

# EXHIBIT

**FILED**<sup>3</sup>  
JUN 21 2004  
Missouri Public  
Service Commission

EXHIBIT No.: \_\_\_\_\_  
ISSUE(S): Manufactured Gas Plant  
Remediation Costs/  
Accounting Authority Order Costs/  
WITNESS: Ted Robertson  
Type of Exhibit: Rebuttal  
SPONSORING PARTY: Public Counsel  
CASE NUMBER: GR-2004-0072  
DATE TESTIMONY PREPARED: Feb.13, 2004

## REBUTTAL TESTIMONY

OF

**TED ROBERTSON**

Submitted on Behalf of  
the Office of the Public Counsel

**AQUILA, INC.**

**CASE No. GR-2004-0034**

February 13, 2004

Exhibit No. 72  
Case No(s) GR-2004-0072  
Date 3-30-07 Rptr KF

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


In the matter of the Application by Aquila, Inc. d/b/a           )  
Aquila Networks – MPS and Aquila Networks –            )  
L&P, Natural Gas General Rate Increase.                    )            Case No. GR-2004-0072

**AFFIDAVIT OF TED ROBERTSON**

STATE OF MISSOURI    )  
                                  )    ss  
COUNTY OF COLE     )


Ted Robertson, of lawful age and being first duly sworn, deposes and states:

1. My name is Ted Robertson. I am a Public Utility Accountant for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony consisting of pages 1 through 14 and Schedule TJR-1 through TJR-3.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
Ted Robertson, C.P.A.  
Public Utility Accountant III

Subscribed and sworn to me this 13<sup>th</sup> day of February 2004.

KATHLEEN HARRISON  
Notary Public - State of Missouri  
County of Cole  
My Commission Expires Jan. 31, 2006

  
\_\_\_\_\_  
Kathleen Harrison  
Notary Public

My commission expires January 31, 2006.

## TABLE OF CONTENTS

| Testimony                                   | Page |
|---|------|
| Introduction                                | 1    |
| I. Aquila Networks - MPS                    |      |
| A. Manufactured Gas Plant Remediation Costs | 2    |
| B. Accounting Authority Order Costs         | 4    |



- 1
- 2 **I. AQUILA NETWORKS - MPS**
- 3 **A. MANUFACTURED GAS PLANT REMEDIATION COSTS**
- 4 Q. DID THE COMPANY INCLUDE IN ITS COST OF SERVICE COSTS ASSOCIATED
- 5 WITH MGP REMEDIATION ACTIVITIES?
- 6 A. Yes. Those costs are discussed in my direct testimony.
- 7
- 8 Q. DID THE MPSC STAFF MAKE ADJUSTMENT FOR THESE COSTS?
- 9 A. In my review of the Staff's direct testimony, and accounting schedules, I found no
- 10 testimony or adjustments pertaining to this issue. Thus, it is my understanding, that Staff
- 11 made no adjustments to remove the MGP remediation costs Company booked during the
- 12 test year, or the known and measurable period; therefore, Staff appears to have acquiesced
- 13 to the Company's position.
- 14
- 15 Q. SHOULD THE MPSC STAFF HAVE MADE ADJUSTMENT FOR THESE COSTS?
- 16 A. Yes. As discussed in detail in my direct testimony, MGP remediation costs should not be
- 17 allowed in the determination of the Company's cost of service. The Public Counsel
- 18 believes that the MGP remediation costs are not related to the provision of safe and
- 19 reasonably priced gas service to current and future customers. OPC believes that the

1 remediation costs represent activities associated with Company's manufacturing activities  
2 of a by-gone era.

3  
4 In fact, OPC holds the view that past management's failure to adequately prevent the  
5 contamination of plant and property with toxic wastes is a risk that must be borne only by  
6 the shareholder. This risk assumption, by the shareholder, is due to the fact that  
7 management's primary goal is the championing of shareholder's interests. For example,  
8 had Company's prior managements allocated more resources to preventing the pollution  
9 of the MGP property and plant rather than paying the savings in increased dividends, the  
10 remediation activities Company now faces may never have occurred. In essence,  
11 regarding dividends, it appears that past stockholders may possibly have benefited at the  
12 expense of current stockholders, but that is just one of the many risks that all stockholders  
13 must assess before buying stock in any company or utility.

14  
15 Q. DOES THE STAFF'S POSITION PENALIZE THE COMPANY?

16 A. Possibly. It does if Staff updated its case to include the remediation costs booked during  
17 the twelve months ended September 2003. The Company will be penalized because a net  
18 negative expense for that time period was booked. The net negative expense occurred  
19 because Company benefited from an environment settlement which reduced its expense  
20 level.

1           However, in my review of the Staff's accounting documents I have not been able to  
2           determine if the Staff updated the remediation costs for the known and measurable period  
3           ordered by the Commission. If Staff's accounting for the remediation costs includes only  
4           calendar year 2002 costs then, Company's ratepayers will be subject to financial harm.  
5           Ratepayers will be harmed because Company booked a positive expense for MPG  
6           remediation costs during that time period (assumes that the Commission allows MGP  
7           remediation costs into rates).

8  
9           **B. ACCOUNTING AUTHORITY ORDER COSTS**

10          **Q. WHAT IS THE COMPANY'S POSITION REGARDING THE DEFERRED AAO**  
11          **COSTS?**

12          A.    Company witness, Mr. Richard G. Petersen, sponsored a work paper, RB-40-1, in his  
13               direct testimony, which shows an addition to rate base for Gas 1990 AAO costs of  
14               \$375,982 and Gas 1993 AAO costs of \$819,440. The two amounts total \$1,195,422.  
15               Continuing, his work paper RB-40-2 shows the monthly amortization of the costs to be  
16               Gas Def. after 9/90 - \$393, Gas Def 1/91 House piping - \$6,493 and Gas 1990 - \$4,423.  
17               The sum of these amounts totals \$11,309. Annualized, the amortization expense  
18               Company booked for the twelve months ended September 30, 2003 was \$135,714 (off  
19               slightly probably due to rounding). The allocation of the costs is 100% to gas operations.  
20               Further, Company work paper RBO-31-1, also sponsored by Mr. Petersen, shows the

1 calculation and recommendation of an AAO deferred income tax offset to rate base in the  
2 amount of \$458,923.

3  
4 Q. WHAT IS THE MPSC STAFF'S POSITION ON THE ISSUE?

5 A. The MPSC Staff, in the direct testimony of its witness, Ms. Trisha D. Miller, page 8, lines  
6 5-12, has recommended an addition to rate base of the unamortized AAO deferred  
7 balances associated with the gas safety projects. She states:

8  
9 Q. Please describe the unamortized Accounting Authority Order  
10 (AAO) balances included in rate base.

11  
12 A. Unamortized AAO balances at September 30, 2003 were included  
13 in rate base, to reflect in the cost of service a return on the  
14 unamortized balance of the AAO deferrals authorized by the  
15 Commission in Case Nos. GO-91-359 and GO-90-115.  
16  
17

18 Q. WHAT AMOUNTS DID MS. MILLER INCLUDE AS A RATE BASE ADDITION?

19 A. Staff's updated Accounting Schedules, dated 1/27/2004, includes the following rate base  
20 additions for the combined MPS North and South Systems, 1) AAO GO-90-115 -  
21 \$375,983, and 2) AAO GO-91-359 - \$819,409. Combined the two amounts total  
22 \$1,195,392. No rate base addition related to these AAOs was assigned to the MPS  
23 Eastern System operations by utility or the MPSC Staff.  
24



1 Q. DID THE MPSC STAFF ADOPT THE COMPANY'S ANNUAL AMORTIZATION OF  
2 THE DEFERRED COSTS?

3 A. Yes. On page 8, lines 15-16, of her direct testimony, Ms. Miller states, "The Staff  
4 adopted the test year amortization for the gas safety line project and the major gas safety  
5 program deferrals."

6  
7 Q. DOES THE PUBLIC COUNSEL BELIEVE THAT THE \$135,714 COMPANY  
8 BOOKED DURING THE TWELVE MONTHS ENDED SEPTEMBER 30, 2003 IS THE  
9 APPROPRIATE ANNUAL AMORTIZATION AMOUNT TO INCLUDE IN ITS COST  
10 OF SERVICE?

11 A. No. As I discussed on page 22 of my direct testimony, the appropriate expense amount to  
12 allow as the annual amortization for the deferred AAO costs is \$76,957. This amount is  
13 based on my analysis of the MPSC Staff's work papers as presented in MPS Case No GR-  
14 93-172 and updated through April 1993.

15  
16 Q. PLEASE EXPLAIN HOW THE \$76,957 WAS CALCULATED.

17 A. Attached to this rebuttal testimony as Schedule TJR-1 is a summary of the deferred AAO  
18 costs, annual expense amortization and unamortized balances relevant to the two AAOs.  
19 Schedule TJR-1.1 contains the calculation of the adjustments that I've proposed in my direct  
20 testimony based upon the MPSC Staff's work papers from MPS Case No. GR-93-172

1 (relevant Staff work papers are included as Schedules TJR-1.3 and TJR-1.4). In addition,  
2 Schedule TJR-1.2 contains the calculation of the adjustments that would occur based upon  
3 the AAO work papers that the Company presented in MPS Case No. GR-93-172 (relevant  
4 Company work papers are included as Schedules TJR-1.5 and TJR-1.6). The Public  
5 Counsel's proposed annual expense amortization consists of \$40,929 for AAO GO-90-115  
6 and \$36,028 for AAO GO-91-359. The two amounts summed total \$76,957.

7  
8 I've provided copies of the Company's work papers from MPS Case No. GR093-172 merely  
9 to illustrate two facts, 1) with regard to Case No. GO-90-115 AAO (authorized for recovery  
10 in Case No. GR-90-198), the MPSC Staff and Company agreed that the annual amortization  
11 for this AAO would be \$40,929 (see Schedule TJR-1.3 for Staff's calculation and Schedule  
12 TJR-1.5 for Company's calculation) as I describe in my adjustment in this case, and 2)  
13 though the Company's proposed amounts for the GO-91-359 AAO differed from Staff's  
14 amounts in Case No. GR-93-172, even if Company's amount for the annual amortization  
15 were accepted as accurate the combined annual amortization for both AAOs would be less  
16 than what the utility is requesting in the instant case.

17  
18 Q. WHY DID YOU ACCEPT THE STAFF'S WORK PAPER AMOUNTS OVER THE  
19 COMPANY'S WORK PAPER AMOUNTS THAT WERE PRESENTED IN MPS CASE  
20 NO. GR-93-172 FOR MPS CASE NO. GO-91-359?

Rebuttal Testimony Of Ted Robertson  
Case No. GR-2004-0072

1 A. With regard to the AAO in Case No. GO-91-359 (authorized for recovery in Case No. GR-  
2 93-172), the MPSC Staff and Company amortization amounts do differ, but I accepted  
3 Staff's amounts as appropriate for this case. I did so because it's my understanding that the  
4 MPSC Staff updated their case for this AAO through April of 1993, and that the parties  
5 then reached a stipulation and agreement wherein Company agreed not to file an application  
6 with the Commission for an accounting authority order with respect to expenditures already  
7 identified in said case (MPS Case No. GR-93-172, Stipulation and Agreement (Appendix  
8 1), page 5).

9  
10 Q. DID YOU ALSO BASE THE OTHER AAO ADJUSTMENTS YOU PROPOSE ON THE  
11 MPSC STAFF WORK PAPERS FROM MPS CASE NO. GR-93-172?

12 A. Yes.

13  
14 Q. WHY DID THE PUBLIC COUNSEL RELY ON THE MPSC STAFF WORK PAPERS  
15 FROM MPS CASE NO. GR-93-172 TO ANALYZE AND DEVELOP ITS PROPOSALS  
16 ON THIS ISSUE?

17 A. To my knowledge, MPS Case No. GR-93-172 was the last general rate increase case, for the  
18 gas operation, filed by the utility. The issue of the proper identification and treatment of the  
19 AAOs costs was included in that case, and the identification and treatment of those same  
20 costs is directly relevant and tied to the issue in the instant case. Furthermore, it's my

1 understanding that the Company failed in its responsibility to maintain appropriate financial  
2 records supporting the AAO's costs; thus, Public Counsel was required to seek out and  
3 analyze the documents and work papers of that earlier rate increase case.  
4

5 Q. WHAT RECORDS AND DOCUMENTS DID THE COMPANY RELY UPON TO  
6 SUPPORT ITS PROPOSED AAO AMOUNTS AND ADJUSTMENTS IN THIS CASE?

7 A. Company relied upon an unsupported amortization schedule that it alleges identifies the  
8 AAO costs. Company was not able to provide the historical documents or support that  
9 should have been maintained to track the costs. In response to OPC Data Request Nos.  
10 1088 and 1089 (attached as Schedules TJR-2.1 and TJR-2.2), which sought to reconcile  
11 cost differences noted in the Company's responses to various other OPC data requests in the  
12 instant case and AAO amounts presented in MPS Case No. GR-93-172, I asked for copies  
13 of all documents to reconcile the differences, and copies of all Company work papers and  
14 support related to the two AAOs. Company's response was that it was unable to locate the  
15 work papers to complete the requested reconciliation, and that it relied solely on an  
16 amortization schedule it provided Public Counsel in its response to OPC Data Request Nos.  
17 1008, 1046 and 1072 (MPSC DR No. 89) to prepare its filing.  
18

19 Q. DID THE COMMISSION ORDER COMPANY TO MAINTAIN APPROPRIATE  
20 FINANCIAL RECORDS TO TRACK THE AAO DEFERRED COSTS?

1 A. Yes, it did. In its Order Granting Authority, MPS Case No. GO-91-359, beginning on page  
2 3, the Commission stated:

3  
4 2. That Missouri Public Service, a division of UtiliCorp United Inc.,  
5 shall maintain its books and records in the same manner as directed  
6 in the order in Case No. GO-90-115, and by this order, for the  
7 deferrals approved ordered paragraph 1.  
8

9 3. That Missouri Public Service, a division of UtiliCorp United Inc., is  
10 directed hereby to maintain detailed supporting work papers relating  
11 to the monthly accruals of each item booked in Account No. 186 and  
12 any capital costs booked to capital accounts in regard to the deferrals  
13 approved in ordered paragraph 1.  
14  
15

16 Q. THE COMPANY WAS NOT ABLE TO LOCATE THE HISTORICAL RECORDS OR  
17 DOCUMENTS THAT WOULD VERIFY THE VALIDITY AND ACCURACY OF ITS  
18 PROPOSED ANNUAL AMORTIZATION AMOUNT - IS THAT CORRECT?

19 A. Yes, that is correct.  
20

21 Q. IS THE PUBLIC COUNSEL AWARE OF THE SOURCE OF THE AMORTIZATION  
22 SCHEDULE COMPANY REFERENCES?

23 A. No. And, furthermore, apparently the Company is not either. Company's inability to locate  
24 the historical financial support for the AAO costs is a violation of the Commission's order  
25 to maintain such records. In fact, it is apparent that the amortization schedule it references  
26 is not valid because the Company's filed numbers (upon which they were based) do not

1 reconcile with the MPSC Staff or Company supporting work papers provided in MPS Case  
2 No. GR-93-172.

3  
4 Q. IS THE COMPANY'S PROPOSED RATE BASE ADDITION FOR THE  
5 UNAMORTIZED AAO BALANCES ALSO BASED UPON THE UNSUPPORTED  
6 AMORTIZATION SCHEDULE?

7 A. Yes, it is.

8  
9 Q. IS THE COMPANY'S PROPOSED RATE BASE OFFSET FOR THE UNAMORTIZED  
10 DEFERRED INCOME TAX ASSOCIATED WITH THE AAOs ALSO BASED UPON  
11 THE UNSUPPORTED AMORTIZATION SCHEDULE?

12 A. No. Mr. Petersen's direct testimony work paper, RBO-31, shows that the Company  
13 multiplied its alleged unamortized deferred balances by an effective tax rate to calculate its  
14 proposed offset to rate base for the income tax component related to the AAOs. The use of  
15 such a calculation, by the utility, clearly illustrates that it does not know the amount of the  
16 actual offset because it likely did not maintain the necessary financial records as ordered by  
17 the Commission.

18  
19 Q. DID THE MPSC STAFF, BY ACQUIESING TO THE COMPANY'S NUMBERS, FAIL  
20 TO APPROPRIATELY ACCOUNT FOR THE AAO DEFERRED COSTS?

1 A. Yes. Attached to this testimony as Schedule TJR-3.1 and TJR-3.2 is a copy of Ms. Miller's  
2 AAO work paper in this case. The calculation presented on Schedule TJR-3.2 clearly  
3 shows that, with regard to the two AAOs, she neglected to account for the impact of the  
4 deferred income taxes associated with both AAOs. By not adjusting the AAOs original  
5 deferred costs balances for the related deferred income tax effect, her recommended annual  
6 expense amortizations, and remaining unamortized deferred balances, are inaccurate  
7 amounts.

8  
9 Her recommended annual expense amortization for the GO-90-115 AAO would be equal to  
10 the amount that I am recommending had she adjusted the original deferred costs for the  
11 related deferred income taxes. However, the remaining unamortized deferred balance she  
12 recommends for this AAO would still be incorrect because she accepted the Company's test  
13 year booked balance upon which to continue the expense amortization for the instant case.

14  
15 With regard to the GO-91-359 AAO, both her recommended annual expense amortization,  
16 and the remaining unamortized deferred balance are inaccurate, and would remain so even  
17 after an appropriate adjustment for the related deferred income tax effect. In addition to not  
18 accounting for the AAO's deferred income tax, I believe that she erred by accepting the  
19 Company's recommended original beginning balance for the deferred costs. Her acceptance  
20 of that inaccurate beginning balance inappropriately inflated the actual level of costs that the

1 Commission authorized for deferral (see the MPSC Staff work paper from MPS Case No.  
2 GR-93-172 attached as Schedule TJR-1.4 to this testimony) thus, her remaining  
3 unamortized deferred balance is also inflated.

4  
5 Q. PLEASE SUMMARIZE THE PUBLIC COUNSEL'S RECOMMENDATION ON THIS  
6 ISSUE?

7 A. Public Counsel has shown the Commission that the AAO amounts, and adjustments,  
8 proposed by the Company, and acquiesced to by the MPSC Staff, are not supported by the  
9 actual historical records and documents. Because Company failed in its responsibility to  
10 maintain financial records of the AAOs costs, as ordered by the Commission, Public  
11 Counsel sought, and found, work papers and documents, from an earlier MPS rate case, that  
12 are relevant to the determination and calculation of the appropriate annual expense  
13 amortization amount, the associated deferred income tax balances and the remaining  
14 unamortized AAO deferred balances. Public Counsel recommends that the annual expense  
15 amortization included in the utility's cost of service be no higher than \$76,957, and that the  
16 rate base offset for the associated deferred income taxes equal \$250,795.

17  
18 Furthermore, for the reasons discussed in my direct testimony, the Company should not be  
19 allowed to include the unamortized AAO deferred balances in rate base, as acquiesced to by  
20 the MPSC Staff. In addition, the Company's proposed unamortized AAO deferred balances



Rebuttal Testimony Of Ted Robertson  
Case No. GR-2004-0072

1 should not be included in rate base because the amounts are inaccurate, based on my review  
2 of the historical support and documentation. Public Counsel believes that the Company's  
3 proposal does not represent the actual unamortized deferred balances that would likely exist  
4 if it had actually maintained the financial records ordered by the Commission.  
5

6 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

7 A. Yes, it does.

Source: Staff Work Papers Aquila, Inc. Case No. GR-93-172

|                            | <u>GO-90-115</u> | <u>GO-91-359</u> | <u>Adjustment</u> |
|----------------------------|------------------|------------------|-------------------|
| Deferrals                  | 1,061,598        | 1,128,125        |                   |
| Deferred Tax               | <u>243,020</u>   | <u>407,567</u>   |                   |
| Net                        | <u>818,578</u>   | <u>720,558</u>   |                   |
| <br>                       |                  |                  |                   |
| Amortization Period        | 20               | 20               |                   |
| <br>                       |                  |                  |                   |
| Adjustment:                |                  |                  |                   |
| Annual Amortization On Net | 40,929           | 36,028           | 76,957            |
| 12 Mths End 9/03 Book      | <u>57,799</u>    | <u>77,915</u>    | <u>135,714</u>    |
| Expense Adj.               | <u>(16,870)</u>  | <u>(41,887)</u>  | <u>(58,757)</u>   |

| <u>Def. Tax to Rate Base:</u> | <u>End Balance</u> |
|-------------------------------|--------------------|
| GO-90-115                     | (86,070)           |
| GO-91-359                     | <u>(164,725)</u>   |
| Total                         | <u>(250,795)</u>   |

| <u>GO-90-115</u>              |           |               |           | <u>GO-91-359</u>              |           |               |           |
|-------------------------------|-----------|---------------|-----------|-------------------------------|-----------|---------------|-----------|
| <u>Def. Tax to Rate Base:</u> | <u>BB</u> | <u>Amort.</u> | <u>EB</u> | <u>Def. Tax to Rate Base:</u> | <u>BB</u> | <u>Amort.</u> | <u>EB</u> |
| Nov. 1990 BB                  | (243,020) | (1,013)       | (242,007) | Sept. 1993 BB                 | (407,567) | (1,698)       | (405,869) |
| Dec. 1990                     | (242,007) | (1,013)       | (240,995) | Oct. 1993                     | (405,869) | (1,698)       | (404,171) |
| Year 1991                     | (240,995) | (12,151)      | (228,844) | Nov. 1993                     | (404,171) | (20,378)      | (383,792) |
| Year 1992                     | (228,844) | (12,151)      | (216,693) | Dec. 1993                     | (383,792) | (20,378)      | (363,414) |
| Year 1993                     | (216,693) | (12,151)      | (204,542) | Year 1994                     | (363,414) | (20,378)      | (343,036) |
| Year 1994                     | (204,542) | (12,151)      | (192,391) | Year 1995                     | (343,036) | (20,378)      | (322,657) |
| Year 1995                     | (192,391) | (12,151)      | (180,240) | Year 1996                     | (322,657) | (20,378)      | (302,279) |
| Year 1996                     | (180,240) | (12,151)      | (168,089) | Year 1997                     | (302,279) | (20,378)      | (281,901) |
| Year 1997                     | (168,089) | (12,151)      | (155,938) | Year 1998                     | (281,901) | (20,378)      | (261,522) |
| Year 1998                     | (155,938) | (12,151)      | (143,787) | Year 1999                     | (261,522) | (20,378)      | (241,144) |
| Year 1999                     | (143,787) | (12,151)      | (131,636) | Year 2000                     | (241,144) | (20,378)      | (220,765) |
| Year 2000                     | (131,636) | (12,151)      | (119,485) | Year 2001                     | (220,765) | (20,378)      | (200,387) |
| Year 2001                     | (119,485) | (12,151)      | (107,334) | Year 2002                     | (200,387) | (20,378)      | (180,009) |
| Year 2002                     | (107,334) | (12,151)      | (95,183)  | 9 Mths 2003                   | (180,009) | (15,284)      | (164,725) |

Source: OPC and Co. Workpapers/Filing Case No. GR-93-172

|                               | <u>MPS Position</u><br><u>GO-90-115</u> | <u>MPS Position</u><br><u>GO-91-359</u> | <u>Adjustment</u> |
|-------------------------------|---|---|-------------------|
| Deferrals                     | 1,061,598                               | 1,860,989                               |                   |
| Deferred Tax                  | <u>243,020</u>                          | <u>504,028</u>                          |                   |
| Net                           | <u>818,578</u>                          | <u>1,356,961</u>                        |                   |
| Amortization Period           | 20                                      | 20                                      |                   |
| Annual Amortization On Net    | 40,929                                  | 67,848                                  | 108,777           |
| FERC Form 1 Dec. 2002 Book    | 57,799                                  | 77,916                                  | 135,715           |
| Expense Adj.                  | <u>(16,870)</u>                         | <u>(10,068)</u>                         | <u>(26,938)</u>   |
| Check On Sept. 03 Period      |   |   |                   |
| Annual Amortization           | 40,929                                  | 67,848                                  | 108,777           |
| 12 Mths End 9/03 Book         | 57,799                                  | 77,915                                  | 135,714           |
| Expense Adj.                  | <u>(16,870)</u>                         | <u>(10,068)</u>                         | <u>(26,938)</u>   |
| <br>                          |   |   |                   |
| <b>Def. Tax to Rate Base:</b> | <u>End Balance</u>                      |   |                   |
| GO-90-115                     | (86,070)                                |   |                   |
| GO-91-359                     | <u>(203,711)</u>                        |   |                   |
| Total                         | <u>(289,781)</u>                        |   |                   |

GO-90-115

**Def. Tax to Rate Base:**

|              | <u>BB</u> | <u>Amort.</u> | <u>EB</u> |
|--------------|-----------|---------------|-----------|
| Nov. 1990 BB | (243,020) | (1,013)       | (242,007) |
| Dec. 1990    | (242,007) | (1,013)       | (240,995) |
| Year 1991    | (240,995) | (12,151)      | (228,844) |
| Year 1992    | (228,844) | (12,151)      | (216,693) |
| Year 1993    | (216,693) | (12,151)      | (204,542) |
| Year 1994    | (204,542) | (12,151)      | (192,391) |
| Year 1995    | (192,391) | (12,151)      | (180,240) |
| Year 1996    | (180,240) | (12,151)      | (168,089) |
| Year 1997    | (168,089) | (12,151)      | (155,938) |
| Year 1998    | (155,938) | (12,151)      | (143,787) |
| Year 1999    | (143,787) | (12,151)      | (131,636) |
| Year 2000    | (131,636) | (12,151)      | (119,485) |
| Year 2001    | (119,485) | (12,151)      | (107,334) |
| Year 2002    | (107,334) | (12,151)      | (95,183)  |
| 9 Mths 2003  | (95,183)  | (9,113)       | (86,070)  |

Check to OPC 1071/MPSC 89

|                        |          |
|------------------------|----------|
| YE 2003 Balance        | (83,032) |
| Monthly Amortization   | (1,013)  |
| Sept. 30, 2003 Balance | (86,071) |

GO-91-359

**Def. Tax to Rate Base:**

|               | <u>BB</u> | <u>Amort.</u> | <u>EB</u> |
|---------------|-----------|---------------|-----------|
| Sept. 1993 BB | (504,028) | (2,100)       | (501,928) |
| Oct. 1993     | (501,928) | (2,100)       | (499,828) |
| Nov. 1993     | (499,828) | (25,201)      | (474,626) |
| Dec. 1993     | (474,626) | (25,201)      | (449,425) |
| Year 1994     | (449,425) | (25,201)      | (424,224) |
| Year 1995     | (424,224) | (25,201)      | (399,022) |
| Year 1996     | (399,022) | (25,201)      | (373,821) |
| Year 1997     | (373,821) | (25,201)      | (348,619) |
| Year 1998     | (348,619) | (25,201)      | (323,418) |
| Year 1999     | (323,418) | (25,201)      | (298,217) |
| Year 2000     | (298,217) | (25,201)      | (273,015) |
| Year 2001     | (273,015) | (25,201)      | (247,814) |
| Year 2002     | (247,814) | (25,201)      | (222,612) |
| 9 Mths 2003   | (222,612) | (18,901)      | (203,711) |

UTILICORP UNITED, INC.  
MISSOURI PUBLIC SERVICE DIVISION  
CASE NO. GR-93-172  
TEST YEAR ENDED SEPT. 30, 1992  
UPDATED THRU APR. 30, 1993  
ANALYSIS OF GR-90-198 AAO FOR PIPELINE REPLACEMENT

W/P NO.: AAO-1  
PREPARED BY: PAW  
DATE PREPARED: 11-May-93  
DATE PRINTED: 11-May-93  
TIME PRINTED: 05:17 PM  
REVIEWED BY: *SN*

| DESCRIPTION   | AMOUNT           |
|---|------------------|
| AMOUNT OF NET RATE BASE TO BE DEFERRED PER<br>STIPULATION IN GR-90-198 EFFECTIVE 11-01-1990 | \$818,578        |
| AMORTIZATION PERIOD IS 20 YEARS (240 MONTHS)  | 20               |
| YEARLY AMORTIZATION AMOUNT  | <u>\$40,929</u>  |
| MONTHLY AMORTIZATION  | \$3,411          |
| MONTHS OF AMORTIZATION THRU APR. 30, 1993   | 30               |
| TOTAL AMORTIZATION TO DATE AT APRIL 30, 1993  | <u>\$102,322</u> |
| UNAMORTIZED BALANCE AT APRIL 30, 1993 TO BE<br>INCLUDED IN RATE BASE                        | <u>\$716,256</u> |

UTILICORP UNITED INC.  
 MISSOURI PUBLIC SERVICE DIVISION  
 CASE NO GR-93-172  
 ANALYSIS OF GAS ACCOUNTING AUTHORITY ORDER

W/P NO.: AAO-2A  
 PREPARED BY: PKW  
 DATE PREPARED: 26-May-93  
 DATE PRINTED: 15-Jun-93  
 TIME PRINTED: 02:18 PM  
 REVIEWED BY:

| YEAR  | DESCRIPTION OF DEFERRAL   | TOTAL<br>GAS       |
|---|---|--------------------|
| <u>RATE BASE ADDITION</u>                           |   |                    |
| 1991  | GAS MAIN REPLACEMENT  | \$170,661          |
| 1991  | GAS HOUSE PIPING  | \$4,753            |
| 1992  | GAS MAIN REPLACEMENT  | \$462,955          |
| 1992  | GAS HOUSE PIPING  | \$18,427           |
| 1993  | GAS MAIN REPLACEMENT  | \$452,254          |
| 1993  | GAS HOUSE PIPING  | \$19,075           |
|   | TOTAL DEFERRALS (ADDED TO RATE BASE)                              | <u>\$1,128,125</u> |
| <u>RATE BASE OFFSET - CUMULATIVE DEF. TAX ACCR.</u> |   |                    |
| 1991  | GAS MAIN REPLACEMENT  | \$0                |
| 1991  | GAS HOUSE PIPING  | \$0                |
| 1992  | GAS MAIN REPLACEMENT  | \$0                |
| 1992  | GAS HOUSE PIPING  | \$0                |
| 1993  | GAS MAIN REPLACEMENT  | \$392,375          |
| 1993  | GAS HOUSE PIPING  | \$15,192           |
|   | TOTAL DEFERRALS (ADDED TO RATE BASE)                              | <u>\$407,567</u>   |
|   | TOTAL ADJUSTMENT  | <u>\$720,558</u>   |
|   | INCREASE TO AMORTIZATION EXPENSE (TOTAL ADJUSTMENT DIVIDED BY 20) | <u>\$36,028</u>    |

AAO ADJS. TO RATE BASE & COST OF SERVICE  
CASE NO. GR-93-172

ACCOUNTING AUTHORITY ORDER  
CASE NO. GO-90-115 (GR-90-198 AAO)

SOURCE: CO. WORKPAPER E20-95  
CASE NO. GR-93-172

| ADJUSTMENT TO RATE BASE  | PER STAFF<br>TOTAL<br>GAS | PER CO.<br>TOTAL<br>GAS | GR-90-198<br>REFERENCE |
|--|---------------------------|-------------------------|------------------------|
| DEFERRAL @ 9/30/90   | 1,113,690                 | 1,130,521               | *4 SCHED. A            |
| PROPERTY TAX   | (29,774)                  | (29,773)                | SCHED. A               |
| CARRYING COST ON UNPAID BLANACES   | (70,000) *1               | 0                       |                        |
| CARRYING COST ON DEPR. @ 9/30/90   | (9,456)                   | (9,456)                 | SCHED. B               |
| COMPUTING THE CARRYING COST ON PLAN<br>ADDITIONS COMPLETED AFTER THE FIRST<br>OF THE MONTH ON A PRORATED BASIS | (36,862)                  | (28,706)                | SCHED. C               |
| COMPOUNDED CARRYING COSTS SEMI-ANNUALLY  | (11,279) *1               | (988)                   | SCHED. D               |
| RATE BASE  | 956,319                   | 1,061,598               |                        |
| DEFERRED INCOME TAX RELATED TO THIS<br>DEFERRAL TO REDUCE RATE BASE  | (352,882) *2              | (243,020)               | SCHED. A               |
| NET RATE BASE  | 603,437                   | 818,578                 |                        |
| AMORTIZING DEFERRAL COST OVER 20 YRS<br>(ANNUAL AMORTIZATION EXPENSE AMOUNT)                                   | 47,816 *3                 | 40,929                  |                        |
| NET RATE BASE  |                           | 818,578                 |                        |
| LESS: THREE YEARS AMORTIZED (\$40,929 * 3)   |                           | 122,787                 |                        |
| GR-93-172 RATE BASE ADJUSTMENT FOR GO-90-115<br>(IDENTIFIED AS GR-90-198)                                      |                           | 695,791                 |                        |

\*NOTE:

1. STAFF USED NUMBERS FROM THE ELECTRIC AAO FOR THESE AMOUNTS
2. STAFF USED GROSS PLANT TO AMORTIZE, i.e., \$956,319
3. STAFF DEFERRED TAXES CALCULATED BY RATE BASE \* .369 = \$352,882
4. COMPANY ACTUAL

AAO ADJS. TO RATE BASE & COST OF SERVICE  
CASE NO. GR-93-172

ACCOUNTING AUTHORITY ORDER  
CASE NO. GO-91-359 (1993 AAO)

SOURCE: CO. WORKPAPERS - E20-5,  
E20-65, E20-100 & OPC D.R. NO. 11

| TOTAL DEFERRALS *1   | TOTAL<br>GAS |
|--|--------------|
| -----  | -----        |
| 1991 GAS MAIN REPLACEMENTS   | 176,923      |
| 1991 GAS HOUSE PIPING  | 4,889        |
| 1992 GAS MAIN REPLACEMENTS   | 702,284      |
| 1992 GAS HOUSE PIPING  | 28,971       |
| 1993 GAS MAIN REPLACEMENTS   | 917,913      |
| 1993 GAS HOUSE PIPING  | 30,009       |
| -----  | -----        |
| TOTAL DEFERRALS (ADD TO RATE BASE)   | 1,860,989    |
|  | =====        |
| <br>   |              |
| DEFERRED TAX RATE BASE OFFSETS *2  |              |
| -----  |              |
| 1991 GAS MAIN REPLACEMENTS   | 48,363       |
| 1991 GAS HOUSE PIPING  | 1,449        |
| 1992 GAS MAIN REPLACEMENTS   | 195,840      |
| 1992 GAS HOUSE PIPING  | 8,774        |
| 1993 GAS MAIN REPLACEMENTS   | 240,920      |
| 1993 GAS HOUSE PIPING  | 8,682        |
| -----  | -----        |
| TOTAL DEFERRED TAX RATE BASE OFFSET  | 504,028      |
|  | =====        |
| <br>   |              |
| GR-93-172 RATE BASE ADJUSTMENT FOR GO-91-359<br>(IDENTIFIED AS 1993 AAO)     | 1,356,961    |
|  | =====        |
| <br>   |              |
| AMORTIZING DEFERRAL COST OVER 20 YRS<br>(ANNUAL AMORTIZATION EXPENSE AMOUNT) | 67,848       |
|  | =====        |

\*NOTES:

1. SEE ALSO, OPC D.R. NO. 11
2. SEE ALSO, CO. W/P'S NO. E20-5 & E20-65

**FILE COPY**

**AQUILA, INC. D/B/A AQUILA NETWORKS – MPS AND AQUILA  
NETWORKS L&P**

**CASE NO. GR-2004-0072  
OFFICE OF PUBLIC COUNSEL  
DATA REQUEST NO. OPC-1088**

DATE OF REQUEST: January 3, 2004

DATE RECEIVED: January 5, 2004

DATE DUE: January 23, 2004

REQUESTOR: Ted Robertson

**QUESTION:**

Regarding AAO costs, in MPS Case No. GR-93-172 Company filed amortized cost of service expense for deferrals Case No. GO-90-115 - \$40,929 (authorized in GR-90-198) and GO-91-359 - \$67,848, respectively. However, in the Company's FERC Form 1 Year 2002 the amounts expensed were Case No. GO-90-115 \$57,799 and GO-91-359 \$77,916, respectively. Please explain and reconcile the differences. Include copies of all documentation referenced to reconcile the differences. Also, please provide copies of all Company AAO work papers and AAO support related to all amortized expenses in the Case No. GR-93-172 filing.

**RESPONSE:** We have been unable to locate the workpapers to complete the requested reconciliation. The FERC Form 1 Year 2002 amortizations are based on the book amortizations supported by the amortization schedule MPSC 0089 MPD Gas AAO Amort.xls provided with response to data request number OPC – 1008 (\$57,799 from pages 1 of 4 and 4 of 4; \$77,916 from pages 2 of 4 and 3 of 4, respectively). The Company relied on the booked amortization supported by the referenced amortization schedule when completing the current filing.

**ATTACHMENT:**

RESPONDED BY: Harold Mikkelsen

DATE RESPONDED: January 23, 2004

Schedule TJR 2.1

JAN 30 2004



**FILE COPY**

**AQUILA, INC. D/B/A AQUILA NETWORKS – MPS AND AQUILA  
NETWORKS L&P**

**CASE NO. GR-2004-0072  
OFFICE OF PUBLIC COUNSEL  
DATA REQUEST NO. OPC-1089**

DATE OF REQUEST: January 3, 2004

DATE RECEIVED: January 5, 2004

DATE DUE: January 23, 2004

REQUESTOR: Ted Robertson

**QUESTION:**

Regarding AAO costs, in MPS Case No. GR-93-172 Company filed rate base additions Case No. GO-90-115 - \$695,791 (authorized in GR-190-198) and GO-91-359 \$1,356,961, respectively. However, the GO-91-359 - \$1,356,961 balance does not appear to reconcile with the amortization schedules provided in Company's response to OPC Data Request Nos. 1008, 1046 and 1072 (MPSC 89). Please explain and reconcile the differences in the Case No. GO-91-359 balances. Include all copies of all documentation referenced to reconcile the differences. Also, please provide copies of all Company AAO work papers and AAO support related to all the unamortized AAO deferred balances in the Case No. GR-93-172 filing.

RESPONSE: We have been unable to locate the workpapers to complete the requested reconciliation. The Company relied on the booked balances supported by the referenced amortization schedule submitted with response to OPC Data Request No. 1008 when completing the current filing.

**ATTACHMENT:**

RESPONDED BY: Harold Mikkelsen

DATE RESPONDED: January 23, 2004

JAN 30 2004  
Schedule TJR 2.2

2004

Aquila  
 GR-2004-0072  
 MPS  
 Analysis of AAO's  
 Trisha Miller  
 Description  
 GO-90-115  
 GO-91-359

Safety of Gas Mains, Lines  
 Service Line and Replacement Proj

|   | MPS<br>GO-90-115 | MPS<br>GO-91-359 | MPS<br>GO-91-359 | MPS<br>GO-91-359 |
|---|------------------|------------------|------------------|------------------|
| AAO's<br>Annualized Adjustments to Expense                                  | 53,080           | 3,066            | 74,845           | 4,719            |
| Unamortized Amounts Included<br>in Rate Base at December 31, 2002           | 415,793          | 32,698           | 798,348          | 50,335           |
| Monthly Amounts to be Amortized   | 4,423            | 255              | 6,237            | 393              |
| Amounts Amortized   | <u>0</u>         | <u>0</u>         | <u>0</u>         | <u>0</u>         |
| Unamortized Amounts to be included<br>in rate base as of December 31, 2002  | <u>415,793</u>   | <u>32,698</u>    | <u>798,348</u>   | <u>50,335</u>    |
| To Update thru Sept 30, 2003 Additional<br>Amounts to be Amortized would be | <u>39,810</u>    | <u>2,299</u>     | <u>56,134</u>    | <u>3,539</u>     |
| Unamortized Amounts<br>in Rate Base as of Sept 30, 2003                     | 375,983          | 30,399           | 742,214          | 46,796           |
| x Jurisdictional Factor   | 100.00%          | 100.00%          | 100.00%          | 100.00%          |
| Unamortized Jurisdictional Amounts<br>in Rate Base as of Sept 30, 2003      | <u>375,983</u>   | <u>30,399</u>    | <u>742,214</u>   | <u>46,796</u>    |
| Total of AAO's in Rate Base as of Sept 30, 2003                             | <u>375,983</u>   |                  | <u>819,409</u>   | <u>1,195,392</u> |
| Source: RB-40 and comparison<br>DR 89 Gr-2004-0072                          | <u>GO-90-115</u> |                  | <u>GO-91-359</u> |                  |
| Per Books Sept 30, 2003 All Gas AAO's                                       | <u>375,982</u>   |                  | <u>819,440</u>   | <u>1,195,422</u> |

No Adjustment to Amortization of AAO's

Aquila  
 GR-2004-0072  
 MPS  
 Analysis of AAO's  
 Trisha Miller  
 Description  
 GO-90-115  
 GO-91-359

Prepared 37,972  
 DR 89  
 Report and Orders

Safety of Gas Mains, Lines  
 Service Line and Replacement Projec

|                                | MPS<br>GO-90-115 | MPS<br>GO-91-359 | MPS<br>GO-91-359 | MPS<br>GO-91-359 | Total<br>GO-91-359 |
|--------------------------------|------------------|------------------|------------------|------------------|--------------------|
| AAO's                          |                  |                  |                  |                  |                    |
| Beg Balance                    | 1,061,598        | 61,310           | 1,496,903        | 94,376           | 1,652,589          |
| Amortization Period in Years   | 20               | 20               | 20               | 20               | 20                 |
| Yearly Amortization            | 53,080           | 3,066            | 74,845           | 4,719            | 82,629             |
| Per Books December 31, 2002    | 53,079           | 3,066            | 74,846           | 4,718            | 82,630             |
| Adjustment to AAO Amortization |                  |                  |                  |                  | (1)                |
| No Adjustment to Amortization  |                  |                  |                  |                  |                    |