

ERRATA SHEET

**FILED**<sup>4</sup>

APR 29 2004

Missouri Public  
Service Commission

Direct Testimony of: Cary G. Featherstone

Case Number: ER-2004-0034/HR-2004-0024

Date Filed: December 9, 2003

Page	Lines	Correction	Reason																								
9	5-6	Change to read: A. The cost of removal and salvage amounts for the five-year period between 1998 and 2002 for <b>MPS electric</b> were:	Clarification																								
9	7-13	Replace the table in its entirety to read:	Correction																								
<table border="1"> <thead> <tr> <th><u>Year</u></th> <th><u>Cost of Removal</u></th> <th><u>Salvage</u></th> <th><u>Net Salvage</u></th> </tr> </thead> <tbody> <tr> <td>1998</td> <td>\$ 303,736</td> <td>\$ (177,357)</td> <td>\$ 126,379</td> </tr> <tr> <td>1999</td> <td>1,916,892</td> <td>(90,577)</td> <td>1,826,315</td> </tr> <tr> <td>2000</td> <td>3,811,253</td> <td>(854,021)</td> <td>2,957,232</td> </tr> <tr> <td>2001</td> <td>1,439,615</td> <td>(717,872)</td> <td>721,743</td> </tr> <tr> <td>2002</td> <td>2,479,058</td> <td>(708,507)</td> <td>1,770,550</td> </tr> </tbody> </table> <p>[Source: <b>MPS electric</b> Data Request No. 276]</p>				<u>Year</u>	<u>Cost of Removal</u>	<u>Salvage</u>	<u>Net Salvage</u>	1998	\$ 303,736	\$ (177,357)	\$ 126,379	1999	1,916,892	(90,577)	1,826,315	2000	3,811,253	(854,021)	2,957,232	2001	1,439,615	(717,872)	721,743	2002	2,479,058	(708,507)	1,770,550
<u>Year</u>	<u>Cost of Removal</u>	<u>Salvage</u>	<u>Net Salvage</u>																								
1998	\$ 303,736	\$ (177,357)	\$ 126,379																								
1999	1,916,892	(90,577)	1,826,315																								
2000	3,811,253	(854,021)	2,957,232																								
2001	1,439,615	(717,872)	721,743																								
2002	2,479,058	(708,507)	1,770,550																								
11	1-2	Change to read: February 22, 1999. Aquila Merchant created a company known as Merchant Energy <b>Partners</b> Pleasant Hill, LLC (MEPPH) to supply power to MPS.	Clarification																								

\_\_\_\_\_  
Signature

Exhibit No. 145  
Case No(s) ER-2004-0034  
Date 2-23-04 Rptr KF

1 amount was included in Accounting Schedule 9, Income Statement, on both a total Company  
2 and jurisdictional basis.

3 Q. What were the cost of removal expenditures and salvage amounts for the five-  
4 year period?

5 A. The cost of removal and salvage amounts for the five-year period between  
6 1998 and 2002 for MPS electric were:

<u>Year</u>	<u>Cost of Removal</u>	<u>Salvage</u>	<u>Net Salvage</u>
1998	\$ 303,736	\$ (177,357)	\$ 126,379
1999	1,916,892	(90,577)	1,826,315
2000	3,811,253	(854,021)	2,957,232
2001	1,439,615	(717,872)	721,743
2002	2,479,058	(708,507)	1,770,550

13 [Source: MPS electric Data Request No. 276]

14 Q. Why did Staff use a five-year average to determine the level of cost of  
15 removal and salvage value to include in the revenue requirement?

16 A. A five-year average was used because the costs of removal and salvage  
17 amounts fluctuated from year to year during the period examined. Using a five-year average  
18 for fluctuating costs removes or smoothes out the differences from one year to the next.  
19 Averaging costs to mitigate the impact of fluctuations is commonly used in the ratemaking  
20 process and is consistent with how other costs have been treated in this case. The average  
21 over the last five years is the most representative of the annual normal on-going level of  
22 expense for this case.

23 Q. Have cost of removal and salvage value been treated this way in prior Aquila  
24 rate cases?

1 February 22, 1999. Aquila Merchant created a company known as Merchant Energy Partners  
2 Pleasant Hill, LLC (MEPPH) to supply power to MPS.

3 Q. Did Aquila Merchant build a new generating facility in Missouri to supply the  
4 power under the PPA with MPS?

5 A. Yes. Aquila Merchant and subsequent operating partner, Calpine Corporation  
6 (Calpine), completed construction of a 585-megawatt combined cycle unit at the Aries Power  
7 Plant site located at Pleasant Hill, Missouri in 2002.

8 Q. When did the Aries combined cycle unit become fully operational?

9 A. The partners identified the Aries Combined Cycle Generating Facility (Aries  
10 Combined Cycle Unit or Aries Plant) was completed and ready to generate electricity as a  
11 combined cycle unit by February 2002. The combined cycle plant provides to MPS 200  
12 megawatts during October through March and 500 megawatts during April through  
13 September starting in 2002 through May 31, 2005, to MPS under the terms of the PPA  
14 entered into on February 22, 1999. Aries provided 320 megawatts of peaking capacity  
15 service to MPS during the summer of 2001 under the same capacity contract.

16 Q. What is Aquila's interest in the Aries Combined Cycle Unit?

17 A. Aquila effectively owns 50% of this unit. Calpine, the partner which  
18 effectively owns the other 50% of the plant, is the operating partner of the Aries Combined  
19 Cycle Unit through a Partnership Agreement. On January 12, 2000, Aquila, then called  
20 UtiliCorp, entered into a Partnership Agreement with Calpine for the construction, ownership  
21 and operation of the Aries Combined Cycle Unit. The actual Partnership Agreement is  
22 entitled "Amended And Restated Limited Liability Company Agreement of MEP Pleasant  
23 Hill, LLC a Delaware Limited Liability Company" (Case No. ER-2001-672, Data Request