

Exhibit No.:

*Issues: Insurance (MoPub & SJLP),
Injuries and Damages,
Property Taxes (MoPub & SJLP),
Lobbying (MoPub & SJLP),
Outside Services,
Maintenance (MoPub & SJLP),
SJLP Related Expenses,*

Witness: Amanda C. McMellen

Sponsoring Party: MoPSC Staff

Type of Exhibit: Direct Testimony

Case No.: ER-2001-672

Date Testimony Prepared: December 6, 2001

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

FILED³

DEC 6 2001

DIRECT TESTIMONY

OF

**Missouri Public
Service Commission**

AMANDA C. McMELLEN

**UTILICORP UNITED INC.
d/b/a MISSOURI PUBLIC SERVICE**

CASE NO. ER-2001-672

*Jefferson City, Missouri
December 2001*

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AMANDA C. McMELLEN
UTILICORP UNITED INC.
d/b/a MISSOURI PUBLIC SERVICE
CASE NO. ER-2001-672**

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1 Q. Have you made an examination of the books and records of Missouri
2 Public Service (MPS or Company), a division of UtiliCorp United, Inc. (UtiliCorp) for
3 purposes of this case?

4 A. Yes, with the assistance of other members of the Staff.

5 Q. Please describe your areas of responsibility in Case No. ER-2001-672.

6 A. I am responsible for the areas of injuries and damages, insurance expense,
7 property taxes, rents and leases, lobbying, outside services, and maintenance expenses for
8 both the MPS and St. Joseph Light & Power (SJLP) divisions of UtiliCorp. Also, I am
9 responsible for payroll and related benefits for the SJLP divisions.

10 Q. Please describe what adjustments you are sponsoring in this case.

11 A. I am sponsoring the following adjustments:

12	Insurance Expenses	S-83.1
13	Injuries and Damages	S-84.3
14	Property Taxes	S-94.3
15	Outside Services	S-22.3, S-23.3, S-31.3, S-47.6, S-48.6,
16		S-54.3, S-63.6, S-64.6, S-68.6, S-82.4
17	Maintenance Expense	S-20.2, S-21.2, S-22.2, S-23.2, S-24.2,
18		S-30.2, S-31.2, S-32.2, S-33.4, S-45.2,
19		S-46.5, S-47.5, S-48.5, S-49.5, S-60.2,
20		S-61.5, S-62.5, S-63.5, S-64.5, S-65.2,
21		S-66.2, S-67.5, S-68.5

22 **INSURANCE/INJURIES AND DAMAGES**

23 Q. What costs are recorded in accounts 924 and 925?

24 A. Account 924 represents insurance premiums and account 925 represents
25 injuries and damages.

26 Q. Please explain adjustment S-83.1.

1 A. Adjustment S-83.1 annualizes insurance expense booked to account 924 to
2 reflect the most recent paid policy premiums.

3 Q. Please explain the term “annualization” and its purpose

4 A. Annualization is a term used in ratemaking purposes which refers to items
5 that have occurred within the test year and will continue to occur subsequent to the test
6 year adjusted to reflect the appropriate level on a going-forward basis. For example,
7 insurance expense was annualized to reflect the most current monthly rate. This monthly
8 rate is then multiplied by 12 to reflect the Staff’s annualized amount.

9 Q. Please explain adjustment S-84.3.

10 A. Adjustment S-84.3 annualizes injuries and damages. The Staff usually
11 normalizes self-insured retention of actual claims settlements for injuries and damages
12 based on a five-year average. In this case, the Staff calculated a 3-year average
13 (calendar years 1998-2000) because UtiliCorp has recently consolidated its accounting
14 system and MPS-specific data was not available for five years. These normalized
15 amounts are then adjusted by the electric jurisdictional factor.

16 Q. Please explain the term “normalization” and its purpose.

17 A. Normalization is a term used for ratemaking purposes and involves the
18 process of “smoothing” the effects of costs subject to considerable fluctuation from year
19 to year. This smoothing process mitigates cost fluctuations that occur during the “test
20 year” for purposes of establishing rates at an appropriate level on a going-forward basis.

21 **PROPERTY TAXES**

22 Q. Please explain adjustment S-94.3.

23 A. Adjustment S-94.3 annualizes property tax expense. This adjustment was
24 calculated by developing a property tax rate to be applied to total electric plant in service

1 as of December 31, 2000. The property tax rate was developed by dividing the amount of
2 total Company electric property taxes paid in 2000 by the total Company electric
3 property (plant in service) as of January 1, 2000. This property tax rate was then applied
4 to total electric plant in service at December 31, 2000 to arrive at annualized property
5 taxes. The annualized property tax expense was then subtracted from test year property
6 tax expense to arrive at the adjustment. The Staff will reexamine the property tax
7 calculation as part of the true-up audit in this case. For a discussion of the Staff's true-up
8 audit, please refer to the direct testimony of Staff witness Phillip K. Williams.

9 **LOBBYING**

10 Q. Please explain why an adjustment was not made for lobbying activities.

11 A. The Staff examined the lobbying costs and verified that these costs were
12 charged to below-the-line accounts, thus ratepayers will not be required to pay these costs
13 through rates.

14 **OUTSIDE SERVICES**

15 Q. Please describe the adjustments S-22.3, S-23.3, S-31.3, S-47.6, S-48.6,
16 S-54.3, S-63.6, S-64.6, S-68.6 and S-82.4.

17 A. Adjustments S-22.3, S-23.3, S-31.3, S-47.6, S-48.6, S-54.3, S-63.6,
18 S-64.6, S-68.6 and S-82.4 annualize outside services. The Staff reviewed outside
19 services costs posted to all Federal Energy Regulatory Commission (FERC) accounts
20 during the test year, which is the calendar year 2000. Some of the costs included were
21 industrial vacuum services, tree trimming, structural evaluations, contract meter reading
22 and wood pole preserving. Since the number of invoices for all outside services was too
23 voluminous to review, the Staff analyzed a statistically significant sample of invoices.

1 The sample was chosen based on all vendors with charges over \$50,000 during the test
2 year. This sample resulted in an analysis of over \$7 million of the direct outside
3 services, out of a total of over \$9 million. The majority of the SJLP expenses were
4 excluded because the invoices were for an employee that was leased from SJLP to work
5 for MPS. This employee is now working for the SJLP division of UtiliCorp. Inclusion of
6 these costs would be inappropriate since the costs are nonrecurring expenses that would
7 not be representative of ongoing MPS expense levels. Also, specific expenses were
8 removed from the test year because they were incorrectly charged to Missouri operations.
9 They should be charged to Utilicorp's Colorado operations. Adjustments were made
10 based only on items found in the sample.

11 **MAINTENANCE**

12 Q. Please explain adjustments S-20.2, S-21.2, S-22.2, S-23.2, S-24.2, S-30.2,
13 S-31.2, S-32.2, S-33.4, S-45.2, S-46.5, S-47.5, S-48.5, S-49.5, S-60.2, S-61.5,
14 S-62.5, S-63.5, S-64.5, S-65.2, S-66.2, S-67.5 and S-68.5.

15 A. Adjustments S-20.2, S-21.2, S-22.2, S-23.2, S-24.2, S-30.2, S-31.2,
16 S-32.2, S-33.4, S-45.2, S-46.5, S-47.5, S-48.5, S-49.5, S-60.2, S-61.5, S-62.5, S-63.5,
17 S-64.5, S-65.2, S-66.2, S-67.5 and S-68.5 normalize maintenance expense for production,
18 transmission and distribution plant, respectively, during the test year.

19 Q. How did the Staff determine normalized maintenance expense for the test
20 year ended December 31, 2000?

21 A. After removing payroll costs included in these accounts, a three-year
22 average (calendar years 1998 through 2000) was calculated because data was not
23 available to perform the five-year analysis the Staff typically performs.

Direct Testimony of
Amanda C. McMellen

1 Q. Why was payroll removed prior to calculating the three-year average of
2 maintenance expense?

3 A. Payroll is normalized and annualized separately for purposes of rate cases.
4 Therefore, any payroll costs recorded in the maintenance accounts must be removed to
5 avoid double counting of such payroll costs. Staff witness Graham A. Vesely will be
6 sponsoring the Staff's payroll adjustments in this case.

7 Q. Please explain the results of your analysis of maintenance expense.

8 A. Please reference Schedule 1 attached to this testimony. Schedule 1
9 illustrates the per book costs recorded for production maintenance (accounts 510-514
10 and 551-554), distribution maintenance (accounts 568-573) and transmission
11 maintenance (accounts 590-598) during the three-year period. Each account has been
12 summed, payroll costs deducted and a three-year average calculated by maintenance
13 function. I then compared the three-year average to the test year booked cost and
14 calculated an appropriate adjustment.

15 **SJLP RELATED EXPENSES**

16 Q. How do expenses for the SJLP division of UtiliCorp relate to this MPS
17 case?

18 A. The reason for the inclusion of certain expenses for the SJLP division will
19 be discussed in the direct testimony of Staff witness Steve M. Traxler.

20 Q. Does this complete your direct testimony?

21 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of the Tariff)
Filing of Missouri Public Service (MPS))
A Division of UtiliCorp United Inc., to) Case No. ER-2001-672
Implement a General Rate Increase for Retail)
Electric Service Provided to Customers in the)
Missouri Service Area of MPS)

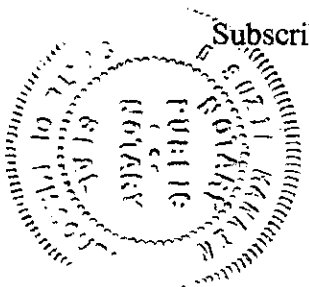
AFFIDAVIT OF AMANDA C. MCMELLEN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Amanda C. McMellen, being of lawful age, on her oath states: that she has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

Amanda C McMellen
Amanda C. McMellen

Subscribed and sworn to before me this 5th day of December 2001.



D. Suzie Mankin

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

Utilicorp/ Missouri Public Service
Case No. ER-01-672
Calculation of Normalized Maintenance Expense
For the Year 2000

Production Maintenance Expense

Account	1998	1999	2000	3Year Total	Adjustment*	Adj #
510	\$1,230,815	\$1,038,169	\$1,075,122	\$3,344,106	\$ (13,929)	S- 20.2
511	\$656,281	\$1,007,459	\$1,191,507	\$2,855,247	\$ (15,436)	S- 21.2
512	\$4,023,879	\$4,747,666	\$5,078,777	\$13,850,322	\$ (65,798)	S- 22.2
513	\$2,860,174	\$2,942,519	\$2,476,731	\$8,279,424	\$ (32,087)	S- 23.2
514	\$35,597	\$93,733	\$158,664	\$287,994	\$ (2,056)	S- 24.2
551	\$919	\$36	\$1,955	\$2,910	\$ (25)	S- 30.2
552	\$53,762	\$91,780	\$56,095	\$201,637	\$ (727)	S- 31.2
553	\$459,495	\$469,489	\$370,697	\$1,299,681	\$ (4,803)	S- 32.2
554	\$1,653	\$316	\$12,627	\$14,596	\$ (164)	S- 33.4
Total Production	\$9,322,575	\$10,391,167	\$10,422,175	\$30,135,917		
Less Payroll	(\$2,862,531)	(\$3,131,478)	(\$3,359,773)	(\$9,353,782)		
Less Overhaul Accrual	(\$500,000)	(\$500,000)	(\$500,000)	(\$1,500,000)		
Net Production	\$5,960,044	\$6,759,689	\$6,562,402	\$19,282,135		
3 Year Average Production Maintenance Expense				\$6,427,378		
Staff Adjustment \$6,427,378 - (\$10,422,175 (2000 Books) - \$3,359,773 (Payroll)) - \$500,000 (Overhaul Accrual))				(\$135,024)		

Transmission Maintenance Expense

Account	1998	1999	2000	3Year Total	Adjustment*	Adj #
568	\$45,799	\$64,060	\$48,299	\$158,158	\$ (4,962)	S- 45.2
569	\$75,795	\$34,868	\$29,882	\$140,545	\$ (3,070)	S- 46.5
570	\$368,849	\$550,710	\$405,460	\$1,325,019	\$ (41,657)	S- 47.5
571	\$574,299	\$967,618	\$1,106,976	\$2,648,893	\$ (113,731)	S- 48.5
572	\$6,996	\$33	\$97	\$7,126		
573	\$149,307	\$145,489	\$112,839	\$407,635	\$ (11,603)	S- 49.5
Total Transmission	\$1,221,045	\$1,762,778	\$1,703,553	\$4,687,376		
Less Payroll	(\$319,980)	(\$372,278)	(\$295,236)	(\$987,494)		
Net Transmission	\$901,065	\$1,390,500	\$1,408,317	\$3,699,882		
3 Year Average Transmission Maintenance Expense				\$1,233,294		
Staff Adjustment \$3,699,882 - (\$1,703,553 (2000 Books) - \$295,236 (Payroll))				(\$175,023)		

Distribution Maintenance Expense

Account	1998	1999	2000	3Year Total	Adjustment*	Adj #
590	\$302,792	\$42,271	\$26,471	\$371,534	\$ (1,821)	S- 60.2
591	\$31,920	\$20,635	\$52,759	\$105,314	\$ (3,630)	S- 61.5
592	\$617,176	\$554,952	\$581,186	\$1,753,314	\$ (39,991)	S- 62.5
593	\$5,124,631	\$5,237,918	\$5,775,400	\$16,137,949	\$ (397,402)	S- 63.5
594	\$280,420	\$521,957	\$738,289	\$1,540,666	\$ (50,801)	S- 64.5
595	\$47,616	\$40,721	\$33,560	\$121,897	\$ (2,309)	S- 65.2
596	\$348,544	\$297,654	\$356,531	\$1,002,729	\$ (24,533)	S- 66.2
597	\$85,910	\$68,844	\$23,618	\$178,372	\$ (1,625)	S- 67.5
598	\$729,066	\$787,020	\$868,069	\$2,384,155	\$ (59,731)	S- 68.5
Total Distribution	\$7,568,075	\$7,571,972	\$8,455,883	\$23,595,930		
Less Payroll	(\$2,713,921)	(\$2,435,913)	(\$2,588,010)	(\$7,737,844)		
Net Distribution	\$4,854,154	\$5,136,059	\$5,867,873	\$15,858,086		
3 Year Average Distribution Maintenance Expense				\$5,286,029		
Staff Adjustment \$5,286,029 - (\$8,455,883 (2000 Books) - \$2,588,010 (Payroll))				(\$581,844)		

* Allocated based on 2000 information