
16    through 514, and Accounts 551 through 554, and that's  
17    the maintenance done on the generating units  
18    themselves.

19          Q.     Okay.  Thank you.

20                 And then I would ask you the same question  
21    with respect to transmission.  What goes into  
22    transmission expense just generally?

23          A.     Okay.  Again, those are Accounts 568 through  
24    573, and that is maintenance expense attributable to  
25    transmission facilities.

1 Q. And then finally with respect to  
2 distribution, what goes into that expense?

3 A. Those are Accounts 590 through 598, and they  
4 relate to maintenance -- maintenance of the  
5 distribution system.

6 Q. On page 3 of your direct testimony, if you  
7 could turn to that for a minute, please. There on  
8 line 16 you're asked the question, "Please explain the  
9 term "normalization" and its purpose." And you go  
10 ahead and answer. And you say, "Normalization is a  
11 term used for ratemaking purposes and involves the  
12 process of "smoothing" the effects of costs subject to  
13 considerable fluctuation from year to year. This  
14 smoothing process mitigates cost fluctuations that  
15 occur during the "test year" for purposes of  
16 establishing rates on a going-forward basis."

17 And that's still your testimony, I would  
18 take it. Right?

19 A. Yes, it is.

20 Q. Okay. And when you use the word "smoothing"  
21 the first time, you have it in quote marks. What do  
22 you mean by that, by the use of the term "smoothing"?

23 A. Well, as you can see by looking at  
24 Schedule 2 to that direct testimony, for all of the  
25 various maintenance accounts there's significant

1       fluctuations from one year to another in almost every  
2       account, and the purpose of my normalization was to  
3       try to come up with a more representative level of  
4       expense on an ongoing basis.

5           Q.     Okay.  So you would -- you would agree that  
6       with respect to this issue in this case what we're  
7       trying to do here is quantify a normal amount of  
8       maintenance expense for the test year?

9           A.     That's correct.

10          Q.     Now, let me ask you this question:  If in  
11       the course of your audit you had determined that what  
12       was the actual test year amount for maintenance  
13       expense was fairly representative of what the Company  
14       might expect to incur on an ongoing basis, that you  
15       would have had no reason not to use that number?

16          A.     If I had been provided some type of  
17       documentation or had some evidence that this was truly  
18       an ongoing level of expense --

19          Q.     Right.

20          A.     -- I certainly would have considered that.

21          Q.     And there's nothing that you know of that  
22       would prohibit the Staff from recommending or the  
23       Commission from approving the actual test year level  
24       of maintenance expense as the proper level for the  
25       purposes of setting rates.  Right?

1           A.     That will be the Commission's decision, and  
2     I don't think there's anything precluding them from  
3     making that decision.

4           Q.     Okay. I think on page 2 of your surrebuttal  
5     testimony, down at the bottom, you reference Case  
6     No. ER-93-37, which was the Company's most recent  
7     electric rate case. And you say there that the Staff  
8     accepted the test year level of maintenance expense  
9     for purposes of setting rates in that case. Is that  
10    right?

11          A.     That's right. I think I did mention that  
12    earlier too.

13          Q.     I believe you did, I think.

14                 I'm going to hand you or show you a page  
15    from a report and order in Case ER-83-40, which was an  
16    earlier electric rate case involving Missouri Public  
17    Service Company and show you what the Commission says  
18    about the Staff's position in that case.

19                 Mr. Shaw, I'm going to show you page 8 of  
20    the Commission's report and order issued in ER-83-40,  
21    and right under the item maintenance work order  
22    expense, I'd just ask you to read the highlighted  
23    portion, which is the first sentence of that.

24          A.     Staff included in Company's test year cost-  
25    of-service nonwage maintenance expense actually paid

1 as of September 30, 1982.

2 Q. Thanks.

3 And are you familiar with other cases in  
4 which the Staff would have taken the same position? I  
5 know you mentioned the one Missouri Public Service  
6 case. Are you aware of any others?

7 A. Well, I believe that's the same five-year  
8 normalization process we used in a complaint case that  
9 was filed against Missouri Public Service earlier this  
10 year.

11 Q. Well --

12 A. It was dismissed. And I'm aware of other  
13 cases that a five-year normalization has been used. I  
14 could not quote you the case numbers.

15 Q. You may have misunderstood my question. I'm  
16 asking, are you aware of any other cases where the  
17 Staff has used the test year maintenance level amount  
18 in a case?

19 You mentioned the earlier Missouri Public  
20 Service case that you were familiar with. I showed  
21 you this other one. Are you aware of any others?

22 A. Not specifically, but I wouldn't be  
23 surprised either.

24 Q. You wouldn't be surprised?

25 A. No.



1 Q. In the ER-93-37 case, the one that is  
2 mentioned in your testimony, is it your recollection  
3 that that rate case was completed after the Company  
4 Sibley refurbishment or rebuild had been concluded?

5 A. I believe it was.

6 Q. Okay. Let me ask you this question: Would  
7 it be fair to assume that the further away a company  
8 gets from the conclusion of a rebuild project like the  
9 Company conducted at Sibley, that the level of  
10 maintenance costs associated with those units would be  
11 expected to increase over time?

12 A. I don't know.

13 Q. Okay. On page 7 of your surrebuttal -- do  
14 you have that in front of you handy?

15 A. Yes, I do.

16 Q. At line 1 you discuss how Missouri Public  
17 Service can control maintenance expense, and there you  
18 mention the budgeting process; is that right?

19 A. Yes, I do.

20 Q. And down at lines, I think, 13 through 14  
21 you say, " . . . even though expenditures may be  
22 budgeted, MPS has some control over the extent of the  
23 maintenance performed and the dollars spent." Is that  
24 still your testimony?

25 A. Yes, it is.

1           Q.     So would you agree that based on that, in  
2     any given year Missouri Public Service may spend on  
3     maintenance the budgeted amount or it may spend  
4     something more or it may spend something less than the  
5     budgeted amount?

6           A.     I would certainly agree with that.

7           Q.     And turning back to page 3 of that  
8     surrebuttal testimony, down beginning on line 17, you  
9     say, "Therefore, based on UtiliCorp United, Inc.'s  
10    (UCU) expected or desired earnings levels during any  
11    given year, corporate philosophy dictates total  
12    budgeted maintenance and it is simply a matter of  
13    where and/or how the dollars will be spent."

14                My question to you is, what do you mean  
15    there by the term "corporate philosophy"?

16           A.     In requesting the budget guidelines and how  
17    the budget for maintenance is determined, we asked  
18    these very specific questions, what the guidelines  
19    are, and the response was that based on corporate  
20    directives, the individual managers of responsibility  
21    centers were provided targets to spend the dollars and  
22    in the manner deemed most appropriate by the managers.

23           Q.     Okay. And is that what you're talking about  
24    then over on the next page of your testimony, page 4,  
25    down on lines 4, 5 and 6, where you say that the Staff

1 was provided with a response similar to what you have  
2 in quote marks there on lines 5 and 6?

3 A. No, I would not try to limit that statement  
4 to that degree.

5 Q. Okay. What I'm getting at is, is that  
6 statement there on Lines 5 and 6 on page 4 what you  
7 mean by corporate philosophy over on page 3?

8 A. No. I think the corporate philosophy that  
9 we were talking about on page 3, the corporate  
10 provides budgeted amounts and we have got budgeted  
11 amounts.

12 The additional information we were looking  
13 for was Missouri Public Service Division, specific  
14 information which, how does the Missouri Public  
15 Service managers convey the types of projects that  
16 need to be undertaken, what projects have the utmost  
17 priority, how much that will cost and so on and so  
18 forth, and a give and take or some type of negotiation  
19 process about what occurs, you know, what  
20 considerations go into a budget or is it just a dollar  
21 amount as provided, and that's -- that's the best that  
22 we can tell you.

23 Q. Now, what you're talking about there is down  
24 on what you would call the divisional level. Is that  
25 right?

1           A.     When I talk about Missouri Public Service, I  
2     am talking what occurs on a divisional level or a  
3     business unit level or --

4           Q.     Right.  Now you're just a little bit ahead  
5     of me.

6                     What I'm trying to get back to, you say  
7     corporate philosophy.  And by that what do you mean?  
8     You mean UtiliCorp United, Inc.'s philosophy?

9           A.     That's -- that's my understanding of the  
10    information that's been provided.

11          Q.     And when you say "philosophy," what I'm  
12    getting at, what do you mean there?  What do you mean  
13    by the use of the term "corporate philosophy"?

14          A.     The only information that I've been able to  
15    obtain regarding the corporate philosophy is that the  
16    individual responsibility center managers are given  
17    targets to work with.

18          Q.     Okay.

19          A.     So I can't be any more specific than that.

20          Q.     That's fine.  That's fine.

21                     And back on page 4, the end of your  
22    surrebuttal, and I think that maybe over on page 5,  
23    too, you talk about the right of the divisions to  
24    determine how the money is going to be spent and it is  
25    the responsibility of the individual managers to

1 determine which projects to be undertaken based on the  
2 target levels previously provided.

3 That's the language on lines 5 and 6 of  
4 page 4 that you referred to earlier. Right?

5 A. That's right.

6 Q. And I guess my question is, that's what you  
7 now would say would be the corporate philosophy, that  
8 the corporation gives the individual managers this  
9 responsibility based on the target levels that the  
10 corporate level has provided?

11 A. I'm sorry. Could you repeat that?

12 Q. What I'm getting at is, is this then a  
13 manifestation of what you understand the corporate  
14 philosophy to be with respect to maintenance?

15 That the corporate philosophy is to  
16 establish target levels for maintenance expense, and  
17 then they give the individual division managers the  
18 responsibility to determine what projects will be  
19 undertaken?

20 A. That is my understanding.

21 Q. Okay. That's fine.

22 Now, specifically who are the individual  
23 managers that you're talking about there at page 4,  
24 line 5?

25 Are these the -- let me just ask you this  
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1 question and you can go ahead and answer it.

2 Are they managers of the various production  
3 plants and transmission systems, that type of thing?

4 A. Missouri Public Service or UtiliCorp has got  
5 multiple responsibility centers. That's -- that's who  
6 I'm referring to here.

7 And I think I looked at responsibility  
8 centers numbering up into the 250s, maybe -- maybe  
9 higher. So I could give you a lot of different names,  
10 but I would have to look at additional documentation  
11 to do that.

12 Q. Did you talk to these people or did you just  
13 look at data that was reduced to writing or what?

14 A. Initially we asked for data requests. We  
15 requested interviews, and we did have one interview  
16 with several production, transmission and distribution  
17 managers, I would say.

18 Q. Okay.

19 A. And then I've also been provided reports by  
20 the Company which show the responsibility center, the  
21 budgeted amount, the actual expenditures and who is  
22 responsible for that responsibility center.

23 Q. Thank you.

24 Now, on page 4, line 6, when you use the  
25 word "target levels previously provided," I want to

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1 make sure that I understand. Is it your belief  
2 that -- or do you mean by that budget targets?

3 A. That is my understanding, yes.

4 Q. Okay.

5 Q. And I guess you're not arguing with the idea  
6 that -- let me ask this question first.

7 You would agree that UtiliCorp at the  
8 corporate level has given the Missouri Public Service  
9 operating division management flexibility in the area  
10 of maintenance expense in order to meet budget  
11 requirements? Would that be a fair statement?

12 A. I think so.

13 Q. And would you agree that this flexibility is  
14 probably necessary?

15 A. I think that would be a fair statement.

16 Q. What you agree that it's a normal business  
17 practice?

18 A. I would assume so.

19 Q. And I think at the outset of your testimony  
20 this afternoon, you said the Company is spending  
21 money, as far as you can tell, as needed to provide  
22 safe and reliable service?

23 A. Yes.

24 Q. At page 5 of your surrebuttal testimony, on  
25 lines 4 through 8, you're talking about the Company's

1 spreading out expenses, such as the Sibley turbine  
2 overhaul, over a period of time to minimize earnings  
3 fluctuations?

4 A. Yes.

5 Q. And is that again what is reflected back on  
6 Schedule 1 to your surrebuttal testimony, where you  
7 have that one-half-million-dollar line item set out  
8 for each of the years, '92 through 1996?

9 A. Yes, it is. And I might add that the  
10 Company also uses an accrual method for booking  
11 maintenance expense during the year to where they  
12 accrue a levelized amount for each maintenance area  
13 throughout the year, and then they do a true-up  
14 process at the end of the year. So there are no  
15 detrimental effects to maintenance expense --

16 Q. And --

17 A. -- in a year.

18 Q. Okay. Thank you.

19 And once again, that half-a-million-dollar  
20 item that is shown there, that's not really an issue  
21 between the Staff and the Company, in fact; that's  
22 something that both parties have agreed to. Is that a  
23 fair statement?

24 A. That's right.

25 Q. And I think you said earlier that by doing



1       that, by billing into the annual expense that half a  
2       million dollars, you, in effect, levelize the  
3       \$2 1/2 million expenditure over five years. Right?

4           A.     Yes.

5           Q.     That's the purpose of it?

6                   And would that also levelize the Company's  
7       earnings during that time?

8           A.     I don't know necessarily that it would  
9       during that time, but the year that the actual  
10      maintenance is performed, rather than having a  
11      \$2 1/2 million hit on earnings, you know, it would  
12      only be 500,000 per year.

13          Q.     Okay. So it would be --

14          A.     I think I would agree, yes.

15          Q.     Okay. Thanks.

16                   Back on page 5 of your surrebuttal testimony  
17      at lines 9 and 10, you have the question, "Has the  
18      Staff performed an independent analysis of potential  
19      spikes in MPS' maintenance expense?" And then you go  
20      ahead and answer.

21                   What do you mean by "a spike in maintenance  
22      expense"?

23          A.     Well, I'm looking for a significant increase  
24      in maintenance expense and any type of maintenance  
25      function or by project, by category, whatever you want

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1 to categorize that. I'm looking for reasons for those  
2 spikes.

3 Q. Okay. Would any such spike in maintenance  
4 expense also result in an opposite effect on the  
5 Company's earnings?

6 A. If you consider that expense in isolation.

7 Q. Now, is an example of one of those spikes  
8 what occurred in October of 1996 in connection with  
9 what you've testified to as the ice storm?

10 A. Yes.

11 Q. And during that time the Company would have  
12 spent more money than would normally have been  
13 expected? Is that a fair statement?

14 A. That's a fair statement.

15 Q. Now, over on page 9 of your surrebuttal  
16 testimony, at line 16, there's the question, "Why does  
17 Staff believe the 1996 ice storm is non-recurring?"  
18 And you go ahead and you provide your answer.

19 I'm going to put you on the spot here.

20 Are you trying to guarantee us that we're  
21 not going to have any measurable amount of snow in  
22 October for another 45 years?

23 A. Well, I don't believe I've stated that in my  
24 testimony, no.

25 Q. Do you think that it would be possible, for  
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1 example, that next October would you have a similar  
2 storm as we had in 1996?

3 A. Certainly I would agree that practically  
4 anything is possible. Whether that is probable is  
5 another area of discussion.

6 Q. Okay. Well, I guess you were living here  
7 when we had the 1993 Missouri River flood, were you  
8 not?

9 A. Yes, I was.

10 Q. And do you recall that that was  
11 characterized as a 500-year flood?

12 A. I believe it was, yes.

13 Q. And then do you recall that we had a flood  
14 of almost similar magnitude two years later in 1995?

15 A. I do remember that, yes.

16 Q. Now, are there other events, not an ice  
17 storm, but are there other somewhat similar natural  
18 events that can occur during the course of a year that  
19 could affect a company's maintenance level?

20 A. I could imagine that there may be.

21 Q. Can you give me some examples?

22 A. I suppose an earthquake, a tornado,  
23 something along those -- something of that magnitude  
24 may affect maintenance expense.

25 Q. How about a flood or a windstorm? Would

1 those be other examples?

2 A. A flood, windstorm certainly would.

3 Q. As a general proposition, would you agree  
4 that the most common approach to normalizing a cost  
5 for purposes of setting rates is to simply adjust the  
6 test year for any abnormality?

7 A. To the extent that you can receive enough  
8 documentation to truly analyze the test year and look  
9 for all potential abnormalities in comparison with  
10 previous years and in comparison with what's expected  
11 in the future, yes, I would agree.

12 Q. Would you agree that today's maintenance  
13 costs are higher than they would have been in, say,  
14 1992 and other years prior to the test year in this  
15 case because of inflation?

16 A. I would agree that there has been inflation  
17 during that period. I don't know that I can  
18 necessarily make that -- that jump to all maintenance  
19 items do increase during that period.

20 Q. Okay. Would you agree that for the period  
21 of 1992 to 1995, the maintenance numbers that are in  
22 your testimony, say, Schedule 1 to your surrebuttal,  
23 for example, are probably understated in terms of  
24 today's dollars?

25 A. If you were to take 1992 as a base line and  
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1       that calculation.

2           Q.     He does.

3                   Can you make it? Can do you it on the  
4       witness stand? Is he doing it for you?

5           A.     No. I ran that calculation for him earlier  
6       today.

7           Q.     Do you remember what the number is?

8                   JUDGE DERQUE: Counsel, would you furnish  
9       Mr. Shaw with his calculation?

10                  MR. STEINER: I'm not sure I have it. I can  
11       give him the calculator.

12                  THE WITNESS: Maybe -- the calculation that  
13       he has got probably does not exclude 1995. And you're  
14       asking me to run those calculations --

15       BY MR. SWEARENGEN:

16           Q.     Excluding --

17           A.     -- leaving 1995 --

18           Q.     That's right.

19           A.     -- completely off? I can certainly do that.

20           Q.     Great.

21                  Just so we know, are you going to add the  
22       total number for '92, '93, '94 and '96? Is that what  
23       you're doing?

24           A.     And then divide by four.

25           Q.     Great.

1           A.     Okay. I have those numbers.  
2           Q.     What is the answer?  
3           A.     Assuming my math is correct, in the area of  
4     production maintenance the number would be 6,584,814.  
5           Q.     6,5--  
6           A.     --584,814.  
7           Q.     Okay.  
8           A.     For transmission maintenance it would be  
9     777,967.  
10          Q.     Okay.  
11          A.     Distribution would be 4,950,663.  
12          Q.     Okay. And what would the total average be  
13     for those four years?  
14          A.     When you add those three numbers, plus the  
15     500,000 for normalized overhaul amount, I believe you  
16     come up with 12,813,443.  
17          Q.     And that's about \$600,000 higher than the  
18     12.2 million you have on that schedule as the Staff's  
19     total normalized maintenance expense; is that right?  
20          A.     It would be almost a 600,000 difference.  
21          Q.     Okay. Thanks.  
22                 Now. would you agree that tree-trimming  
23     expense is a significant component of maintenance  
24     expense?  
25          A.     I believe it is, yes.

1 Q. And which one of those categories does it  
2 fall into? Production, transmission or distribution?

3 A. I believe it falls into transmission and  
4 distribution.

5 Q. Okay. Mr. Shaw, I'm going to show you --

6 MR. SWEARENGEN: Could we go off the record  
7 just for a second?

8 JUDGE DERQUE: We're off the record.

9 (Discussion off the record.)

10 MR. SWEARENGEN: At this time I'd like to  
11 have an exhibit marked for purposes of identification.  
12 It's a memorandum to Karl Zobrist, Chairman, the  
13 Public Service Commission, from Jim Ketter, the  
14 Commission's Engineering Department. The subject is  
15 the Kansas City area electric outage, October 22,  
16 1996. And the date of the memorandum is December 6th,  
17 1996.

18 JUDGE DERQUE: December or October?

19 MR. SWEARENGEN: Excuse me. December.

20 JUDGE DERQUE: December. Okay.

21 Okay. That will be Exhibit No 68, styled  
22 the ice storm memo.

23 Let's go off the record.

24 (EXHIBIT NO. 68 WAS MARKED FOR  
25 IDENTIFICATION.)



1 JUDGE DERQUE: We're back on the record.

2 BY MR. SWEARENGEN:

3 Q. Mr. Shaw, I'm going to hand you what has  
4 been marked for purposes of identification as  
5 Exhibit 68, and I'm going to turn your attention to  
6 page 10 of that document. You might want to take a  
7 minute and look at it and be familiar with it.

8 Q. Have you seen that document previously,  
9 Mr. Shaw?

10 A. No, I have not.

11 Q. Can I ask you a couple of questions about it  
12 now? Are you ready?

13 A. Sure.

14 Q. Looking at page 10 of that memorandum under  
15 what is marked Table V, am I correct that Mr. Ketter  
16 breaks out tree-trimming expenditures set out for the  
17 period 1992 through 1995 for Missouri Public Service?

18 A. Yes, he does.

19 Q. And he also sets out there the 1996 budgeted  
20 amount and the 1997 proposed amount. Is that correct?

21 A. Yes, he does.

22 Q. Now, if you would refer back to Schedule 3  
23 to your surrebuttal testimony. Do you have that in  
24 front of you, Mr. Shaw?

25 A. Yes, I do.

1 Q. The second-to-the-last column on that  
2 exhibit, it says 1996 Act. First of all, what does  
3 the Act stand for?  
4 A. Actual.  
5 Q. Okay. And then right below that do you show  
6 \$481,885 tree-trimming transmission?  
7 A. For 1996, actual, that is the number, yes.  
8 Q. And then right below that you show almost  
9 \$3 million for distribution tree trimming; is that  
10 right?  
11 A. That's correct.  
12 Q. Okay. And what do those two items total,  
13 the 481,885 and 2,990,109? Can do you that for us  
14 real quick?  
15 A. 3,471,994.  
16 Q. And am I correct that that's a greater  
17 amount than the 3.2 million budgeted number which is  
18 shown in Mr. Ketter's memorandum for 1996?  
19 A. Yes, it is.  
20 Q. If you were to average the 1992 through 1996  
21 tree trimming expense using Mr. Ketter's numbers --  
22 could you do that for us real fast?  
23 A. 2.9 million.  
24 Q. Boy, that was fast.  
25 Would you agree that that 2.9 million figure

1       that you've just testified to, is that the amount of  
2       tree-trimming expense that you have built into your  
3       average for overall maintenance expense for purposes  
4       of this case?

5           A.     I only looked at work order numbers back to  
6       1994. I would assume years 1992 and 1993 are accurate  
7       on Mr. Ketter's memo. Certainly the numbers for 1994  
8       and 1995 do match the numbers I'm using on Schedule 3.

9           Q.     And what does your Schedule 3 show that the  
10      Company spent in 1996?

11          A.     I thought we said that was 3,471,994.

12          Q.     Okay. And then turn to page 12 of  
13      Mr. Ketter's memorandum, would you, please.

14                  Am I correct that there's a list of Staff  
15      conclusions sort of set out in bullet points?

16          A.     Yes.

17          Q.     And look at the third bullet point from the  
18      bottom and read it into the record, if you would,  
19      please?

20          A.     "Both KCPL and MPS had emergency plans in  
21      place and executed them."

22          A.     Okay. Try the one that -- the third bullet  
23      point from the bottom, way down to the bottom and  
24      count up three and read that one.

25          A.     "Tree trimming remains a critical element of  
                    723

1 preventing future outages, and funding levels must be  
2 maintained."

3 Q. And is that in reference to Missouri Public  
4 Service, as far as you can tell, and/or Kansas City  
5 Power & Light or both or can you tell?

6 A. It's hard to tell without reading the entire  
7 document.

8 Q. Okay. Would you agree that your proposed  
9 adjustment in this case doesn't really provide for  
10 that, that recommendation that Mr. Ketter has there in  
11 his memorandum in terms of the level of tree-trimming  
12 expense?

13 A. I don't think I would agree with that.

14 Q. Okay. So whatever Mr. Ketter says about  
15 what the Company ought to do on tree-trimming expenses  
16 would be agreeable to you?

17 A. I'm sorry. Could you repeat that?

18 Q. Yes. Whatever Mr. Ketter is recommending  
19 the level of tree-trimming expense ought to be would  
20 be acceptable as far as you are concerned? Is that  
21 your testimony?

22 A. I believe I'm the one testifying on the  
23 appropriate level of tree-trimming expense for  
24 ratemaking purposes.

25 Q. Okay. So let me ask you this question

1       again.  Is there a difference of opinion between what  
2       you think the appropriate level of tree-trimming  
3       expense ought to be and what Mr. Ketter suggests it  
4       should be in that memorandum?

5               MR. STEINER:  I'm going to object.  My  
6       witness hasn't even read the entire memorandum.  He  
7       was just presented with it.  He doesn't know what  
8       Mr. Ketter meant.

9               JUDGE DERQUE:  We will pause and allow him  
10      to read it before he answers that question.

11              Let's take break until a quarter to three.

12              Are we going to finish our issues?

13              MR. SWEARENGEN:  Sir?

14              JUDGE DERQUE:  Are we going to finish our  
15      issues by five?  I don't care.

16              MR. SWEARENGEN:  Yes.

17              JUDGE DERQUE:  Okay.  The three backed up,  
18      the three issues that we interjected for this  
19      afternoon?  We have maintenance and -- we have two on  
20      maintenance, two on dues and donations, and I believe  
21      a witness on the economic development group.

22              MR. SWEARENGEN:  We're not going to do dues  
23      and donations because -- we're not, no.  Our witness  
24      is not here for that.

25              JUDGE DERQUE:  Okay.

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1           MR. STEINER: I think we're going to do  
2       economic development.  
3           MR. MILLS: Just for Staff witness.  
4           JUDGE DERQUE: Okay. So we're going to do  
5       this one and economic development, but we're not going  
6       to do dues and donations?  
7           MR. SWEARENGEN: That's right.  
8           JUDGE DERQUE: We're off the record for 10  
9       or 15 minutes.  
10          (A recess was taken.)  
11          JUDGE DERQUE: We're back on the record.  
12       BY MR. SWEARENGEN:  
13           Q. Mr. Shaw, we've had a recess here where  
14       you've had an opportunity, I think, to review this  
15       memorandum dated December 6, 1996 to Mr. Zobrist from  
16       Mr. Ketter. And once again, you hadn't seen this  
17       memorandum until this afternoon. Is that a correct  
18       statement?  
19           A. That is a correct statement.  
20           Q. And you've now had an opportunity to read  
21       and visit with your colleagues on the Staff and visit  
22       with your counsel about that?  
23           A. Not to a very great extent at all.  
24           Q. My only question to you about it is, when  
25       Missouri Public Service is made aware of that

1 recommendation in there about the level of tree  
2 trimming expense and then looks at what is going on in  
3 this proceeding with respect to the level of  
4 maintenance expense that the Staff is recommending;  
5 i.e., not recommending the actual test year level of  
6 expense but a number that would be less than that,  
7 wouldn't you agree that the Company is getting  
8 conflicting signals?

9 MR. STEINER: I'm going to object. There is  
10 no indication that the document has been provided to  
11 the Company.

12 JUDGE DERQUE: Overruled. This is  
13 cross-examination, Mr. Steiner.

14 Go ahead and finish your question.

15 BY MR. SWEARENGEN:

16 Q. Don't you think the Company is getting  
17 conflicting signals from the Commission Staff as to  
18 what it should be expected to do in the area of tree-  
19 trimming expense?

20 A. The first thing I would like to point out is  
21 we have not attempted to normalize maintenance by  
22 project, by maintenance project or by area. We are  
23 looking at total maintenance systemwide and coming up  
24 with a normalized amount for all maintenance, because  
25 I believe the Company does have some discretion on how

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1       that maintenance will be shifted between functions,  
2       and the Company does have some discretion.

3               As far as tree-trimming amounts, actually, I  
4       have included all of the dollars for tree trimming in  
5       my five-year average. The only difference that we  
6       seem to have is for the amortization of the ice storm,  
7       and the Company prefers to use a three-year period to  
8       amortize those costs and I use the five-year period.

9       Q.     Is the number you're using for tree-trimming  
10      expense, your five-year average, above or below the  
11      actual test year amount for tree-trimming expense? Do  
12      you know?

13      A.     It will be below the 1996 actual.

14      Q.     Okay.

15      A.     I would also point out that Mr. Ketter  
16      states on page 11, the Staff observes that the tree-  
17      trimming budgets have fluctuated over the last five  
18      years, but the 1996 and 1997 budgets are considerably  
19      higher.

20      Q.     Right. Okay.

21             Thank you. I appreciate that. Let me ask  
22      you a couple of other questions and we can conclude.

23             With respect to the ice storm which occurred  
24      in 1996, would you have called that or characterized  
25      that as an upward spike of maintenance expense?



1           A.     Well, I think that would be a fair  
2     statement.

3           Q.     Okay. And you took out that upward spike in  
4     terms of coming up with your maintenance expense  
5     numbers for the purposes of this case; is that right?

6           A.     Well, I want to make it clear that I did  
7     not -- when you say take out costs, I did not disallow  
8     any costs. I simply took all of the costs in the  
9     five-year period and came up with an average.

10          Q.     Okay. What did you do with respect to the  
11     1996 ice storm amount then?

12          A.     Let me try to repeat that again. I took the  
13     1996 test year level of costs, as well as every -- the  
14     four years prior to that. I've taken every dollar and  
15     I came up with a five-year average.

16          Q.     With respect to the expenses for the ice  
17     storm, did you do anything to smooth out that amount?  
18     I thought you testified earlier when you got spiked,  
19     you tried to smooth them out.

20          A.     I have taken that expense by itself, and  
21     it's part of a five-year average. So, in effect, it  
22     gets amortized over five years.

23          Q.     So it's your testimony that you've taken all  
24     of 1996 ice storm expense for purposes of calculating  
25     your maintenance adjustments; is that right?

1           A.     I believe so, yes.

2           Q.     Okay.  Now --

3           A.     Non -- nonlabor cost.  I would want to make  
4     that clear.

5           Q.     With respect to the Sibley turbine overhaul,  
6     when was the last time that occurred?

7           A.     I think the Company finished that in 1995.

8           Q.     1995.  So would there have been an upward  
9     maintenance expense spike in 1995 or 1996, whatever  
10    year was associated with that?

11          A.     You would have thought so, but the numbers  
12    don't appear to show 1995 as an upward spike.

13          Q.     Could it have been that the Company would  
14    have done that in 1996, subject to check?

15          A.     The information I've been provided  
16    demonstrates that it was finished in 1995, I believe.

17          Q.     Okay.  Are you saying that you took all of  
18    that Sibley turbine maintenance expense and added it  
19    in?

20          A.     All of the dollars that were included in the  
21    maintenance accounts, I have not disallowed a single  
22    dollar.

23          Q.     So according to that then, that two and half  
24    million dollars ought to show up somewhere in your  
25    1995 column on Schedule 1 to your surrebuttal

1 testimony?

2 A. Yes, it's part of that, and then it -- the  
3 that number gets taken out, and the normalized amount,  
4 the 500,000 that we were talking about prior, that  
5 amounts gets added back in to make that more  
6 representative of --

7 Q. So you took the two-and-a-half-million-  
8 dollar spike, wherever it occurred, in 1995 or 1996,  
9 and smoothed it out by just putting half a million  
10 dollars in for each of the five years; is that right?

11 A. That's right.

12 Q. But you didn't do anything like that with  
13 respect to the ice storm?

14 A. No, not in that manner. It has the same  
15 effect, but I -- I didn't take that number out and  
16 then divide it by five and add that number back in,  
17 but it has the same effect.

18 Q. Now, with respect to any of the years shown  
19 on Schedule 1 to your surrebuttal testimony, were  
20 there any downward spikes?

21 A. 1995 appeared to be considerably lower, yes.

22 Q. Okay. And did you do anything to smooth  
23 that out?

24 A. I attempted to try to find out specific  
25 reasons why 1995 was lower and 1996 was higher. And

1 again, I was provided with no documentation regarding  
2 the budget guidelines, why certain projects were  
3 undertaken or not undertaken.

4 Q. Okay.

5 A. And I'll say it again: It was -- just all  
6 of the dollars in the maintenance accounts for these  
7 five years was average.

8 Q. So you didn't do anything to smooth out a  
9 downward spike for 1995 then?

10 A. I was not provided with any information that  
11 would demonstrate how I could do that.

12 Q. Okay. I'm going to hand you a document,  
13 Mr. Shaw, that sets out for the years 1980 through '96  
14 certain levels of maintenance expense, and I want to  
15 ask you to take a couple of minutes and look at it and  
16 get familiar with it, and I'm going to ask you to  
17 compare that to some numbers in your testimony. I  
18 think they're the same. I just want to make sure.  
19 And I'll go ahead and ask you the question now.

20 Looking at the years 1992 through 1996,  
21 are the numbers shown there the same as shown on  
22 Schedule 1 to your surrebuttal testimony?

23 A. I think they are.

24 Q. Okay. Now, are you familiar with the actual  
25 maintenance expense numbers from the Company's Form 1

1 from other years as set out in this document?

2 A. No. My analysis only went back to 1992.

3 Q. 1992. Okay. So you can't verify whether or  
4 not the other numbers that are shown on there for the  
5 prior years are accurate or not. Is that right?

6 A. I cannot, nor could I verify 1997 as being  
7 accurate.

8 Q. Right. Right.

9 Take just a minute and look at that  
10 document, Mr. Shaw, and let me ask you, would you  
11 agree that with the exception of 1990, since 1980, the  
12 total maintenance expense shown on that document has  
13 never been below the 9.8 figure shown for 1995?

14 A. Could you ask me the question again?

15 Q. Yes. With the exception of 1990, would you  
16 agree that since 1980 total, maintenance expense has  
17 never been below the 9.8 figure which is shown for  
18 1985?

19 MR. MILLS: I think I'll object to that. I  
20 think Mr. Shaw just testified that he has no knowledge  
21 of the accuracy of any of these numbers that  
22 Mr. Swaengen is asking him to compare, when these  
23 numbers could be widely inaccurate, and there is no  
24 reason to think that a comparison of those widely  
25 inaccurate numbers to a number -- one of the few

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1 numbers that Mr. Shaw knows about has any bearing on  
2 this case.

3 MR. SWEARENGEN: Well, I haven't asked him  
4 to identify the numbers, and I haven't offered the  
5 exhibit yet. I haven't had it marked as an exhibit.  
6 So I don't think that's a proper objection to the  
7 particular question.

8 MR. MILLS: The question was to ask him to  
9 compare some numbers that he just said he knows  
10 nothing about to one number that he does know  
11 something about.

12 JUDGE DERQUE: The problem, Mr. Swearengen,  
13 is that Mr. Shaw didn't audit any of these numbers  
14 that you're asking him to testify to. They're just  
15 numbers on the paper. He's testifying to the ones he  
16 audited.

17 MR. SWEARENGEN: Let me withdraw the  
18 question and ask another one, if that's okay.

19 BY MR. SWEARENGEN:

20 Q. Let's make sure that we understand,  
21 Mr. Shaw. The numbers that you do agree with are the  
22 numbers shown for the years 1992, '93, '94, '95 and  
23 '96; is that right? I think that's what you said  
24 earlier.

25 A. That is correct.

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1 Q. And 1997 on this document is not a number  
2 that you've audited. Is that right?

3 A. That's correct.

4 Q. And the other numbers on this document for  
5 the years '80 through '91 are numbers you're not  
6 familiar with. Is that right?

7 A. That is right.

8 MR. SWEARENGEN: Okay. That's all I have.  
9 I don't have any other questions.

10 JUDGE DERQUE: Thank you. Let's see.

11 Redirect, Mr. Steiner?

12 MR. STEINER: Yes.

13 REDIRECT EXAMINATION BY MR. STEINER:

14 Q. Mr. Shaw, I believe Mr. Swearengen asked you  
15 about natural events that affect maintenance expense?

16 A. That's right.

17 Q. Are you aware of nonnatural events that  
18 affect maintenance expense?

19 A. Well, certainly whatever projects the  
20 Company decides to undertake in a given year will  
21 affect maintenance expense.

22 Q. Do you recall Mr. Swearengen asking you  
23 about the effects of inflation?

24 A. Yes, I do.

25 Q. Does an inflation adjustment represent a  
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1 known and measurable event?

2 A. No, it does not. And I'm not aware of this  
3 Commission accepting any type of inflation adjustments  
4 for ratemaking purposes.

5 Q. Now, Mr. Swearngen had you do a calculation  
6 based on Schedule 1 of your surrebuttal --

7 A. Yes.

8 Q. -- and had you take an average of 1992, '93,  
9 '94 and '96. Do you remember doing that?

10 A. Yes, I do.

11 Q. And excluded 1995. And that appears to be  
12 the lowest total of those four columns -- of those  
13 five columns. Is that correct?

14 A. That is correct.

15 Q. Could you do the same calculations excluding  
16 1993, which is the highest level of those five  
17 columns?

18 A. Excluding 19--

19 Q. Excluding 1993 and just do the totals.

20 A. Okay.

21 I believe the number is 11,829,281.

22 Q. And how does that compare to your  
23 recommendation in this case?

24 A. It's below the amount that we built in as  
25 the normalized amount for maintenance.



1 MR. SWEARENGEN: Excuse me. I didn't get  
2 that number. If you'd mind saying it again, Tom.

3 THE WITNESS: 1,829,281 is below the test  
4 year -- or the normalized test year amount we've  
5 included for purposes of this case by almost \$400,000.

6 MR. SWEARENGEN: Judge, could I just ask the  
7 bench a question? I am not sure what years he added  
8 up there, and I just need to be cleared.

9 JUDGE DERQUE: What years did you add up?

10 THE WITNESS: I excluded 1993.

11 MR. STEINER: He added '92, '94, '95 and  
12 '96.

13 JUDGE DERQUE: What was the resulting  
14 number?

15 THE WITNESS: 11,829,281.

16 BY MR. STEINER:

17 Q. Mr. Shaw, counsel for the Company pointed  
18 out that 1995 is low for maintenance when compared to  
19 other years. Is that correct?

20 A. It appears to be, yes.

21 Q. How does the 1996 maintenance level compare  
22 to other years?

23 A. 1996 it appears to be considerably higher  
24 than every year except 1993, when the conversion of  
25 the Sibley unit to burn Western coal was being

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1       undertaken.

2           Q.     Now, doesn't your average consider both the  
3       low year in '95 and the higher year in '96?

4           A.     As I indicated to Mr. Swearengen, my  
5       normalization process includes every maintenance  
6       dollar that has been incurred over the five-year  
7       period.

8           Q.     Now, Mr. Swearengen introduced a document  
9       regarding tree trimming -- actually regarding ice  
10      storm, the memorandum from Jim Ketter to Mr. Zobrist.

11          A.     Yes, I have that.

12          Q.     And on page 8 of that document, in the  
13      second full paragraph, there's a reference to a major  
14      service restoration plan. Do you see that?

15          A.     Yes, I do.

16          Q.     Were we ever provided with that plan by the  
17      Company in your discovery in this case?

18          A.     No. This appears to be some type of  
19      maintenance plan that is undertaken whenever customers  
20      have outages, some type of restoration plan to restore  
21      service to the customers.

22                 It appears this plan was in effect to some  
23      extent prior to April of 1996, but it appears that in  
24      April of 1996 --

25                 JUDGE DERQUE: That's okay, Mr. Shaw. It's  
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1 a yes or no question. Thank you.

2 Mr. Steiner.

3 BY MR. STEINER:

4 Q. Mr. Shaw, what is the major expense that  
5 UtiliCorp incurs during an ice storm?

6 A. Well, primarily all, if not most, of the ice  
7 storm expense I believe relates to cleaning up tree  
8 trimming, tree-trimming cleanup, additional -- I'll  
9 just leave it at that. It has to do with performing  
10 additional tree trimming to get the limbs that are  
11 broken down to the ground and then disposed of.

12 Q. Is either party recommending to include  
13 those tree-trimming costs in the 1996 ice storm in  
14 total for setting rates in this case?

15 A. Both parties have certainly recommended  
16 inclusion of the tree-trimming costs included -- or as  
17 a result of the October 1996 ice storm. It's just a  
18 matter of opinion whether those costs should be  
19 amortized over three years or five years.

20 Q. You had a discussion with Mr. Swearengen  
21 about spikes, maintenance spikes, spikes in  
22 maintenance. Do you remember that?

23 A. Yes, I do.

24 Q. Did you consider spikes that increase  
25 maintenance costs and spikes that decrease maintenance

1 costs?

2 A. Yes. I considered all spikes.

3 MR. STEINER: Thank you. That's all I have.

4 JUDGE DERQUE: Thank you, Mr. Steiner.

5 QUESTIONS BY JUDGE DERQUE:

6 Q. Mr. Shaw, I think I'm missing something  
7 here.

8 I have a number that I think is -- at least  
9 it's in Mr. Clemens' testimony, that I think is  
10 \$13,386,846. I take 12,226,512 out of that -- oh, I  
11 know where it is -- I get a number that is not on the  
12 reconciliation. I get a number that's higher than  
13 that. It's \$1,160,334.

14 Is the difference in those two figures the  
15 number of years that the ice storm is amortized?

16 A. No.

17 Q. It isn't?

18 A. The difference between those two would be, I  
19 think, the jurisdictional allocation effect of the way  
20 the ice storm is amortized between the two parties.

21 JUDGE DERQUE: Okay. Any cross on that  
22 question, Mr. Steiner?

23 MR. STEINER: No.

24 I'll just let you know, your Honor, that I  
25 think we will be filing an updated reconciliation. I

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1 think that number stays the same, but there will be  
2 other numbers that will be changing.

3 JUDGE DERQUE: Okay. Mr. Mills, recross  
4 based on the question I just asked?

5 MR. MILLS: No. No questions. Thank you.

6 JUDGE DERQUE: Mr. Swearengen?

7 MR. SWEARENGEN: No questions, your Honor.

8 I would offer into evidence the memorandum,  
9 and I will see that copies are made. I believe that's  
10 Exhibit 68.

11 MR. STEINER: I do have an objection to  
12 that.

13 JUDGE DERQUE: I haven't even gotten a copy  
14 of that.

15 MR. SWEARENGEN: I'm going to make copies.  
16 That's the one you told me to get copies made today  
17 and get them to you.

18 JUDGE DERQUE: If you want to enter it as an  
19 exhibit, yeah.

20 MR. SWEARENGEN: Right.

21 JUDGE DERQUE: I can't rule on an objection  
22 unless I've seen the document.

23 When you have copies, Mr. Swearengen, then  
24 we'll let you offer it and deal with it at that time.

25 MR. SWEARENGEN: That would be fine.

1 JUDGE DERQUE: Unless you want me to sit  
2 here and look at it?  
3 MR. SWEARENGEN: No. I'll do it that way.  
4 JUDGE DERQUE: You may be wasting your time.  
5 MR. SWEARENGEN: Making copies?  
6 JUDGE DERQUE: You may be killing needless  
7 trees.  
8 MR. SWEARENGEN: I don't like the sound of  
9 that, your Honor.  
10 JUDGE DERQUE: Mr. Steiner, any objection to  
11 Exhibit No. 68?  
12 MR. STEINER: To the extent that  
13 Mr. Swearengen wants to use this to show that the  
14 Company is receiving mixed signals, the document  
15 doesn't indicate that it was provided to UtiliCorp in  
16 any official capacity. I don't know how UtiliCorp got  
17 this, but I'm not sure the Commission has provided --  
18 this document shows that the Commission has provided  
19 any signals to the Company. That's my objection.  
20 JUDGE DERQUE: Mr. Swearengen?  
21 MR. SWEARENGEN: Well, I think the document  
22 speaks for itself, and I think it's relevant to the  
23 issue of what this Commission expects the Company to  
24 do in the way of maintenance expense.  
25 MR. STEINER: It's to Zobrist from Ketter.

1       There's no cc. There is no indication --

2               JUDGE DERQUE: I understand.

3               Go ahead, Mr. Swearengen.

4               MR. SWEARENGEN: And the issue, of course,  
5       is we're arguing for the 1996 test year maintenance  
6       expense, and that memorandum suggests that that level  
7       ought to be certainly maintained for Missouri Public  
8       Service. So I don't think that's what is happening in  
9       the context of the Staff's position on this issue. So  
10      I think it's certainly relevant.

11              MR. STEINER: And my objection is to the  
12      fact of -- his use of it, that somehow UtiliCorp has  
13      some kind of signal from this, because that has not  
14      been established.

15              JUDGE DERQUE: I'm going to -- yes, this is  
16      an internal engineering document, and I don't think it  
17      has any bearing on the issues in this. I don't think  
18      it has any bearings on these issues to the point of  
19      being admissible.

20              In addition to which, it partially refers to  
21      another company, Kansas City Power & Light, and I  
22      think -- and that makes it very confusing and  
23      potentially, extremely misleading, because the Staff  
24      conditions that were referred to in cross-examination  
25      don't distinguish between the two companies. And they

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1 are much different companies, I think. So the  
2 objection is sustained.

3 MR. SWEARENGEN: I would ask that under  
4 4 CSR 240-2.1303 that it nonetheless be preserved and  
5 maintained in the record.

6 JUDGE DERQUE: That's fine.

7 Exhibit No. 68 is not admitted into  
8 evidence, but it will be preserved in the record.

9 MR. SWEARENGEN: Thank you, your Honor.

10 JUDGE DERQUE: The court reporter needs  
11 three copies today.

12 Thank you, Mr. Shaw.

13 (Witness excused.)

14 JUDGE DERQUE: I have two pieces of  
15 testimony, direct and rebuttal.

16 MR. SWEARENGEN: That's right.

17 JUDGE DERQUE: Okay. I have two pieces of  
18 testimony of Mr. Clemens, direct and the rebuttal.  
19 The direct will be No. 69 and the rebuttal will be  
20 No. 70.

21 We're off the record.

22 (EXHIBIT NOS. 69 AND 70 WERE MARKED FOR  
23 IDENTIFICATION.)

24 JUDGE DERQUE: We're back on the record.

25 (Witness affirmed.)

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1 JUDGE DERQUE: Proceed, Mr. Swearengen.

2 MR. SWEARENGEN: Thank you, Judge.

3 GARY L. CLEMENS testified as follows:

4 DIRECT EXAMINATION BY MR. SWEARENGEN:

5 Q. Mr. Clemens, would you state your name for  
6 the record, please?

7 A. Gary Clemens.

8 Q. By whom are you employed, Mr. Clemens, and  
9 in what capacity?

10 A. UtiliCorp as financial manager.

11 Q. Did you cause to be prepared for purposes of  
12 this case two pieces of testimony in question-and-  
13 answer form?

14 A. Yes, I did.

15 Q. And your direct testimony has been marked as  
16 Exhibit 69; is that correct?

17 A. Correct.

18 Q. And your rebuttal testimony as Exhibit 70;  
19 is that correct?

20 A. That's correct.

21 Q. Are there any changes that you need to make  
22 with respect to either piece of testimony?

23 A. No, sir.

24 Q. If I asked you the questions in Exhibits 69  
25 and 70, would your answers today be substantially the

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1 same?

2 A. Yes.

3 Q. Just so the record is clear, Mr. Clemens,  
4 with respect to your direct testimony, Exhibit 69, are  
5 there any issues remaining to be litigated that are in  
6 that testimony?

7 A. No.

8 Q. Okay. And then with respect to Exhibit 70,  
9 that testimony is devoted exclusively to the  
10 maintenance issue; is that correct?

11 A. That's correct.

12 MR. SWEARENGEN: With that, your Honor, I  
13 would offer into evidence Exhibits 69 and 70 and  
14 tender the witness for cross-examination.

15 JUDGE DERQUE: Are there any objection to  
16 the admission into evidence of Exhibits 69 or 70?

17 MR. STEINER: No, your Honor.

18 JUDGE DERQUE: Seeing none, they will be  
19 admitted.

20 (EXHIBIT NOS. 69 AND 70 WERE RECEIVED INTO  
21 EVIDENCE.)

22 JUDGE DERQUE: Mr. Keevil?

23 MR. KEEVIL: No questions.

24 JUDGE DERQUE: Mr. Mills?

25 MR. MILLS: No questions.

1 JUDGE DERQUE: Mr. Steiner?

2 MR. STEINER: Yes.

3 CROSS-EXAMINATION BY MR. STEINER:

4 Q. Good afternoon, Mr. Clemens.

5 A. How are you doing?

6 Q. Now, the approach you took to determine the  
7 amount of maintenance expense, I believe you looked at  
8 the test year, the 12 months ending December 31, '96,  
9 and you adjusted that for abnormal events; is that  
10 correct?

11 A. That's correct.

12 Q. What abnormal events did you adjust for?

13 A. I took out the ice storm, October 1996 ice  
14 storm, and amortized that over three years.

15 Q. Now, how do you define an abnormal event or  
16 an abnormality?

17 A. I looked at the maintenance expense to try  
18 to get a level that is going to be affected in rates,  
19 and I -- taking out the ice storm after that, I did  
20 that, I felt like the number I came up with took care  
21 of any abnormalities.

22 Q. Okay. But before you did the ice storm, you  
23 had to have an idea of what -- I mean, you are going  
24 to look at the test year, adjust it for abnormal  
25 events. At that point in time what did you think an

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1 abnormal event was?

2 A. The ice storm in that test year.

3 Q. Did you consider any other potential  
4 abnormalities?

5 A. I didn't see any that caused me to think  
6 there is any abnormalities in that test year.

7 Q. Well, I mean, what was your analysis? Did  
8 you compare the test year level to previous years?

9 A. I looked at the test year and compared it to  
10 what we spent through June 1997. I think that was  
11 actual year to date. That was \$13.2 million.

12 I looked at the budget we had spent --for  
13 1997-1998 budget levels were 13 for 1997, 13.3 million  
14 for 1998.

15 I looked at what we had spent actually  
16 today. I took through October of '97, and we had  
17 spent -- the maintenance expenditure was \$12.8. So I  
18 felt that our number, the 13.2 was -- 13.3 was  
19 adequate.

20 Q. Did you compare the test year level to  
21 previous years' levels of maintenance expense?

22 A. Yeah. I looked all of the way back to 1980  
23 to look to see if -- what kind of levels we had  
24 maintained, and they looked -- nothing abnormal stuck  
25 out in my mind.

1           As a matter of fact, you know, I looked at  
2   1995, because that was -- that was a low year. I  
3   looked at that. So I looked at -- I think it was --  
4   1981 was the first year that we spent less than that  
5   amount in 1995.

6           So I think it's -- it was real relevant that  
7   13.3 was the right number. I looked at the Staff  
8   level of \$12.2 million and seen that we had spent more  
9   than that in 1986, 1988, '89, '93 and '96. We had  
10   spent more than the Staff recommended level all of  
11   those prior years. So I felt very comfortable that  
12   the 13.3 was a good number.

13         Q.   This analysis you're talking about you  
14   performed, did you provide --

15         A.   I --

16         Q.   Could I ask my question?

17         A.   Sure.

18         Q.   Did you provide any of that to the Staff?

19         A.   After reviewing the surrebuttal testimony of  
20   Mr. Shaw, where he said I only looked at distribution  
21   only, I went in and -- just in the last couple of  
22   days, had a chance to go back and pull those four  
23   months and do that. So the answer to your question  
24   is, no, I did not.

25         Q.   See, that wasn't my original question. I

1 was trying to get back to when you actually -- before  
2 you looked at our surrebuttal testimony, when you came  
3 up and said, test year amount minus ice storm, that's  
4 it, I was trying to get your analysis then.

5 So at that time you didn't look back at all  
6 of those previous years. Is that correct?

7 A. I looked at only the five years that  
8 Mr. Shaw had in his testimony.

9 Q. Okay. Now, is any party recommending that  
10 maintenance be updated in this case based on 1997  
11 amounts?

12 A. No. December 1996 is the level that we're  
13 maintaining.

14 Q. Okay. Let's get back to abnormalities or  
15 abnormal events.

16 Now, are they just related in your mind to  
17 acts of God, like an ice storm?

18 A. No.

19 Q. What else can be an abnormal event?

20 A. I think Mr. Shaw said as well it could be  
21 some decisions by management for what projects to do  
22 or maybe not to do.

23 Q. So you would agree that MPS has discretion  
24 on how maintenance is budgeted?

25 A. Sure.

1 Q. And I'm going to hand you a schedule that  
2 Mr. Swearengen gave to my witness, Mr. Shaw.

3 A. Sure.

4 Q. And it's the maintenance expense going back  
5 to 1980?

6 A. Uh-huh.

7 Q. Now, how many of those years are less than  
8 Staff's recommendation in this case?

9 A. It appears that eleven were less than the  
10 Staff recommendation, based on those years' dollars,  
11 without doing any kind of inflation or anything.

12 Q. Eleven out of how many?

13 A. Seventeen.

14 Q. Okay. Now, when you were first looking at  
15 the test year and deciding that this is it, we're  
16 going to use the test year minus the ice storm, and I  
17 think you testified that you then compared that number  
18 to the five years -- four years previous. Is that  
19 right?

20 A. I looked at those years that Mr. Shaw had in  
21 his numbers.

22 Q. Let me back up.

23 Did you make the ice storm adjustment in  
24 your direct case?

25 A. No, I did not.

1 Q. So when you were putting together the direct  
2 case, you looked at the test year and you didn't make  
3 any adjustment; is that correct?

4 A. That case was done in a little haste, and we  
5 just -- we only took a first attempt to do kind of the  
6 major adjustments and when we updated our case, the  
7 Staff, we gave them our number, which included that  
8 case.

9 Q. Did you compare, like, the test year level  
10 of production maintenance cost to the -- and I'm  
11 talking when you were originally selecting the test  
12 year, not what you did after our surrebuttal.

13 A. Uh-huh.

14 Q. Did you compare that to the test year or --  
15 did you compare the test year production maintenance  
16 cost amount to previous years' levels?

17 A. I looked at those levels.

18 Q. For how many years?

19 A. Back through 1992.

20 Q. Did you do the same thing for transmission  
21 and distribution?

22 A. Correct.

23 MR. STEINER: Thank you for your time.

24 THE WITNESS: Thank you.

25 JUDGE DERQUE: Is that all, Mr. Steiner?



1 MR. STEINER: That's it.

2 JUDGE DERQUE: Redirect, Mr. Swearengen?

3 MR. SWEARENGEN: Yes, your Honor. I'd like  
4 to have an exhibit marked for purposes of  
5 identification.

6 JUDGE DERQUE: Is this the same thing?

7 MR. SWEARENGEN: Yes. It will be marked as  
8 No. 71, identified as maintenance expense, one page  
9 showing that expense from the year 10-- purporting to  
10 show that expense from 1980 to partial year 1997.

11 JUDGE DERQUE: We're off the record.

12 (EXHIBIT NO. 71 WAS MARKED FOR  
13 IDENTIFICATION.)

14 JUDGE DERQUE: We're back on the record.

15 Mr. Swearengen?

16 REDIRECT EXAMINATION BY MR. SWEARENGEN:

17 Q. Mr. Clemens, you have in front of you what  
18 has been marked for purposes of identification as  
19 Exhibit 71, a document entitled maintenance expense.  
20 Let me ask you: Was this document prepared by you or  
21 under your direction and supervision?

22 A. Yes, it was.

23 Q. And would you tell the Commission what it  
24 shows, please?

25 A. It shows the maintenance expense from 1980  
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1 through 1980-- 1996, actual 12 months ended for each  
2 of those years by function, production, transmission,  
3 distribution, less payroll. It also shows 1997, ten  
4 months actual and two months budget.

5 Q. Now, there are two footnotes down at the  
6 bottom of that document, and I think you referenced  
7 Footnote 1, 1997, as ten months actual, two months  
8 budget?

9 A. Correct.

10 Q. And when you say "actual," is that actual  
11 expense recorded on the Company's books?

12 A. That's correct.

13 Q. And Footnote 2 says data is per FERC  
14 Form 1 1980 through 1981 -- excuse me -- 1980 through  
15 1991. What does that mean?

16 A. That document is FERC requirement that we  
17 file also with the State. Those numbers were pulled  
18 from the those documents with -- on page 320 to 323,  
19 the production, transmission, distribution expenses  
20 were pulled, and then page 354 the payroll was  
21 extracted.

22 Q. So the origin of the information -- or the  
23 origin of the data for the years 1980 through 1991  
24 would be FERC Form 1s that are filed with this  
25 Commission; is that correct?

1           A.     That's correct.

2           Q.     What about the other information, 1992  
3 through 1996, what's the origin of that information?

4           A.     Those numbers came from Mr. Shaw's  
5 Schedule 1, surrebuttal testimony.

6           MR. SWEARENGEN:   Okay.   Thank you.

7                 I believe that's all I have.   I would offer  
8 into evidence Exhibit 71.

9           JUDGE DERQUE:   Is there any objection to the  
10 admission of Exhibit 71 into evidence?

11          MR. STEINER:   Yes, your Honor.

12          JUDGE DERQUE:   Yes?

13          MR. STEINER:   Yes.

14          JUDGE DERQUE:   Would you like to state that  
15 objection, Mr. Steiner, or are you going to keep me in  
16 suspense?

17          MR. STEINER:   I withdraw the objection.

18          JUDGE DERQUE:   Okay.   Exhibit No. 71 will be  
19 admitted.

20                 (EXHIBIT NO. 71 WAS RECEIVED INTO EVIDENCE.)

21          MR. SWEARENGEN:   Thank you, your Honor.

22          JUDGE DERQUE:   Thank you, Mr. Clemens.

23                 Now it's my understanding that we have a  
24 witness or two regarding the issue of economic  
25 development group.

1 MR. GUNN: We have just one, your Honor.  
2 JUDGE DERQUE: The Staff has one.  
3 Is Mr. Arnall --  
4 MR. SWEARENGEN: This was Mr. Robert Green's  
5 issue, and he has already testified on that.  
6 JUDGE DERQUE: That wasn't -- I was doing  
7 this later and it wasn't clear to me.  
8 That's fine. We're off the record for a  
9 moment.  
10 (Discussion off the record.)  
11 JUDGE DERQUE: We're on the record.  
12 Mr. Gunn.  
13 MR. GUNN: Yes. My name is Stephen M. Gunn,  
14 representing the Staff of the Missouri Public Service  
15 Commission.  
16 My address is 301 West High Street,  
17 Jefferson City, Missouri, 65201.  
18 JUDGE DERQUE: Okay. It's my understanding  
19 regarding the issue of economic development costs D-8,  
20 the Staff would like to call their final witness on  
21 that issue, Mr. David Mansfield. Is that correct?  
22 MR. GUNN: That's correct, your Honor.  
23 (Witness affirmed.)  
24 JUDGE DERQUE: Thank you. Please have a  
25 seat.

1 MR. GUNN: Your Honor, Staff has two  
2 documents that we would like to pre-mark for -- Staff  
3 has two documents we wish to pre-mark as exhibits, I  
4 believe, 72 and 73, which we wish to introduce late  
5 into evidence.

6 JUDGE DERQUE: Let's go off the record a  
7 minute.

8 (Discussion off the record.)

9 JUDGE DERQUE: We're back on the record.

10 Mr. Gunn, I have two pieces of testimony for  
11 Mr. Mansfield. It would be the direct and the  
12 surrebuttal testimony. Is that correct?

13 MR. GUNN: That is correct, your Honor.

14 JUDGE DERQUE: Okay. The direct will be 72  
15 and the surrebuttal will be 73.

16 We're off the record.

17 (EXHIBIT NOS. 72 AND 73 WERE MARKED FOR  
18 IDENTIFICATION.)

19 JUDGE DERQUE: We're back on the record,  
20 Mr. Gunn.

21 DAVID P. MANSFIELD testified as follows:

22 DIRECT EXAMINATION BY MR. GUNN:

23 Q. Good afternoon, Mr. Mansfield.

24 A. Good afternoon.

25 Q. Could you state your name for the record,  
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1 please, and your business address.

2 A. Yes, sir. David P. Mansfield, Noland Plaza  
3 Office Building, 3675 South Noland Road, Suite 110,  
4 independence, Missouri, 64055.

5 Q. Thank you.

6 And on whose behalf are you testifying today  
7 and in what capacity?

8 A. I'm representing Staff. I'm a regulatory  
9 auditor for the Public Service Commission.

10 Q. Okay. And just for clarification, what  
11 issue are you addressing?

12 A. Economic development.

13 Q. Okay. Have you caused to be filed in this  
14 case certain documents which have been pre-marked as  
15 Exhibits 72 and 73 entitled direct testimony of  
16 David P. Mansfield and surrebuttal testimony of  
17 David P. Mansfield?

18 A. Yes, I have.

19 Q. Have you any changes you wish to make to  
20 these documents?

21 A. No, sir, I do not.

22 Q. If I were to ask you the same questions  
23 contained in these documents today, would your answers  
24 be essentially the same?

25 A. Yes, sir.

1           Q.     Okay.  And are the answers contained in  
2     these to documents accurate and true to the best of  
3     your knowledge, information and belief?

4           A.     Yes, sir.

5           MR. GUNN:  Your Honor, I respectfully  
6     request that Exhibits 72 and 73 be entered into  
7     evidence.

8           JUDGE DERQUE:  Is there any objection to the  
9     admission of 72 or 73 into evidence?

10          MR. SWEARENGEN:  No, your Honor.

11          JUDGE DERQUE:  Seeing no objections, they  
12     will be admitted.

13                 (EXHIBIT NOS. 72 AND 73 WERE RECEIVED INTO  
14     EVIDENCE.)

15          MR. GUNN:  I now tender Mr. Mansfield for  
16     cross-examination, if any.

17          JUDGE DERQUE:  Mr. Keevil has left.

18                 Mr. Mills?

19          MR. MILLS:  I have no questions for this  
20     witness on this issue.

21          JUDGE DERQUE:  Mr. Swearengen?

22          MR. SWEARENGEN:  No questions, your Honor.  
23     Thank you.

24          JUDGE DERQUE:  Thank you, Mr. Mansfield.  
25     You may be excused.

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(Witness excused.)

JUDGE DERQUE: Is there anything else I need  
to deal with this afternoon?

MR. SWEARENGEN: I just owe the court  
reporter three copies of this exhibit. I will take  
care of that.

JUDGE DERQUE: Which one?

MR. SWEARENGEN: That's Exhibit 68.

JUDGE DERQUE: That's fine.

We're off the record.

WHEREUPON, the hearing of this case was  
adjourned until 8 a.m. Friday, December 12, 1997.



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Economic Development Group

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