

FILED

SEP 16 1997

**MISSOURI
PUBLIC SERVICE COMMISSION**

Exhibit No.:

Issues:

Plant, Depreciation
Reserve, Depreciation
Expense, Property
Taxes, Accounts
Receivable Sales,
Accounting Authority
Order Amortization
Phillip K. Williams
MO PSC Staff
Direct Testimony
ER-97-394

Witness:
Sponsoring Party:
Type of Exhibit:
Case No.:

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

PHILLIP K. WILLIAMS

**MISSOURI PUBLIC SERVICE
A DIVISION OF UTILICORP UNITED, INC.**

CASE NO. ER-97-394

Jefferson City, Missouri
September 1997

1 **DIRECT TESTIMONY**

2 **OF**

3 **PHILLIP K. WILLIAMS**

4 **MISSOURI PUBLIC SERVICE**
5 **A DIVISION OF UTILICORP UNITED, INC.**

6 **CASE NO. ER-97-394**
7

8
9 Q. Please state your name and business address.

10 A. Phillip K. Williams, Noland Plaza Office Building, Suite 110, 3675 Noland
11 Road, Independence, Missouri 64055.

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

13 A. I am a Regulatory Auditor for the Missouri Public Service Commission
14 (Commission).

15 Q. Please describe your education and other qualifications.

16 A. I graduated from Central Missouri State University (CMSU) at Warrensburg,
17 Missouri, in August 1976, with a Bachelor of Science degree in Business Administration, with
18 a Functional Major in Accounting. Upon completion of my undergraduate degree, I entered
19 the Masters Program at CMSU. I graduated from CMSU in February 1978, with a Master
20 of Business Administration degree with emphasis in Accounting. I began my employment
21 with the Commission on Sept. 2, 1980. In May 1989, I passed the Uniform Certified Public
22 Accountant (CPA) examination. I am currently licensed as a CPA in the State of Missouri.
23 In May 1994, I passed the Certified Internal Auditors (CIA) examination, and received my
24 CIA designation.

25 Q. What have been your duties while employed by this Commission?

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1 A. I have assisted with audits and examinations of books and records of utility
2 companies operating within the State of Missouri.

3 Q. Have you previously filed testimony before this Commission?

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

6 Q. With reference to Case No. ER-97-394, have you examined the books and
7 records of Missouri Public Service (MPS or Company), a division of UtiliCorp United, Inc.
8 (UtiliCorp)?

9 A. Yes. With the assistance of other members of the Commission Staff (Staff),
10 an investigation was made of the Company's electric operations.

11 Q. Please describe your areas of responsibility in this case.

12 A. My principal areas of responsibility are plant, depreciation reserve,
13 depreciation expense, property taxes, accounts receivable sales and accounting authority
14 order amortization.

15 I am sponsoring the following Accounting Schedules:

16 Accounting Schedule 2	Rate Base
17 Accounting Schedule 3	Total Plant in Service
18 Accounting Schedule 4	Adjustments to Total Plant
19 Accounting Schedule 5	Depreciation Expense
20 Accounting Schedule 6	Depreciation Reserve
21 Accounting Schedule 7	Adjustments to Depreciation Reserve

22
23 I am sponsoring the following Income Statement adjustments:

24	
25 Bad Debt Expense	S-8.1
26 Accounts Receivable Sales	S-8.4
27 Depreciation Expense	S-14.1 and S-15.1
28 Property Taxes	S-16.2

RATE BASE

Q. Please explain Accounting Schedule 2.

A. Accounting Schedule 2 is the calculation of Rate Base. The Rate Base Accounting Schedule reflects the Company's total investment on which the shareholder should be permitted to earn a return.

Q. What line items are you sponsoring on the Rate Base Accounting Schedule?

A. I am sponsoring plant in service and depreciation reserve. Both balances are calculated on separate accounting schedules that will be addressed later in my testimony. I am also sponsoring the unamortized Accounting Authority Order (AAO) amounts to be included in rate base. Other line items on the Rate Base Schedule are sponsored by the following Staff Accounting witnesses: Lisa J. Canady (Materials and Supplies, Prepayments, Customer Deposits and Advances); David P. Mansfield (Cash Working Capital, Federal, State and City Tax Offset associated with Cash Working Capital); Cary G. Featherstone (Oil and Coal Fuel Inventories) and Steve M. Traxler (Deferred Income Taxes and Investment Tax Credit).

PLANT IN SERVICE

Q. Please describe Accounting Schedule 3, Plant in Service.

A. Accounting Schedule 3, Plant in Service, lists the plant accounts in column A. Column B shows the Missouri jurisdictional balance of each plant account as of June 30, 1997. Column C shows the amount of the Plant adjustments made to each account

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(taken from Schedule 4). Column D shows the adjusted jurisdictional balance for each account.

ADJUSTMENTS TO TOTAL PLANT

Q. Please describe Accounting Schedule 4.

A. Accounting Schedule 4, Adjustments to Total Plant, is a list of adjustments that Staff made to total plant.

Q. Has Staff made any adjustments to plant in service in this case as of June 30, 1997?

A. Yes. These adjustments are discussed in the testimony of Staff witnesses Ahmad, Dittmer and Traxler. In addition, the Company has requested in Case No. GM-97-435 to sell approximately five miles of a gas pipeline that was built to provide natural gas to the Greenwood Generating facility. Should the sale of the pipeline be approved by this Commission, then the cost of the pipeline that is sold should be removed from plant in service. If appropriate, this adjustment will be made in the true-up audit proposed by Staff witness Traxler.

DEPRECIATION EXPENSE

Q. Please describe Accounting Schedule 5.

A. Accounting Schedule 5, Depreciation Expense, lists the plant accounts in column A. Column B shows the Missouri jurisdictional plant balance of each account. Column C shows the Staff recommended depreciation rates applicable to each account. Column D is the annualized depreciation expense associated with jurisdictional plant.

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1 Q. What depreciation rates is the Staff using for purposes of this filing?

2 A. I am using proposed depreciation rates provided by Staff Witness Guy Gilbert
3 of the Depreciation Department.

4 Q. Please describe Income Statement adjustments S-14.1 and S-15.1.

5 A. Adjustment S-14.1 was made to include in rates the effect of the increase in
6 depreciation expense associated with the change in depreciation rates for transportation and
7 power operated equipment. Adjustment S-15.1 was made to eliminate from cost of service
8 the over accrual of depreciation expense charged to the accumulated depreciation reserve for
9 the plant in service at June 30, 1997 in Account 391.02, General Common Plant.

10
11 **DEPRECIATION RESERVE**

12 Q. Please describe Accounting Schedule 6, Depreciation Reserve.

13 A. Accounting Schedule 6, Depreciation Reserve, lists the reserve accounts in
14 column A. Column B shows the Missouri jurisdictional balance of each reserve account as
15 of June 30, 1997. Column C shows the amount of Reserve adjustments made to each account
16 (taken from Schedule 7). Column D shows the adjusted jurisdictional balance for each
17 account.

18
19 **ADJUSTMENTS TO DEPRECIATION RESERVE**

20 Q. Please describe Accounting Schedule 7.

21 A. Accounting Schedule 7, is a list of adjustments that the Staff made to
22 depreciation reserve.

23 Q. Did the Staff make any adjustments to depreciated reserve in this case?

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1 A. Yes. These adjustments are discussed in the testimony of Staff consultant
2 James R. Dittmer.

3
4 **UNAMORTIZED ACCOUNTING AUTHORITY ORDER BALANCE**

5 Q. Please describe the unamortized AAO balance included in rate base.

6 A. The unamortized AAO balance at June 30, 1997 was included in rate base to
7 include in the cost of service the unamortized amounts of the AAO deferrals authorized by
8 the Commission to receive rate recovery in Case Nos. ER-90-101 and ER-93-37. These
9 AAO deferrals were associated with the Sibley rebuild project and western coal conversion.

10
11 **PROPERTY TAXES**

12 Q. Please explain Income Statement adjustment S-16.2.

13 A. Adjustment S-16.2 was made to adjust test year expense to reflect the Staff's
14 annualization of property tax based on the gross plant in service at December 31, 1996
15 multiplied by the 1996 assessment value as a percent of gross plant and the taxes paid as a
16 percent of the assessed value.

17
18 **ACCOUNTS RECEIVABLE SALES**

19 Q. Please explain Income Statement adjustment S-8.4.

20 A. Adjustment S-8.4 was made to include in cost of service expenses associated
21 with the accounts receivables sales program implemented by UtiliCorp, whereby it sells MPS'
22 accounts receivable. The sale of accounts receivables reduces the revenue lag associated with

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1 the cash working capital in rate base. The Staff therefore included the interest on financing
2 costs that is incurred with the selling of these accounts receivables.

3 Q. What is an accounts receivable sales program?

4 A. An accounts receivable sales program is a way to enhance cash flow. It
5 produced a one time influx of cash, based on the amount of accounts receivables that is sold.
6 The accounts receivable sales program was implemented by Company a number of years ago
7 to increase immediate cash flow. The Company sold its accounts receivable balance on a
8 certain date, less uncollectables. Basically, it is a loan from a third party backed by the
9 Company's accounts receivables.

10 Q. Does this conclude your testimony?

11 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of Missouri Public Service)
of Kansas City, Missouri, for authority)
to file tariffs increasing electric rates for)
service provided to customers in the Missouri) Case No. ER-97-394
service area.)

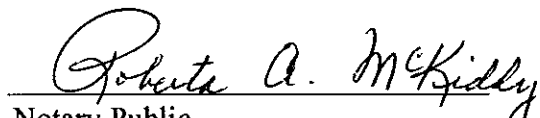
AFFIDAVIT OF PHILLIP K. WILLIAMS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Phillip K. Williams, is, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 7 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


PHILLIP K. WILLIAMS

Subscribed and sworn to before me this 12th day of September 1997.


Notary Public

My Commission Expires: _____
ROBERTA A. MCKIDDY
Notary Public, State of Missouri
County of Cole
My Commission Expires 09/11/99

RATE CASE PROCEEDINGS PARTICIPATION

PHILLIP K. WILLIAMS

Kansas City Power & Light Company	ER-81-42
The Gas Service Company	GR-81-155
United Telephone Company	TR-81-302
Rich Hill-Hume Gas Company	GR-81-332
Missouri Public Service Company	ER-82-39
Missouri Public Service Company	WR-82-50
The Gas Service Company	GR-82-151
Missouri Public Service Company	GR-82-194
Missouri Water - Lexington Division	WR-82-279
Missouri Public Service Company	ER-83-40
The Gas Service Company	GR-83-225
Missouri Water Company - Independence Division	WR-83-352
Rich Hill-Hume Gas Company	GR-84-24
Kansas City Power & Light Company	ER-85-128
Kansas City Power & Light Company	EO-85-185
KPL Gas Service Company	GR-86-76
General Telephone Company of the Midwest	TC-87-57
Missouri Public Service	GR-88-194
U.S. Water/Lexington, Mo., Inc.	WR-88-255
KPL Gas Service	GR-90-50

UtiliCorp United Inc., Missouri Public Service	ER-90-101
KPL Gas Service	GR-91-291
Raytown Water Company, Inc.	WR-92-85
UtiliCorp United Inc., Missouri Public Service	ER-93-37
UtiliCorp United Inc., Missouri Public Service	GR-93-172
Western Resources, Inc.	GR-93-240
Raytown Water Company	WR-94-211
Missouri Gas Energy	GR-96-285