

*Exhibit No.:*

*Issues: Accounting Adjustments;  
Plant Adjustments and  
Operating & Maintenance  
Expense Adjustments*

*Witness: Dana E. Eaves*

*Sponsoring Party: MoPSC Staff*

*Type of Exhibit: Direct Testimony*

*Case No: ST-2003-0562 and  
WT-2003-0563  
(Consolidated)*

*Date Testimony Prepared: December 19, 2003*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**DIRECT TESTIMONY**

**OF**

**DANA E. EAVES**

**OSAGE WATER COMPANY**

**CASE NOS. ST-2003-0562 and WT-2003-0563  
(Consolidated)**

*Jefferson City, Missouri  
December 2003*

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**


In The Matter of Sewer and Water Tariff  
Filings made by Osage Water Company

) Case No. ST-2003-0562 and  
) Case No. WT-2003-0563  
(Consolidated)

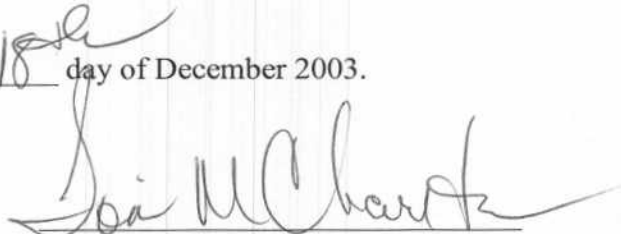
**AFFIDAVIT OF DANA E. EAVES**

STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF COLE     )

Dana E. Eaves, being of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 5 pages to be presented in the above case; that the answers in the following 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.

  
Dana E. Eaves

Subscribed and sworn to before me this 18th day of December 2003.

  
Notary



TONI M. CHARLTON  
NOTARY PUBLIC STATE OF MISSOURI  
COUNTY OF COLE  
My Commission Expires December 28, 2004

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**DANA E. EAVES**

**OSAGE WATER COMPANY**

**CASE NOS. ST-2003-0562 and WT-2003-0563**

**(Consolidated)**

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**DIRECT TESTIMONY**  
**OF**  
**DANA E. EAVES**  
**OSAGE WATER COMPANY**  
**CASE NOS. ST-2003-0562 and WT-2003-0563**  
**(Consolidated)**

Q. Please state your name and business address.

A. Dana E. Eaves, PO Box 360, Suite 440, Jefferson City, MO 65102.

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

A. I am a Regulatory Auditor for the Missouri Public Service Commission (Commission or PSC).

Q. Please describe your educational and employment background.

A. I graduated from Columbia College in May 1995 with a Bachelors of Science degree in Business Administration with an emphasis in Accounting. I commenced employment with the Commission Staff (Staff) in April 2001. Prior to employment with the Commission I held the position of Accountant with Midwest Block and Brick, Inc., Vice President of Operations with Practice Management Plus, a healthcare consulting firm, and Director of Finance with Capital City Medical Associates.

Q. What has been the nature of your duties while employed by the Commission?

A. I am responsible for assisting in the audits and examinations of the books and records of utility companies operating within the state of Missouri.

Q. Please describe your areas of responsibility in Case Nos. ST-2003-0562 and WT-2003-0563.

1           A.     I am responsible for the plant capitalization adjustment, payroll expense, PSC  
2 assessment fees, and other miscellaneous income statement adjustments.

3           Q.     What knowledge, skills, experience, training or education do you have in these  
4 areas of which you are testifying as an expert witness?

5           A.     I have been assigned to and filed testimony as described in Schedule 1, which  
6 is attached to this testimony. I have also extensively reviewed other utility rate cases related  
7 to the issues I am sponsoring to ensure the consistency of the Staff's method and procedures.  
8 My prior academic education helped prepare me to successfully sponsor the ratemaking areas  
9 I've been assigned in this case. I have received certificates of training from the National  
10 Association of Regulatory Utility Commissioners in seminars it has sponsored concerning  
11 water, gas and electric utility cost of service and regulation. Further, I have attended  
12 numerous in-house training seminars at the Commission specifically designed for continuing  
13 education and training in the areas of regulatory issues. I have also worked closely with  
14 senior staff members familiar with my areas of responsibility.

15          Q.     Will your testimony be addressing the Osage Water Company's sewer and  
16 water operations?

17          A.     Yes. The Commission, by its Order on July 5, 2003, consolidated the sewer  
18 (Case No. ST-2003-0562) and water (Case No. WT-2003-0563) cases filed by Osage Water  
19 Company (OWC or Company) effective on July 12, 2003, designating Case  
20 No. ST-2003-0562 as the lead case.

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

22          A.     Yes. Please see Schedule 1 attached to this testimony for a listing of specific  
23 cases and issues.

1     **ACCOUNTING ADJUSTMENTS**

2           Q.     What adjustments are you sponsoring in this case?

3           A.     I am sponsoring the following adjustments:

4           Sewer: Plant in Service: P-1 and Income Statement: S-1, S-15, S-19, S-25, S-26, S-27  
5     and S-32.

6           Water: Plant in Service: P-1 and Income Statement: S-1, S-17, S-20, S-25, S-26, S-27  
7     and S-32.

8     **PLANT ADJUSTMENTS**

9           Q.     Please explain adjustment P-1.

10          A.     Adjustment P-1 adjusts Plant in Service balance at June 30, 2003 to account  
11     for the reclassification of items that OWC expensed during the test year that should have been  
12     capitalized.

13    **OPERATING AND MAINTENANCE EXPENSE ADJUSTMENTS**

14          Q.     Please explain adjustment number S-1.

15          A.     This adjustment reflects the disallowance of a portion of the Manager's salary  
16     of Environmental Utilities as directly charged to OWC. I have reviewed the testimony in this  
17     case of Pat Mitchell as it relates to job functions to be preformed by the management  
18     company of OWC. Based upon this review it is the Staff's position that for a company with  
19     this customer size and services provided to OWC by the manager, this level of salary is  
20     excessive. Therefore the staff has made an adjustment of \$16,000 to the Manager of  
21     Environmental Utilities salary. This adjustment also reflects a 10% disallowance for the

1 operator's salary. This adjustment is based upon a review of operator's time sheets; Staff  
2 identified time charged to non-regulated activities.

3 Q. Please explain sewer adjustment number S-15 and water adjustment number  
4 S-17.

5 A. Adjustment S-15 adjusts the test year PSC assessment expense to OWC's most  
6 current PSC assessment fees.

7 Q. Please explain sewer adjustment number S-19 and water adjustment number  
8 S-20.

9 A. This adjustment was made to reflect the elimination of an entry made by OWC  
10 in their books to correct an amount of check number 3156.

11 Q. Please explain adjustment number S-25.

12 A. This adjustment adjusts general ledger accounts for the reclassification of  
13 items that OWC expensed during the test year that should been capitalized.

14 Q. Please explain adjustment number S-26.

15 A. This adjustment reflects the elimination of the expense incurred by OWC to  
16 repair/replace a transmission for a vehicle used by a company employee but not owned by  
17 OWC.

18 Q. Please explain adjustment number S-27.

19 A. This adjustment was made to eliminate the expense charged to Environmental  
20 Utilities for overdraft charges for checks written by Environmental Utilities.

21 Q. Please explain adjustment number S-32.

1           A.     This adjustment was made to the test year recorded payroll expense to reflect  
2 the payroll tax expense based upon the Staff's annualized and adjusted payroll for the test  
3 year.

4           Q.     Does this conclude your direct testimony?

5           A.     Yes, it does.



**SUMMARY OF RATE CASE TESTIMONY FILED  
DANA E. EAVES**

<b>COMPANY NAME</b>	<b>CASE NO.</b>	<b>ISSUES</b>
UtiliCorp Missouri Public Service Division	ER-2001-672	Advertising; Customer Advances; Customer Deposits; Customer Deposit Interest Expense; Dues and Donations; Material and Supply; Prepayments; PSC Assessment; Rate Case Expense
Citizens Electric Company	ER-2002-0297	Depreciation Expense; Accumulated Depreciation; Customer Deposits; Material & Supplies; Prepayments; Property Tax; Plant in Service; Customer Advances in Aid of Construction
Empire District Electric	ER-2002-0424	Cash Working Capital; Property Tax; Tree Trimming; Injuries and Damages; Outside Services; Misc. Adjustments