

*Exhibit No.:*

*Issues: Overview of Electric Generation; Fuel and Purchased Power Expense; Fuel Prices; Demand Charges-Fuel Inventories; Pipeline Reservation Charge; Corporate Allocated Costs; MPS Generation Unit*

*Witness: Charles R. Hyneman*

*Sponsoring Party: MoPSC Staff*

*Type of Exhibit: Direct Testimony*

*Case No.: ER-2007-0004*

*Date Testimony Prepared: January 18, 2007*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**DIRECT TESTIMONY**

**OF**

**CHARLES R. HYNEMAN**

**AQUILA, INC., d/b/a AQUILA NETWORKS-MPS - Electric  
and AQUILA NETWORKS-L&P – Electric**

**CASE NO. ER-2007-0004**

*Jefferson City, Missouri  
January 2007*

**\*\*Denotes Highly Confidential Information\*\***

**NP**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Aquila, Inc. d/b/a Aquila )  
Networks-MPS and Aquila Networks-L&P, for )  
authority to file tariffs increasing electric rates for )  
the service provided to customers in the Aquila )  
Networks-MPS and Aquila Networks-L&P service )  
area. )

Case No. ER-2007-0004

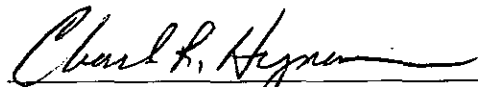
**AFFIDAVIT OF CHARLES R. HYNEMAN**

STATE OF MISSOURI )

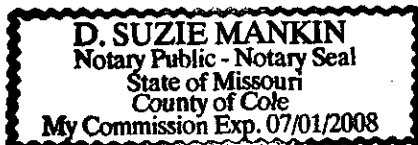
) ss.


COUNTY OF COLE )

Charles R. Hyneman, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 28 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
Charles R. Hyneman

Subscribed and sworn to before me this 18<sup>th</sup> day of January 20 07.



  
Notary Public

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**CASE NO. ER-2007-0004**

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## DIRECT TESTIMONY OF

**CHARLES R. HYNEMAN**

**AQUILA, INC., d/b/a AQUILA NETWORKS-MPS - Electric**

**and AQUILA NETWORKS-L&P - Electric**

**CASE NO. ER-2007-0004**

Q. Please state your name and business address.

A. Charles R. Hyneman, 615 East 13<sup>th</sup> Street, Kansas City, MO 64106.

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

A. I am employed by the Missouri Public Service Commission (Commission) as a Utility Regulatory Auditor.

Q. Please describe your educational background and work experience.

A. I have a Masters of Business Administration from the University of Missouri - Columbia. I also have a Bachelor of Science, cum laude, with a double major in Accounting and Business Administration from Indiana State University in Terre Haute, Indiana. I am a Certified Public Accountant (CPA) licensed in Missouri.

After serving my initial enlistment in the U.S. Air Force, I was commissioned as an officer after completing the Air Force Reserve Officer Training Corps program at Indiana State University. I served 12 years on active duty in the U.S. Air Force in the missile operations and contracting career fields. I was promoted to the rank of Captain in 1989. I was honorably discharged from the Air Force in 1992 and joined the Commission Staff in 1993.

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

A. Among other duties, I am responsible for performing audits of utility companies operating in the state of Missouri. These audits consist of reviewing the utility's

1 operations and books and records as well as making recommendations through oral and  
2 written testimony to the Commission as an expert witness.

3 Q. With reference to Case No. ER-2007-0004 have you conducted an audit of the  
4 operations and books and records of Aquila, Inc. d/b/a Aquila Networks-MPS (MPS) and  
5 Aquila Networks-L&P (L&P), two divisions of Aquila Inc. (Aquila or Company) relating to  
6 its proposed rate increase application in this case?

7 A. Yes, in conjunction with other members of the Commission Staff (Staff).

8 Q. Have you participated in previous cases before this Commission?

9 A. Yes. Schedule 1 attached to this direct testimony identifies the cases in which  
10 I have participated.

11 **EXECUTIVE SUMMARY**

12 Q. What are your responsibilities with respect to the Staff's audit in this  
13 proceeding?

14 A. My major areas of responsibility are fuel and corporate overhead allocations.  
15 I am also sponsoring adjustments to add two 105 MW gas combustion turbines to Aquila's  
16 generation capacity.

17 In the area of fuel, I am responsible for developing the Staff's recommended prices of  
18 the fuel components included in the Staff's fuel model. These include both commodity and  
19 variable transportation prices for natural gas, coal and fuel oil. These prices are entered into  
20 the Staff's fuel model in order to compute the variable on-system fuel and purchased power  
21 expense. I am also responsible for developing the Staff's recommended level of fuel-related  
22 costs that are not included in the fuel model due to their nature of being more fixed than  
23 variable costs. These include cost of leasing unit trains to transport coal, natural gas pipeline

1 reservation charges and miscellaneous non-labor fuel handling costs. I am also responsible  
2 for the Staff's proposed level of fixed capacity purchases or demand charges included in  
3 Account 555 Purchased Power Expense. My final area of responsibility in fuel is to compute  
4 the necessary investment in fuel inventories held at Aquila's power plants.

5 On the issue of corporate allocations, I will be supporting Staff adjustments to  
6 Aquila's proposed level of corporate overhead costs. I will also be sponsoring adjustments to  
7 remove corporate lobbying costs, adjust executive compensation costs, remove executive  
8 perquisites, remove supplemental executive retirement plan (SERP) costs, and adjust costs  
9 classified as employee gifts and awards.

10 I will also be sponsoring adjustments to continue the Staff's position in Aquila's last  
11 rate case, No. ER-2005-0436, that Aquila should have addressed its capacity needs by  
12 building and owning two additional natural gas fired combustion turbines. In Case No.  
13 ER-2005-0436, the Staff included costs in its revenue requirement schedules that were  
14 designed to satisfy MPS' electric capacity shortfall. The shortfall occurred upon the  
15 expiration of the purchase power agreement (PPA) relating to the Aires Combined Cycle Unit  
16 that MPS entered into with an Aquila affiliate, Aquila Merchant. The PPA expired on  
17 May 31, 2005.

18 In the last section of my testimony I will be proposing an amortization of transition  
19 costs incurred by Aquila in its acquisition of its L&P division in 2000.

20 Q. What knowledge, skills, experience, training, or education do you have in these  
21 subjects?

22 A. My undergraduate and graduate course work in accounting, auditing, finance,  
23 statistics, and business provide a basis for my knowledge in the audit areas I am responsible  
24 for in this case. Added to this coursework are the hundreds of hours of continuing

1 professional education courses I have taken to maintain a CPA license in Missouri. Most of  
2 my continuing professional education is directly related to auditing and accounting.

3 As reflected in Schedule 1 to this testimony, I have been involved in many utility rate  
4 cases since accepting employment with the Commission in 1993. I have a substantial amount  
5 of experience and expertise in the area of allocation of corporate overhead costs. In the area  
6 of fuel, I was responsible for the determination of the Staff's proposed natural gas prices in  
7 Aquila's last rate case, Case Nos. ER-2005-0436 and HR-2005-0436. I was also responsible  
8 for the determination of the Staff's recommended fuel prices and fuel inventories in Kansas  
9 City Power & Light Company's (KCPL) last rate case, No.ER-2006-0314.

10 Q. What adjustments are you sponsoring in Case No. ER-2007-0004?

11 A. I am sponsoring the following adjustments to the Income Statement  
12 Accounting Schedule 9:

13 MPS: S-10.3, S-22.3, S-22.4, S-30.1, S-31.1, S-31.2, S-85.18, S-82.3,  
14 S-89.3, S-79.5, S-85.16, S-80.3, S-85.17, S-79.7

15 L&P: S-10.3, 12.1, S-23.3, S-29.1, S-30.1, S-31.1, S-78.5, S-78.6, S-78.7,  
16 S-81.3, S-84.13, S-84.14, S-84.15, S-88.3

17 I am also sponsoring the following additions to Schedule 2-Rate Base: Coal and oil fuel  
18 inventories.

19 **OVERVIEW OF ELECTRIC GENERATION**

20 Q. What generating facilities does the Company own and use for the production  
21 of electric power?

**Missouri Public Service (MPS)**

A. Aquila owns, wholly or in part, the following electrical power generating facilities the Staff has assigned to Aquila's MPS division:

Jeffrey Energy Center—Units 1, 2 and 3 (8% ownership share)  
Sibley Units 1, 2 and 3  
Greenwood 1, 2, 3 and 4  
Nevada  
South Harper Units 1, 2 and 3  
Ralph Green Unit 3  
KCI Units 1 and 2

Q. Please describe each of these plants, including the type of units at each plant and the primary and secondary fuel sources for each.

A. The Jeffrey Energy Center (JEC) is jointly owned by Westar Energy Inc. (Westar) and MPS, with MPS's ownership share being 8%, or 175 megawatts (MW). Westar is the operating partner of JEC's three generating units. These generation units are base load steam turbines using coal as primary fuel and No. 2 oil for start-ups and flame stabilization. The first unit at JEC went into service in 1978 and the last unit went into commercial operation in 1983.

Westar has a long-term coal supply contract with Foundation Coal West to supply coal to JEC from surface mines located in the Powder River Basin (PRB) in Wyoming. The contract contains a schedule of minimum annual MMBtu delivery quantities. All of the coal used at the JEC is purchased under this contract. The contract, which provides for price escalation based on certain costs of production, expires December 31, 2020. The next re-pricing is scheduled for 2008.

The coal for JEC is transported from Wyoming under a long-term rail transportation contract with Burlington Northern Santa Fe (BNSF) and Union Pacific railroads. The

1 contract term continues through December 31, 2013. The contract price is subject to price  
2 escalation based on certain costs incurred by the rail carriers.

3 The Sibley power plant is Aquila's largest generation facility. Sibley is a base load  
4 station and consists of three coal-fired steam turbines totaling 500 MW. Units 1 and 2 are  
5 50 MW units and Unit 3 has the capability of generating 400 MW. The three Sibley turbines  
6 went into operation in 1960, 1962, and 1969, respectively. This facility went through  
7 extensive upgrades in 1990 through 1993 resulting in a conversion from high Btu coal to  
8 western coal. Since 1997, Aquila has been burning tires as a fuel source at Sibley and burns  
9 about 1 million tires per year.

10 Aquila's South Harper Peaking Facility is a natural gas fired peaking facility located  
11 in Cass County, Missouri. South Harper is a Peaking Facility which means it typically  
12 operates during peak electricity demand periods, such as the hot summer days in June, July,  
13 August, and September. However, the facility may also be used in non-peak periods to  
14 support the power system grid during maintenance on other units or during generation  
15 shortages and emergencies.

16 Major construction was completed in June and July 2005. At full capacity the three  
17 Siemens-Westinghouse Combustion Turbines produce 315 Megawatts per hour of electricity  
18 using natural gas to produce heat input up to 1,455 million British Thermal Units (MMBtu)  
19 per hour.

20 The Greenwood plant consists of four combustion gas turbines, totaling 241 MW. The  
21 first went into service in 1975 and the last went into commercial operation in 1979. In 1996,  
22 this facility was converted from oil to natural gas as its primary fuel. Oil continues to be used  
23 mainly as an emergency backup fuel.

1           The Nevada generating facility, which consists of one 20 MW oil-fired combustion  
2 gas turbine used for peaking purposes, went into service in 1974.

3           The Ralph Green plant went into commercial operation in 1981 and consists of one 69  
4 MW combustion gas turbine peaking unit.

5           The KCI plant was installed in 1970 and purchased by MPS in 1977. It consists of  
6 two combustion gas turbine peaking units totaling 31MW.

7           **Light & Power (L&P)**

8           L&P's generating facilities include the Lake Road station and the Iatan station. L&P  
9 owns 100% of the Lake Road station. KCPL is the operator and majority owner (70%) of the  
10 Iatan station, which went into commercial operation in May 1980. L&P owns 18% of the  
11 Iatan station, while The Empire District Electric Company owns the remaining 12%.

12           Q.     Please describe the Iatan and Lake Road stations.

13           A.     Iatan is a 670-megawatt (MW) base load unit with a steam turbine that uses  
14 low sulfur western coal for boiler fuel. No. 2 fuel oil is required for boiler start-ups and flame  
15 stabilization. Aquila's 18% ownership share of Iatan is 118 MW.

16           The Lake Road plant consists of four steam turbines, three combustion gas turbines,  
17 six steam boilers and one heat recovery steam generator. The station's generating units  
18 demonstrated a combined net electric generating capacity of 254 MW during the test year.  
19 The station consists of three separate systems: a steam system operating at 900 pounds per  
20 square-inch (PSI) of pressure, a steam system operating at 1,800 PSI, and a combustion gas  
21 turbine (CT) system. The 900 PSI system also supplies steam to industrial customers.

22           Q.     What types of fuel do these systems use?

23           A.     The 900 PSI system uses coal, oil, and natural gas. The 1,800 PSI system  
24 uses coal as the primary fuel and natural gas as the start-up fuel or as an alternative fuel.

1 The CT system consists of CT No. 5 and two aircraft jet turbines. CT No. 5 uses natural gas  
2 and the jets burn No. 2 fuel oil.

3 **FUEL AND PURCHASED POWER EXPENSE**

4 Q. What was your responsibility in this case with regard to fuel and purchased  
5 power expense?

6 A. I was responsible for establishing the fuel prices for coal, natural gas and fuel  
7 oil burned in the Company's generating facilities; I also calculated the annual level of  
8 capacity expense Aquila incurs under its existing purchased power contracts. I provided MPS  
9 and L&P fuel prices to Staff witness David W. Elliott (of the Engineering Section of the  
10 Energy Department) for input into the RealTime<sup>TM</sup> production cost model (production cost  
11 model or fuel model) used to develop fuel expense on a joint dispatch basis. Staff witness  
12 Elliott input these prices to the fuel model to compute normalized net on-system fuel and  
13 purchased power expense (exclusive of purchased power capacity charges, cost of off-system  
14 sales to other electric utilities, and cost of energy exchanged). I then added purchased power  
15 capacity (demand) charges to the fuel model's results. Finally, I added the following fixed  
16 costs to the fuel model's results to arrive at an overall total annualized level of on-system fuel  
17 and purchased power expense:

- 18 • Natural gas pipeline reservation charges
- 19 • Non-labor fuel handling costs
- 20 • Rail car expenses
- 21 • Fly ash removal
- 22 • Costs incurred at the coal mine

23 The RealTime<sup>TM</sup> production cost model is discussed in detail by Staff witness Elliott  
24 in his direct testimony.

1     **FUEL PRICES**

2           Q.     Were the coal prices the same for each plant?

3           A.     No. Most of Aquila's coal units are supplied by different coal suppliers under  
4 separate contracts and separate contract prices.

5           Q.     How did the Staff determine the fuel prices for coal used in the Staff's  
6 analysis?

7           A.     The delivered fuel prices were based on contractual coal and freight prices at  
8 September 30, 2006, as discussed below.

9           The Staff's coal prices reflect coal obtained under a contract with the Salt Lake City-  
10 based C.W. Mining Co. Aquila has sued C.W. Mining for canceling a contract for 550,000  
11 tons annually. Aquila states that C.W. Mining Co. breached the companies' agreement when  
12 a labor dispute caused it to end the contract prematurely. Aquila's contract with C.W. Mining  
13 was supposed to run through December 31, 2006, with an option for an additional two years.  
14 The C.W. Mining issue is discussed in the direct testimony of Staff witnesses  
15 Cary G. Featherstone and Graham A. Vesely.

16           **Sibley**

17           The cyclone-type boilers at this plant were designed originally to run on Illinois coal  
18 with a heat content of about 10,900 Btu/lb. Due to eventual restrictions on sulfur emissions  
19 under the Clean Air Act of 1990, coal from that source was replaced in 1993 with a low-sulfur  
20 mix currently consisting of both bituminous (approx. 12,000 Btu/lb), referred to as high-Btu  
21 coal, and non-bituminous coal (8,800 Btu/lb) termed low-Btu, from mines in western states.  
22 Freight by railcar is provided by Union Pacific (UP) and Burlington Northern  
23 Santa Fe (BNSF). Aquila blends the two types of coal on location at Sibley, taking into

1 consideration both boiler performance and the fact that the high-Btu bituminous coal is  
2 considerably more expensive due to its greater heat content. I provided Staff witness Elliott  
3 with prices and a blending percent for each coal, in accordance with the mix used historically  
4 at the plant.

5 **Lake Road**

6 As stated above in "Overview of Electric Generation", at this plant there are both  
7 steam and combustion turbines. Coal, natural gas, and oil can be used as fuel for generation  
8 of electricity at Lake Road.

9 With respect to coal burned at this plant, the situation is in some regards similar to that  
10 at Sibley. At Lake Road, Aquila uses a low-sulfur mix produced on location of bituminous  
11 (high-Btu) and non-bituminous (low-Btu) coals. Rail freight from coal mines in western  
12 states is provided by Union Pacific. I have provided for input to the Staff's fuel model the  
13 September 30, 2006, contract price of rail freight, low-Btu and high-Btu coal.

14 **Jeffrey Energy Center**

15 At this plant, all fuel for generation is non-bituminous coal of 8,300 Btu/lb contract  
16 heating value originating in the Powder River Basin, Wyoming. The terms of the contract  
17 provide for a certain price per ton for the first specified level of tons per year of coal received  
18 ("Tier 1" price), and another price for all coal received beyond that amount ("Tier 2" price).  
19 These facts are reflected in my computation of coal prices provided to Staff witness Elliott for  
20 input to the Staff's fuel model. Freight is provided by either UP or BNSF.

21 **Iatan**

22 At this plant, all fuel for generation is low-sulfur, non-bituminous, 8,300 Btu/lb coal  
23 from one source and 8,500 Btu/lb coal from the second source under contract. Both sources  
24 are located in the Powder River Basin, Wyoming. Rail freight is provided by BNSF. The

1 Staff's fuel run reflects the commodity and transportation prices in effect at September 30,  
2 2006.

3 **Natural Gas and Fuel Oil Prices**

4 Q. What is the Staff's recommendation on the cost of natural gas used for  
5 generation this case?

6 A. I calculated a 21-month average (January 2005 through September 2006) of  
7 Aquila's actual commodity cost of the natural gas purchased for all of its gas-burning units.  
8 This cost is \*\* \_\_\_\_\_ \*\*. To this single commodity cost, I added the average variable  
9 transportation costs of natural gas for each unit over this same period. Together, the  
10 commodity cost and the variable transportation cost equals Aquila's total variable natural gas  
11 cost that was input into the Staff's fuel model. Aquila's other costs related to natural gas  
12 generation, pipeline reservation charges, were added to the cost of natural gas calculated in  
13 the fuel model and the total amount is reflected in Account 547, Fuel (natural gas).

14 Q. Please describe MPS' and L&P's electric generation units that use natural gas  
15 as a fuel source.

16 A. The MPS generating units that use natural gas as a fuel source are Greenwood,  
17 Ralph Green, KCI and the newly constructed South Harper generating facilities. The L&P  
18 generating unit that uses natural gas as a fuel source is the Lake Road plant.

19 Q. Where will these natural gas prices be reflected?

20 A. Staff witness Elliot of the Commission's Energy Department used these natural  
21 gas prices as input data into the RealTime<sup>TM</sup> production cost model (fuel model) to prepare  
22 the fuel and purchased power cost calculations used in the Staff's direct filing.

23 Q. Are there any independent studies, publicly available, that support the Staff's  
24 natural gas prices?

1           A.     Yes. Three recent publications or reports by the Department of Energy's  
2 Energy Information Administration (EIA) support the Staff's proposed level of natural gas  
3 prices as reasonable, if not conservative.

4           Q.     What is the EIA?

5           A.     The EIA was created by Congress in 1977. It is a statistical agency of the  
6 U.S. Department of Energy. The EIA provides policy-independent data, forecasts, and  
7 analyses to promote sound policy making, efficient markets, and public understanding  
8 regarding energy and its interaction with the economy and the environment. On its website,  
9 the EIA produces a weekly report entitled Natural Gas Weekly Update.

10          Q.     What is the EIA's current projection for the price of natural gas?

11          A.     The EIA reported in its December 2006 Short-Term Energy Outlook that  
12 Henry Hub Natural Gas Spot Prices are projected to be \$7.87/Mcf in 2007. In response to  
13 Data Request No. 110, Aquila provided data which shows that the basis difference between  
14 natural gas prices at the Henry Hub and where Aquila purchases its natural gas has averaged  
15 \*\* \_\_\_\_\_ \*\* over period February through August 2006. Subtracting this amount from the  
16 Henry Hub 2007 estimated average gas price results in an estimated gas price to Aquila of  
17 \*\* \_\_\_\_\_ \*\*. This supports the reasonableness of the Staff's recommended  
18 prices of \*\* \_\_\_\_\_ \*\*.

19               In its January 2007 Short-Term Energy Outlook, the EIA estimated that the first  
20 quarter 2007 natural gas prices will average \$6.59/Mcf. Subtracting the \*\* \_\_\_\_\_ \*\* basis  
21 difference between the Henry Hub and Aquila source of natural gas from this current EIA  
22 projection results in a price of \*\* \_\_\_\_\_ \*\* for Aquila.

23               In its January 11, 2007, Natural Gas Weekly Update, the EIA stated that "the Henry  
24 Hub spot price averaged \$6.94 per thousand cubic feet (Mcf) in 2006 and is expected to

1 increase to \$7.06 per Mcf in 2007 and \$7.72 per Mcf in 2008." With the basis difference, this  
2 translates in to a price to Aquila in 2006 of \*\* \_\_\_\_\_ \*\* in 2006, \*\* \_\_\_\_\_ \*\* in 2007, and  
3 \*\* \_\_\_\_\_ \*\* in 2008.

4 Q. Are there other industry experts who have recently issued gas price forecasts?

5 A. Yes. On January 12, 2007, Lehman Brothers' Thomas Driscoll reduced his  
6 previous full-year 2007 forecast by 10% to \$6.75/MMBtu and indicated that this price could  
7 go even lower.

8 Q. Do the EIA and other analysts' natural gas projections provide the basis for the  
9 Staff's proposed natural gas price?

10 A. No. The Staff's longstanding position is that natural gas prices in a rate case  
11 are best developed by using some type of average of actual gas prices paid by the utility. This  
12 method is more reliable in that it is a cost-based method and it avoids many of the problems  
13 associated with using predictions or commodity futures market prices as the basis of the  
14 natural gas price. The Staff may use natural gas price forecasts from reputable sources, such  
15 as the EIA and others as a reasonableness check against its proposed gas prices.

16 Q. How did the Staff address the issue of volatility in natural gas prices in this  
17 case?

18 A. Compared to what the energy market has been over the past two to three years,  
19 recent natural gas prices are at a low point. In fact, Aquila's commodity cost of natural gas in  
20 October 2006 was \*\* \_\_\_\_\_ \*\*. Staff is using a 21-month average of natural gas prices  
21 actually paid by Aquila as the basis for its natural gas price recommendation in this case, in  
22 large part to address the high volatility of this commodity. This average included the very  
23 high gas prices paid during August through December 2005 that were affected by the

1 hurricanes in the U.S. gulf region in 2005. The Staff's December 2006 revenue requirement  
2 update will reflect Aquila's more current lower natural gas prices.

3 Q. Where does Aquila purchase its natural gas?

4 A. According to Data Request No. 234, Aquila sources natural gas supply from  
5 the Mid-Continent region. The Mid-Continent region includes portions of Texas, Oklahoma  
6 and Kansas.

7 Q. How did the Staff determine the appropriate price for fuel oil?

8 A. I have continued the practice adopted in past cases of using the price paid by  
9 Aquila in its most recent purchase of fuel oil as being appropriate for use in the Staff's  
10 analysis. I have provided this single price for inclusion into the Staff's fuel model.

11 **DEMAND CHARGES-PURCHASED POWER CAPACITY CONTRACTS**

12 Q. How did you reflect the fixed capacity (demand) costs in this case?

13 A. I annualized the demand costs Aquila pays under these contracts by  
14 multiplying the respective monthly demand charges by time period the contract is in effect  
15 and annualized this amount. This annualized contract amount was compared to the test year  
16 level to develop the adjustment.

17 **FUEL INVENTORIES**

18 Q. What was your responsibility in this case regarding fuel inventories?

19 A. My responsibility was to determine a normal, prudent value for fuel inventory  
20 to include in rate base. Aquila maintains inventories of coal at its Sibley, JEC, Lake Road,  
21 and Iatan plants. It maintains fuel oil inventories for generation purposes at Greenwood,

1 Nevada, and Lake Road. A small quantity of fuel oil for start-up is held in inventory at JEC  
2 and Iatan.

3 Q. What coal inventory levels have you included in this case?

4 A. The Staff has included a 61-day supply for coal inventories at the Sibley  
5 facility, a 72-day supply at the JEC facility, a 58-day supply at the Iatan facility and a 75-day  
6 supply at the Lake Road facility. The numbers of days are consistent with the Company's  
7 inventory policies, deemed reasonable and necessary by the Staff, of Sibley, JEC, Iatan and  
8 Lake Road generating facilities. The inventory tonnages represent coal quantities sufficient  
9 for the respective number of average-burn days, as per the results of the generation levels  
10 determined using the production cost model. A 13-month average cost and quantity ending  
11 September 30, 2006, has been used for fuel oil inventories in the Staff's case.

#### 12 **PIPELINE RESERVATION CHARGES**

13 Q. Please explain your adjustment in this area.

14 A. To secure the ability to receive natural gas supply at its Greenwood and South  
15 Harper power plants, Aquila pays a fixed monthly cost to actually reserve a portion of the  
16 natural gas-carrying capacity of the respective pipelines serving those two plant sites. These  
17 monthly charges are separate from, and in addition to, the cost of any natural gas Aquila  
18 actually purchases and transports over the pipelines. I have adjusted the test year to reflect the  
19 annualized amount of these pipeline charges.

#### 20 **CORPORATE OVERHEAD CHARGES**

21 Q. What are Aquila's corporate overhead charges?

1           A.     Aquila provides executive management and centralized support services to its  
2 utility divisions. These services primarily include including customer service, billing,  
3 collections, information technology, accounting, tax, treasury, regulatory, gas supply, human  
4 resources and safety. The operating costs related to these functions are allocated to the utility  
5 divisions based on various cost drivers. Aquila witness Ron A. Klote describes how the  
6 Company allocates its corporate overhead costs to its different business units at page 20  
7 through page 26, of his direct testimony in this case.

8           Q.     Has Aquila made an attempt to remove nonrecurring and other costs that  
9 should not be charged to its customers from its pool of corporate overhead cost dollars?

10          A.     Yes. Prior to filing a rate case, Aquila makes a review of the types of costs  
11 included in the pool of corporate costs to be allocated to its regulated business units and  
12 removes the costs it believes should not be included in the rate case. Aquila removed these  
13 costs through the seven adjustments described on pages 24 and 25, of Mr. Klote's direct  
14 testimony. In addition to these adjustments, Aquila also retains the costs of certain corporate  
15 departments at the corporate level. As such, none of these costs are included in the overhead  
16 costs that are allocated to Aquila's business units.

17          Q.     Has there been changes in Aquila's corporate overhead costs allocations since  
18 its last rate case?

19          A.     Yes. Over the past year, Aquila has announced the sale or pending sale of a  
20 substantial portion of its business operations, including its utility operations. Because it is  
21 reducing its number of utility divisions, Aquila's corporate overhead costs are being allocated  
22 over a smaller base. Beginning on January 1, 2006, Aquila's allocation drivers used to  
23 allocate costs were adjusted to reflect the elimination of business units that Aquila has sold or  
24 is in the process of selling. After January 1, 2006, these business units were no longer being

1 allocated their pro rata share of corporate overhead costs. Mr. Klote's schedule RAK-1 shows  
2 that in 2005, for every \$100 of corporate overhead costs, MPS was being allocated \$20. With  
3 the new allocation factors; MPS will now be allocated \$30, or an increase of 50 percent.  
4 Likewise, L&P's allocated costs increased from \$7 in 2005 to \$10 in 2006 for every \$100 of  
5 corporate allocated costs.

6 Q. Does this raise a concern with the Staff?

7 A. Yes.

8 Q. Please explain.

9 A. The Staff is concerned that Aquila's corporate overhead costs will not be  
10 reduced in proportion to the reduction in Aquila's business operations. This will result in  
11 Aquila's Missouri regulated operations paying a higher price for corporate overhead service  
12 simply as a result of Aquila's business restructuring.

13 Q. Is Aquila currently attempting to reduce its corporate overhead costs?

14 A. Yes. In its 3rd quarter 2006 10-Q, Aquila said that:

15 In connection with the sale of our Kansas electric and Michigan,  
16 Minnesota and Missouri gas utility operations, during the first quarter  
17 of 2006 our management adopted and communicated to employees a  
18 plan to reduce executive management and central services costs, which  
19 includes the elimination of approximately 220 positions through  
20 attrition and employee terminations.

21 Employees who are involuntarily terminated will receive severance and  
22 other one-time termination benefits. This process is expected to be  
23 substantially completed in the first quarter of 2007, subject to the  
24 completion of the sale of our Kansas electric operations.

25 Q. Has Aquila proposed adjustments to its corporate overhead cost allocations to  
26 MPS and L&P that address the Staff's concern?

27 A. Yes. In its proposed adjustment CS-20, Aquila has addressed this specific  
28 concern. In its September 30, 2006 update to adjustment CS-20, Aquila shows that using

1 2006 allocation factors, MPS would be allocated \$16,333,267. Aquila then reduced this  
2 amount by \$4,704,489 to reflect the reduced level of corporate services needed to run the  
3 company after the completion of the sale of the properties it intends to sell. For L&P the  
4 annualized 2006 corporate costs that would be charged in the amount of \$4,823,333 were  
5 reduced by \$1,347,970.

6 Q. In addition to accepting Aquila's proposed adjustments to corporate allocated  
7 costs, is the Staff proposing additional adjustment?

8 A. Yes. In its revenue requirement schedules, the Staff made an adjustment to  
9 Account 930 for the total amount of Aquila's adjustment CS-20. By inputting this adjustment,  
10 the starting point for the Staff's adjustment is Aquila's proposed level of corporate overhead  
11 charges to MPS and L&P.

12 In addition to Aquila's adjustment CS-20, the Staff is proposing adjustments to remove  
13 the cost of executive perquisite programs and corporate lobbying costs, adjust employee gifts  
14 and awards and adjust the amount of chief executive officer (CEO) compensation costs that  
15 are allocated to Missouri operations. Finally, the Staff is proposing an adjustment to remove  
16 the cost of Aquila's supplemental executive retirement plan (SERP).

17 Q. Please explain the Staff's adjustment related to the cost of executive perquisite  
18 programs.

19 A. At page 14, of Aquila's 2005 proxy statement filed with the Securities and  
20 Exchange Commission (SEC) it stated that it provides executive officers with financial  
21 planning and tax preparation benefits, plus an additional lump sum ranging from \$5,000 to  
22 \$20,000 depending upon the level of the executive, which may be used at the discretion of the  
23 executive for such items as club membership dues, automobile expenses, and other items  
24 commonly covered in executive perquisite programs.

1           Aquila books the cost of its executive tax preparation benefits to Resource 1093, Tax  
2   Fringe Ben/Exec Tax Plan. In 2005, Aquila booked \$205,382 of which MPS was charged  
3   41.7 percent, or \$85,703, and L&P was charged 12.6%, or \$25,799. The Staff removed these  
4   costs as excessive and unnecessary.

5           Q.     Please explain why these costs are excessive and unnecessary.

6           A.     Aquila's employees, especially its executives are well compensated both in  
7   salary, pensions, and other compensation programs. It is the opinion of the Staff that such  
8   well-compensated employees can be responsible for their own tax preparation costs.

9           Q.     Please explain the Staff's corporate lobbying adjustment.

10          A.     The Staff's adjustment removes the test year costs charged to  
11   Department 6376, Regulatory Legislative Services. This department supervises the work of  
12   all of Aquila's outside lobbyists, conducts lobbying activities on behalf of Aquila and  
13   interacts with other utility-related lobbying groups such as the Missouri Energy Development  
14   Association (MEDA).

15          Q.     What is the basis of you adjustment to Department 6376?

16          A.     I reviewed the expense reports for the employee in this department for 2005  
17   and determined that this individual is primarily engaged in lobbying activities and activities  
18   related to MEDA. The employee's job title is Manager, Legislative Services.

19          Q.     Are there other Aquila employees who engage in lobbying activities that are  
20   not in Department 6376?

21          A.     Yes. Mr. Keith Stamm, Aquila's Senior Vice President and Chief Operating  
22   Officer, and Mr. Jon Empson, Aquila's Senior Vice President, Regulated Operations have  
23   participated in lobbying activities to some extent. For example, Mr. Stamm is on the Board of  
24   Directors of Missouri Energy Development Association (MEDA), a Missouri utility-lobbying

1 association, and Mr. Empson supervises Aquila's legislative activities. In my review, I have  
2 found that several employees of Aquila are involved in lobbying activities to some extent.

3 Q. How should Aquila have charged the costs of its Legislative Services  
4 Department?

5 A. The Federal Energy Regulatory Commission's (FERC) Uniform System of  
6 Accounts for electric utilities, which this Commission has adopted for record keeping  
7 purposes, requires utilities to charge all lobbying costs to Account 426.4 Expenditures for  
8 certain civic, political and related activities. This is a below-the-line account. The Staff  
9 asserts that Aquila incorrectly accounts for its lobbying activities by not charging a percentage  
10 of the salary, benefits and travel costs of all Aquila employees who engage in lobbying  
11 activities to the required lobbying account. The Staff requests that the Commission order  
12 Aquila to account for all lobbying costs in Account 426.4. The description of Account 426.4  
13 reads as follows:

14 This account shall include expenditures for the purpose of influencing  
15 public opinion with respect to the election or appointment of public  
16 officials, referenda, legislation, or ordinances (either with respect to the  
17 possible adoption of new referenda, legislation or ordinances or repeal  
18 or modification of existing referenda, legislation or ordinances) or  
19 approval, modification, or revocation of franchises; or for the purpose  
20 of influencing the decisions of public officials, but shall not include  
21 such expenditures which are directly related to appearances before  
22 regulatory or other governmental bodies in connection with the  
23 reporting utility's existing or proposed operations.

24 Q. Please explain the Staff's adjustment to the amount of expenses described as  
25 employee gifts and awards that Aquila is proposing to allocate to MPS and L&P.

26 A. During the test year, Aquila recorded a total of \$719,814 to Resource 1713,  
27 Employee Gifts and Awards. These costs include \$248,446 in cash paid to employees as

1 compensation for work performed, and \$471,368 for employee gifts. Among other types of  
2 gifts, this cost also includes employee years of service awards.

3 I reviewed the description of the reasons for the cash awards and found that only  
4 \$30,130 were related to activities that are appropriate for cash awards over and above regular  
5 employee compensation. The \$30,130 is related employee performance that should lead to a  
6 reduction in Aquila's cost of providing utility service. These activities include safety,  
7 prevention of fuel diversion and health and wellness. Therefore, I removed the remainder of  
8 the employee cash payments.

9 For the remaining \$471,368 classified as employee gifts, I found that several of the  
10 gifts, including two that cost Aquila more than \$1,000 each, were excessive. In addition, it is  
11 misleading to call the cost of these items as "gifts" if they are being funded by the ratepayers.  
12 A gift from a company indicates that the company's owners are making some sort of sacrifice  
13 by giving a reward to an employee for longevity or other reasons. By including 100 percent  
14 of the cost of employee gifts in rates, Aquila's shareholders, or owners, are making no such  
15 sacrifice. This could very well be the reason for the very high value of the gifts Aquila  
16 provides to its employees. Based on my review of the cost of these employee gifts, I found it  
17 appropriate in this case to allocate 50 percent of the remaining \$471,368 to Aquila's  
18 shareholders.

19 Q. Please explain the Staff's adjustment to CEO compensation cost.

20 A. While Aquila has made an adjustment to reduce non-payroll corporate  
21 overhead costs to recognize that Aquila is a much smaller company than in the past and is  
22 even getting smaller, it did not make an adjustment to the size of executive compensation  
23 costs to reflect this new reality. The Staff believes such an adjustment is necessary.

1           The Staff reviewed the base salaries of Aquila's highest paid corporate employees and  
2 compared these salaries to the top five highest paid executives of a group of companies that  
3 included the three Missouri electric companies and Westar, a Kansas electric utility. The  
4 Staff also had discussions with Aquila representatives concerning the issue of executive  
5 compensation and reviewed compensation studies and other materials provided by Aquila that  
6 were produced by Aquila's compensation consultant, Hewitt Associates, Inc.

7           Based on its review of this data, the Staff found that Aquila's CEO salary needed to be  
8 adjusted to reflect the reduced size and scope of Aquila's operations. The Staff adjusted this  
9 salary to the average of the 2005 salaries of the CEOs of Ameren Corporation, KCPL, The  
10 Empire District Electric Company, and Westar.

11           Q.     What is a supplemental executive retirement plan, or SERP?

12           A.     A SERP is a promise by a company to pay a future retirement benefit to its  
13 executives, over and above any qualified retirement plans that the company may sponsor.  
14 The purpose of Aquila's SERP, as described in the plan itself, is to "provide specified benefits  
15 to a select group of management and highly compensated employees."

16           Q.     Please explain the Staff's adjustment to remove the costs of Aquila's SERP  
17 from MPS and L&P's cost of service.

18           A.     Historically, the Staff has not been opposed to allowing rate recovery of SERP  
19 costs as long as the expense was not significant, was calculated on a pay-as-you-go, or cash  
20 basis, and the amount of the payment was strictly calculated to restore the amount of pension  
21 benefits that was disallowed by the IRS under the company's regular pension plan. In recent  
22 rate cases, Aquila has not met any of these requirements. Aquila has let its SERP evolve into  
23 an additional executive benefit and compensation program well above what is traditionally  
24 known as a SERP.

1       The Staff is opposing rate recovery of Aquila's MPS SERP in this case because it is  
2       calculated under Financial Accounting Standard No. 87, *Employers' Accounting for Pensions*  
3       (FAS 87). FAS 87 is the accounting standard used to calculate pension expense under a  
4       regular all-employee qualified pension plan. This accounting method allows for a reduction  
5       in expense due to the financial return on the assets in the pension fund. Since Aquila does not  
6       fund its SERP, there is no fund available to earn a return and reduce the amount of the SERP  
7       annual expense.

8       Aquila's regular all-employee pension plan is a "funded" plan. For ratemaking  
9       purposes, Aquila pension expense is based on the minimum required contribution as set forth  
10      by the Employee Retirement Income Security Act of 1974 (ERISA) and Internal Revenue  
11      Service (IRS) regulations. Under this method of accounting, the greater the return on the  
12      pension fund assets, the lower the required pension expense to be funded by ratepayers.

13      This expense reduction does not exist with Aquila's SERP because Aquila does not  
14      fund its SERP. Aquila's proposed SERP expense based on FAS 87 does not include a  
15      reduction for the return on plan assets. Instead of depositing any SERP expense recovered in  
16      rates in a SERP fund, Aquila would use these funds for general corporate purposes. The Staff  
17      does not believe the use of FAS 87 to account for SERPs for ratemaking purposes is  
18      appropriate.

19      Q.     Has Aquila expressed some willingness to consider funding its SERP?

20      A.     Yes. However, Aquila needs to obtain the approval of its board of directors. It  
21      expects the board to consider this issue sometime in the first quarter of 2007. The Staff  
22      believes an appropriate amount of SERP expense can be agreed to for ratemaking purposes  
23      outside of the requirements of FAS 87.

1 Q. You described the Staff's position on the MPS' SERP expense. Please continue  
2 with the L&P's SERP expense.

3 A. When Aquila purchased L&P in 2000, it also purchased the assets in L&P's  
4 funded SERP. The Staff believes these assets are sufficient to pay for a reasonable level of  
5 SERP expense over the lifetime of the former SJLP executives. Therefore, since Aquila  
6 purchased the assets in the SERP fund when it purchased L&P, there is no longer any SERP  
7 expense for the former SJLP executives.

8 Q. Does the Staff believe the amount of SERP expenses currently being paid to  
9 the former L&P executives out of the L&P SERP fund are reasonable?

10 A. No. The Staff has reviewed these payments and would characterize them as  
11 extremely excessive for at least one former L&P executive.

12 **MPS GENERATION UNITS**

13 Q. Please describe the Staff's adjustments to include ownership costs of two  
14 additional natural gas-fired combustion turbines (CT).

15 A. The Staff's revenue requirement schedules in this case include the fuel and  
16 ownership costs of five natural gas-fired CTs. The Staff is referring to these CTs as MPS CT  
17 Units 1 through 5. For a discussion of the costs of Units 1, 2 and 3, see the direct testimony  
18 of Staff witnesses Featherstone, and Phillip K. Williams. I will discuss the costs of Units 4  
19 and 5. For a discussion of Aquila's current capacity needs, see the direct testimony of Staff  
20 witness Lena M. Mantle in this case.

21 Q. What is the basis of the Staff's proposal to include the costs of MPS Units 4  
22 and 5?

1           A.     The reason for the Staff's adjustment is to remedy Aquila's failure to replace  
2 the capacity it was obtaining from the Aires PPA, which expired on May 31, 2005, in a  
3 manner that will result in the lowest long-term revenue requirement for MPS' ratepayers. The  
4 Staff determined in Aquila's last MPS rate case, No. ER-2005-0436, that there was a need to  
5 remedy this failure protect MPS' ratepayers from imprudent decisions on the part of Aquila's  
6 management as it related to the acquisition of capacity.

7           In Aquila's last rate case, the Staff determined that the best way to protect MPS'  
8 ratepayers was to include in MPS' cost of service, the cost Aquila would incur by purchasing  
9 and owning two additional Siemens gas turbines, each with a capacity of 105 megawatts.  
10 Combined, these two units would provide an additional 210 megawatts of capacity, which  
11 was more than enough to meet MPS' projected 2006 capacity shortfall. At that time, the Staff  
12 believed this was the best way to ensure that MPS' ratepayers would not be harmed from  
13 Aquila's failure to build and own power plants through its continued reliance on purchase  
14 power contracts.

15          Q.     Does the Staff believe today that this is still the best way to protect MPS'  
16 ratepayers?

17          A.     Yes, it does. This is why the Staff is proposing the same adjustments it did in  
18 Case No. ER-2005-0436.

19          Q.     Please describe the costs the Staff is including in this case that are intended  
20 represent, as close as possible, the costs to Aquila of owning two additional 105 megawatt  
21 Siemens gas turbines.

22          A.     In the last case the Staff used documents containing the actual costs data from  
23 Aquila's purchase of 3 CTs at its South Harper plant as the basis for its calculation of the cost

of MPS Units 4 and 5. This amount, which the Staff has included in rate base in this case is

\*\* \_\_\_\_\_ \*\*, less accumulated depreciation. This amount is calculated as follows:

[illegible]

Q. Did the Staff include other costs related to owning MPS Units 4 and 5 in this case?

A. Yes. The Staff included costs of property taxes, maintenance and capacity reservation charges for the additional two units. In addition, by inclusion in rate base, the plant costs for MPS units 4 and 5 will generate depreciation expense and a overall rate of return on the net rate base amount. The Staff will also calculate the pro rata share of deferred income taxes for MPS Units 1 and 2 and include this amount in its December 31, 2006 update revenue requirement filing.

## SJLP MERGER TRANSITION COSTS

Q. Has the Staff reflected the amortization of the SJLP merger transition costs in this case?

A. Yes. Aquila's current rates which went into effect on March 1, 2006, reflect a 10-year recovery of \$4,959,664 in transition costs it incurred during the process of integrating L&P into Aquila's operations. The Staff is continuing this treatment in this case. Adjustment S-89.3, MPS and S-88.3, L&P reflects a continuation of the 10-year amortization of

1 \$4,959,664 in merger transition costs. Approximately 60 percent of this total amount reflects  
2 the costs of non-officer severance payments and postretirement benefit settlements.

3 Q. Has the Staff reflected the amortization of any merger transaction costs in this  
4 case?

5 A. No.

6 Q. Please define "transaction costs."

7 A. Transaction costs are expenses that are incurred by combining companies  
8 usually prior to the close of the merger and that are necessary to consummate the merger.  
9 These include fees charged by the investment bankers related to the transaction; fees for  
10 outside consultants for legal, accounting and public relations services; and other merger-  
11 related costs directly associated with the acquisition. Since these costs are directly associated  
12 with the acquisition, they should be included with the acquisition premium and charged to the  
13 acquisition adjustment account.

14 Q. Please define "transition costs."

15 A. "Transition costs" are costs, which the combining companies incur in order to  
16 combine the systems and processes of the pre-merged companies. Generally, accounting  
17 systems need to be combined; computers may have to be reprogrammed; procedures and  
18 practices will have to be consolidated; customer service centers need be integrated, and  
19 human resources will redesign benefit packages for consistency. All these changes have costs  
20 associated with their development and implementation.

21 Q. What is the Staff's position on rate recovery of transaction and transition  
22 costs?

23 A. The Staff's position is that transition costs found to be prudent and appropriate  
24 should be amortized above-the-line to expense over an appropriate period of time. The Staff

1 has proposed a 10-year amortization period for these types of costs in past merger cases and  
2 in Aquila's most recent rate case. The Staff believes that here is a correlation between the  
3 transition costs, which facilitate the joining of two utilities and the merger savings that result  
4 following the completion of the integration process. At that point, Aquila's customers should  
5 share in any savings that are generated from the merger, and therefore, should also pay for  
6 prudent "costs to achieve" these savings.

7 Q. Does this conclude your direct testimony?

8 A. Yes, it does.

**CHARLES R. HYNEMAN****CASE PARTICIPATION**

| <b>Date Filed</b> | <b>Issue</b>  | <b>Case Number</b> | <b>Exhibit</b> | <b>Case Name</b>  |
|-------------------|---|--------------------|----------------|---|
| 7/16/1993         | Cash Working Capital; Other Rate Base Components  | TR93181            | Direct         | United Telephone Company of Missouri                                    |
| 8/13/1993         | Cash Working Capital  | TR93181            | Rebuttal       | United Telephone Company of Missouri                                    |
| 8/25/1993         | Cash Working Capital  | TR93181            | Surrebuttal    | United Telephone Company of Missouri                                    |
| 4/11/1994         | Pension Expense; Other Postretirement Benefits  | ER94163            | Direct         | St. Joseph Light & Power Company  |
| 5/16/1994         | Pension Expense; Other Postretirement Benefits  | HR94177            | Direct         | St. Joseph Light & Power Company  |
| 4/20/1995         | Pension Expense; OPEB Expense; Deferred Taxes; Income Taxes; Property Taxes   | GR95160            | Direct         | United Cities Gas Company   |
| 5/7/1996          | Merger Premium  | EM96149            | Rebuttal       | Union Electric Company  |
| 8/9/1996          | Income Tax Expense; AAO Deferrals; Acquisition Savings  | GR96285            | Direct         | Missouri Gas Energy   |
| 9/27/1996         | Income Tax Expense; AAO Deferrals; Acquisition Savings  | GR96285            | Rebuttal       | Missouri Gas Energy   |
| 10/11/1996        | Income Tax Expense; AAO Deferrals; Acquisition Savings  | GR96285            | Surrebuttal    | Missouri Gas Energy   |
| 6/26/1997         | Property Taxes; Store Expense; Material & Supplies; Deferred Tax Reserve; Cash Working Capital; Postretirement Benefits; Pensions; Income Tax Expense | GR97272            | Direct         | Associated Natural Gas Company Division of Arkansas Western Gas Company |
| 8/7/1997          | FAS 106 and FAS 109 Regulatory Assets   | GR97272            | Rebuttal       | Associated Natural Gas Company Division of Arkansas Western Gas Company |
| 11/21/1997        | OPEB's; Pensions  | ER97394            | Surrebuttal    | UtiliCorp United Inc. d/b/a Missouri Public Service                     |
| 3/13/1998         | Miscellaneous Adjustments; Plant; Reserve; SLRP; AMR; Income and Property Taxes;  | GR98140            | Direct         | Missouri Gas Energy, A Division of Southern Union Company               |

| <b>Date Filed</b> | <b>Issue</b>   | <b>Case Number</b> | <b>Exhibit</b> | <b>Case Name</b>   |
|-------------------|--|--------------------|----------------|--|
| 4/23/1998         | Service Line Replacement Program; Accounting Authority Order   | GR98140            | Rebuttal       | Missouri Gas Energy, A Division of Southern Union Company      |
| 5/15/1998         | SLRP AAOs; Automated Meter Reading (AMR)   | GR98140            | Surrebuttal    | Missouri Gas Energy, A Division of Southern Union Company      |
| 7/10/1998         | SLRP AAOs; Reserve; Deferred Taxes; Plant  | GR98140            | True-Up        | Missouri Gas Energy, A Division of Southern Union Company      |
| 4/26/1999         | Merger Premium; Merger Accounting  | EM97515            | Rebuttal       | Western Resources Inc. and Kansas City Power and Light Company |
| 9/2/1999          | Accounting Authority Order   | GO99258            | Rebuttal       | Missouri Gas Energy  |
| 3/1/2000          | Acquisition Detriments   | GM2000312          | Rebuttal       | Atmos Energy Company and Associated Natural Gas Company        |
| 5/2/2000          | Deferred Taxes; Acquisition Adjustment; Merger Benefits; Merger Premium; Merger Accounting; Pooling of Interests                         | EM2000292          | Rebuttal       | UtiliCorp United Inc. / St. Joseph Light and Power             |
| 6/21/2000         | Merger Accounting Acquisition  | EM2000369          | Rebuttal       | UtiliCorp United Inc. / Empire District Electric Company       |
| 11/30/2000        | Revenue Requirements   | TT2001119          | Rebuttal       | Holway Telephone Company                                       |
| 4/19/2001         | Revenue Requirement; Corporate Allocations; Income Taxes; Miscellaneous Rate Base Components; Miscellaneous Income Statement Adjustments | GR2001292          | Direct         | Missouri Gas Energy, A Division of Southern Union Company      |
| 12/6/2001         | Corporate Allocations  | ER2001672          | Direct         | UtiliCorp United Inc. d/b/a Missouri Public Service            |
| 12/6/2001         | Corporate Allocations  | EC2002265          | Direct         | UtiliCorp United Inc. d/b/a Missouri Public Service            |
| 1/8/2002          | Acquisition Adjustment   | EC2002265          | Rebuttal       | UtiliCorp United Inc. d/b/a Missouri Public Service            |

| <b>Date Filed</b> | <b>Issue</b>  | <b>Case Number</b> | <b>Exhibit</b> | <b>Case Name</b>   |
|-------------------|---|--------------------|----------------|--|
| 1/8/2002          | Acquisition Adjustment  | ER2001672          | Rebuttal       | UtiliCorp United Inc. d/b/a Missouri Public Service                            |
| 1/22/2002         | Acquisition Adjustment  | ER2001265          | Surrebuttal    | UtiliCorp United Inc. d/b/a Missouri Public Service                            |
| 1/22/2002         | Acquisition Adjustment; Corporate Allocations;  | EC2001265          | Surrebuttal    | UtiliCorp United Inc. d/b/a Missouri Public Service                            |
| 4/17/2002         | Accounting Authority Order  | GO2002175          | Rebuttal       | Utilicorp United Inc. d/b/a Missouri Public Service & St. Joseph Light & Power |
| 8/16/2002         | Prepaid Pension Asset; FAS 87 Volatility; Historical Ratemaking Treatments-Pensions & OPEB Costs; Pension Expense-FAS 87 & OPEB Expense-FAS 106; Bad Debt Expense; Sale of Emission Credits; Revenues | ER2002424          | Direct         | The Empire District Electric Company   |
| 3/17/2003         | Acquisition Detriment   | GM20030238         | Rebuttal       | Southern Union Co. d/b/a Missouri Gas Energy                                   |
| 12/9/2003         | Current Corporate Structure; Aquila's Financial Problems; Aquila's Organizational Structure in 2001; Corporate History; Corporate Plant and Reserve Allocations; Corporate Allocation Adjustments     | HR20040024         | Direct         | Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P                 |
| 12/9/2003         | Corporate Plant and Reserve Allocations; Corporate Allocation Adjustments; Aquila's Financial Problems; Aquila's Organizational Structure in 2001; Corporate History; Current Corporate Structure     | ER20040034         | Direct         | Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P                 |
| 1/6/2004          | Corporate Allocation Adjustments; Reserve Allocations; Corporate Plant  | GR20040072         | Direct         | Aquila, Inc.   |

| <b>Date Filed</b> | <b>Issue</b>  | <b>Case Number</b> | <b>Exhibit</b> | <b>Case Name</b>   |
|-------------------|---|--------------------|----------------|--|
| 2/13/2004         | Severance Adjustment; Supplemental Executive Retirement Plan; Corporate Cost Allocations  | HR20040024         | Surrebuttal    | Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P |
| 2/13/2004         | Severance Adjustment; Corporate Cost Allocations; Supplemental Executive Retirement Plan  | ER20040034         | Surrebuttal    | Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P |
| 4/15/2004         | Pensions and OPEBs; True-Up Audit; Cost of Removal; Prepaid Pensions; Lobbying Activities; Corporate Costs; Miscellaneous Adjustments   | GR20040209         | Direct         | Missouri Gas Energy  |
| 6/14/2004         | Alternative Minimum Tax; Stipulation Compliance; NYC Office; Executive Compensation; Corporate Incentive Compensation; True-up Audit; Pension Expense; Cost of Removal; Lobbying. | GR20040209         | Surrebuttal    | Missouri Gas Energy  |
| 1/14/2005         | Accounting Authority Order  | GU20050095         | Direct         | Missouri Gas Energy  |
| 2/15/2005         | Accounting Authority Order  | GU20050095         | Direct         | Missouri Gas Energy  |
| 10/14/05          | Corporate Allocations, Natural Gas Prices<br>Merger Transition Costs  | ER-2005-0436       | Direct         | Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P |
| 11/18/05          | Natural Gas Prices  | ER-2005-0436       | Rebuttal       | Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P |
| 12/13/05          | Natural Gas Prices; Supplemental Executive Retirement Plan Costs; Merger Transition Costs   | ER-2005-0436       | Surrebuttal    | Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P |
| 10/14/05          | Corporate Allocations, Natural Gas Prices<br>Merger Transition Costs  | HR-2005-0450       | Direct         | Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P |

| <b>Date Filed</b> | <b>Issue</b>   | <b>Case Number</b> | <b>Exhibit</b> | <b>Case Name</b>   |
|-------------------|--|--------------------|----------------|--|
| 11/18/05          | Natural Gas Prices   | HR-2005-0450       | Rebuttal       | Aquila, Inc. d/b/a<br>Aquila Networks-MPS<br>and Aquila Networks-<br>L&P |
| 12/13/05          | Natural Gas Prices;<br>Supplemental Executive<br>Retirement Plan Costs; Merger<br>Transition Costs | HR-2005-0450       | Surrebuttal    | Aquila, Inc. d/b/a<br>Aquila Networks-MPS<br>and Aquila Networks-<br>L&P |
| 08/08/2006        | Fuel Prices<br>Miscellaneous Adjustments   | ER-2006-0314       | Direct         | Kansas City Power and<br>Light Company                                   |
| 10/06/2006        | Severance, SO <sub>2</sub> Liability,<br>Corporate Projects  | ER-2006-0314       | Surrebuttal    | Kansas City Power and<br>Light Company                                   |
| 11/07/2006        | Fuel Prices  | ER-2006-0314       | True-Up        | Kansas City Power and<br>Light Company                                   |