

*Exhibit No.:*

*Issues: Credentials, Overview of  
Algonquin Water Resources,  
Acquisition of Algonquin,  
Acquisition Adjustment,  
Algonquin's Proposed  
"Unrecorded Plant",  
Developer Costs and  
Contributions in Aid of  
Construction*

*Witness: Cary G. Featherstone*

*Sponsoring Party: MoPSC Staff*

*Type of Exhibit: Direct Testimony*

*Case No.: WR-2006-0425*

*Date Testimony Prepared: December 28, 2006*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**CARY G. FEATHERSTONE**

**ALGONQUIN WATER RESOURCES OF MISSOURI, LLC**

**CASE NOS. WR-2006-0425 and SR-2006-0426**

**(Consolidated)**

*Jefferson City, Missouri  
December 2006*

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

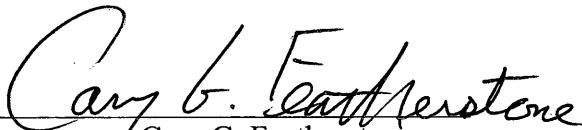
In the Matter of the Tariff Filing Algonquin Water )  
Resources of Missouri, LLC to Implement a )  
General Rate Increase for Water and Sewer Service )  
Provided to Customers in Its Missouri Service )  
Areas. )

Case No. WR-2006-0425

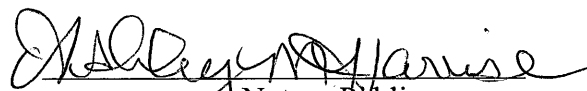
**AFFIDAVIT OF CARY G. FEATHERSTONE**

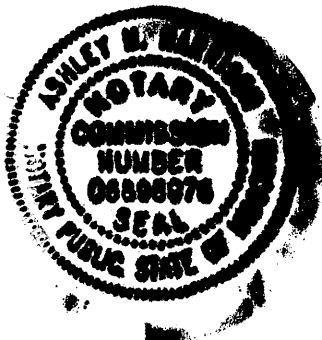
STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF COLE     )

Cary G. Featherstone, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 27 pages to be presented in the above case; that the answers in the foregoing Surrebuttal 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.

  
Cary G. Featherstone

Subscribed and sworn to before me this 27<sup>th</sup> day of December 2009

  
Notary Public



ASHLEY M. HARRISON  
Notary Public - State of Missouri  
My Commission Expires August 31, 2010  
Cole County  
Commission #06898978

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**TABLE OF CONTENTS**  
  
**CARY G. FEATHERSTONE**  
  
**ALGONQUIN WATER RESOURCES OF MISSOURI**  
  
**CASE NOS. WR-2006-0425 & SR-2006-0426**

CREDENTIALS ..... 1

OVERVIEW OF ALGONQUIN WATER RESOURCES..... 3

EXECUTIVE SUMMARY ..... 4

ACQUISITION OF ALGONQUIN..... 5

ACQUISITION ADJUSTMENT..... 13

ALGONQUIN'S PROPOSED “UNRECORDED PLANT” ..... 17

DEVELOPER COSTS AND CONTRIBUTIONS IN AID OF CONSTRUCTION..... 25

**REBUTTAL TESTIMONY**

**OF**

**CARY G. FEATHERSTONE**

**ALGONQUIN WATER RESOURCES OF MISSOURI**

**CASE NOS. WR-2006-0425 & SR-2006-0426**

**(Consolidated)**

Q. Please state your name and business address.

A. Cary G. Featherstone, Fletcher Daniels State Office Building, 615 East 13<sup>th</sup> Street, Kansas City, Missouri.

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

A. I am a Regulatory Auditor with the Missouri Public Service Commission (Commission).

## CREDENTIALS

Q. Please describe your educational background.

A. I graduated from the University of Missouri at Kansas City in December 1978 with a Bachelor of Arts degree in Economics. My course work included study in the field of Accounting.

Q. What has been the nature of your duties while in the employ of this Commission?

A. I have assisted, conducted and supervised audits and examinations of the books and records of public utility companies operating within the state of Missouri. I have participated in examinations of electric, industrial steam, natural gas, water, sewer and telecommunications companies. I have been involved in cases concerning proposed rate

1 increases, earnings investigations and complaint cases, as well as cases relating to mergers  
2 and acquisitions and certification cases.

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

4 A. Yes. Schedule 1 to this testimony is a summary of rate cases in which I have  
5 submitted testimony. In addition, Schedule 1 also identifies other cases where I directly  
6 supervised and assisted in audits of several public utilities, but where I did not file testimony.

7 Q. With reference to Case Nos. WR-2006-0425 and SR-2006-0426, have you  
8 examined and studied the books and records of Algonquin Water Resources of Missouri  
9 (Algonquin) regarding the water and sewer operations of its three Missouri utility resorts?

10 A. Yes, with the assistance other members of the Commission Staff (Staff), I have  
11 examined the books and records of Algonquin's Missouri utility properties at Holiday Hills  
12 Resort (Holiday Hills); Ozark Mountain Resort (Ozark Mountain) and Timber Creek Resort  
13 (Timber Creek).

14 Q. What knowledge, skill, experience, training and education do you have with  
15 regard to Aquila's application in Case Nos. WR-2006-0425 and SR-2006-0426?

16 A. I have acquired knowledge of the ratemaking and regulatory process through  
17 my employment with the Commission and through my experience and analyses in prior rate  
18 cases, complaint cases, merger cases and certificate cases before the Commission. I have  
19 participated in many rate cases, complaint cases, merger cases and certificate cases, and filed  
20 testimony on a variety of topics. I have also acquired knowledge of these topics through  
21 review of Staff work papers from the prior rate cases that related to Algonquin and to the  
22 former owner, Silverleaf Resorts, Inc. (Silverleaf). Specifically, as it relates to the issues  
23 presented in this case, I have previously examined the acquisition of utility property and the

1 valuation of utility property relating to the ratemaking process, specifically original cost  
2 theory. I have conducted and participated in several construction audits, specifically the costs  
3 of construction projects relating to power plants. I have reviewed the Company's testimony  
4 in this case, and the work papers and responses to data requests addressed to Algonquin in this  
5 rate case, as well as the Company's application to acquire this property, filed in Case No.  
6 WO-2005-0206.

7 I conducted and participated in interviews of Company personnel and consultants and  
8 performed discovery concerning aspects of this rate increase application.

9 I have also been involved in construction audits of several generating units installed by  
10 Missouri utilities, specifically:

11 Kansas City Power & Light Company – Wolf Creek Nuclear Generating Station;  
12 Hawthorn 6 and 9 combined cycle unit; Hawthorn 7 and 8, West Garner 1, 2, 3 and 4, and  
13 Osawatomie 1 combustion turbines.

14 AmerenUE – Callaway Nuclear Generating Station

15 Empire District Electric – State Line 1, 2 and Combined Cycle Unit

16 In addition, my college coursework primarily included accounting, auditing and  
17 economics classes.

## 18 **OVERVIEW OF ALGONQUIN WATER RESOURCES**

19 Q. What is the purpose of your Rebuttal Testimony?

20 A. The purpose of this Rebuttal Testimony is to respond to the Direct Testimony  
21 of Algonquin witness Larry W. Loos concerning the acquisition by Algonquin of utility  
22 property from Silverleaf. Specifically, I will respond to portions of Mr. Loos' direct  
23 testimony appearing at pages 14 through 29 on the subject of "unrecorded plant."

**EXECUTIVE SUMMARY**

Q. Please summarize your testimony.

A. Algonquin has made an unusual and extraordinary request to include in its rate base an amount of unsubstantiated and unsupported plant investment, the costs of which are nothing more than estimates computed by the Company. This proposed adjustment to plant, referred to by the Company as "unrecorded plant", is an attempt by Algonquin to recover the full acquisition price it paid to the former owner of these utility properties, Silverleaf Resorts.

Algonquin determines the computed values for the "unrecorded plant" by identifying what it purports to be plant investment that physically exists and is used to provide utility service, but does not exist on the plant property records of the Company's books. Algonquin determines the plant values, not by the examination of documentation such as contracts, invoices and purchase orders that would constitute evidence of the actual dollar amount that it took to design, construct and install the so called "unrecorded plant," but through a series of assumptions, calculations and estimates using such tools as unidentified maps of the utility system and by applying an index that is used to estimate plant costs.

Algonquin does not use original cost theory as the basis for the "unrecorded plant" that it is proposing to include in its rate base for cost recovery. Rather, as indicated above, it relies on an estimation process that has no relationship to the actual costs of designing, constructing and installing this plant. The Company's estimation process to determine the "unrecorded plant," for which it desires rate base treatment, completely ignores the reality of how water and sewer systems are typically constructed. A substantial portion of the costs to design, construct and install these systems are customarily contributed by the developers who create the need for the utility plant investment.

1           Algonquin's proposal relating to "unrecorded plant" also ignores the need to have  
2 actual documentation to substantiate and identify the actual costs to design, construct and  
3 install the water and sewer systems. Without this documentation, there is no way to identify  
4 the actual cost to build the system and to ascertain when the plant investment was completed.

5           Finally, the Company's proposal is nothing more than an attempt to seek recovery of  
6 the acquisition adjustment that resulted when it purchased this property from the original  
7 owner, Silverleaf. In Case No. WO-2005-0206, the case in which the Commission approved  
8 the sale of these Missouri utility properties, Algonquin agreed to not seek recovery of any  
9 acquisition adjustment that the Commission might identify in a future rate case. The Staff  
10 believes that Algonquin's purchase of this property did result in an acquisition premium, and  
11 therefore, the Company should record an acquisition adjustment on its books.

12           The amount of the acquisition adjustment at the time of purchase in August 2005 was  
13 \$2,345,600. This amount has been revised in this case, based upon updated information, to a  
14 value of \$2,379,464. The total purchase price that Algonquin paid for the Silverleaf  
15 properties was \$13.2 million, and the price for the Missouri-only property was \$3.8 million.  
16 Staff has determined the net original cost value of the Missouri property as \$1,420,536  
17 (\$3,800,000 less 2,379,464). The difference between the original cost value and the  
18 \$3.8 million purchase price is the amount of the acquisition adjustment.

19           The acquisition adjustment should not be included in Algonquin's rate structure, and  
20 the Commission should not allow Algonquin to recover any part of the acquisition premium.

## 21 **ACQUISITION OF ALGONQUIN**

22           Q.     When did Algonquin acquire the water and sewer systems operating in  
23 Missouri?



1           A.     These properties were acquired in August 2005 from Silverleaf. The  
2 Commission approved the acquisition on August 4, 2005 in Case No. WO-2005-0206.

3           Q.     What was the purchase price of the Silverleaf utility properties?

4           A.     Algonquin purchased the Missouri utility properties for \$3.8 million. In  
5 addition to the Missouri utility properties, Algonquin also purchased from Silverleaf utility  
6 properties in Texas and Illinois. The total purchase price for these properties in the three  
7 states was \$13.2 million (Joint Application filed in Case No. WO-2005-0206).

8           Q.     Was the difference between what Silverleaf and Staff thought should be the  
9 plant values addressed in Case No. WO-2005-0206?

10          A.     Yes. Throughout the sale case, Staff had several discussions with Algonquin  
11 personnel regarding the plant values that Staff believed existed, compared to those values that  
12 Silverleaf had on its books and records. Staff believed it important to address the purchase  
13 price and the effect that price had relating to the plant investment that Staff believed existed  
14 for the three Missouri utility properties that the Company was acquiring from Silverleaf with  
15 Algonquin as the buyer of these properties. As part of the audit process concerning the sale  
16 case, the Staff had determined the amount of plant in service as of December 31, 2004. Since  
17 there was a substantial difference between the amount of plant that Staff believed existed on  
18 Silverleaf books, compared to what Silverleaf had shown, the Staff discussed the differences  
19 in detail with Algonquin, as the buyer of these properties.

20          Q.     Why did Staff believe it was necessary to determine the plant values in the sale  
21 case?

22          A.     Staff had reviewed Silverleaf's plant records many times over the years, and  
23 had determined that there was a substantial difference between what Silverleaf believed plant

1 to be and the plant balances that the Staff had found through its previous reviews. Staff  
2 believed it was important that the buyer be aware of these differences in plant values before it  
3 acquired the properties. It was essential for Algonquin, as the buyer of the properties, to  
4 understand, prior to the actual purchase, that there were issues about how Silverleaf  
5 maintained the book values of its plant. The Staff believed that Algonquin should purchase  
6 the property with open eyes, and not be surprised by the potential differences in plant values  
7 when it filed future rate cases.

8 Q. Why were there differences in the plant values between Silverleaf and Staff?

9 A. Staff had determined in past cases that there were three areas that created the  
10 differences in the plant values:

11 1. Silverleaf had tariff provisions for Contributions in Aid of Construction  
12 (CIAC), but it did not properly identify the CIAC on its books, thus inflating  
13 the plant values it had on its books.

14 2. Silverleaf had a construction project that resulted in a cost overrun, and  
15 the Staff believed the overrun should not be included in the plant values.

16 3. Silverleaf had constructed a well that resulted in excess capacity, which  
17 Staff believed should be treated as plant held for future use and should not be  
18 included in the current plant in service.

19 All of Staff's adjustments resulted in a reduction in plant values, compared to those  
20 that Silverleaf included in its plant balances. These three adjustments to plant were discussed  
21 in detail in the Direct Testimony of Staff witnesses Graham A. Vesely, of the Auditing  
22 Department, and Jim A. Merciel, of the Commission's Water and Sewer Department.

23 Q. What effect did the differences have on the purchase transaction (Case No.  
24 WO-2005-0206)?

25 A. The adjustments Staff made to plant had the effect of reducing the rate base.  
26 This reduction in rate base then caused a difference in the value of the sale transaction itself.

1           Q.     How did the adjustments that reduced rate base cause differences in the value  
2 of the sale transaction?

3           A.     Algonquin purchased the Missouri utility properties for \$3.8 million. In an  
4 asset sale case, it is important to determine the book value of the rate base assets being  
5 acquired, in order to determine future rates. The purchase price is compared to what is  
6 defined as the "original cost" net book value of the assets, in order to determine if a merger or  
7 acquisition premium is being paid for the properties. In utility regulation theory, if an  
8 acquisition premium exists, then it is identified on the books of the acquiring utility as an  
9 acquisition adjustment. There can also be instances when acquisitions result in a price being  
10 paid for utility assets that is below original cost net book value, or a discount. This results in a  
11 negative acquisition adjustment.

12          Q.     How are acquisition adjustments treated for ratemaking purposes?

13          A.     While they are reflected on the utility books, they are not included in the  
14 acquiring company's rate base. Rate base values exclude acquisition adjustments, and instead  
15 use the "net original costs" of the assets. The "net original costs" are the value of the assets at  
16 time they are first placed in service by the original entity that owns the assets less the  
17 accumulated depreciation to date.

18          Q.     Does Staff believe that Algonquin's purchase of the Silverleaf properties  
19 included an acquisition premium and resulted in an acquisition adjustment?

20          A.     Yes. Staff made an estimate of the acquisition adjustment in the sale case.

21          Q.     What is the approximate value of the acquisition adjustment?

22          A.     In Case No. WO-2005-0206, the Staff Recommendation Memorandum, filed  
23 March 28, 2005, identified an acquisition premium of \$2,345,600, as a result of the

1 construction cost overruns and the failure to report property as CIAC. This amount has been  
2 revised in this case, based upon updated information, to a value of \$2,379,464.

3 Q. Has the Commission ever included acquisition adjustments in rates?

4 A. No. There have been several cases where the Commission has ruled on this  
5 issue. The Commission has not allowed recovery of acquisition adjustments in any of the  
6 cases I am familiar with and has stated in several orders that it has never allowed acquisition  
7 adjustments in rates in any prior cases.

8 In the Commission's Second Report and Order in Case No. EM-2000-292, regarding  
9 the St. Joseph Light & Power Company merger with UtiliCorp United Inc., issued  
10 February 26, 2004, the Commission stated the following respecting the acquisition  
11 adjustment:

12 This Commission has consistently applied the net original cost  
13 standard when placing a value on assets for purposes of  
14 establishing a utility's rates. No party has cited a single instance in  
15 which the Commission has allowed a utility to directly recover an  
16 acquisition premium through its rates. In support of its request for  
17 recovery of the acquisition premium, UtiliCorp cites two Commission  
18 cases for the proposition that this Commission is not unalterably  
19 opposed to a utility's recovery of an acquisition premium. In both cited  
20 cases, In re Missouri-American Water Company [4 Mo P.S.C. 3d 205  
21 (1995)] and In re Kansas Power and Light Company [1 Mo P.S.C. 3d  
22 150 (1991)], the Commission did make statements suggesting that it  
23 was not unalterably opposed to the recovery of an acquisition premium  
24 in an appropriate case. However, in both cases, the Commission  
25 refused to allow the requesting utility to recover the premium in  
26 question.

27 UtiliCorp also cites two Commission cases in which it argues that the  
28 Commission has allowed for the indirect recovery of acquisition  
29 premium. UtiliCorp indicates that in the case in which the Commission  
30 approved Union Electric Company's merger with Central Illinois  
31 Public Service Company [In re the Application of Union Electric  
32 Company, 6 Mo. P.S.C. 3d 28 (1997)], it allowed for the recovery of  
33 the acquisition premium through operation of an earnings-sharing grid.  
34 UtiliCorp also points out that in the case in which the Commission  
35 approved Kansas City Power & Light Company's plan to merge with

Western Resources, Inc. [In re the Joint Application of Western Resources, Inc., and Kansas City Power & Light Company, 8 Mo. P.S.C. 3d 306 (1999)], it approved a rate freeze that would allow enough time for the company to recover the acquisition premium through the operation of regulatory lag. While what UtiliCorp's says about those two cases is correct, it is important to note that both cases were resolved through unanimous stipulations and agreements that were approved by the Commission. In neither case did the Commission purport to establish any policy that would apply to UtiliCorp's request to recover its acquisition premium in this case.

**For many years, the Commission has used a net original cost standard to place a value on utility plant after a merger. That standard has proven to be fair to utilities as well as to ratepayers. There is no reason to vary from that standard in this case. The Commission concludes that UtiliCorp should not be allowed to recover any of the acquisition premium in its rates.** [pages 6-8 of Commission's Report and Order in Case EM-2000-292; emphasis added]

Q. Did the Commission define what an acquisition adjustment was in the UtiliCorp merger case?

A. Yes. It stated the following in Case No. EM-2000-292:

For regulatory purposes, an acquisition adjustment is simply the difference between the consideration that the purchaser pays for the assets and the net book value of those assets. As a general rule, **only the original cost of utility plant to the first owner devoting the property to public service, adjusted for depreciation, should be included in the utility's rate base. That principle is known as the net original cost rule.**

The net original cost rule was developed in order to protect ratepayers from having to pay higher rates simply because ownership of utility plant has changed, without any actual change in the usefulness of the plant. If a utility were allowed to revalue its assets each time they changed hands, it could artificially inflate its rate base by selling and repurchasing assets at a higher cost, while recovering those costs from its ratepayers. Thus, ratepayers would be required to pay for the same utility plant over and over again. The sale of assets to artificially inflate rate base was an abuse that was prevalent in the 1920s and 1930s and such abuses could still occur.

An acquisition adjustment can be either positive or negative. In other words, when a utility purchases an asset, it may pay more or less than

1 the net original cost of the asset. When the utility pays more than net  
2 original cost, it is said to have paid an acquisition premium. But, in  
3 some circumstances, a utility may be able to purchase assets at less than  
4 net original cost. In that situation, the utility has a negative acquisition  
5 adjustment.

6 **Missouri has traditionally applied the net original cost standard**  
7 **when considering the ratemaking treatment of acquisition**  
8 **adjustments. That means that the purchasing utility has not been**  
9 **allowed to recover an acquisition premium from its ratepayers.**  
10 But it also means that ratepayers do not receive lower rates through a  
11 decreased rate base when the utility receives a negative acquisition  
12 adjustment. Even if a company acquires an asset at a bargain price, it is  
13 allowed to put the asset into its rate base at its net original cost.  
14 Similarly, ratepayers do not share in the gains a utility may realize from  
15 selling assets at prices above their net original cost. Those gains flow  
16 only to the utility's shareholders. [pages 4-5 of Commission's Report  
17 and Order in Case EM-2000-292; emphasis added]

18 Q. Did Algonquin agree not to request recovery of an acquisition adjustment  
19 relating the purchase of Silverleaf's Missouri utility property?

20 A. Yes. As part of the conditions in Case No. WO-2005-0206, the Company  
21 agreed to not seek an acquisition adjustment in rates. In the Report and Order in that case, the  
22 Commission noted the following:

23 . . . All of the contested issues had a bearing on the rate base (or current  
24 book value) of Silverleaf, and the resulting acquisition adjustment.  
25 Staff and the Office of Public Counsel argued that there was an  
26 acquisition premium and that if the premium could be passed on to  
27 ratepayers, then the sale of assets would be detrimental to the public  
28 interest. Absent this concern, Staff and Public Counsel agreed that the  
29 transaction was not detrimental to the public interest. Applicants,  
30 however, insisted that if there was an acquisition premium it need not  
31 be discussed in this case but would be better addressed in a rate case.

32 After further discussion between the parties, Algonquin filed a  
33 Statement of Position as to the acquisition premium and moved the  
34 Commission to cancel the hearing. In its pleading, **Algonquin stated**  
35 **that it would not seek to recover, through customer rates, any**  
36 **acquisition premium associated with this transaction that may be**  
37 **determined by the Commission in a rate case.** Satisfied with this  
38 statement, Staff and Public Counsel agree that a hearing is no longer  
39 necessary and that the proposed transaction is not detrimental to the

1 public interest. [page 2 of Commission's Report and Order in Case  
2 WO-2005-0206; emphasis added]

3 Q. If Algonquin agreed to not seek recovery of any acquisition adjustment from  
4 its customers, why is it necessary to address this subject in this case?

5 A. While Algonquin agreed not to seek an acquisition adjustment in future rate  
6 cases, the Company agreed with this position only to the extent that the Commission found  
7 that there was an acquisition adjustment. Clearly, there is a difference of opinion between the  
8 Company and Staff concerning the value of rate base. Algonquin has presented an  
9 extraordinary and unprecedented proposal in this case to value rate base by including its  
10 "unrecorded plant" adjustment. This contrasts with the proposed adjustments Staff has made  
11 in this case, which were consistent with the previous Silverleaf rate cases. Since the Staff  
12 adjustments reduce rate base, they will affect the value of an acquisition adjustment.

13 Q. Should the rate base adjustments that Staff is proposing in this case be used to  
14 determine the acquisition adjustment relating to the purchase of the Missouri utility  
15 properties?

16 A. Yes. Two of three adjustments that Staff is proposing in this case should be  
17 used to adjust plant values, which will result in a reduction of the net original cost rate base  
18 that would be used to determine the acquisition adjustment. The two Staff adjustments  
19 relating to CIAC and the construction cost overruns reduce rate base and result in the  
20 acquisition adjustment. The third adjustment, relating to excess capacity, should not be used  
21 to reduce rate base to determine the acquisition adjustment. The excess capacity adjustment  
22 should be considered and recorded as plant held for future use and may eventually be part of  
23 the Company's rate base if the system grows into this plant capacity.

**ACQUISITION ADJUSTMENT**

Q. What is an acquisition adjustment?

A. An acquisition adjustment results when utility property is purchased or acquired for an amount either in excess of or below book value. Book value relates to the value placed on utility property and recorded on the Company's books and records at the time the utility property is first placed in public service, adjusted for depreciation and amortization. This assessment of value is commonly referred to as the property's "original cost." The acquisition adjustment is typically made up of two components, the merger premium and the transaction costs. The transaction costs are pre-merger costs to close or complete the merger.

The Uniform System of Accounts for Class C Water Utilities (USOA) provides a definition in Account 114—Utility Plant Acquisition Adjustments. The USOA description of Account 114 states:

A. This account shall include the difference between (1) the cost to the utility of plant acquired as an operating unit or system by purchase, merger, or otherwise, and (2) the net of amounts distributed to the plant accounts, the accumulated depreciation account and other appropriate accounts.

Q. Does Algonquin follow the USOA?

A. Yes. Algonquin and other companies regulated by the Commission should follow the USOA to keep its books and records.

Q. What is original cost?

A. The term "original cost," is defined by the USOA as follows:

original cost, as applied to utility plant, means the cost of such property to the person first devoting it to public service.

Depreciation and amortization of the utility property from the previous owner must be deducted from the original cost, which results in a net original cost amount to be recorded on the



1 purchaser's books and records. The acquired property is valued at the same value that the seller  
2 placed on it, hence the "original cost when first devoted to public service," adjusted for  
3 depreciation and amortization.

4 Q. Do utilities endorse the net "original cost" concept?

5 A. Yes. In a Joint Submission that Kansas Power & Light Company (KPL),  
6 predecessor company to the existing Westar Energy, and Gas Service Company, predecessor  
7 company to Southern Union Company's Missouri Gas Energy, made to the Kansas Corporation  
8 Commission, in Docket No. 138,495-U respecting KPL's request for authority to acquire the  
9 Gas Service Company (Gas Service), KPL stated the following:

10 The Commission has the "duty to ascertain the reasonable value of all  
11 property of any [regulated public utility] whenever it deems the  
12 ascertainment of such value necessary in order to enable the Commission  
13 to fix fair and reasonable rates . . . ." K.S.A. 66-128. The rate base of a  
14 public utility represents the reasonable value of all property which is in  
15 service and devoted to the public use. [citation and footnote omitted]

16 **Because the value of the corporation's property remains unchanged**  
17 **as the corporation's stock is bought and sold, the transfer of a**  
18 **utility's stock, the indicia of ownership** in a corporate entity whose  
19 stockholders are separate and distinct from the entity itself, **does not**  
20 **affect the value of its property in service and devoted to the public**  
21 **use. Thus, no recalculation of the utility's property, or rate base, is**  
22 **appropriate.**

23 The current rate base of Gas Service is derived from the **original cost of**  
24 **the property when first dedicated to public use.** The purchase of its  
25 stock does not affect original cost. A new stockholder does not purchase  
26 the assets of the corporation. Nor does a change in, or substitution of  
27 stockholders establish a new business entity. Transfer of ownership of  
28 common stock does not affect the ownership of the corporation's  
29 property, which still belongs to the corporation. [footnote omitted]

30 In a stock transfer, no assets are removed from public service or  
31 transferred to another business entity. **The same assets will continue to**  
32 **be used to provide the same services to the same ratepayers and the**  
33 **assets will remain subject to the same ratemaking jurisdiction of the**  
34 **same regulators.** This continuity makes a recalculation of Gas Service's

1 rate base incongruous. [Joint Submission By KPL And Gas Service  
2 Pursuant To Order Of September 20, 1983]

3 The KCC requested the Joint Submission in Docket No. 138,495-U, wherein KPL and  
4 Gas Service were directed to provide a legal analysis of whether the Commission should  
5 consider adjusting Gas Service's rate base to reflect the purchase price of Gas Service common  
6 stock purchased by Gas Service. It is clear that KPL was arguing for Gas Service's rate base to  
7 be valued at net "original cost" even though the "transfer of common stock ownership was  
8 effected at approximately 89% of net book value." (Joint Submission, page 1). The Joint  
9 Submission was signed by David S. Black, at the time Senior Vice President, Law and  
10 subsequently Chairman of the Board, President and Chief Executive Officer of KPL.

11 Q. How does an acquisition adjustment result from a utility merger or acquisition?

12 A. Utility property is recorded on the selling company's books and records at net  
13 original cost. A utility must account for any difference between the acquisition cost or  
14 purchase price of property and the net original cost; *i.e.*, the difference between the amount  
15 paid to the original owner (the seller) for utility property being first placed into service and  
16 the recorded net original cost amount. This difference in purchase price is recorded in USOA  
17 Account 114, Utility Plant Acquisition Adjustments. The amortization of the acquisition  
18 adjustment is recorded in Account 406, Amortization of Utility Plant Acquisition  
19 Adjustments, if the company obtains authorization to include the adjustment in cost of service  
20 for ratemaking purposes (above-the-line treatment). If the company does not obtain  
21 authorization to include an amortization for ratemaking purposes (*i.e.*, below-the-line  
22 treatment occurs), then Account No. 426, Miscellaneous Nonutility Expenses, must be used.

23 Q. Should Algonquin be allowed rate recovery of the acquisition adjustment?

1           A.     No. Algonquin should be aware that this Commission has never granted  
2 recovery of acquisition adjustments in the past. The Staff is opposed to treating this  
3 transaction any differently from what has been done historically.

4           Q.     How should the acquisition adjustment for the sale of utility property by  
5 Silverleaf to Algonquin be determined?

6           A.     During the sale case, Staff informed Algonquin that it needed to receive the  
7 necessary information from Silverleaf, so that a determination could be made to correct  
8 Algonquin's books relating to this property

9           Any amounts of CIAC plant should be appropriately accounted for and should not be  
10 recovered in rates. CIAC is addressed in Staff witness Vesely's Direct and Rebuttal  
11 Testimony filed in this case. Additionally, the amount related to any assets that are written  
12 off because of construction cost overruns, as a result of Staff recommendations identified in  
13 Staff witness Vesely's Direct Testimony should be deducted from the seller's plant accounts  
14 so the amount of the net original investment will not be impacted in determining the  
15 acquisition adjustment.

16           The adjustments related to CIAC and other disallowances must be made, to determine  
17 what the acquisition adjustment amount is, so Algonquin can keep its books and records in  
18 accordance with the USOA and the Commission rules. A determination respecting the correct  
19 amounts of all of the aforementioned must be made in this case, or some future case, in order  
20 to permit determination and appropriate rate treatment of any acquisition adjustment.

21           Q.     How should the excess capacity adjustment be treated on Algonquin's books?

22           A.     The amounts relating to the overcapacity of plant should be accounted for as  
23 property held for future use with the possibility that, as the Company grows into this capacity,

1 it will be included in rate base. For a discussion on this treatment and the excess capacity  
2 adjustment, please see Staff witnesses Merciel's and Vesely's Direct Testimony.

3 **ALGONQUIN'S PROPOSED "UNRECORDED PLANT"**

4 Q. What is the amount of the "unrecorded plant" that Algonquin is proposing to  
5 include in rate base?

6 A. Algonquin is proposing two adjustments to plant levels it received from  
7 Silverleaf, which total \$1,914,033. Mr. Loos states at page 22, of his Direct Testimony, that  
8 he is making an adjustment of \$729,427 for distribution and collection facilities placed in  
9 service prior to 1993 and he states at page 24, that he is making an adjustment of \$1,184,606  
10 for supply and treatment facilities.

11 Q. At page 22, of his Direct Testimony, Mr. Loos indicates that the unrecorded  
12 adjustments are necessary because Algonquin acquired these properties "for which no  
13 investment cost is recorded." Does Staff agree with these adjustments?

14 A. No. These adjustments are inappropriate and should not be included in  
15 Algonquin's rate base to establish rates in this case.

16 Q. Why should the "unrecorded plant" not be included in rate base?

17 A. These adjustments are based on estimates of costs, not actual costs, and  
18 therefore, do not have the adequate support to be included in rate base. Also, Algonquin did  
19 not pay for these so called "unrecorded plant" investments as part of the negotiated purchase  
20 price that it paid to Silverleaf for the Missouri utility assets.

21 Q. Is the "unrecorded plant" being proposed by Algonquin based on actual costs  
22 to construct this plant?

1           A.     No. Algonquin's "unrecorded plant" is nothing more than estimates that would  
2     give rise to the development of construction budgets that could be used to manage the  
3     construction projects. They certainly do not represent actual costs that can be supported by  
4     documentation. These estimates certainly do not present actual cost information that can be  
5     included in a utility company's cost of service.

6           Q.     How are utility rates determined in this state?

7           A.     Missouri is a cost-based jurisdiction, in that utility rates are set using actual,  
8     historical information. Utility rates are determined using actual plant costs for the rate base  
9     investment. The actual plant costs are substantiated by sufficient supporting documentation  
10    common to the construction industry, such as contracts and construction agreements including  
11    change orders, invoices and purchase orders, letters of agreements, and other related  
12    documents that are used to determine the actual costs to build and construct utility facilities.  
13    This construction documentation would identify the work performed and the actual costs to  
14    construct and install the construction project.

15          Q.     Does documentation exist to support the "unrecorded plant" adjustment made  
16    by Algonquin?

17          A.     No. Algonquin's witness Loos identifies at pages 19 through 28, of his Direct  
18    Testimony, a description of the process he undertook to determine the adjustments that the  
19    Company believes are necessary to reflect the pre-1993 plant that is not recorded on  
20    Silverleaf's books. At no point in his Direct Testimony does Mr. Loos identify any supporting  
21    documentation that details the levels of Silverleaf's plant investment prior to 1993. Since the  
22    Company had no support for the cost of this plant, Mr. Loos had to "develop" an unusual and  
23    completely nontraditional approach to estimate the value of the pre-1993 plant investment.

1 Q. How did Algonquin develop the estimate the pre-1993 plant investment?

2 A. Mr. Loos indicated at page 19, of his Direct Testimony, that he had to rely on  
3 "limited detail" information as the basis for the whole of his unrecorded plant adjustments.  
4 Mr. Loos stated that:

5 Based on somewhat limited detail shown on the utility maps provided  
6 to Algonquin by Silverleaf, I first supplemented existing detail by  
7 adding system facilities sufficient to serve the entire resort today.  
8 Based on this layout, I then identified those lines which would have  
9 been required to serve resort facilities which the manager identified as  
10 completed prior to about 1993. With this information, I then identified  
11 the pipe length required to serve the pre-1993 development and the  
12 total length of pipe, currently in service. [page 19, line 10, Loos  
13 Direct]

14 Mr. Loos then determined the length of pipe he needs to "add" to Silverleaf's plant  
15 investment amounts for what he refers to as the pre-1993 plant. Once the length of additional  
16 pipe is determined for this pre-1993 unrecorded plant, through this estimating process,  
17 Mr. Loos has to calculate costs relating to this "investment." He used an index to develop the  
18 pricing amount needed to determine the "costs" of the pre-1993 plant investment. However,  
19 this process does not identify actual costs.

20 Q. What amount of plant investment does Algonquin identify for the plant  
21 currently in service?

22 A. Mr. Loos identifies this total system plant amount at page 21, of his Direct  
23 Testimony, as \$4,635,010 (Loos Direct, Schedule LWL-3, Line 9), which he states does not  
24 include any pre-1993 investment. To this amount, Algonquin proposes to add its "unrecorded  
25 plant" adjustment of \$1,914, 032 (Loos Direct, Schedule LWL-3, Line 17) and to deduct  
26 \$238,072, to eliminate sewer investment, to arrive at a total amount of plant in service at  
27 September 30, 2005 of \$6,310,970 (Loos Direct, Schedule LWL-3, Line 19).

1 Q. Does the process described by Mr. Loos determine the original costs of the  
2 plant investment?

3 A. No. At page 23, of Mr. Loos' Direct Testimony, he states that he believes that  
4 the process he used to quantify the amount of the "unrecorded plant" does not violate "the  
5 Commission's normal use of original cost in setting rates."

6 Q. Does Staff agree that the Company's determination of the so-called "pre-1993  
7 plant investment" can be considered original costs?

8 A. No. The use of indices and the measurement of piping from a map can not in  
9 any way be considered plant investment at the original cost method of costing plant.

10 Q. Did Algonquin acquire pre-1993 property from Silverleaf?

11 A. Algonquin witness Loos states, at page 21 of his Direct Testimony, that:

12 [A] large portion of the property acquired by Algonquin went into  
13 service in about 1982. In addition, Silverleaf (Algonquin) not only  
14 reports no source of supply related investment prior to 1993, the  
15 investment subsequent to 1992 is clearly not indicative of the cost  
16 incurred in connection with the well, treatment and storage facilities  
17 relied on to provide water service.

18 However, Algonquin did not pay for any of this investment to the extent that it ever  
19 existed as utility property.

20 Q. Why didn't Algonquin pay for the pre-1993 property installed by Silverleaf?

21 A. Algonquin negotiated a price for the three Missouri utility properties along  
22 with the properties in Illinois and Texas, that resulted in the Asset Purchase Agreement dated  
23 August 29, 2004. However, Algonquin did not know there was any plant investment not  
24 recorded on the books of Silverleaf until Mr. Loos made the remarkable discovery of this so-  
25 called "unrecorded plant" in December 2005 (Data Request No. 7), 16 months after the  
26 purchase agreement was signed by both the seller and buyer. Algonquin's entire position

1 regarding the unrecorded plant assets is that these assets were not recorded on the books of  
2 Silverleaf. During the due diligence review of the purchase transaction, Algonquin would  
3 have examined and analyzed the Silverleaf books and reached its decision on the proper  
4 amount to pay for these assets. If the “unrecorded plant” that is being proposed as an  
5 adjustment in this case by Algonquin was indeed not reflected on the Silverleaf books - the  
6 very books that Algonquin relied on when it negotiated the purchased price -- then Algonquin  
7 did not pay for any of this property. Even though Algonquin did not pay for this property, it  
8 is now attempting to get its utility customers to pay for it in the rates that they will have to pay  
9 in the future. This would be patently unfair. There is no basis whatsoever to reflect the  
10 “unrecorded plant” in Algonquin's rate base.

11 Q. Is Algonquin proposing to include the full amount of the “unrecorded plant”  
12 adjustment?

13 A. No. Algonquin is proposing to include the “unrecorded plant” adjustment of  
14 \$1,914,032 relating to pre-1993 plant. Adding all of the pre-1993 plant, deducting the value  
15 of the sewer system that is no longer operated by Holiday Hills, and taking into consideration  
16 the depreciation reserve, results in net plant of \$4,108,718. However, since Algonquin only  
17 paid \$3.8 million for the three Missouri utility properties, the Company is only requesting that  
18 the plant in service be valued at \$3.8 million, as of August 15, 2005. Because of this  
19 limitation, Algonquin is not proposing to include the full amount of the “unrecorded plant”  
20 adjustment.

21 Q. What is the significance of limiting the August 15, 2005 net plant amount,  
22 including the “unrecorded plant” to \$3.8 million?



1           A.     It is not coincidental that the amount Algonquin paid to Silverleaf for the  
2 Missouri properties is exactly equal to the net plant investment Algonquin is using at the time  
3 it acquired the property from Silverleaf. Algonquin apparently believes that the net plant  
4 level at the time it acquired the property from Silverleaf should be tied to the purchase price it  
5 paid for the three Missouri utility properties. But the \$3.8 million purchase price it paid to  
6 Silverleaf has nothing to do with the plant balances that should be included in Algonquin's  
7 rate base.

8           Algonquin's rate base should be valued at the net original costs as acquired at the time  
9 of the acquisition from Silverleaf. The \$3.8 million is not the original cost value of the  
10 Missouri utility properties. Staff has determined what the value of the plant investment was at  
11 the time of the acquisition, based on its reviews over several rate cases and the recent sale  
12 case. Staff has done an extensive analysis and examination of the plant recorded on  
13 Silverleaf's books and the related plant investment transactions, based on construction  
14 documentation. Staff's determination of the value of the plant Algonquin acquired from  
15 Silverleaf is the amount that should be included in rate base in this case. Staff witnesses  
16 Merciel and Vesely are presenting evidence of this extensive review of the Silverleaf plant  
17 values in their Direct and Rebuttal Testimony.

18           Q.     Did Algonquin recognize the effect of the adjustments that Staff was proposing  
19 in the sale case?

20           A.     Yes. Algonquin witness Loos states at page 25 of his Direct Testimony,

21                   If Algonquin does not recover the price paid Silverleaf for these  
22 properties, Algonquin will be forced to directly subsidize Silverleaf for  
23 such excess. Silverleaf was compensated for any excess through the  
24 price Algonquin paid. If the price Algonquin paid is reduced through  
25 some adjustment for excess capacity, the rates that Silverleaf pays will

1 not include the full investment, Silverleaf will receive a windfall at  
2 Algonquin's expense.

3 Q. Does it appear that Algonquin is attempting to recover its \$3.8 million  
4 purchase price of the Silverleaf properties?

5 A. Yes. Despite the commitment that Algonquin made in the sale case not to seek  
6 any recovery of any acquisition adjustment as determined by the Commission, the Company  
7 is identifying the amount of plant investment at the August 15, 2005, closing date of the  
8 acquisition to the purchase price paid to Silverleaf for the Missouri properties.

9 Q. Does Staff believe that Algonquin would be subsidizing Silverleaf for any  
10 excess of plant capacity?

11 A. No. In the sale case, the Staff made Algonquin aware of the excess capacity  
12 adjustment, as well as the other adjustments for CIAC and Construction cost overruns, prior  
13 to the purchase of this property from Silverleaf. Algonquin had every opportunity to insure  
14 that it was paying the proper amount for the plant that actually existed and that was needed to  
15 provide service to its customers including the Silverleaf resort operations. To now suggest, as  
16 Mr. Loos does in his Direct Testimony, that the full amount of the purchase price paid for  
17 these Missouri utility properties must now be included in rates or "Silverleaf will receive a  
18 windfall at Algonquin's expense" is incorrect. Algonquin made the decision to pay what it  
19 paid for these properties -- not Silverleaf's customers.

20 Q. Did Silverleaf ever reflect the unrecorded plant in its rates?

21 A. No. When Staff examined the books of Silverleaf during rate case reviews no  
22 unrecorded plant was ever discovered. In fact, the first time Staff ever learned of the  
23 unrecorded plant issue was when it reviewed Algonquin's witness's Direct Testimony in this  
24 case.

1 Q. Did Algonquin know that the unrecorded plant existed at the time it purchased  
2 the property from Silverleaf?

3 A. No. Staff inquired when Algonquin first discovered that it had unrecorded  
4 plant. Algonquin stated that it was made aware of the unrecorded plant matter by Mr. Loos in  
5 December 2005, four months after the Company assumed ownership of the utility operations  
6 from Silverleaf. Algonquin stated in response to Data Request No. 7 that:

7 Mr. Loos initially informed Algonquin of the fact that available  
8 accounting information did not reflect consideration of the "unrecorded  
9 plant" in December 2005.

10 Q. Has Algonquin reflected the unrecorded plant in its accounting records?

11 A. Yes. The Algonquin has made adjustments to its books to reflect the  
12 unrecorded plant balances prior to filing this rate case. Algonquin also reflected at least a  
13 portion of the unrecorded plant amounts in the annual report it submitted to the Commission.  
14 Since Algonquin is limiting its plant investment including the unrecorded plant amounts to  
15 the purchase price of \$3.8 million, which is the amount that the Company reported as plant in  
16 its annual report, it is clear that a portion of the unrecorded plant investment has been  
17 included in this amount.

18 Q. Is there an inconsistency in the way Algonquin has accounted for the  
19 unrecorded plant?

20 A. Yes. Even though it adjusted its books to include the unrecorded plant,  
21 Algonquin never declared this so-called "investment" when it filed its property tax assessment  
22 to the taxing authorities. The unrecorded plant amounts relate to the Holiday Hills and Ozark  
23 Mountain utility operations. However, a review of the assessment amounts provided to the  
24 local taxing authorities shows that none of the unrecorded plant amounts were identified for  
25 property tax purposes. This assessment of plant is done in the early spring of each year for

1 property that was owned as of January 1 of that year. Yet even though Algonquin  
2 "discovered" this unrecorded plant in December 2005, it failed to identify it to the tax  
3 authorities in 2006.

4 Q. What amounts did Algonquin declare to the taxing authorities for property  
5 taxes?

6 A. Algonquin declared a total amount for 2006 assessment purposes for Holiday  
7 Hills of \$679,361 and for Ozark Mountain of \$351,584 (Data Request 47.1). These amounts  
8 are nowhere near the levels of the total plant balances including the newly discovered  
9 unrecorded plant amounts for these utility operations. Mr. Loos identifies Holiday Hills total  
10 plant of \$2,778,134, including unrecorded plant of \$742,825. For Ozark Mountain, he  
11 indicates a total plant of \$761,458 including unrecorded plant of \$542,268.

12 Algonquin is not proposing any amount for the unrecorded plant at Timber Creek.

13 Q. What is the significance of the assessments made to the taxing authorities?

14 A. The taxing authorities use the information provided by the utility, in this case  
15 Algonquin, to determine the level of property taxes that each company will be responsible for  
16 and pay at the end of the tax year, typically by December 31<sup>st</sup>. By not including the  
17 unrecorded plant investment (if the Company indeed views it as an investment) as part of the  
18 assessment means that Algonquin will avoid paying property taxes on plant that it believes  
19 exists for accounting purposes.

20 **DEVELOPER COSTS AND CONTRIBUTIONS IN AID OF CONSTRUCTION**

21 Q. Mr. Loos states at page 28, of his Direct Testimony, that he was "informed that  
22 Silverleaf never collected any monies" from developers as contributions in aid of  
23 construction. Would this be unusual?

1           A.     No. In the case of Silverleaf, it would be unlikely that monies would have  
2     been collected from itself. Since Silverleaf, acting as the resort operator, made the decisions  
3     for the development of the resorts and any related expansion, it constructed the infrastructure,  
4     including the water and sewer plant. Silverleaf, particularly before the certification of its  
5     regulated utility operations in 1993, had virtually no incentive to account for this  
6     infrastructure separately. This is very common for water and sewer systems.

7           Silverleaf did what any other developer of property would do – it charged those costs  
8     as development costs. A developer must incur various costs to develop land for either sale for  
9     residential use or, as the case for Silverleaf, the sale of time shares, condominiums or private  
10    residences. The actual cost of the land itself is a major cost. But there are other costs for land  
11    improvements, such as site preparation for excavation, curbing, streets, and all utility services,  
12    including piping of water and sewer systems. Since Silverleaf was not certificated as a public  
13    utility prior to 1994, the only place it could recover its substantial investment in the water and  
14    sewer systems was through the sale of resort property through time shares condominiums and  
15    the private residences.

16          Clearly, Silverleaf, just like any other developer, had to have a means to recover the  
17    investment it made to develop these resort properties. Businesses will not stay in business  
18    long if they can not pass their actual costs on their customers, in this case resort and time  
19    share customers. The very costs that Mr. Loos and Algonquin are trying to include in this  
20    case as rate base investment were never treated as utility property by Silverleaf Resorts.  
21    Silverleaf, many years ago, during the development of these resorts recovered its investment  
22    through the sale of the time shares and other resort property. Silverleaf, many years ago,  
23    recovered these costs from the owners who purchased the time shares and private residences.

1 If Algonquin's "unrecorded plant" proposal is adopted in this case, Algonquin would recover  
2 these development costs again, from customers paying utility rates. Clearly, the plant  
3 investment that Silverleaf made prior to certification as a public utility was treated as  
4 development costs and was correctly not included in its utility property records. Algonquin  
5 did not pay for this contributed plant and should not now include any of those amounts in its  
6 utility property records. This contributed plant should certainly not be allowed in rate base  
7 and included in the determination of rates in this case.

8 Q. Does this conclude your rebuttal testimony?

9 A. Yes.

**CARY G. FEATHERSTONE**

**SUMMARY OF RATE CASE INVOLVEMENT**

<b><u>Year</u></b>	<b><u>Case No.</u></b>	<b><u>Utility</u></b>	<b><u>Type of Testimony</u></b>	<b><u>Case</u></b>
1980	Case No. ER-80-53	St. Joseph Light & Power Company (electric)	Direct	Stipulated
1980	Case No. OR-80-54	St. Joseph Light & Power Company (transit)	Direct	Stipulated
1980	Case No. HR-80-55	St. Joseph Light & Power Company (industrial steam)	Direct	Stipulated
1980	Case No. GR-80-173	The Gas Service Company (natural gas)	Direct	Stipulated
1980	Case No. GR-80-249	Rich Hill-Hume Gas Company (natural gas)	No Testimony filed	Stipulated
1980	Case No. TR-80-235	United Telephone Company of Missouri (telephone)	Direct Rebuttal	Contested
1981	Case No. ER-81-42	Kansas City Power & Light Company (electric)	Direct Rebuttal	Contested
1981	Case No. TR-81-208	Southwestern Bell Telephone Company (telephone)	Direct Rebuttal Surrebuttal	Contested
1981	Case No. TR-81-302	United Telephone Company of Missouri (telephone)	Direct	Stipulated
1981	Case No. TO-82-3	Investigation of Equal Life Group and Remaining Life Depreciation Rates (telephone-- depreciation case)	Direct	Contested
1982	Case Nos. ER-82-66 and HR-82-67	Kansas City Power & Light Company (electric & district steam heating)	Direct Rebuttal Surrebuttal	Contested

<b><u>Year</u></b>	<b><u>Case No.</u></b>	<b><u>Utility</u></b>	<b><u>Type of Testimony</u></b>	<b><u>Case</u></b>
1982	Case No. TR-82-199	Southwestern Bell Telephone Company (telephone)	Direct	Contested
1983	Case No. EO-83-9	Investigation and Audit of Forecasted Fuel Expense of Kansas City Power & Light Company (electric-- forecasted fuel true-up)	Direct	Contested
1983	Case No. ER-83-49	Kansas City Power & Light Company (electric)	Direct Rebuttal Surrebuttal	Contested
1983	Case No. TR-83-253	Southwestern Bell Telephone Company (telephone)	Direct	Contested
1984	Case No. EO-84-4	Investigation and Audit of Forecasted Fuel Expense of Kansas City Power & Light Company (electric-- forecasted fuel true-up)	Direct	Contested
1985	Case Nos. ER-85-128 and EO-85-185	Kansas City Power & Light Company (electric)	Direct	Contested
1987	Case No. HO-86-139	Kansas City Power & Light Company (district steam heating-- discontinuance of public utility)	Direct Rebuttal Surrebuttal	Contested
1988	Case No. TC-89-14	Southwestern Bell Telephone Company  (telephone-- complaint case)	Direct Surrebuttal	Contested
1989	Case No. TR-89-182	GTE North, Incorporated (telephone)	Direct Rebuttal Surrebuttal	Contested



<b><u>Year</u></b>	<b><u>Case No.</u></b>	<b><u>Utility</u></b>	<b><u>Type of Testimony</u></b>	<b><u>Case</u></b>
1990	Case No. GR-90-50	Kansas Power & Light - Gas Service Division (natural gas)	Direct	Stipulated
1990	Case No. ER-90-101	UtiliCorp United Inc., Missouri Public Service Division (electric)	Direct Surrebuttal	Contested
1990	Case No. GR-90-198	UtiliCorp United, Inc., Missouri Public Service Division (natural gas)	Direct	Stipulated
1990	Case No. GR-90-152	Associated Natural Gas Company (natural gas)	Rebuttal	Stipulated
1991	Case No. EM-91-213	Kansas Power & Light - Gas Service Division (natural gas-- acquisition/merger case)	Rebuttal	Contested
1991	Case Nos. EO-91-358 and EO-91-360	UtiliCorp United Inc., Missouri Public Service Division (electric-- accounting authority orders)	Rebuttal	Contested
1991	Case No. GO-91-359	UtiliCorp United Inc., Missouri Public Service Division (natural gas)	Memorandum Recommendation	Stipulated
1993	Case Nos. TC-93-224 and TO-93-192	Southwestern Bell Telephone Company (telephone-- complaint case)	Direct Rebuttal Surrebuttal	Contested
1993	Case No. TR-93-181	United Telephone Company of Missouri (telephone)	Direct Surrebuttal	Contested
1993	Case No. GM-94-40	Western Resources, Inc. and Southern Union Company (natural gas-- sale of Missouri property)	Rebuttal	Stipulated
1994	Case No. GM-94-252	UtiliCorp United Inc., acquisition of Missouri Gas Company and Missouri Pipeline Company (natural gas--acquisition case)	Rebuttal	Contested

<b><u>Year</u></b>	<b><u>Case No.</u></b>	<b><u>Utility</u></b>	<b><u>Type of Testimony</u></b>	<b><u>Case</u></b>
1994	Case No. GA-94-325	UtiliCorp United Inc., expansion of natural gas to City of Rolla, MO (natural gas-- certificate case)	Rebuttal	Contested
1995	Case No. GR-95-160	United Cities Gas Company (natural gas)	Direct	Contested
1995	Case No. ER-95-279	Empire District Electric Company (electric)	Direct	Stipulated
1996	Case No. GA-96-130	UtiliCorp United, Inc./Missouri Pipeline Company (natural gas-- certificate case)	Rebuttal	Contested
1996	Case No. EM-96-149	Union Electric Company merger with CIPSCO Incorporated (electric and natural gas-- acquisition/merger case)	Rebuttal	Stipulated -
1996	Case No. GR-96-285	Missouri Gas Energy Division of Southern Union Company (natural gas)	Direct Rebuttal Surrebuttal	Contested
1996	Case No. ER-97-82	Empire District Electric Company (electric-- interim rate case)	Rebuttal	Contested
1997	Case No. GA-97-132	UtiliCorp United Inc./Missouri Public Service Company (natural gas—certificate case)	Rebuttal	Contested
1997	Case No. GA-97-133	Missouri Gas Company (natural gas—certificate case)	Rebuttal	Contested
1997	Case Nos. EC-97-362 and EO-97-144	UtiliCorp United Inc./Missouri Public Service (electric complaint case)	Direct Verified Statement	Contested Commission Denied Motion
1997	Case Nos. ER-97-394 and EC-98-126	UtiliCorp United Inc./Missouri Public Service (electric)	Direct Rebuttal Surrebuttal	Contested
1997	Case No. EM-97-395	UtiliCorp United Inc./Missouri Public Service (electric-application to spin-off generating assets to EWG subsidiary)	Rebuttal	Withdrawn

<b><u>Year</u></b>	<b><u>Case No.</u></b>	<b><u>Utility</u></b>	<b><u>Type of Testimony</u></b>	<b><u>Case</u></b>
1998	Case No. GR-98-140	Missouri Gas Energy Division of Southern Union Company (natural gas)	Testimony in Support of Stipulation And Agreement	Contested
1999	Case No. EM-97-515	Kansas City Power & Light Company merger with Western Resources, Inc. (electric acquisition/ merger case)	Rebuttal	Stipulated (Merger eventually terminated)
2000	Case No. EM-2000-292	UtiliCorp United Inc. merger with St. Joseph Light & Power Company (electric, natural gas and industrial steam acquisition/ merger case)	Rebuttal	Contested (Merger closed)
2000	Case No. EM-2000-369	UtiliCorp United Inc. merger with Empire District Electric Company (electric acquisition/ merger case)	Rebuttal	Contested (Merger eventually terminated)
2001	Case No. ER-2001-299	Empire District Electric Company (electric)	Direct Surrebuttal True-Up Direct	Contested
2001	Case Nos. ER-2001-672 and EC-2002-265	UtiliCorp United Inc./Missouri Public Service Company (electric)	Verified Statement Direct Rebuttal Surrebuttal	Stipulated
2002	Case No. ER-2002-424	Empire District Electric Company (electric)	Direct Surrebuttal	Stipulated
2003	Case Nos. ER-2004-0034 and HR-2004-0024 (Consolidated)	Aquila, Inc., d/b/a Aquila Networks-MPS and Aquila Networks-L&P (electric & industrial steam)	Direct Rebuttal Surrebuttal	Stipulated

<b><u>Year</u></b>	<b><u>Case No.</u></b>	<b><u>Utility</u></b>	<b><u>Type of Testimony</u></b>	<b><u>Case</u></b>
2004	Case No. GR-2004-0072	Aquila, Inc., d/b/a Aquila Networks-MPS and Aquila Networks-L&P (natural gas)	Direct Rebuttal	Stipulated
2005	Case No. EO-2005-0156	Aquila, Inc., d/b/a Aquila Networks- MPS (electric)	Rebuttal Surrebuttal	Stipulation pending
2005	Case No. ER-2005- 0436	Aquila, Inc., d/b/a Aquila Networks- MPS (electric)	Direct Rebuttal Surrebuttal	Stipulated
2006	Case No. ER-2006- 0314	Kansas City Power & Light Company	Direct Rebuttal Surrebuttal	Contested

## AUDITS WHICH WERE SUPERVISED AND ASSISTED:

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case Disposition</u>
1986	Case No. TR-86-14 (telephone)	ALLTEL Missouri, Inc.		Stipulated
1986	Case No. TR-86-55 (telephone)	Continental Telephone Company of Missouri		Stipulated
1986	Case No. TR-86-63 (telephone)	Webster County Telephone Company		Stipulated
1986	Case No. GR-86-76 (natural gas)	KPL-Gas Service Company		Withdrawn
1986	Case No. TR-86-117 (telephone)	United Telephone Company of Missouri		Withdrawn
1988	Case No. GR-88-115 (natural gas)	St. Joseph Light & Power Company	Deposition	Stipulated
1988	Case No. GR-88-116 (industrial steam)	St. Joseph Light & Power Company	Deposition	Stipulated
2004	Case No. HM-2004- 0618 (industrial steam)	Trigen- Kansas City Energy purchase by Thermal North America		Stipulated
2005	Case No. GM-2005- 0136 (natural gas)	Partnership interest of DTE Enterprises, Inc. and DTE Ozark, Inc in Southern Gas Company purchase by Sendero SMGC LP	Recommendation Memo	Stipulated
2006	Case No. WR-2006- 0250	Hickory Hills Water & Sewer		Contested
2006	Case No. HA-2006- 0294	Trigen Kansas City Energy		Contested