Exhibit No.:	
Issue:	Revenue Requirement Schedules; Test Year; Jurisdictional and Utility Allocations; Accounting Adjustments
Witness:	Ronald A. Klote
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Aquila, Inc. dba KCP&L Greater Missouri Operations Company
Case No.:	ER-2009-____
Date Testimony Prepared:	September 5, 2008

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2009-____

DIRECT TESTIMONY

OF

RONALD A. KLOTE

ON BEHALF OF

AQUILA, INC. dba
KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
September 2008

TABLE OF CONTENTS

DIRECT TESTIMONY OF

RONALD A. KLOTE

KANSAS CITY POWER & LIGHT GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER – 2009 - ____

DIRECT TESTIMONY

OF

RONALD A. KLOTE

Case No. ER-2009-____

Q: Please state your name and business address.

A: My name is Ronald A. Klote. My business address is 1201 Walnut, Kansas City, Missouri 64106.

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

A: I am employed by Kansas City Power & Light Company ("KCP&L") as Senior Manager, Regulatory Accounting.

Q. What are your responsibilities?

A. My responsibilities include the preparation and review of accounting exhibits and schedules associated with KCP&L and Aquila, Inc. dba KCP&L Greater Missouri Operations Company ("Company" or "GMO") regulatory filings. I also have responsibility for the completion and filing of certain regulatory reports to the Federal Energy Regulatory Commission ("FERC") and Department of Energy, among others.

Q. Please describe your education, experience and employment history.

A.. In 1992, I received a Bachelor of Science Degree in Accountancy from the University of Missouri-Columbia. I am a Certified Public Accountant holding a certificate in the State of Missouri. In 1992, I joined Arthur Andersen, LLP holding various positions of increasing responsibilities in the auditing division. I conducted and led various auditing engagements of company financial statements. In 1995, I joined Water District No. 1 of Johnson County as a Senior Accountant. This position involved extensive operational and financial analysis of water operations. In 1998, I joined Overland Consulting, Inc. as a Senior Consultant. This position involved special accounting and auditing projects in the electric, gas, telecommunications and cable industries. In 2002, I joined Aquila holding various positions within the Regulatory department until 2004 when I became Director of Regulatory Accounting Services. This position was primarily responsible for the planning and preparation of all accounting adjustments associated with regulatory filings in the electric jurisdictions. In July, 2008, I began my employment with KCP&L.

Q. Have you previously testified in a proceeding at the Missouri Public Service Commission or before any other utility regulatory agency?

A. Yes. I have testified before the California Public Utilities Commission, the Public Utilities Commission of Colorado and the Missouri Public Service Commission.

Q. What is the purpose of your direct testimony in this case before the Missouri Public Service Commission ("Commission")?

A. The purpose of my direct testimony is to present certain schedules and to describe various accounting adjustments made to GMO Territory Formerly Served by Aquila Networks– MPS ("MPS") and GMO Territory Formerly Served by Aquila Networks-L&P ("L&P") rate case filings.

SCHEDULES

Q. Have you attached schedules to your testimony?

A. Yes. Schedules RAK-1 through RAK-5 constitute the accounting schedules summarizing both the MPS and L&P electric rate filings and are attached to my direct testimony.

Q. Please describe Schedule RAK-1.

A. Schedule RAK-1 represents the revenue deficiency calculated with a return on equity of 10.75%. GMO witnesses Samuel C. Hadaway supports the return on equity and capital structure.

Q. What information is included on Schedule RAK-2?

A. This schedule illustrates the detailed components of rate base. Rate base represents GMO investment to provide safe and reliable service to customers in the MPS and L&P service territories.

Q. Please describe Schedule RAK-3.

A. Schedule RAK-3 is the adjusted income statement, which reflects net income available to MPS and L&P, respectively, after all known and measurable changes have been made.

Q. What is the purpose of RAK-4?

A. Schedule RAK-4 is an explanation of all adjustments to test-year revenues and expenses.

Q. Are you sponsoring all of the adjustments on Schedule RAK-4?

A. No. There will be other GMO witnesses sponsoring adjustments in Schedule RAK-4.

Q. Please describe Schedule RAK-5.

A. Schedule RAK-5 is the Cash Working Capital schedule.

TEST YEAR

Q. What historical test year did MPS and L&P jurisdictions use in determining rate base and operating income?

A. The Company used the test year ending December 31, 2007 for the purposes of its rate case filing.

Q. Please explain the period used to make adjustments to reflect known and measurable changes that have been identified since the end of the historical test year end.

A. Adjustments are made to reflect changes in the level of revenues, expenses and rate base that either have occurred or are expected to occur by the time of the April 30, 2009 true-up in this rate case. We used March 31, 2009 as a proxy since that is a quarter-end reporting period and we do not expect any major changes from March to April. We will true up to actuals as part of the true-up process.

JURISDICTIONAL / UTILITY ALLOCATIONS

Q. Have jurisdictional / utility allocation factors been developed for the MPS and L&P jurisdictions?

A. Yes. Since MPS's electric operations encompass both retail and wholesale jurisdictions, it is appropriate to develop allocation factors to segregate the electric retail operations from wholesale operations for this case. In addition, L&P operations include costs associated with the provision of electric service and steam service. As such, allocation factors have been developed to separate costs between the two utility services.

Q. Please explain the categories of jurisdictional allocations used to separate retail and wholesale operations for MPS operations.

A. Separate allocation factors were developed to separate costs using the following cost drivers: (1) Demand (Capacity), (2) Energy, (3) Transmission, (4) Distribution, (5) Payroll, and (6) Plant. These factors were applied to their associated cost of service components to create a split between the retail and wholesale operations for MPS operations.

Q. Please describe the L&P operations at its Lake Road generation facility?

A. Two separate products are produced at the L&P Lake Road Station: electricity for GMO L&P electric power grid, and process steam (referred to as "Industrial Steam") delivered to industrial customers located near the Lake Road Station. The two business operations are referred to as the electric and steam jurisdictions.

Q. Briefly describe each allocation factor used in the current rate case to separate L&P rate base and cost of service between electric and steam products.

A. The allocation factors are:

1. Allocated Plant Base Factor – this is the ratio of all allocated steam plant to total regulated electric and steam plant.

2. Land Factor, Structures Factor, Access Electric Equipment Factor, Electric/Steam Plant Factor (FERC 310, 311, 315, 341-346)– this is the ratio of all allocated steam production plant to total electric and steam production plant.

3. Boiler Plant Factor (FERC 312) – this is the ratio of all allocated steam boiler plant equipment to total regulated electric and steam boiler plant equipment.

4. Turbogenerators ("turbogen") Factor (FERC 314) – this is the ratio of all allocated steam turbogen units to total regulated electric and steam turbogen units.

5. 900# Steam Demand Factor (used in steam production allocation calculations), Miscellaneous Steam Gen Equipment Factor (FERC 316) – this is the weighted ratio of the highest maximum steam coincident peaks over the previous three years and the total highest maximum coincident peaks over the previous three years.

6. Electric after Steam operation and maintenance ("O&M") allocation (O&M Factor) – this is the ratio of allocated payroll applicable to steam business to the total generation

payroll charged to O&M. The allocated payroll applicable to steam business is calculated using the ratio of the previous three years of steam coal burn to total Lake Road coal burn applied against total Lake Road payroll charged to O&M.

7. Electric after Steam administrative and general ("A&G") allocation (A&G Factor) – this factor is comprised of the sum of a 50% weighting of steam O&M to total O&M from Annual Report Form 1, page 323 and a 50% weighting of total allocated steam plant to total steam and electric plant.

Q. Will GMO continue to allocate the cost of Lake Road operations?

A. Yes. In Case No. HR-2005-0450 it was stipulated that "Aquila will continue to allocate the cost of Lake Road operations between steam and electric in the Aquila Networks - L&P division." GMO plans to continue to allocate costs between the electric and steam businesses.

PLANT IN SERVICE (MPS and L&P)

Q. Please explain how plant in service was derived.

A. The MPS and L&P plant in service includes plant that is directly assigned to the MPS and L&P jurisdictions and corporate common plant that is allocated to the MPS and L&P jurisdictions.

Q. Explain what is meant by direct plant in service.

A. Direct plant in service represents assets that specifically relate to MPS or L&P service territories and provide use to these entities in order to serve their respective customers with electric utility operations. Direct plant includes the plant categories of production, transmission, distribution and general plant facilities.

Q. How are the direct plant in service balances derived?

A. The MPS and L&P direct plant in service balances are obtained from the December 31, 2007 MPS and L&P fixed asset subledger system, which provides asset detail by FERC plant account.

Q. Explain what is meant by allocated corporate common plant in service.

A. Allocated corporate common plant in service assets includes assets that support the Company's overall infrastructure. These assets include items such as the general ledger system and billing system.

Q. How are common plant allocated amounts derived?

A. MPS and L&P allocated corporate common plant in service also begins with the December 31, 2007 MPS and L&P fixed asset subledgers.

Q. Are any other allocations employed?

A. Yes. As previously discussed in my testimony, jurisdictional and utility allocation factors are applied to direct and common plant. In the case of MPS, a retail jurisdictional allocation factor is applied based on functional asset class to compute the MPS jurisdictional retail plant in service balance. In the case of L&P, an allocation methodology is applied to the electric generation assets in an effort to segregate and allocate appropriately the portion of generation plant used in both the production of electricity and the production of industrial steam.

Q. What is the amount of retail jurisdictional direct and allocated plant in service for MPS and L&P filed in this rate case?

A. Please see accounting schedule RAK-2 included in this direct testimony for the MPS and the L&P electric and allocated plant in service balances that have been included in this rate filing.

Q. Explain any adjustments made to the plant in service balances as of December 31, 2007.

A. The following adjustments have been made to December 31, 2007 plant balances:

- RB – 20 To record the addition of Crossroads Energy Center to Plant and Reserve. This adjustment is discussed in the Direct Testimony of GMO witness Davis Rooney.
- RB – 25 To record Environmental Upgrades and Other Capital Additions to Plant and Reserve. The Environmental Upgrades are discussed in the Direct Testimony of GMO witness Terry Hedrick, F. Dana Crawford, and Brent Davis. The Other Capital Additions are discussed later in my testimony.
- RB – 26 To record the retirement of the Iatan 1 Smokestack – Discussed later in my testimony.
- RB-30 To record Jeffery Energy Center common plant and reserve – Discussed later in my testimony.

<u>RB-20 CROSSROADS ENERGY CENTER (MPS only)</u>

Q. What is the purpose of this adjustment?

A. The purpose of adjustment RB-20 is to record the plant-in-service and accumulated depreciation balances of Crossroads Energy Center, an approximately 300-megawatt peaking plant in Clarksdale, Mississippi, to the MPS jurisdiction. Please see the Direct Testimony of KCP&L witness Davis Rooney for discussion of the Crossroads Energy Center.

<u>RB-25 ENVIRONMENTAL UPGRADES & OTHER CAPITAL ADDITIONS (MPS and L&P)</u>

Q. What is the purpose of adjustment RB-25?

A. Adjustment RB-25 consists of two components. First, GMO is making significant capital additions to power plant locations at Sibley and Iatan 1 and a refurbishing of the Jeffrey Energy Center Unit scrubbers. Second, miscellaneous capital additions that are budgeted through March 31, 2009, have been included in plant in service. The miscellaneous capital additions for MPS include items such as: new customer primary extension and replacement of primary extensions; investment in Land Mobile Radios ("LMR") and microwave systems; construction of substations including purchase of transformers and switchgear; upgrade, rebuild, and relocation of feeder lines; boiler arch/rearwall and controls upgrade at Sibley and upgrade of the KCI energy center. L&P miscellaneous capital improvements include: investment in LMR and microwave systems; substation construction including purchase of transformers and switchgear; and upgrade of Boiler 5 at Lake Road. Amounts associated with these capital additions have been added to plant-in-service as of December 31, 2007.

RB-26 RETIREMENT OF IATAN 1 SMOKESTACK (L&P ONLY)

Q. What is the purpose of this adjustment?

A. The purpose of adjustment RB-26 is to remove the Iatan 1 smokestack from plant in service and accumulated reserve. Part of the planning for the Iatan 1 Air Quality Control System ("AQCS") and the new Iatan 2 plant is to have a stack that is used by both units (duel flues). As a result, the existing Iatan 1 stack is no longer needed. Since it will no longer be "used and useful" as of March 31, 2009, we have adjusted the plant in service and accumulated reserve to reflect its retirement.

RB-30 JEC COMMON PLANT AND RESERVE (MPS Only)

Q. Please explain the Jeffery Energy Center ("JEC") common plant adjustment made to MPS's jurisdictional electric plant in service.

A Adjustment RB-30 is necessary to include the balance of JEC common plant in FERC account 101, plant in service, for MPS only, consistent with the Commission's Order in Case No. ER-83-40.

Q. Why is this adjustment necessary?

A. The JEC common plant adjustment is necessary to reverse a FERC compliance audit entry recorded on MPS's books in 1984. The entry was made, subsequent to the 1983 rate proceeding, after a FERC compliance audit indicated all Allowance for Funds Used During Construction ("AFUDC") and property taxes that had accumulated while the investment was in CWIP should be transferred from account 101 to account 186, miscellaneous deferred debits. The JEC common plant adjustment entry reverses the FERC compliance audit entry so that treatment of the plant is consistent with orders previously granted by the Commission.

Q. Was the accumulated reserve for depreciation adjusted also?

A. Yes. Accumulated reserve for depreciation was calculated through March 31, 2009 and also transferred to the accumulated reserve account 108.

Q. Was the JEC common plant adjustment made in MPS's prior electric rate cases?

A. Yes. This adjustment has been consistently reflected in prior MPS rate case filings.

ACCUMULATED RESERVE FOR DEPRECIATION

RB-35 ACCUMULATED RESERVE THROUGH March 31, 2009 (MPS and L&P)

Q. Please explain how the accumulated reserve for depreciation was derived.

A. The test year ending December 31, 2007, end of period balances were adjusted for projected increases in the reserves through March 31, 2009, and will be subject to true-up as part of this rate proceeding.

Q. Does the accumulated reserve for depreciation follow the same reporting methodology as the gross plant in service?

A. Yes, it does.

Q. Does the reserve also follow the utility and jurisdictional allocation methods used in deriving gross plant in service?

A. Yes.

Q. Are you proposing to use a forecasted accumulated reserve balance in the final revenue requirement calculation?

A. No. The Company's position is to update the accumulated reserve with actual recorded per book numbers at April 30, 2009, the true-up date in this proceeding, once these are known, and include these in the final revenue requirement calculation.

Q. What adjustment have you made in this direct filing to project the increase in the reserves through March 31, 2009?

A. The addition is calculated by applying appropriate annual depreciation rates to each plant account adjusted ending balance, both direct and allocated, at December 31, 2007, and extending them for an additional 15 months.

Q. What depreciation rates are used in your reserve addition calculation?

A. The rates used for the reserve addition calculation are the same as those used in the depreciation annualization calculations for MPS and L&P electric direct plant in adjustment CS-95, which were stipulated to in Case No. ER-2007-0004.

Q. What is the jurisdictional direct and allocated accumulated reserve for depreciation for MPS and L&P?

A. Please see accounting schedule RAK-2 included in this direct testimony for MPS and L&P's direct and allocated accumulated reserve for depreciation that has been included in this rate filing.

<u>RB-40 ACCOUNTING AUTHORITY ORDER (AAO) (MPS Only)</u>

Q. What is the purpose of your discussion of accounting authority orders ("AAO")?

A. The purpose is to explain the necessity of rate case recovery of costs deferred by the AAO's issued to MPS by the Commission in Case Nos. EO-90-114 and EO-91-358, in connection with MPS's Sibley Rebuild Program and the Sibley Western Coal Conversion Project, respectively.

Q. What is an AAO and what is its purpose?

A. An AAO is an order issued by the Commission that permits the requesting utility to defer certain costs on its books (outside of a rate case) with the opportunity to subsequently recover these costs through rates as opposed to being required to expense these costs in the period incurred. This treatment spreads the effect of an event over a period of time, thereby reducing the impact on customers, and can lessen the effect of regulatory lag, or the time between incurring costs and the recovery of those costs in rates.

Q. Please discuss the two projects.

A. Both projects were and are critical to MPS's ability to continue to provide reliable electric service to its customers at a reasonable cost. Briefly, the Sibley Rebuild Program extended the life of its three generating units by twenty years. Without this rebuild program, MPS would have had to find alternative sources of energy before Sibley Units 1 and 2 were retired from use in 1990 and Sibley Unit 3 by the mid-1990's. The Sibley Western Coal Conversion Project allowed MPS to achieve significant reductions in sulfur dioxide ("SO2") emissions at the Sibley Generating Station. This project allowed MPS to stay in compliance with the Clean Air Act amendments and to protect the environment.

Q. What costs are being deferred by MPS in rate base Adjustment No. RB-40?

A. MPS's AAO addition to rate base includes deferred depreciation and carrying costs associated with the plant-in-service resulting from the previously discussed Sibley projects at March 31, 2009. A jurisdictional factor was applied to each AAO to ensure only the portion affecting MPS's electric jurisdictional operations was included in rate base.

Q. What has been the treatment of the unamortized balance of the Sibley-related AAO's and amortization expense in past rate proceedings involving MPS?

A. In Case No. ER-2007-0004, MPS was allowed the recovery of both the unamortized balance of AAO's in rate base and the related amortization expense related to the Sibley AAO's.

Q. What are the AAO components that have been included in MPS's rate base?

A. Please refer to Schedule RAK-2 for the AAO balances that have been included in rate base for this rate filing.

<u>RBO-10 CUSTOMER DEPOSITS (MPS and L&P)</u>

Q. Please explain adjustment RBO-10 Customer Deposits.

A. Customer deposits include all amounts deposited with the Company by customers as security for the payment of bills. The customer deposit adjustment is a reduction to rate base representing customer supplied funds.

Q. How was the Customer Deposit adjustment RBO-10 computed?

A. For purposes of establishing a rate base level for the period in which the rates set in this case will be in effect, the year-end balance at December 31, 2007 for FERC account 235000 was used.

Q. Why was a test period year-end balance selected instead of a historical average?

A. Using a monthly historical average to normalize fluctuations has the effect of ignoring the trends developing in account balances. While customer deposits experience slight variations from month to month, the ongoing trend has been an increasing balance. Basing the determination of an ongoing level of customer deposits on historical averages ignores the trend of an increasing balance.

Q. What were the total customer deposits balances for both MPS and L&P?

A. Please refer to Schedule RAK-2 for both MPS and L&P rate base offset totals.

<u>RBO-20 CUSTOMER ADVANCES (MPS and L&P)</u>

Q. Please explain the Customer Advances adjustment RBO-20.

A. Customer advances include advances by customers used for construction purposes. The customer advances adjustment, like the customer deposit adjustment, reduces rate base representing customer supplied funds.

Q. How was Customer Advances adjustment RBO-20 computed?

A. For purposes of establishing a rate base level for the period in which the rates set in this case will be in effect, the year-end balance at December 31, 2007 for FERC account 252000 was used.

Q. Why was a test period year-end selected instead of a historical average?

A. Using a monthly historical average to normalize fluctuations has the effect of ignoring the trend of an increasing / decreasing account balance. While customer advances have slight variations from month to month, the ongoing trend is a decreasing balance on MPS and increasing balance on L&P.

Q. What were the total customer advances balances for both MPS and L&P?

A. Please refer to Schedule RAK-2 for both MPS and L&P rate base offset totals.

RBO-30 ACCUMULATED DEFERRED INCOME TAXES (MPS and L&P)

Q. Please describe the accumulated deferred income tax offset to rate base.

A. The accumulated deferred income tax offset to rate base includes the accumulation of tax effected timing differences between the general ledger and tax accounting records. These items are known as Schedule M's in the Company's annual tax return. The majority of timing differences included in this filing are from general ledger accounts that include timing differences associated with plant activity. They include both MPS and L&P directly assigned timing differences, as well as, corporate common timing differences which are common to all jurisdictions.

Q. What time period was used for accumulated deferred income taxes?

A. Accumulated deferred income taxes are based on actual and estimated timing differences through December 31, 2007.

Q. Please explain how the accumulated deferred income tax amount was computed.

A. The accumulated deferred income tax amount includes the following components:

- Accumulated deferred income taxes include timing differences recorded in applicable MPS and L&P FERC Accounts 190, 282 and 283. Balances in FERC Accounts 190, 282 and 283 at December 31, 2007, include timing differences based on the actual tax return filings through December 31, 2006 and estimates for the period ending December 31, 2007.
- Accumulated deferred income taxes include MPS and L&P's allocable share of applicable balances recorded in corporate common FERC Accounts 190, 282 and 283. As described above, these corporate FERC accounts include timing differences based on actual tax return filings through December 31, 2006 and estimates for the period ending December 31, 2007.

Q. Please describe the adjustment made to the Schedule M timing differences described above?

A. Based on the Unanimous Stipulation and Agreement in Case Nos. ER-2004-0034 and HR-2004-0024, all parties agreed to establishing a prepaid pension amount and amortizing this prepaid amount over five and one-half and nine and one-quarter year periods for MPS and L&P, respectively. In order to compute the tax versus book timing difference associated with the pension Schedule M, the prepaid pension amount granted in Case No. ER-2004-0034 was amortized through December 31, 2007. The applicable tax rate of 38.39 percent was then applied to the unamortized balance to compute the deferred taxes associated with the pension Schedule M.

Q. Why were accumulated deferred income taxes not projected to April 30, 2009, the true-up date for this case?

A. During 2008, increases in estimated accumulated deferred income taxes recorded on existing plant at December 31, 2007 were offset by results of an IRS audit which reduced some accelerated depreciation deductions. This had the effect of negating any additional accumulated deferred income taxes that will be recorded through April 30, 2009. Accumulated deferred income taxes are expected to be trued-up as of April 30, 2009 to match plant-in-service balances trued-up through that date.

Q. What is the total electric accumulated deferred income tax rate base offset for MPS & L&P?

A. Please refer to Schedule RAK-2 for the MPS & L&P accumulated deferred income tax rate base offset amounts.

RBO-31 ACCUMULATED DEFERRED INCOME TAXES – AAO (MPS Only)

Q. Please explain Adjustment No. RBO-31, Deferred Taxes - AAO's.

A. Adjustment No. RBO-31 calculates deferred taxes on the unamortized deferred AAO balances at March 31, 2009, for the 1990 and 1992 Sibley Rebuild and Western Coal Conversion Projects. Please see the testimony above on Adjustment No. RB-40 for a description of the 1990 and 1992 Sibley Rebuild and Western Coal Conversion Projects.

Q. Please explain the calculation of deferred income taxes on the 1990 and 1992 AAO's.

A. Total unamortized deferred AAO balances were calculated for March 31, 2009. The income tax rate of 38.39% was applied to the unamortized amount to obtain the associated accumulated deferred income taxes which are used to offset the AAO rate base component. The appropriate jurisdictional factors were then applied.

Q. What is the total AAO accumulated deferred income tax rate base offset for MPS?

A. Please refer to Schedule RAK-2 for the MPS AAO accumulated deferred income tax rate base offset amount.

RBO-100 REGULATORY LIABILITY ERISA TRACKER (MPS and L&P)

Q. Please explain what the Stipulation and Agreement in Rate Case No. ER-2007-0004 states concerning the Regulatory Liability ERISA Tracker.

A. As stated in the Stipulation and Agreement in Case No. ER-2007-0004 (page 2) which was consistent with prior Stipulation and Agreements in Case Nos. ER-2004-0034 and ER-2005-0436,

> *The Company should be authorized to reflect pension cost equal to this provision for the ERISA minimum and record the difference between the ERISA minimum and the annual provision for pension cost as a regulatory asset or liability. This regulatory asset and/or liability is intended to track the difference between the provision for the ERISA minimum contribution included in cost of service in this case, and the Company's actual ERISA minimum contributions made after the effective date of rates established in this case. The new regulatory asset and/or liability will be tracked beginning with the effective date of rates in this case and will be included in rate base in the Company's next rate case and amortized over a five (5) year period.*

As such, the Company has collected in rates certain amounts for pension expenditures. These collections are compared to actual contributions. The difference between these amounts are treated as regulatory assets or liabilities.

Q. Has the Company complied with the prior Stipulation and Agreement in this rate case filing?

A. Yes. The Company has been recording the pension cost contributions and collections as a net regulatory asset / liability. In addition, prior Regulatory Assets and Liabilities have been amortized over the 5 year period specified in prior Stipulations and Agreements regarding this issue.

Q. On April 30, 2009, will the tracking mechanism described above be a regulatory asset or liability?

A. For MPS and L&P, a regulatory liability will exist and is reflected in rate base offset adjustment RBO-100.

Q. What are the Regulatory Liability ERISA Tracker rate base components for MPS and L&P?

A. Please see Schedule RAK-2 for the rate base totals.

<u>WC-10 MATERIALS & SUPPLIES (MPS and L&P)</u>

Q. Please explain the computation of the Materials & Supplies ("M&S") rate base adjustment.

A. For MPS, the test period year end balance at December 31, 2007 was used. For L&P, the average of the thirteen consecutive month-end balances ending December 31, 2007 was used. For the M&S calculation, FERC accounts 154 (Materials and Supplies) and 163 (Stores Expense) were used to calculate the rate base amounts.

Q. Please explain why a test period year end balance was used for MPS and thirteen-month average calculation was selected for L&P.

A. Using a monthly historical average to normalize fluctuations has the effect of ignoring the trend of an increasing account balance. It was observed on an analysis of MPS monthly M&S account balances that an increasing trend occurred during 2007. As such, a test year end balance at December 31, 2007 was selected. For L&P, normal month to month fluctuations occurred, thus a 13 month average calculation was selected.

Q. What were the total M&S balances for both MPS and L&P?

A. Please see Schedule RAK-2 for the amount of M&S included in rate base totals.

WC–20 PREPAYMENTS (MPS and L&P)

Q. What was the method used to calculate Prepayments – Other Than Pensions, Adjustment No. WC-20?

A. Prepayments have been included in rate base using a thirteen-month average. Prepayments are a normal working capital rate base allowance as they represent an investment of funds, (i.e., cash outlay), made in advance of the future service period to which they apply. For example, prepaid items such as prepaid insurance have been included in this calculation. The month-end balances were averaged for the months of December 2006 through December 2007. For both MPS and L&P, the calculation includes MPS and L&P direct prepayments as well as the MPS and L&P allocated share of common enterprise support function prepayments.

Q. Please explain why a thirteen-month average calculation was used.

A. As explained previously, the computation of a thirteen-month average serves as a better measure of investment rather than the use of any one single month. Due to monthly fluctuations in the prepaid balance, no single month is representative.

Q. What were the prepayment adjustments for MPS and L&P?

A. Please see Schedule RAK-2 for the adjustment totals.

WC-21 PREPAYMENTS – PENSION (MPS and L&P)

Q. What does Case No. ER-2007-0004 provide in regard to prepaid pension amounts.

A. The Stipulation and Agreement in Case No. ER-2007-0004 provides the following at pages 2-3:

MPS rates include a $2,110,436 annual provision, prior to capitalization, for an MPS electric jurisdictional prepaid pension amortization. This amortization will be in effect for a five and one-half (5 ½) year period beginning with the effective date of rates established in Case No. ER-2004-0034. L&P rates include a $3,352,742 annual provision, prior to capitalization, for L&P electric prepaid pension amortization. This amortization will be in effect for a nine and one-quarter (9 1/4) year period beginning with the effective date of rates established in Case No. ER-2004-0034. The unamortized balance of the regulatory asset established as a result of this ratemaking treatment should be included in rate base.

Q. Has the Company included a prepaid pension amount in rate base consistent with the amounts in the Stipulation and Agreement in Case No. ER-2007-0004?

A. Yes. The Company has included a rate base addition for the unamortized portion of prepaid pension amounts at the end of the true-up period March 31, 2009.

Q. What were the prepaid pension components of rate base for MPS and L&P?

A. Please see Schedule RAK-2 for the rate base totals.

WC-30 FUEL INVENTORIES (MPS & L&P)

Q. Please explain the purpose of adjustment WC-30 Fuel Inventories for MPS and L&P.

A. Fuel inventories are properly includable in the working capital computation. A utility must carry the appropriate level of fuel stock to ensure that customer service is not interrupted. As a result of maintaining minimum levels of fuel stock, the utility incurs carrying costs. By including fuel stock in rate base, the utility is appropriately allowed to earn a return on those fuel inventory levels.

MPS:

Q. How were the annualized levels of fuel inventory for coal calculated for inclusion in rate base?

A. MPS's recommendations for coal inventory levels at Sibley and the JEC are equivalent to a 61-day and 72-day burn, respectively. First, the annualized fuel price is determined based upon the output of the jointly dispatched Production Cost Model ("PCM") for Sibley and JEC added to the annual level of freeze treatment/dust suppressant for Sibley and rail car expense for both Sibley and JEC. This annualized fuel price is divided by the number of tons of annualized coal obtained from the PCM for both Sibley and JEC to arrive at an annualized price per ton of coal. After quantifying the tons of coal burned for the 61-day and 72-day inventory levels recommended at Sibley and JEC, this amount was multiplied by the annualized price per ton of coal to arrive at the annualized amount of fuel inventory to include in rate base for Sibley and JEC.

Q. Please explain why a 61-day supply of coal for Sibley and a 72-day supply of coal for JEC were chosen as the target levels of coal inventory to include in rate base.

A. The 61-day and 72-day target inventory levels for Sibley and JEC were used by both Aquila and the Staff in MPS's last four rate proceedings before this Commission, Case Nos. ER-01-672, ER-2004-0034, ER-2005-0436 and ER-2007-0004.

Q. Has there been any policy change in the targeted levels?

A. No.

Q. How much Urea will be maintained in inventory levels at Sibley?

A. The Fuel Inventory calculation includes a 10 day supply of Urea to be maintained at the Sibley plant location. Similar to coal inventory calculations, a price per unit of Urea was calculated and multiplied by the number of days that Urea inventory is expected to be maintained.

Q. How much No. 2 oil inventory is being included in rate base for the Greenwood, Nevada and JEC plants?

A. No. 2 oil inventory has been included in rate base using a thirteen-month average. The monthly ending balances were averaged for the period December 2006 through December 2007.

Q. How much propane and tire-derived fuel is being included in rate base for Sibley?

A. Propane and tire-derived fuel inventories are being included in rate base for Sibley using a thirteen-month average. The monthly ending balances were averaged for the period December 2006 through December 2007.

Q. How much Sibley freight and fuel stock expenses undistributed inventory is included in rate base?

A. Sibley freight and fuel stock expenses undistributed inventory is being included in rate base using a thirteen-month average. As done for the No. 2 oil inventory, propane and tire derived fuel, the monthly ending balances were averaged for the period December 2006 through December 2007.

Q. Please explain why a thirteen-month average calculation was selected for these inventory categories.

A. Generally, a thirteen-month average is used to smooth out the month-to-month volatility in fuel inventory balances and provides a better estimate than any one month end balance.

Q. How are these inventory balances then adjusted for the Missouri retail portion?

A. A jurisdictional allocation factor was applied to the inventory balances to determine the amount applicable to MPS's retail operations.

Q. What level of total fuel inventory has MPS included in rate base for purposes of this rate proceeding?

A. The total level of fuel inventory included in this case as a component of rate base is provided in Schedule RAK-2.

<u>L&P:</u>

Q. How were the annualized levels of fuel inventory for coal calculated for inclusion in rate base?

A. L&P utilized the same method as MPS in determining the level of fuel inventory to include in rate base for coal. L&P's recommendation in this case for coal inventory levels at Iatan and Lake Road is equivalent to a 58-day and 75-day burn, respectively.

Q. Please explain why a 58-day supply of coal for Iatan and a 75-day supply of coal for Lake Road were chosen as target levels of coal inventory to include in rate base.

A. The 58-day and 75-day coal inventory levels for Iatan and Lake Road are consistent with the levels used by both Aquila and the Staff in the Company's last three rate proceedings, Case Nos. ER-2004-0034, ER-2005-0436, and ER-2007-0004.

Q. What method was used to calculate the No. 2 oil inventory being included in rate base for the Iatan and Lake Road units?

A. L&P employed a thirteen-month average for Iatan and Lake Road oil inventory. The monthly balances were averaged for the period December 2006 through December 2007.

Q. What method was used to calculate the Lake Road freight and fuel stock expenses undistributed inventory being included in rate base for the Lake Road units?

A. L&P employed a thirteen-month average for the L&P Lake Road freight and fuel stock expenses undistributed inventory. The monthly balances were averaged for the period December 2006 through December 2007.

Q. What level of total fuel inventory has L&P included in rate base for purposes of this proceeding?

A. The total level of fuel inventory included in this case as a component of rate base is provided in Schedule RAK-2.

WC-40 EMISSION ALLOWANCE INVENTORY (MPS and L&P)

Q. Please explain the purpose of adjustment WC-40 SO2 Emission Allowance Inventory for MPS and L&P.

A. The Company is required to obtain rights from the federal government for the production of sulfur dioxide emissions resulting from fossil fuel consumption in GMO's power plants. These rights are secured through the acquisition of emission allowances, which are consumed as the various plants that operate.

Q. What method was used to calculate the SO2 emission allowance inventory being included in rate base for the Sibley, Iatan and Lake Road units as well as allowances purchased to fulfill the Nebraska Public Power District ("NPPD") Gerald Gentlemen purchased power agreement?

A. Adjustment WC-40 is based on a thirteen-month average of the sulfur dioxide emission allowance inventory (FERC Account 158.1) maintained by MPS and L&P for the period December 2006 through December 2007. Since the allowances are purchased by MPS and then allocated annually to L&P, the monthly balances were averaged in total and then allocated based upon actual allowance purchases for 2007 usage. This balance was then offset by the amount held in account 254 for the proceeds from the sale of EPA withheld allowances sold at auction. In addition, a jurisdictional allocation factor was applied to the MPS net balance to determine the amount applicable to the MPS retail operations.

Q. What are the total levels of sulfur dioxide emission allowance inventory for the purposes of this case?

A. The total level of sulfur dioxide emission allowance inventory included in this case as a component of rate base is provided in Schedule RAK-2.

<u>WC-50 CASH WORKING CAPITAL CALCULATION (MPS and L&P)</u>

Q. What is cash working capital?

A. Cash working capital ("CWC") is the amount of cash necessary for MPS and L&P to pay the day-to-day expenses incurred to provide electric service to their customers.

Q. Is the method used in the current rate case to calculate MPS and L&P's CWC requirements the same method that has been used in previous cases?

A. Yes. The method has been used by the Commission Staff in numerous rate proceedings including Case Nos. ER-99-0247, ER-2001-0672, ER-2004-0034, ER-2005-0436 and ER-2007-0004.

Q. Please explain this method.

A. A lead/lag study determines the amount of cash that is necessary on a day-to-day basis to provide energy services to customers. A lead/lag study analyzes the cash flows related to the payments received from its customers for the provision of electric service and the disbursements made by MPS and L&P to its suppliers and vendors of goods and services necessary to provide the energy services. A lead/lag study determines the number of days

MPS and L&P have to make payments after receiving goods or services from a vendor and is compared with the number of days it takes to receive payment for the energy services provided to its customers.

Q. What are the sources of CWC?

A. Ultimately, shareholders and ratepayers provide all sources of CWC.

Q. How do shareholders supply CWC?

A. When MPS and L&P expend funds to pay for an expense before the ratepayers provide the cash through rates, the shareholders are the source of the funds. This cash represents a portion of the shareholders' total investment in MPS and L&P. The shareholders are compensated for the CWC funds they provided by the inclusion of these funds in rate base. By including these funds in rate base, the shareholders earn a return on the funds they have invested.

Q. How do ratepayers provide CWC?

A. Ratepayers supply CWC when they pay for energy services received before MPS and L&P pay expenses incurred to provide that service. Ratepayers are compensated for the CWC that they provide by reducing rate base by the amount of CWC the ratepayers provide.

Q. How is the amount of CWC provided by both the ratepayers and shareholders generally determined?

A. A lead/lag study is performed.

Q. How are lead/lag study results interpreted?

A. A positive CWC requirement indicates that, in the aggregate, the shareholders provided the CWC for the test year. This means that, on average, the Company paid the expenses incurred to provide the energy service to the ratepayers before the ratepayers paid the

Company for the provision of utility service. A negative requirement indicates that, in aggregate, the ratepayers provided the CWC during the test year. This means that, on average, the ratepayers paid for their electric service before the utility paid the expense incurred to provide those services.

Q. Was there a lead/lag study prepared for MPS and L&P for this rate case proceeding?

A. Yes. The computed lead / lag days used in Case No. ER-2007-0004 have been updated with 2007 data.

Q. What was the result of the lead / lag update?

A. The results demonstrate that, in the aggregate, ratepayers have supplied funds to the utility to pay for expenses prior to the utility paying for the same expenses. As such, a rate base offset amount will be included in this rate case filing.

Q. Where can the CWC calculation be found?

A. Please see Schedules RAK – 5 (MPS and L&P) attached to my testimony which details the calculation of the CWC rate base offset for MPS and L&P, respectively. Included within the calculation are the computed lead / lag days which were updated for the 2007 test year.

Q. Please explain the components of the calculation of CWC that appear on Schedules RAK- 5.

A. The components of the calculation are as follows:

1) Column A (Account Description) lists the types of significant cash expenditures that MPS and L&P pay on a day-to-day basis.
2) Column B (Test Year Expense) provides the amount of annualized expense included in the cost of service. It shows the dollars associated with the items listed in column A on an adjusted Missouri jurisdictional basis.

3) Column C (Revenue Lag) indicates the number of days between the midpoint of the provision of service by MPS and L&P and the payment for the service by the ratepayer.

4) Column D (Expense Lead) indicates the number of days between the receipt of and the payment for the goods and services (i.e. cash expenditures) used to provide service to the ratepayers.

5) Column E (Net Lag) results from the subtraction of the Expense Lead (column D) from the Revenue Lag (column C).

6) Column F (Factor) expresses the CWC lag in days as a fraction of the total days in the test year. This is accomplished by dividing the Net Lags in column E by 365 days.

7) Column G (CWC Requirement) reflects the average amount of cash necessary to provide service to the ratepayer. This is computed by multiplying the Test Year Expenses (column B) by the CWC Factor (column F).

R-30 ELIMINATE INTER-COMPANY OFF-SYSTEM REVENUE (MPS and L&P)

Q. Please explain the purpose of revenue adjustment R-30 made to MPS and L&P for purposes of this rate proceeding.

A. The purpose of adjustment R-30 is to eliminate the inter-company revenue transactions between MPS and L&P that were recorded during the 12 months ended December 31, 2007.

Q. Please explain how adjustment R-30 was calculated.

A. The inter-company revenues recorded to FERC account 447031 (“Rev InterUN/IntraST MO (bk11)”) during the 12 months ending December 31, 2007 were obtained for both MPS and L&P and were eliminated from test year per books. In the case of MPS, a jurisdictional allocation factor was applied to the inter-company revenue amount to determine the amount applicable to MPS's retail operations.

Q. What is the adjustment amount in this case for elimination of inter-company off-system revenue?

A. Please refer to Schedule RAK-4 for the adjustment amounts.

R-36 ELIMINATE OFF-SYSTEM REVENUE ASSOCIATED WITH WEST PLAINS ENERGY KANSAS ELECTRIC ("WPKSE")

(MPS Only)

Q. What is the purpose of adjustment R-36 Eliminate Revenue from WPKSE?

A. The WPKSE properties were sold by Aquila in 2007. The non-recurring per books revenues recorded by MPS from WPKSE in 2007 during January through March need to be eliminated to reflect the asset sale.

Q. What is the adjustment amount in this case for this elimination?

A. Please refer to Schedule RAK- 4 for the adjustment amounts.

FPP-17 AMORTIZATION OF PROCEEDS FROM EPA AUCTION PROCESS

(MPS and L&P)

Q. What is the purpose of adjustment FPP-17 Amortization of Proceeds from EPA Auction Process?

A. The purpose of adjustment FPP-17 is to amortize the proceeds received from the sale of EPA allocated and auctioned SO2 emission allowances.

Q. Why have MPS and L&P received proceeds from an EPA auction of SO2 allowances?

A. Each year, in addition to the EPA allocated free allowances provided to MPS and L&P, the EPA holds back a certain number of SO2 emission allowances allocated to each covered company. These allowances are held by the EPA for the specific purpose of having allowances available for auction. Once these allowances are sold at the annual EPA allowance auction, the proceeds are forwarded to the associated companies.

Q. How was the adjustment calculated?

A. The balance in account 254 is segregated by vintage year. The first vintage year has been amortized monthly since implementation of rates in ER-2007-0004 and will continue to be amortized monthly for a total of five years. In addition, amounts deferred since those included in ER-2007-0004 have been included in this rate request and are being amortized over a 5 year period. Additionally, for MPS a jurisdictional allocation factor was applied in order to determine the amount associated with the retail operations.

Q. Why are these proceeds being amortized as an offset to expense?

A. Since the expense associated with the purchase and usage of SO_2 emission allowances is an includable cost of service, the proceeds from the sale of allocated allowances would appropriately be flowed through to reduce the overall cost of service and therefore shared with the MPS and L&P customers.

Q. Why is the sharing of the proceeds being amortized over a period of five years?

A. These proceeds have been accumulating in account 254 for a number of years. Therefore, the sharing of the proceeds over a five year period spreads this accumulation and fairly shares this cost reduction with the MPS and L&P customers. The amortization of the current vintage amount over five years is consistent with the presentation made in the most recent rate case, ER-2007-0004.

Q. What is the adjustment amount in this case for the amortization of proceeds from EPA auction process?

A. The adjustment amounts for FPP-17 for both MPS and L&P can be found in Schedule RAK-4.

FPP-30 ELIMINATE INTER-COMPANY OFF-SYSTEM FUEL & PURCHASED POWER (MPS and L&P)

Q. Please explain the purpose of adjustment FPP-30 Eliminate Inter-Company Off-System Fuel and Purchased Power made to MPS and L&P for purposes of this rate proceeding.

A. The purpose of adjustment FPP-30 is to eliminate the corresponding inter-company fuel and purchased power expense associated with any energy purchase or sale between MPS and L&P that was recorded during the test year.

Q. Please explain how adjustment FPP-30 was calculated.

A. The amount of fuel and purchased power expense recorded for the 12 months ended December 31, 2007 related to inter-company sales transactions between MPS and L&P was obtained from the following FERC accounts: 501033 (FuelSteamInterUN/IntraSt (bk11)), 547033 (FuelOtherInterUN/IntraST (bk11)), 555032 (PurchasePower Intrastate(bk11)) and 555033 (Purch PwrInterUN/IntraST(bk11)). The amounts recorded during the test year have been eliminated from both the MPS and L&P cost of service. In the case of MPS, a jurisdictional allocation factor has been applied to MPS's fuel and purchased power off-system accounts to ensure only the portion related to MPS's retail operations has been eliminated from this rate filing.

Q. Are there any margins generated between MPS and L&P from the inter-company sales?

A. No.

Q. What is the adjustment amount in this case for elimination of inter-company off-system fuel and purchased power expense?

A. The adjustment amounts for FPP-30 for both MPS and L&P can be found in Schedule RAK-4.

<u>FPP-36 OFF-SYSTEM SALES COSTS ASSOCIATED WITH WPKSE (MPS Only)</u>

Q. What is the purpose of adjustment FPP-36 Eliminate Cost of Sales to WPKSE?

A. The WPKSE properties were sold by Aquila in 2007. Similar to the revenue adjustment discussed previously (R-36), the non-recurring per books cost of sales recorded in 2007 during January through March need to be eliminated to reflect the sale of these properties.

Q. What is the adjustment amount in this case for this elimination?

A. Please refer to Schedule RAK- 4 for the adjustment amounts.

<u>FPP-50 RESERVATION CHARGES (MPS Only)</u>

Q. What is the purpose of adjustment FPP-50 Reservation Charges impacting the MPS jurisdiction?

A. The purpose of this adjustment is to annualize the natural gas reservation charges incurred by MPS under the gas transportation contracts to serve the Greenwood, South Harper and Crossroads generating facilities. The annualized level of the gas reservation charges is compared to the per book amounts for the test year ending December 31, 2007.

Q. Have there been any significant changes in the gas reservation charges from the test year per books totals?

A. Yes. A gas transportation agreement with Texas Gas has been executed to serve the Crossroads generating station and included in this rate case filing.

Q. Please explain how adjustment FPP-50 was calculated for MPS.

A. Three primary gas transportation agreements are in place to provide service to MPS's Greenwood, South Harper, and Crossroads generating facilities. These agreements include a reservation component necessary to ensure that guaranteed service is available to all three plants.

Q. What is the adjustment amount in this case for MPS's gas reservation charges?

A. The adjustment amount is provided in Schedule RAK-4.

<u>CS-5 PAYROLL (MPS and L&P)</u>

Q. Please explain the payroll annualization adjustment.

A. The payroll annualization adjustment includes employee headcount and wage levels that are known and measurable as of June 1, 2008.

Q. Please explain how the adjustment was calculated.

A. Base salaries and wages, as of June 1, 2008, were obtained for all departments directly charging MPS and L&P and departments that are allocated to MPS and L&P. The base salaries and wages represent the annual salaries of all applicable full-time and part-time employees.

Q. Why were June 1, 2008, employee salary and wage levels selected to annualize payroll costs?

A. In order to allow for proper analysis and preparation of the payroll annualization adjustment, data was required to be selected from a period in advance of the actual rate case filing. Employee data from June 1, 2008, was the most current available at the time of my analysis.

Q. Please continue with your explanation of the payroll annualization adjustment.

A. Base salaries and wages were added to "Other Than Standard" earnings that were actually paid during the test period January 1, 2007, to December 31, 2007, resulting in total payroll before allocations. However, overtime costs associated with the December 2007 ice storm in L&P's service territory were excluded from this calculation in order to reflect normal, ongoing cost levels. Ice storm related costs are described later in my testimony in CS-100.

Q. What are examples of "Other Than Standard" earnings?

A. "Other Than Standard" earnings categorize labor costs that are price extras on an employee's standard pay. Examples include shift differential, overtime and call out pay.

Q. Please continue with your explanation.

A. In addition, departmental payroll was analyzed to identify any direct charge-ins or charge-outs to other departments. Payroll amounts were then directly assigned to the MPS and L&P jurisdictions where possible. When it was not possible to directly assign these costs, cost assignments were made based upon December 2007, corporate cost allocation factors. In addition, merit increases effective through March 31, 2009 that were anticipated as of the June 1, 2008 payroll analysis were included for each union and non-union employee. Finally, all open actively recruited positions at June 1, 2008 provided by human resources were included. The resulting amount is the total payroll annualization for MPS and L&P.

Q. Please continue with your explanation of the payroll annualization calculation.

A. Per book payroll amounts recorded as of December 31, 2007 were subtracted from this annualized amount to arrive at the payroll annualization adjustment. At this point, amounts were subtracted that represent the amount of payroll costs that will be capitalized or recorded to below the line accounts. The payroll annualization adjustment was multiplied by the appropriate jurisdictional allocation amounts to arrive at the amounts applicable to retail and wholesale jurisdiction or electric and steam jurisdictions as appropriate. The payroll annualization adjustment was then spread to FERC accounts based on the percentage of test year per book payroll costs by FERC account to total payroll costs.

Q. What were the payroll annualization adjustments for MPS and L&P?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-11 BENEFITS SUMMARY SCHEDULE (MPS and L&P)

Q. Please explain the Benefits Summary Schedule included in the Company's workpapers.

A. This schedule is the accumulation of several benefits adjustments included in this rate case filing. They include the following adjustments which are explained in more detail later in my testimony:

- CS-12 Medical, Dental and Vision;
- CS-13 Pension Expense;
- CS-13a Pension Costs - ERISA Tracker Amortization;
- CS-14 Statement of Financial Accounting Standards ("SFAS") 106 Other Post Employment Benefits ("OPEB");

- CS-15 401(k); and
- CS-18 Supplemental Executive Retirement Plan ("SERP").

<u>CS-12 BENEFITS – MEDICAL, DENTAL AND VISION (MPS and L&P)</u>

Q. Please explain the adjustment made to the medical, dental and vision benefits.

A. The medical, dental and vision benefits adjustment is broken into two parts: premium-based coverage and self-insured coverage.

Q. Please explain the calculation for premium based coverage.

A. To calculate the annualized accrual for the premium based insurance, the April 2008 elections report was obtained from our outside administrator, Hewitt. The annualized accrual, net of employee contributions, was multiplied by the percentage of premium based coverage from the per book amounts to determine the annualized premium based coverage level. This amount was compared to the per book amount associated with premium based coverage. The capitalization ratio and appropriate jurisdictional allocators were applied to the resulting amount to arrive at the annualized level impacting operation and maintenance expenses.

Q. Please explain the self-insured portion of medical, dental and vision benefits.

A. To calculate the self-insured portion of the claim payments, the total of actual claims paid during the test year 2007 was obtained. In addition, any claims incurred in 2007 but not yet paid were included. This total was decreased by the percentage of employee contributions calculated from the per book amounts to determine the employer portion of actual claims paid. The resulting amount was deducted from the employer portion of actual claims paid for 2007 to compute the annualized level of medical, dental and vision expense. The per book medical, dental and vision costs covering self insured claims was then subtracted from the annualized level to arrive at the adjustment amount. The capitalization ratio and appropriate jurisdictional allocators were then applied to the adjustment amount.

Q. What amount should be used in the true-up of this case to calculated medical, dental and vision costs?

A. It is anticipated that prior to the true-up date in this case, the Company will make a contribution to the Voluntary Employee Beneficiary Association ("VEBA") trust covering all health and welfare plans for claims incurred but not reported. As such, the Company medical benefit cost will be on a premium basis to the trust. The amount the company contributes will be based on actuarial valuations using prior claim experience and investment income and interest. It is anticipated that at the time of the true-up in this case, April 30, 2009, all medical, dental and vision plan costs will be funded through the VEBA. As such, the true-up calculations should reflect these premium-based costs into the trust.

Q. What were the medical, dental, and vision adjustments for MPS and L&P?

A. Please see Schedule RAK-4 for the adjustment totals.

<u>CS-13 BENEFITS – PENSION (MPS and L&P)</u>

Q. Please explain how Adjustment No. CS-13 Pension Expense was calculated.

A. Included as part of the Stipulation and Agreement in Case No. ER-2004-0034 and continued in the Stipulation and Agreement in Case Nos. ER-2005-0436 and ER-2007-0004, Staff and Company agreed to a five-year average of actual contributions to the pension plan, either directly assigned or allocated to MPS and L&P. The pension costs for this rate case filing have been computed in a manner consistent with the Stipulation and Agreements mentioned above. The five-year average includes directly assigned contributions made in the period from 2004 to 2008. The last pension contribution assigned to MPS or L&P was made in 2005. The five-year average was compared to the per book expense amount recorded during the test year. The capitalization rate was applied to the resulting amount followed by the appropriate jurisdictional factor.

Q. What were the pension expense adjustments for MPS and L&P?

A. Please see Schedule RAK-4 for the adjustment totals.

<u>CS-13a BENEFITS - ERISA TRACKER AMORTIZATION (MPS and L&P)</u>

Q. Please explain the ERISA minimum tracker amortization adjustment.

A. As discussed above and stated in the previous rate case Stipulation and Agreement in case No. ER-2007-0004 (Page 2-3), which was continued from Case Nos. ER-2004-0034 and ER-2005-0436:

> *The Company should be authorized to reflect pension cost equal to this provision for the ERISA minimum and record the difference between the ERISA minimum and the annual provision for pension cost as a regulatory asset or liability. This regulatory asset and/or liability is intended to track the difference between the provision for the ERISA minimum contribution included in cost of service in this case, and the Company's actual ERISA minimum contributions made after the effective date of rates established in this case. The new regulatory asset and/or liability will be tracked beginning with the effective date of rates in this case and will be included in rate base in the Company's next rate case and amortized over a five (5) year period.*

As such, the Company has collected in rates certain amounts for pension costs during the test period. These collections are compared to actual contributions. The difference between these amounts is treated as regulatory assets or liabilities.

Q. What period of time did the Stipulation and Agreement require amounts to be amortized?

A. The Stipulation and Agreement provided for a five-year amortization.

Q. Did the company comply with the Stipulation and Agreement in this rate case filing?

A. Yes. The Company has been recording the net contributions and collections as a net regulatory asset / liability and the contributions as a regulatory asset.

Q. At April 30, 2009, is the tracking mechanism described above a regulatory asset or liability?

A. For MPS and L&P, a regulatory liability will exist and is reflected in rate base offset adjustment RBO-100.

Q. How were the ERISA tracker amortization adjustments calculated?

A. For MPS and L&P, the regulatory liability balance as of March 31, 2009 was obtained and amortized over five years. The capitalization rate and appropriate jurisdictional allocations were applied. This amortization was a reduction to MPS and L&P's cost of service.

Q. What were the ERISA tracker amortization adjustments for MPS and L&P?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-14 BENEFITS – OTHER POST EMPLOYMENT BENEFITS ("OPEB") (MPS and L&P)

Q. Please explain the components of the SFAS 106 Other Post-Employment Benefits adjustment.

A. The annual OPEB expense under the SFAS 106 calculation is provided by our actuary Hewitt. The calculation of post retirement benefit cost includes the following components:

- Service cost;
- Interest cost;
- Expected return on assets;
- Prior service cost amortization;
- Transition obligation amortization;
- Gain / loss amortization; and
- Regulatory adjustment.

These components are defined as follows: The employee service costs are defined as the estimated costs of benefits paid in the future, discounted to the present year. The interest cost is the increase in the projected benefit obligation due to the passage of time. The expected return on assets represents the increase in funds from interest, dividends, and realized and unrealized changes in the fair market value of the plan in the year. The prior service cost component results from amendments to the pension plan. The transition obligation is the under funded and unrecognized accumulated post-employment benefit obligation for all plan participants at the date SFAS 106 was adopted. Differences between the actuarial assumptions and actual experience, the gains/losses, are amortized over five years. Regulatory adjustment includes an adjustment to the Missouri jurisdictions for the prescribed method for recognizing actuarial gains and losses.

Q. How were these components used in calculating the OPEB adjustment?

A. The following components were included: service cost, interest cost, amortization of transition amount, amortization of gain/loss, and amortization of prior service cost. The expected return on assets was then subtracted to derive the estimated OPEB expense. The direct and allocated portions of this expense were totaled to arrive at a 2008 annualized OPEB amount for MPS and L&P. In addition, a five-year amortization of the impact of SFAS statement No. 158 required re-measurement date has been added to annual expense amounts. This is discussed further below. The difference between the 2008 annualized OPEB amount and the amount recorded on the books as of December 31, 2007, was used to calculate the adjustment. The adjustment was then multiplied by a capitalization factor to eliminate OPEB costs that are capitalized. An appropriate jurisdictional factor was applied to the resulting amount.

Q. Has the Company met its obligation concerning OPEB contributions as defined in the Stipulation and Agreement from Case No. ER-2007-0004?

A. Yes. Per the Stipulation and Agreement from Case No. ER-2007-0004 at page 3:

> *"Aquila agrees to make at least one payment per year equal to the current year FAS-106 calculation."*

Aquila generally funds the FAS-106 contributions at the end of the second or third quarters. A contribution was made for 2007.

Q. Please explain SFAS No. 158 and its effect on the OPEB adjustment?

A. This pronouncement requires the company to change its measurement date from September 30 to December 31, 2008. Therefore, an additional three months of expense will need to be reflected during the 2008 fiscal year to capture this change in measurement date. The OPEB adjustment in this rate case includes a five-year amortization of that additional three months of FAS 106 expense required to be recorded during 2008.

Q. What were the OPEB adjustments for MPS and L&P?

A. Please see Schedule RAK-4 for the adjustment totals.

<u>CS-15 BENEFITS – 401K (MPS and L&P)</u>

Q. Please describe the 401(k) plan.

A. The Company provides its employees with an optional benefit known as the 401(k) plan. The 401(k) plan is a retirement savings program that allows employees to invest a percentage of their salary for retirement.

Q. Is there a portion that is matched by the Company?

A. Yes. The Company matches a portion of the funds invested by employees up to 6% of base salary and wages.

Q. Describe the adjustment made to cost of service for 401(k) expense on adjustment CS-15.

A. The 6% matched portion, called 401(k) Employer Share, was calculated by taking the 401(k) balance for test year end December 31, 2007, and dividing it by the per books base pay, excluding incentives, for the same period to arrive at the overall percentage of base pay matched by Aquila. This percentage was then multiplied by the annualized payroll amount as calculated in adjustment CS-5 to arrive at the annualized 401(k) cost. To calculate the 401(k) adjustment, per book 401(k) amount was deducted from the annualized 401(k) cost. This difference was then multiplied by the capitalization ratio to eliminate any costs that are capitalized from the adjustment. An appropriate jurisdictional factor was applied to the resulting amount.

Q. Why is the 401(k) percentage not simply six percent of base salaries and wages?

A. Certain employees choose not to participate in the full six percent match for various reasons which has the effect of drawing down the overall percentage.

Q. What were the 401k adjustments for MPS and L&P?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-18 BENEFITS – SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("SERP") (MPS and L&P)

Q. Please explain Adjustment No. CS-18, SERP.

A. The SERP adjustment is necessary to reflect the annual level of SERP payments that were paid during the test year. In ER-2007-0004, it was agreed the Company would account for SERP payments on a pay as you go method. Adjustment No. CS-18 calculates the amount of payments made under the SERP plan for both MPS and L&P during the test year, and includes this amount in this rate case filing. Per book amounts were subtracted from the annualized level calculated. This difference was then multiplied by the capitalization ratio to eliminate any costs that are capitalized from the adjustment. An appropriate jurisdictional factor was applied to the resulting amount.

Q. What were the SERP adjustments for MPS and L&P?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-21 INSURANCE (MPS and L&P)

Q. Please explain cost of service Adjustment No. CS-21, Insurance.

A. This adjustment annualizes insurance costs based on current policy premiums, which are renewed at various times throughout the year. These premiums include the following types of coverage: property, general liability, directors and officers, workers' compensation, aviation, fiduciary liability, excess liability, professional liability, crime, employment practices, auto liability, and surplus lines tax. The premiums were directly assigned to MPS and L&P based on the Company's insurance assignment methodology developed at the beginning of 2008. Additionally, cost assignments were made based upon December 2007 corporate cost allocation factors for some of the premiums, which were assigned to a corporate allocated department. The adjustment was calculated by taking the annualized direct and allocated MPS and L&P premium costs, less the per book amount for 2007. The appropriate jurisdictional factor was applied to the resulting adjustment.

Q. What were the MPS and L&P CS-21 Insurance adjustments?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-26 MAJOR MAINTENANCE EXPENSE (MPS AND L&P)

Q. What is the purpose of Adjustment CS-26, Major Maintenance Expense?

A. Adjustment No. CS-26 consists of an adjustment for significant turbine overhauls for the following generating plants:

MPS

- Sibley #1, 2 and 3;
- South Harper;
- Jeffrey Energy Center ("JEC");
- Greenwood #1, 2, 3 and 4;
- Ralph Green; and
- Nevada..

L&P

- Lake Road Unit #1, 2, 3, 4 and 5.

Q. Please describe Adjustment No. CS-26, Major Maintenance Expense.

A. Turbine overhaul maintenance expense is dynamic. Depending on the type of equipment being serviced, scheduled maintenance can typically follow a four to seven-year cycle. As a result, actual expense can increase considerably in years corresponding to major maintenance service. To mitigate the possibility of a large expense increase in years corresponding to a proposed rate increase, major maintenance expense is spread out over the service life of the related equipment through an accrual process. This method provides a more consistent measurement of annual maintenance expense.

Q. How was the turbine overhaul maintenance expense component of Adjustment CS-26 computed?

A. An annualized accrual level was computed for each plant covered by the turbine overhaul maintenance account. Where plant maintenance history was available, accrual amounts were computed using this history divided by the scheduled maintenance interval. In addition, the known historic outage expenses were adjusted to January 2009 dollars using the Handy-Whitman Index. The Handy-Whitman Index is an independent source which is used to take historic cost amounts to prevailing price levels. For the South Harper plant in which no prior outage costs are available, contracted maintenance costs have been included on an annualized level. The total of the annualized accrual amounts computed were compared to amounts being accrued on the books during the test year 2007.

Q. What was the total Major Maintenance Adjustment for both MPS and L&P?

A. Please refer to Schedule RAK-4 attached to my direct testimony for the adjustment totals.

CS-27 MAINTENANCE EXPENSE (MPS AND L&P)

Q. Please describe Adjustment CS-27, Maintenance Expense.

A. Non-labor production, transmission, and distribution maintenance accounts have been normalized by using year over year averaging. For MPS, a 3 year average and for L&P, a 5 year average was used which was consistent with Case No. ER-2007-0004 workpapers. These accounts were analyzed and the activity associated with Major Maintenance (addressed in Adjustment CS-26), and Vegetation Management & Infrastructure (addressed in Adjustment CS-86 as discussed in the direct testimony of Company witness William Herdegen) were removed from the yearly amounts. In addition, the Handy-Whitman Index was applied to yearly amounts to bring prior year cost levels up to January 2009 levels. Maintenance expense activity for the 2007 test year was subtracted from the adjusted expense level to arrive at the maintenance adjustment amount.

Q. What was the total Maintenance Adjustment for both MPS and L&P?

A. Please refer to Schedule RAK-4 attached to my direct testimony for both the MPS and L&P adjustment totals.

CS-30 INJURIES AND DAMAGES (MPS and L&P)

Q. Please explain the costs included as injuries and damages in Adjustment No. CS-30.

A. The injuries and damages ("I&D") liability reserve FERC Account 228.2 consists of four major areas:

- General liability;
- Worker's compensation;
- Property damage; and
- Auto liability.

The liability reserve houses all accrued claims expensed in FERC Account 925, I&D expense. The liability reserve is relieved when payment of I&D claims under the four categories listed above takes place.

Q. Please explain how Adjustment No. CS-30, I&D expense, was calculated for both MPS and L&P's electric operations for purposes of this rate proceeding.

MPS:

A. The Company obtained a three-year payout history from FERC Account 228.2 that shows the payout history for I&D claims. From this payout history, a three-year average was calculated on actual electric claims paid for the 12 months ended December 31, 2005, 2006, and 2007. The computed three-year average represents MPS's annualized level of I&D expense included in this rate case filing.

Q. Why was a three-year average chosen?

A. I&D claims can vary significantly from year to year. A three-year average was used to establish an appropriate on-going level of I&D expense for MPS by leveling out fluctuations in the reserve account that can exist from one year to the next depending on claims activity. This method is also consistent with the method used by the Commission Staff in MPS's last three rate proceedings, Case Nos. ER-2004-0034, ER-2005-0436, and ER-2007-0004.

Q. Were there any adjustments made to actual paid claims for the test year ended December 31, 2007, that has been included in the three-year average calculation?

A. Yes. Actual claims paid during the test year ended December 31, 2007 were adjusted for a significant payment for a General Liability Claim that was made in the first quarter of 2008. However, the accrual for this claim was recorded on the general ledger during 2007, and is therefore reflected in per book expense account 925000. This adjustment was made to ensure that the claim is properly reflected in both the liability and expense account used to calculate the appropriate on-going level of injuries and damages expense for MPS in this case.

Q. Please continue explaining how the I&D expense adjustment was completed.

A. The annualized level of I&D expense for MPS was then compared to the electric claim accruals recorded in FERC Account 925000 during the test year ended December 31, 2007. An appropriate jurisdictional factor was applied to the resulting amount.

Q. What was the amount of the MPS Adjustment No. 30, I&D expense for this rate case proceeding?

A. Please refer to Schedule RAK-4 attached to my direct testimony for the adjustment total.

L&P:

A. L&P employed the same method as MPS for calculating the annualized level of I&D expense to include in its rate case filing. First, a three-year payout history was obtained from FERC Account 228.2 that shows the payout history for I&D. From this payout history, a three-year average was calculated on actual electric claims paid for the 12 months ended December 31, 2005, 2006, and 2007.

Q. Were there any adjustments made to actual electric paid claims for the test year ended December 31, 2007, that has been included in the three-year average calculation?

A. No.

Q. Please continue.

A. After calculating L&P's three-year average electric claim payout, an electric/steam A&G allocation percentage was applied to the three-year average to determine L&P's annualized level of I&D expense for its electric operations.

Q. Please continue explaining how the I&D expense adjustment was completed.

A. The annualized level of I&D expense for L&P's electric operations was then compared to the electric claim accruals recorded in FERC account 925000 during the test year ended December 31, 2007.

Q. What was the amount of the L&P Adjustment No. 30, I&D expense for this rate case proceeding?

A. Please refer to Schedule RAK-4 attached to my direct testimony for the adjustment totals.

<u>CS-35 BAD DEBT (MPS and L&P)</u>

Q. What is the purpose of the bad debt adjustment in CS-35?

A. The bad debt adjustment updates MPS and L&P's electric jurisdictional test year per book bad debt expense to be consistent with the rate case weather-normalized electric jurisdictional revenue levels. The first step annualizes the companies' uncollectible accounts using net write-offs to an annualized level for the test year. The annualized level of bad debt expense is calculated by multiplying the actual average net write-off rate for the last 3 years (2005-2007) by the adjusted test year level of annualized jurisdictional electric operating revenues.

Q. Why was a three-year average chosen?

A. Net write-offs will vary from year to year. A three-year average better represents an on-going level of bad debt expense for MPS and L&P by leveling out fluctuations in bad debt write-offs due to economic or company policies that can exist from one year to the next. This method is also consistent with the method used by the Commission Staff in MPS's last rate proceeding, Docket No. ER-2007-0004.

Q. Please continue.

A. The new electric jurisdictional bad debt level is compared with MPS & L&P's electric jurisdictional per books test year bad debt expense. The difference is the electric jurisdictional bad debt adjustment.

Q. What was the amount of Adjustment No. 35, bad debt expense for this rate case proceeding?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-40 PSC ASSESSMENT (MPS and L&P)

Q. Please explain the purpose of Adjustment No. CS-40.

A. Adjustment No. CS-40 annualizes the Commission's assessment for the fiscal year beginning July 1, 2008 through June 30, 2009.

Q. How was the annualized assessment computed?

A. The actual assessment for the fiscal year beginning July 1, 2008 was obtained from the Commission's letter of assessment notice. The total electric assessment, as stated on the letter of assessment notice, was compared to per books data for the test year. Since it is known that this cost will be incurred, an adjustment was made for the difference to account for the increase over the prior year's assessment. Current assessments are known and measurable and should be reflected in the rates established in this case.

Q. What is the adjustment amount in this case for the PSC Assessment?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-45 CUSTOMER DEPOSIT - INTEREST (MPS and L&P)

Q. How is the customer deposit interest, Adjustment No. CS-45 calculated?

A. Customer deposit interest is calculated by multiplying an interest percentage (currently one percentage point (1%) above the prime rate published in the Wall Street Journal, on the first business day in December of the prior year) by the customer deposit balance reflected in Adjustment No. RBO-10. The calculation for customer deposits included in this case was discussed earlier in my testimony.

Q. What interest rate was used to determine the customer deposits interest adjustment?

A. An interest rate of eight and a half percent (8.5%) was used.

Q. What was the total customer deposit interest adjustment for both MPS and L&P?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-50 RATE CASE EXPENSE (MPS and L&P)

Q. Please explain Adjustment No. CS-50.

A. This adjustment is an estimate of rate case expense that MPS/L&P expects to incur during this electric rate proceeding. The estimate is based on the level of actual expenses incurred in MPS/L&P's three prior rate cases and expenses anticipated in the current case. The estimated amount is amortized over a two year period.

Q. Why was a two year amortization period chosen?

A. Based on MPS/L&P's recent rate case history, a two-year average seems most indicative of future rate case proceedings.

Q. What was the total Rate Case Expense adjustment for both MPS and L&P?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-57 TRANSMISSION EXPENSE (MPS and L&P)

Q. What is the purpose of adjustment CS-57 Transmission Expense made to MPS and L&P?

A. The purpose of this adjustment is to annualize the firm electric transmission secured by MPS and L&P under current purchased power contract obligations and compare it to the actual per book electric transmission expense for the test year ending December 31, 2007.

Q. How was the annualized level of transmission expense calculated for MPS and L&P?

A. The annualized level of MPS and L&P transmission expense was computed by multiplying the contract transmission capacity in MWs by the corresponding contract price in dollars per MW-month for a fixed one-year period. For Crossroads transmission expense, only the months of June through September were included. For additional discussion of Crossroads transmission expense, see the testimony of GMO witness Davis Rooney. Other intermittent transmission services were secured and used to transport off-system sales and economy energy (energy purchased at spot prices lower than on-system peaking generation) during the test year ending December 31, 2007. The per book amounts of intermittent transmission expense recorded during the test year have been used for the annualized level for purposes of this rate filing. The total annualized level of transmission expense was then compared to actual transmission expense for the test year, resulting in an adjustment to MPS's cost of service.

Q. What is the adjustment amount in this case for MPS and L&P's transmission expense?

A. Please see Schedule RAK-4 for the adjustment totals.

<u>CS-60 DUES AND DONATIONS (MPS and L&P)</u>

Q. Please explain Adjustment No. CS-60, Dues and Donations Expense.

A. This adjustment eliminates all dues and donations charged above-the-line to MPS and L&P's electric operations except Edison Electric Institute ("EEI") and Electric Power Research

Institute ("EPRI") dues. The expenses relating to EEI and EPRI have been included in both MPS and L&P's cost of service because they provide a benefit to ratepayers.

Q. What benefit does EEI provide to ratepayers?

A. EEI fosters the exchange of information on topics such as utility operations and environmental legislation. Member utilities and other interested parties rely upon EEI for authoritative analysis and critical industry data. EEI also conducts forums for member company representatives to discuss issues and strategies to advance the industry and to ensure a competitive position in a changing marketplace, resulting in significant savings for GMO that can be passed on to both MPS and L&P customers.

Q. What are some examples of program areas and services that EEI provides to the Company?

A. There is involvement in various EEI committees and general services that they provide to members. The Committees deal with specific industry issues which in many cases initiates development of various products and services, some of which are exclusive for use by members only. The following is a listing of program areas and services that provide a direct benefit to the Company:

- Environmental;
- Finance & Accounting; and
- Infrastructure: Generation, Transmission and Distribution.

Q. Have any lobbying costs associated with EEI been eliminated from this adjustment?

A. Yes. Percentages associated with lobbying activity compared to all other EEI activities were obtained from EEI and used to calculate the disallowance of lobbying expenditures. The calculated percentage disallowance related to lobbying activity was applied to the

2008 EEI invoice and recorded to the general ledger to non-utility expense. The percentages are based on EEI's estimated lobbying expenditures utilizing calendar year 2006 actuals which were identified as lobbying and political expenditures under the Lobbying Disclosure Act of 1995.

Q. What was the treatment of EEI expenditures in MPS and L&P's last rate case filing in Case No. ER-2007-0004.

A. Company adjustment workpapers and Commission Staff workpapers both included the EEI expenditures less lobbying activities in its cost of service filing.

Q. What benefit does EPRI provide to ratepayers?

A. EPRI was established in 1973 as an independent, non-profit center for electricity and environmental research. EPRI addresses critical industry issues and conducts research on behalf of its members. Through a collaborative effort, EPRI is able to bring together members, scientists, engineers and other experts in an effort to uncover solutions to challenges that face the electric power industry. EPRI's focus and solutions encompass every aspect of the electric industry, from generation, delivery and end-use, with special focus on health, safety, and the environment.

Q. What was the treatment of EPRI expenditures in MPS and L&P's last rate case filing in Case No. ER-2007-0004.

A. Company adjustment workpapers and Commission Staff workpapers both included the EPRI expenditures in its cost of service filing.

Q. What was the amount of the MPS and L&P Adjustment No. 60, Dues and Donations Expense for this rate case?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-65 ADVERTISING (MPS and L&P)

Q. Please explain Adjustment No. CS-65, Advertising Expense.

A. This adjustment eliminates all advertising expenses recorded to above-the-line accounts for the test year ending December 31, 2007, except those expenses for informational and safety advertisements that directly benefit MPS and L&P electric customers.

Q. What do the informational and safety advertisements consist of?

A. The informational and safety advertising expenses remaining in operating expenses relate to news releases, customer bill inserts, newspaper advertisements, customer handbooks and newsletters. Informational advertisements such as local community ads are placed from time to time to inform the public of the Company's specific contact information such as phone and website address. Such ads are placed in community guides or chamber of commerce directories published annually that are distributed, for example, to new residents moving into the area. Special safety articles are placed throughout the year, which are distributed to customers on a quarterly basis.

Q. Has the Company provided additional work paper support in this rate filing that has not been provided in the past for the Advertising adjustment?

A. Yes, based on discussions with Staff during pre-hearing conferences held during the Missouri rate case, Case No. ER-2005-0436 and also provided in Case No. ER-2007-0004, the Company has included with this rate filing a detailed listing of source journals for advertising expenses that were recorded to the general ledger for the twelve months ended December 31, 2007, prior to being allocated out to the various business units, specifically the MPS and L&P electric divisions. The 2007 allocation percentages were applied by department to the total invoice amounts to determine MPS and L&P's

allocated electric share. This is provided in the work paper support for Adjustment No. CS-65.

Q. What was the amount of the MPS and L&P Adjustment No. 65, Advertising Expense for this rate case?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-70 POSTAGE EXPENSE (MPS and L&P)

Q. Please describe the Postage Expense, Adjustment No. CS-70.

A. Effective May 12, 2008 U.S. Postal Service rates increased. This adjustment reflects the estimated increase in postage expense associated with the number of MPS and L&P electric customer bills processed annually.

Q. What was the increase in the first class stamp postage rate?

A. Effective May 12, 2008 the first class stamp postage rate increased from $0.41 to $0.42.

Q. How was the annual number of MPS and L&P electric customer bills determined?

A. The annual number of MPS and L&P electric customer bills was determined by taking the number of customer bills processed in December 2007 for all appropriate MPS and L&P electric rate classes, and multiplying by 12 months.

Q. Please explain the utility allocation of this adjustment.

A. Customer rate classes were used to determine electric utility classification. Since all customer rate classes for this adjustment correspond to electric product customers, a 100% jurisdictional factor was applied to the estimated electric customer postage expense increase.

Q. What was the total postage expense adjustment for both MPS and L&P?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-80 OUTSOURCE METER READING (MPS Only)

Q. Please describe adjustment CS-80 Outsource Meter Reading.

A. The Company contracts with CORIX Utilities (CORIX), formerly Terasen Utility Services U.S., Inc., a third party service provider to perform meter reading and related services for a large portion of MPS's service territory, pursuant to a Service Agreement. This adjustment annualizes Outsource Meter Reading expense based on current Service Agreement pricing.

Q. Please explain how this adjustment was calculated.

A. The estimated number of meter reads performed by CORIX was determined by dividing the total dollar amount paid for services provided by CORIX for the year ended December 31, 2007 by the old contract rate in effect for 2007. The new "2008 price per meter read" as reported in the January 1, 2006 Service Agreement between Aquila, Inc. and Terasen (now CORIX), was applied to the estimated number of meter reads, to arrive at the annualized level of Outsourced Meter Reading expense. The annualized level of Outsourced Meter Reading expense was compared to the amount of book expense reported for the period ending December 31, 2007.

Q. What was the total adjustment for MPS Outsource Meter Reading?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-82 MPS SHARE OF JEC AND L&P SHARE OF IATAN EXPENSES

JEC EXPENSE (MPS Only)

Q. Please explain the MPS Share of JEC Expense, Adjustment CS-82.

A. This adjustment begins with the MPS share of Jeffrey Energy Center ("JEC") operating and maintenance ("O&M") and administrative and general ("A&G") expenses, excluding JEC activity considered in other rate case adjustments. JEC activity considered in other adjustments includes labor, fuel operating expense, SO2 allowances, and transmission expense. Westar Energy ("Westar") operates JEC as a department within its KPL business unit. Westar reports the MPS share of JEC related O&M and A&G activity through monthly billings. In addition, Westar bills directly to MPS costs associated with generation support and pension and benefits. Generation and support costs represent billings for employees who work to support JEC's daily operations, but do not charge their time directly to the JEC department within Westar's KPL business unit. Included in the generation support costs are loadings for pension and benefits.

Q. Please explain how this adjustment was calculated.

A. The adjustment normalizes test year activity for the MPS share of JEC O&M and A&G costs as well as the direct costs related to generation support and pension and benefits. Normalizing activity includes reviewing recorded transactions and adjusting for any significant abnormalities that make the test year period not representative of an on-going level of expense.

Q. Were there any adjustments related to activity during the test year ending December 31, 2007?

A. Yes. Accounting activity related to periods outside of the test year is removed to establish an on-going level of expense representative of the test year.

Q. Were there other adjustments to normalize the MPS share of JEC activity?

A. Yes. For 2008, the A&G load rate was decreased from 22.02% to 21.56%. As a result, an adjustment to decrease A&G expense is proposed to reflect the on-going level of A&G activity.

Q. How is the MPS share of JEC A&G expense calculated?

A. The MPS share of JEC A&G expense is calculated by multiplying total adjusted O&M expense activity related to A&G, by the new A&G loading rates effective for 2008.

Q. What was the total MPS share of JEC expense adjustment?

A. Please see Schedule RAK-4 for the adjustment totals.

IATAN EXPENSE (L&P Only)

Q. Please briefly discuss the nature of L&P's Share of Iatan, Adjustment No. CS-82.

A. Monthly accruals are performed related to L&P share of Iatan expenses. A year-end true-up is assessed based on review of the Iatan Summary of Transactions. The year-end Iatan Summary of Transactions reports L&P's actual share of Iatan expenses for the year being reported. The year-end true up corrects for the over or under accrual L&P recorded throughout the year.

Q. Please explain the purpose of the L&P Share of Iatan Adjustment No. CS-82.

A. The purpose of the adjustment is to normalize the 2007 test year to reflect on-going expense levels. Normalizing activity includes reviewing recorded transactions and adjusting for any significant abnormalities that make the test year period not representative of an on-going level of expense.

Q. Were there any adjustments related to test year activity considered?

A. Yes. There were 2007 true-up adjustments made in January 2008, related to 2007 activity. In addition, there were 2006 true-up adjustments made in January 2007, related to 2006 activity. The true-up adjustments represent corrections to accruals based on actual billings received after year-end. Activity related to periods outside of the test year is removed to establish an on-going level of expense representative of the test year.

Q. What was the total adjustment for L&P Share of Iatan?

A. Please see Schedule RAK-4 for the adjustment totals.

<u>CS-83 MISCELLANEOUS TEST YEAR ADJUSTMENTS (MPS and L&P)</u>

Q. Please explain Adjustment No. CS-83, Miscellaneous Test Year Adjustments.

A. Adjustment No. CS-83 includes miscellaneous adjustments to eliminate certain transactions recorded during the test year from the cost of service filing in this rate case.

An appropriate jurisdictional factor was applied to each adjustment amount. The following is a detailed listing of each adjustment:

- **South Harper Legal Fees (MPS)**: Includes the elimination of amounts that were written off during the test year for disallowances of South Harper legal costs consistent with past rate case filing practices.
- **Discretionary Bonuses (MPS and L&P):** Includes the elimination of certain bonus transactions recorded. The transactions that were eliminated relate to merger activity, asset sales, and California litigation that should not be charged to regulated operations.
- **Duplicate Payment Coding (MPS and L&P):** Includes the elimination of a duplicate payment that was reversed during the test year to FERC Account 930.2, but should have been reversed to a below-the-line account.
- **GUS Project Settlement (MPS and L&P):** Includes the elimination of a one time settlement received from a lawsuit involving the GUS project. The GUS project was a graphical user interface application to be used for call center enhancements. It was determined that the system no longer fit the Company's needs and the decision was made to abandon the project. The costs of this project were eliminated in the prior rate case filing in Docket No. ER-2007-0374.
- **750 Building Lease Payments (MPS and L&P):** Includes the elimination of any lease payments that were made during the test year for the 750 building in Raytown. This lease was terminated during the test year, and therefore, no longer a part of ongoing operations.

- **<u>Allocations Review Process (MPS and L&P):</u>** Includes the elimination of any transactions that were discovered during the corporate cost allocations analysis that should not be charged to regulated operations. This review is conducted of retained costs held at the corporate level, as well as charges allocated to regulated operations.

Q. What was the amount of Adjustment No. CS-83, Miscellaneous Test Year Adjustments for MPS and L&P?

A. Please see Schedule RAK-4 for the adjustment totals.

<u>CS-84 TRANSITION COSTS ASSOCIATED WITH ST. JOE MERGER (MPS AND L&P)</u>

Q. What are transition costs?

A. When a merger occurs costs are incurred to accomplish the merger, called transaction costs. Additionally, after the merger is accomplished, costs are incurred to align staffing, coordinate systems, and implement other changes that will allow synergies and economies of scale to be brought about, called transition costs. To achieve economies of scale benefits, transition costs were incurred by Aquila when it acquired L&P.

Q. Were transition costs associated with the L&P merger included in cost of service in MPS and L&P's prior two rate case filings?

A. Yes. As stated in the Nonunanimous Stipulation and Agreement in Case No. ER-2005-0436 on page 8 item 12:

> *Aquila agrees not to seek rate recovery of additional transition costs associated with its merger with St. Joseph Light & Power Company beyond the annual amortization amount settlement agreement between Company and Staff.*

Q. What was the amount of total transition costs allowed in Case No. ER-2005-0436 and ER-2007-0004?

A. Total transition costs allowed were $4,959,664. These costs are being amortized over a ten year period.

Q. Has the Company included the unamortized costs in rate base?

A. No it has not. The Company has only asked for a “return of” transition costs not for a “return on” the unamortized balance.

Q. What was the amount of Adjustment No. CS-84, St. Joseph Merger Transition Cost Adjustments for MPS and L&P?

A.. Please see Schedule RAK-4 for the adjustment totals.

<u>CS-85 PAYROLL TAXES (MPS and L&P)</u>

Q. What types of payroll taxes are included in the payroll tax adjustment, Adjustment No. CS-85?

A. The payroll tax adjustment includes Social Security Tax (“SS”) and Medicare taxes.

Q. How was the payroll tax adjustment calculated?

<u>SS</u>

A. During 2008, the first $102,000 of an employee’s compensation will be taxed at the SS tax rate of 6.2%. Therefore, SS payroll tax ratios had to be computed and applied to the total annualized payroll. The SS ratios were computed by using the salary and wage database as of June 1, 2008. All salary and wage costs up to a limit of $102,000 were totaled and divided by the total salary and wage costs to obtain the SS payroll tax ratios. The ratios computed were applied to the annualized payroll amounts to compute an annualized SS tax amount. The SS tax adjustments are the differences between the annualized SS taxes and the per book test year SS taxes. The capitalization rate was then applied to the adjustment total to eliminate that portion of the SS tax adjustment that pertains to non-operating expenses. In addition, the appropriate jurisdictional factors were applied to the resulting adjustment.

MEDICARE

A. Unlike the SS tax rate, the Medicare tax rate of 1.45% does not contain a payroll dollar ceiling. Therefore, the 1.45% was directly applied to total annualized payroll. The result was compared to the Medicare tax per book amount for the 12 months ending December 31, 2007. The difference between the annualized level of Medicare tax and the per book Medicare tax represents the adjustment to Medicare taxes. The capitalization ratio is applied to the adjustment amount to exclude the payroll taxes that are capitalized. Finally, the appropriate jurisdictional amounts are applied to the result.

Q. What were the Payroll Tax adjustments for MPS and L&P?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-90 PROPERTY TAXES (MPS and L&P)

Q. Please describe Adjustment No. CS-90, the Property Tax.

A. This adjustment annualizes property tax expense associated with plant-in-service as of December 31, 2007.

Q. Please explain the methodology used for annualizing property tax expense.

A. A ratio was developed based on property taxes paid in 2007 as a percent of gross plant at December 31, 2006. For purposes of developing the ratio, gross plant is defined as direct plant-in-service, common plant-in-service, fuel stock, fuel stock expense undistributed, plant materials & supplies, stores expense undistributed, and gas stores underground – current. Balances for gross plant were obtained from the 2006 FERC Form 1, as property taxes paid in 2007 were based on the assessed values of 2006 plant assets. The resulting percentage from the above ratio was applied to the test year-end level of direct and allocated Plant In Service, Materials & Supplies, and Fuel Stock. The result represents the annualized level of property tax expense. The annualized level of property tax expense was then compared to the amount of property tax expense recorded on the books for the test year 2007, net of jurisdictional allocation.

Q. What was the total property tax expense adjustment for both MPS and L&P?

A. Please see Schedule RAK-4 for the adjustment totals.

<u>CS-95 DEPRECIATION EXPENSE (MPS and L&P)</u>

Q. Please explain the CS-95, depreciation expense adjustment.

A. This adjustment computes the annualized depreciation expense on the MPS and L&P plant in service for both direct and allocated plant at March 31, 2009. Earlier in my testimony, I discussed the definition of direct and allocated plant.

Q. How was the plant-in-service computed for the depreciation calculation?

A. The plant-in-service for the depreciation calculation is calculated using the adjusted ending balance of electric gross plant, both direct and allocated, at December 31, 2007 plus any projected capital additions between January 1, 2008 and March 31, 2009.

Q. What depreciation rates are used in your depreciation calculation?

A. The rates used for depreciation annualization calculations for MPS electric and L&P electric direct plant and for corporate allocated assets are the approved deprecation rates in the last rate case, Case No. ER-2007-0004.

Q. Was a depreciation study conducted and filed in accordance with the Stipulation and Agreement approved in rate case ER-2007-0004 and has this caused any changes to the depreciation rates used in this rate case?

A. The study was conducted. However, we are not now proposing any changes to the current approved depreciation rates.

Q. Why are no changes in the depreciation rates being proposed?

A. The depreciation study was conducted prior to the Great Plains Energy acquisition of Aquila, Inc. It is anticipated that once the capital project of the building of the Iatan 2 Coal fired generation facility is complete that there will be a system wide depreciation study conducted on all KCP&L and GMO operations. As such, no changes have been proposed to the depreciation rates as were approved in Case No. ER-2007-0004.

Q. What were the total depreciation expenses included in this rate filing?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-98 SIBLEY AAO AMORTIZATION (MPS Only)

Q. Please describe Adjustment No. CS-98, Sibley AAO Amortization.

A. As discussed in rate base adjustment, RB-40 Accounting Authority Order established in connection with the 1990 and 1992 Sibley Rebuild and Western Coal Conversion Projects, the Company was granted rate base treatment of the unamortized balances in Case No. ER-2007-0004. As such, Adjustment CS-98 represents the recording of the annual amortization of the amounts included in rate base associated with the Sibley AAO's.

Q. What was the total of adjustment CS-98 for MPS?

A. Please see Schedule RAK-4 for the adjustment totals.

CS-100 2007 ICE STORM AAO AMORTIZATION (L&P ONLY)

Q. Please explain the purpose of Adjustment No. CS-100, L&P Ice Storm Amortization.

A. In December 2007, severe winter storms struck L&P's electric service territory disrupting electric service to thousands of L&P customers covering almost 90% of the customers in L&P's service territory. As a result, the Company incurred significant costs to support outside crews, incurred extraordinary overtime and related expenses, as well as capital costs associated with the replacement of outside plant damaged or destroyed by the storm. Accordingly, an application was filed requesting that the Commission issue an Accounting Authority Order ("AAO") authorizing the Company to defer and record to Account 182.3, as a regulatory asset, incremental maintenance costs associated with the December 2007 ice storms to be amortized over a five-year period commencing in January 2008.

Q. Was an AAO granted?

A. Yes, the Commission ruled that an AAO should be granted for the L&P service territory.

Q. What criteria or standards did the Commission rely upon in making its decision?

A. The Commission relied upon criteria established in the early 1990's related to a Sibley case, where the Commission stated that it would consider the appropriateness of granting an AAO on a case by case basis. Criteria included events that are unusual in nature, extraordinary and non-recurring. The Commission concluded that the December 2007 ice storm and resulting costs incurred fit this criteria for the L&P service territory.

Q. Please explain Adjustment No. CS-100 made to L&P's cost of service.

A. Adjustment No. CS-100 annualizes a full year of L&P ice storm amortization expense, beginning in January 2008, consistent with the order granting the AAO in Case No. EU-2008-0233.

Q. What was the amount of amortization expense included in L&P's cost of service for purposes of this rate filing?

A. Please see Schedule RAK-4 for the adjustment totals.

<u>TAX-1 CURRENT AND DEFERRED INCOME TAX CALCULATION</u>

(MPS and L&P)

Q. Please explain the current income tax expense adjustments calculated in Schedule 8 of MPS and L&P's revenue requirement models.

A. Certain adjustments are made to net income to compute the current provision for income tax expense. These adjustments begin by taking adjusted net income and applying various adjustments which are either added to or subtracted from net income to obtain net taxable income for ratemaking. The adjustments are the result of various book versus tax timing differences and their implementation under separate tax methods: flow-through versus normalization. The resulting net taxable income for ratemaking is then multiplied by the appropriate federal and state tax rates to obtain the current provision for income taxes. A federal tax rate of 35 percent and a state income tax rate of 6.25 percent were used in this calculation. The difference between the calculated current income tax provision and the per book income tax provision is the current income tax provision adjustment.

Q. Please describe the adjustments to net income before taxes.

A. The following are adjustments made to net income before taxes:

- Book depreciation (including transportation depreciation) expense is added to net income, to avoid deducting book depreciation amounts for income tax purposes. Tax straight-line depreciation replaces book depreciation as a deduction from income for the income tax calculation as discussed below.
- Schedule M timing differences, including meals and entertainment, contributions in aid of construction and advances for construction recorded for the 2007 tax year have been added back to income. These amounts have historically been included as an add

back in determining the current income tax provision. The timing differences associated with contributions in aid of construction and advances for construction are normalized with deferred income taxes computed as discussed below.

- Interest expense is subtracted from net income before taxes. It is calculated by multiplying net rate base by the weighted average cost of debt proposed in this proceeding. This interest synchronization technique ensures the interest deduction in the income tax expense calculation equals the interest expense provided in rates.
- Tax depreciation is subtracted from net income. It is divided into two components: (1) tax straight-line depreciation and (2) tax depreciation in excess of tax straight-line depreciation. Tax straight-line depreciation represents book depreciation expense restated to reflect the tax basis of plant in service. No deferred taxes are provided for tax straight-line depreciation; thus it can be considered a flow through item. Tax depreciation in excess of tax straight-line depreciation is simply the difference between the tax straight-line depreciation calculation and the total tax depreciation deduction. The excess tax depreciation is normalized in this filing, thus the appropriate deferred income tax amounts are provided for in the income tax provision calculation.
- IRC Section 199 deduction for domestic production activities. This calculated deduction is subtracted from net income. Only the MPS jurisdiction qualifies for this deduction.

Q. Please explain how the tax straight-line depreciation amount was computed in this rate case filing for both MPS and L&P.

A. As stated in Appendix E of the Unanimous Stipulation and Agreement in Case Nos. ER-2004-0034 and HR-2004-0024, Aquila agreed to complete a formal tax study to develop the best methodology for computing regulated income tax expense. The study was agreed to again in the Nonunanimous Stipulation and Agreement in Case No. ER-2005-0436. In particular, the study is to develop a mutually agreeable basis for computing a tax deduction associated with depreciation expense for ratemaking purposes. As such, Aquila agreed to the following:

> *The Staff method used to calculate the tax deduction for book depreciation in the calculation of regulated income tax expense in this case will continue to be used in future rate cases until this study is completed or another method is mutually agreed upon.*

As such, the method proposed by Staff in Case No. ER-2004-0034 has been used to compute the tax straight-line depreciation amount for this rate case filing.

Q. Please discuss the status of the tax study that was agreed to in Case No. ER-2004-0034.

A. At the time of this filing, the Company is ready to discuss the tax study with Commission Staff and begin working on steps required to complete the next phase of the study. The tax study addressed three main goals that were outlined in Appendix E of the Unanimous Stipulation and Agreement in Case No. ER-2004-0034 for Phase 1 of the study. These goals were:

> *1. Identify the difference between the book and tax basis of the property by year the property was first placed in service.*
> *2. Identify the difference in methods used to determine the amount of book depreciation expense versus the method used to determine the amount of straight-line tax depreciation used to calculate regulated income tax expense.*
> *3. Identify sources of data relevant to Phase 1 of the study.*

Q. What specific issues need to be addressed associated with the Tax Study?

A. First, the Company would like to discuss the progress of the study with Commission Staff. Due to the complexity of the nature of this study, a significant amount of time has passed since the initiation of this study. As such, the Company would like to focus on key areas yet to be addressed. Secondly, the Company would like to discuss further the handling of the pre-1981 cost of removal regulatory asset that currently exists on the books of MPS and L&P.

Q. Please discuss what is meant by the pre-1981 cost of removal regulatory asset?

A. In some prior rate cases, the amounts incurred each year for cost of removal related to assets placed in service before 1981 were flowed-through for rate making purposes. That is, the tax deduction reflected in the income tax provision was based on actual cost of removal incurred, resulting in a reduction of tax expense included in cost of service for those years. The tax benefit was recognized as a regulatory asset on the books. The Company expects that the pre-1981 cost of removal timing difference will reverse in future years as the tax expense is flowed through to ratepayers.

Q. Do you have a recommendation as to how the existing pre-1981 regulatory asset should be treated for ratemaking purposes?

A. The Company requests that the pre-1981 regulatory asset be amortized into rates over a time period to be determined based on the Company's discussions with Staff. This will reduce the uncertainty around the timing of the reversal related to the pre-1981 regulatory asset.

Q. Has the amortization of the pre-1981 cost of removal regulatory asset been reflected in the case?

A. No. The Company has not included in MPS's cost of service any reflection of the amortization of the pre-1981 cost of removal regulatory asset. The Company would like to discuss this issue with Commission Staff to obtain the appropriate periods on which to amortize the amount and include such amortization in the true-up in this proceeding.

Q. Does this issue exist for MPS and L&P?

A. Yes.

Q. Does the tax study cover both MPS and L&P?

A. No the tax study was undertaken initially only for the MPS jurisdiction, but the Company would like to discuss the pre-1981 cost of removal issue for both MPS and L&P.

Q. Please describe the deferred income tax adjustment.

A. The deferred income tax adjustment consists of three components:

1. Schedule M timing differences: contributions in aid of construction and advances for construction. These amounts are tax affected and normalized consistent with Staff's calculation in the prior rate case filing.
2. The second component of deferred tax expense represents the tax affected timing difference between tax straight-line depreciation expense and tax depreciation expense. This is consistent with the normalization calculation in the previous rate case filing.
3. The third component includes an amortization of excess deferred income taxes resulting from the 1986 Tax Reform Act, which created excess deferred tax amounts associated with depreciation timing differences. As such, an amortization has been created to amortize excess deferred taxes created from the change in tax rates back to customers.

The combination of the above three components make up the amounts recorded as deferred income tax expense.

Q. What was the amount of the MPS and L&P current and deferred income tax expense adjustment for this rate case proceeding?

A. Please see Schedule RAK-4 for the adjustment totals.

CAPITALIZATION RATIO (MPS and L&P)

Q. What is the capitalization ratio?

A. The capitalization ratio represents the portion of cost that is not operational or maintenance in nature. Among those items not considered operational are all capital and balance sheet accounts and other income/deduction "below-the-line" accounts. Since a portion of these labor dollars are capitalized, the adjustment is decreased by a factor of one minus the capitalization rate to arrive at only the portion of benefits that should be expensed in the test year. The capitalization ratio is included in various cost of service adjustments previously discussed in my testimony.

Q. Does this conclude your direct testimony?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Aquila, Inc. dba)
KCP&L Greater Missouri Operations Company to) Case No. ER-2009-____
Modify Its Electric Tariffs to Effectuate a Rate Increase)

AFFIDAVIT OF RONALD A. KLOTE

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

Ronald A. Klote, being first duly sworn on his oath, states:

1. My name is Ronald A. Klote. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Senior Manager, Regulatory Accounting.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Aquila, Inc. dba KCP&L Greater Missouri Operations Company consisting of Seventy-three (73) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Ronald A. Klote
Ronald A. Klote

Subscribed and sworn before me this 5th day of ~~August~~ September 2008.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4 2011

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200

Aquila Networks - L&P (Electric)
Case No. ER-xxxx-xxxx
Twelve Months Ended December 31, 2007

Revenue Requirement

Line			9.287% Return
(a)	(b)		(c)
1	Net Orig Cost of Rate Base (Sch 2)	$	305,034,038
2	Rate of Return		9.287%
3	Net Operating Income Requirement	$	28,329,121
4	Net Income Available (Sch 7)	$	17,815,290
5	Additional NOIBT Needed		10,513,832
6	Additional Current Tax Required	$	6,551,168
7	Gross Revenue Requirement		17,065,000

Aquila Networks - L&P (Electric)
Case No. ER-xxxx-xxxx
Twelve Months Ended December 31, 2007

Rate Base

Line No.	Line Description	Amount
(a)	(b)	(c)
	Total Plant :	
1	Total Plant in Service-L&P Only (Sch 3)	501,436,515
1a	Total Plant in Service-L&P' Share of Corp (Sch 3a)	20,102,254
	Total Plant	521,538,769
	Subtract from Total Plant:	
2	Depr Reserve-L&P & Corp Share (Sch 5)	221,252,336
	Total Depreciation Reserve	221,252,336
	Net (Plant in Service)	300,286,433
	Add to Net Plant:	
3	Cash Working Capital	(1,806,222)
4	Materials and Supplies	7,504,997
5	SO2 Emission Allowances	9,802,494
6	Prepayments	1,211,621
7	Prepayments - Pension	14,444,713
8	Fuel Inventory - Oil	1,388,665
9	Fuel Inventory - Coal	5,976,709
10	Fuel Inventory - Other	117,127
11	Fuel Stock - Undistributed	307,951
12	Deferral of DSM/EE Costs	498,064
13	Regulatory Asset - ERISA Minimum Tracker	0
	Subtract from Net Plant:	
14	Customer Advances for Construction	153,400
15	Customer Deposits	1,143,064
16	Deferred Income Taxes	33,328,159
17	Regulatory Liability - ERISA Minimum Tracker	73,889
	Total Rate Base	305,034,038

Aquila Networks - L&P (Electric)
Case No. ER-xxxx-xxxx
Twelve Months Ended December 31, 2007

Income Statement

Line No.	Description	Total Electric	Adjustment	Jurisdictional As Adjusted
(a)	(b)	(c)	(d)	(e)
1	Operating Revenue	135,290,395	8,155,688	143,446,083
2	Operating & Maintenance Expenses:			
3	Production	80,748,548	(10,060,910)	70,687,638
4	Transmission	6,286,481	375,993	6,662,474
5	Distribution	6,075,575	1,600,324	7,675,899
6	Customer Accounting	2,600,352	255,653	2,856,005
7	Customer Services	142,327	6,880	149,207
8	Sales	83,695	(5,749)	77,946
9	A & G Expenses	15,194,219	(1,640,166)	13,554,052
10	Total O & M Expenses	111,131,196	(9,467,974)	101,663,222
11	Depreciation Expense	11,726,265	2,414,313	14,140,577
12	Amortization Expense	52,391	1,589,436	1,641,827
13	Taxes other than Income Tax	4,153,119	(314,511)	3,838,608
14	Net Operating Income before Tax	8,227,424	13,934,424	22,161,849
15	Income Taxes	(1,362,384)	5,534,698	4,172,314
16	Income Taxes Deferred	3,242,515	(2,909,785)	332,729
17	Investment Tax Credit	(158,484)	-	(158,484)
18	Total Taxes	1,721,647	2,624,913	4,346,559
19	Total Net Operating Income	6,505,778	11,309,512	17,815,290

Aquila Networks - L&P (Electric)
Case No. ER-xxxx-xxxx
Description of Adjustments to Net Operating Income
Twelve Months Ended December 31, 2007

Adj No. (a)	Description of Adjustment (b)	Witness (c)		Increase (Decrease) (d)
R-10	**Revenue Normalization Adjustment**	T. Rush	$	14,327,606
	This adjustment adjusts test period revenues to reflect normal cooling and heating degree days, to annualize customers and to adjust other miscellaneous revenue.	G. McCollister		
	R-10 - IEC Revenue			(916)
	R-10 - FAC Revenue			(3,640,131)
	R-10 - Unbilled Revenue			(1,634,271)
	R-10 - Rate Increase			5,188,308
	R-10 - Weather Normalization			(1,284,397)
	R-10 - Customer Annualization Adjustment			1,960,115
	R-10 - Unbilled Revenue Adjustment (weather related)			1,001,105
	R-10 - Annualized FAC Revenue			12,737,790
R-30	**Inter-company Off-System Revenue**	R. Klote	$	(3,157,345)
	This adjustment eliminates inter-company off-system revenue between L&P and MPS from the test year.			
R-35	**Off-System Sales Revenue**	T. Rush	$	(3,014,573)
	This adjustment adjusts test period off-system sales revenue to reflect anticipated annualized off-system revenue.			
FPP-10	**Fuel and Purchased Power Energy**	D. Rooney	$	(285,160)
	This adjustment annualizes fuel and the energy component of purchased power along with fuel adders.			
FPP-17	**Amortization of Proceeds from EPA Auction Process**	R. Klote	$	(14,258)
	This adjustment amortizes accumulated proceeds from the EPA auction process over a 5-year period.			
FPP-20	**Purchased Power (Capacity)**	D. Rooney	$	(5,800,000)
	This adjustment annualizes the demand component of purchased power.			
FPP-30	**Inter-company Off-System Fuel & Purchased Power**	R. Klote	$	(3,157,341)
	This adjustment eliminates inter-company off-system fuel & purchased power between L&P and MPS from the test year.			
FPP-35	**Cost of Off-System Sales**	T. Rush	$	(1,506,009)
	This adjustment adjusts test period off-system fuel, purchased power and transmission costs to reflect annualized anticipated margins.			
CS-5	**Payroll**	R. Klote	$	783,507
	This adjustment annualizes payroll expense.			
CS-11	**Benefits**	R. Klote	$	481,424
	This adjustment annualizes benefits:			
	CS-12 - Medical, Dental & Vision			366,944
	CS-13 - Pension			(3,773)
	CS-13a - Pension Costs - ERISA tracker amortization			(37,377)
	CS-13b - Pension Costs - Prepaid pension amortization			N/A
	CS-14 - OPEB SFAS 106			(121,079)
	CS-15 - 401 (k)			33,389
	CS-16 - Profit Sharing Plan Contribution			N/A
	CS-17 - LTIP			N/A
	CS-18 - SERP			243,320
CS-21	**Insurance**	R. Klote	$	(39,106)

Aquila Networks - L&P (Electric)
Case No. ER-xxxx-xxxx
Description of Adjustments to Net Operating Income
Twelve Months Ended December 31, 2007

Adj No.	Description of Adjustment	Witness	Increase (Decrease)	
(a)	(b)	(c)	(d)	
	This adjustment annualizes insurance.			
CS-26	**Major Maintenance** This adjustment annualizes major maintenance expense.	R. Klote	$	(36,658)
CS-27	**Maintenance Expense** This adjustment annualizes maintenance expense.	R. Klote	$	653,630
CS-30	**Injuries and Damages** This adjustment annualizes injuries and damages.	R. Klote	$	83,025
CS-35	**Bad Debt** This adjustment annualizes bad debt expense.	R. Klote	$	48,795
CS-40	**PSC Assessment** This adjustment annualizes the PSC assessment to the most current assessment received.	R. Klote	$	45,840
CS-45	**Customer Deposit - Interest** This adjustment annualizes the interest expense related to customer deposits.	R. Klote	$	97,160
CS-50	**Rate Case Expense** This adjustment annualizes the expense related to the preparation of the rate case and amortizes it over 2 years.	R. Klote	$	13,825
CS-57	**Fixed Transmission Expense** This adjustment annualizes fixed transmission expense.	R. Klote	$	429,190
CS-60	**Dues and Donations** This adjustment eliminates all dues and donations except EEI and EPRI.	R. Klote	$	(24,084)
CS-65	**Advertising** This adjustment eliminates all advertising except safety and informational .	R. Klote	$	(11,133)
CS-66	**Demand-Side Management** To amortize deferred DSM/EE costs over a 10-year period.	A. Dennis	$	49,806
CS-70	**Postage Expense** This adjustment annualizes postage expense.	R. Klote	$	11,832
CS-77	**Vegetation Management/Infrastructure Expense** This adjustment annualizes vegetation management/infrastructure expense for the test year.	W. Herdegen	$	1,227,046
CS-78	**Merger Effects** This adjustment adjusts test year expenses for merger effects.	D. Ives	$	(2,823,080)
CS-82	**L&P's Share of Iatan** This adjustment annualizes L&P's share of Iatan expenses.	R. Klote	$	88,120
CS-83	**Miscellaneous Test Year Adjustments** To eliminate miscellaneous test year expenses.	R. Klote	$	(29,251)
CS-84	**Transition Costs** This adjustment amortizes transition costs associated with the St. Joe merger.	R. Klote	$	119,032
CS-85	**Payroll Taxes** This adjustment annualizes payroll (FICA and Medicare) tax expense	R. Klote	$	(26,536)

Aquila Networks - L&P (Electric)
Case No. ER-xxxx-xxxx
Description of Adjustments to Net Operating Income
Twelve Months Ended December 31, 2007

Adj No.	Description of Adjustment	Witness		Increase (Decrease)
(a)	(b)	(c)		(d)
	for the test year.			
CS-88	**Credit Card & Electronic Check Fee Expense** This adjustment annualizes Credit Card & Electronic Check Fee expenses.	J. Alberts	$	63,904
CS-90	**Property Tax** This adjustment annualizes property taxes.	R. Klote	$	(226,005)
CS-95	**Depreciation** This adjustment annualizes depreciation expense for plant balances as adjusted.	R. Klote	$	2,414,313
CS-100	**L&P Ice Storm Amortization** This adjustment annualizes a full year of amortization expense related to the 2007 ice storm.	R. Klote	$	1,589,436
TAX-1	**Current Income Tax Expense** This adjustment annualizes the current income tax based on adjusted net operating income.	R. Klote	$	5,534,698
TAX-1	**Deferred Income Tax Expense** This adjustment annualizes deferred income tax associated with tax straight-line vs. tax timing differences.	R. Klote	$	(2,909,785)

Aquila Networks - L&P (Electric)
Cash Working Capital - Schedule 6
TYE 12/31/07; Update (K&M) TBD; True-up 03/31/09

Line #	Account Description (a)	W/P Ref	(Elec-Juris) Test Year Expenses (b)	Revenue Lag (c)	Expense Lead (d)	Net (Lead)/Lag (C) - (D) (e)	Factor (Col E/365) (f)	CWC Req (B) X (F) (g)
	Operations & Maintenance Expense							
1	Cash Vouchers	diff	23,900,589	39.1751	45.6250	(6.4499)	(0.01767)	(422,346)
2	Federal Income Tax Withheld		2,043,028	39.1751	12.5000	26.6751	0.07308	149,310
3	State Income Tax Withheld		600,060	39.1751	12.5000	26.6751	0.07308	43,854
4	FICA Taxes Withheld - Employee	CS-85	758,967	39.1751	12.5000	26.6751	0.07308	55,467
5	Net Payroll	CS-5	10,701,520	39.1751	14.0000	25.1751	0.06897	738,115
6	Accrued Vacation		138,908	39.1751	365.0000	(325.8249)	(0.89267)	(124,000)
7	Purchased Gas and Oil	FPP-10	3,110,151	39.1751	39.8343	(0.6592)	(0.00181)	(5,617)
8	Injuries and Damages	CS-30	306,011	39.1751	1,122.8350	(1,083.6599)	(2.96893)	(908,525)
9	Purchased Power	Sch 7, AC 555	24,230,535	39.1751	34.5000	4.6751	0.01281	310,357
10	Lake Road - Coal & Freight	FPP-10	20,658,023	39.1751	20.3725	18.8026	0.05151	1,064,177
11	Iatan - Coal	FPP-10	10,899,088	39.1751	43.6866	(4.5115)	(0.01236)	(134,716)
12	Iatan - Operations	CS-82	4,316,342	39.1751	52.6895	(13.5144)	(0.03703)	(159,816)
	Total Operation & Maintenance Expense		**101,663,222**					**606,260**
13	Interest Expense	Sch 8	10,588,952	39.1751	92.0000	(52.8249)	(0.14473)	(1,532,494)
	Taxes other than Income Taxes							
14	Ad Valorem/Property Taxes	Sch 7, AC 408.1	2,568,944	39.1751	182.0742	(142.8991)	(0.39150)	(1,005,753)
15	FICA Taxes - Employer's	CS-85	758,967	39.1751	12.5000	26.6751	0.07308	55,467
16	Unemployment Taxes (FUTA & SUTA)	CS-85	43,540	39.1751	76.3750	(37.1999)	(0.10192)	(4,438)
17	Corporate Franchise Taxes		128,113	39.1751	(76.0000)	115.1751	0.31555	40,426
18	City Franchise Taxes		3,200,544	39.1751	40.2083	(1.0332)	(0.00283)	(9,060)
19	Sales Taxes	ST-1	3,273,639	39.1751	35.2000	3.9751	0.01089	35,652
	Total Taxes other than Income Taxes		**9,973,748**					**(887,705)**
20	Current Income Taxes-Federal	Sch 8	3,605,703	39.1751	38.5000	0.6751	0.00185	6,669
21	Current Income Taxes-State	Sch 8	566,611	39.1751	38.5000	0.6751	0.00185	1,048
	Total Cash Working Capital Requirement		**126,398,236**					**(1,806,222)**

Aquila Networks - MPS
Case No. ER-xxxx-xxxx
Twelve Months Ended December 31, 2007

Revenue Requirement

Line		8.931% Return
(a)	(b)	(c)
1	Net Orig Cost of Rate Base (Sch 2)	$ 1,202,225,058
2	Rate of Return	8.931%
3	Net Operating Income Requirement	$ 107,371,922
4	Net Income Available (Sch 7)	$ 66,681,357
5	Additional NOIBT Needed	40,690,565
6	Additional Current Tax Required	$ 25,354,698
7	Gross Revenue Requirement	66,045,263

Aquila Networks - MPS
Case No. ER-xxxx-xxxx
Twelve Months Ended December 31, 2007

Rate Base

Line No. (a)	Line Description (b)	Amount (c)
	Total Plant :	
1	Total Plant in Service-MPS Only (Sch 3)	1,937,253,190
1a	Total Plant in Service-MPS' Share of Corp (Sch 3a)	82,058,385
	Total Plant	2,019,311,575
	Subtract from Total Plant:	
2	Depr Reserve-MPS & Corp Share (Sch 5)	724,947,957
	Total Depreciation Reserve	724,947,957
	Net (Plant in Service)	1,294,363,618
	Add to Net Plant:	
3	Cash Working Capital	(7,893,081)
4	Materials and Supplies	27,222,835
5	SO2 Emission Allowances	5,359,458
6	Prepayments	3,414,194
7	Fuel Inventory - Oil	2,660,019
8	Fuel Inventory - Coal	17,357,599
9	Fuel Inventory - Other	602,687
10	Fuel Stock - Undistributed	568,180
11	AAO Def Sibley Rebuild & Western Coal 1990	327,145
12	AAO Def Sibley Rebuild & Western Coal 1992	620,163
13	DSM/EE Deferral	1,875,019
	Subtract from Net Plant:	
14	Customer Advances for Construction	8,789,747
15	Customer Deposits	5,912,499
16	Deferred Income Taxes	124,023,406
17	Deferred Income Taxes - AAO	363,672
18	Regulatory Liability - ERISA Minimum Tracker	5,163,454
	Total Rate Base	1,202,225,058

Aquila Networks - MPS
Case No. ER-xxxx-xxxx
Twelve Months Ended December 31, 2007

Income Statement

Line No.	Description	Electric Jurisdictional	Adjustment	Jurisdictional As Adjusted
(a)	(b)	(c)	(d)	(e)
1	Operating Revenue	524,097,399	8,517,141	532,614,540
2	Operating & Maintenance Expenses:			
3	Production	273,937,800	(315,790)	273,622,010
4	Transmission	22,624,616	2,080,582	24,705,198
5	Distribution	20,938,123	6,585,119	27,523,242
6	Customer Accounting	10,217,264	1,050,576	11,267,840
7	Customer Services	248,671	13,607	262,278
8	Sales	401,421	(12,717)	388,704
9	A & G Expenses	46,961,966	(10,267,818)	36,694,148
10	Total O & M Expenses	375,329,861	(866,441)	374,463,420
11	Depreciation Expense	47,512,661	12,353,385	59,866,046
12	Amortization Expense	442,653	257,916	700,569
13	Taxes other than Income Tax	12,865,617	578,066	13,443,683
14	Net Operating Income before Tax	87,946,607	(3,805,785)	84,140,822
15	Income Taxes	6,884,294	4,383,320	11,267,614
16	Income Taxes Deferred	13,792,636	(6,857,423)	6,935,213
17	Investment Tax Credit	(743,362)	-	(743,362)
18	Total Taxes	19,933,568	(2,474,103)	17,459,465
19	Total Net Operating Income	68,013,039	(1,331,682)	66,681,357

Aquila Networks - MPS
Case No. ER-xxxx-xxxx
Description of Adjustments to Net Operating Income
Twelve Months Ended December 31, 2007

Adj No.	Description of Adjustment	Witness		Increase (Decrease)
(a)	(b)	(c)		(d)
R-10	**Revenue Normalization Adjustment** This adjustment adjusts test period revenues to reflect normal cooling and heating degree days, to annualize customers and to adjust other miscellaneous revenue.	T. Rush G. McCollister	$	63,634,858
	R-10 - IEC Revenue			(169)
	R-10 - FAC Revenue			(14,107,478)
	R-10 - Unbilled Revenue			(3,965,620)
	R-10 - Rate Increase			16,654,818
	R-10 - Weather Normalization			(8,490,772)
	R-10 - Customer Annualization Adjustment			12,996,497
	R-10 - Unbilled Revenue Adjustment (weather-related)			551,391
	R-10 - Annualized FAC Revenue Adjustment			59,996,191
R-30	**Inter-company Off-System Revenue** This adjustment eliminates inter-company off-system revenue between MPS and L&P from the test year.	R. Klote	$	(10,044,203)
R-35	**Off-System Sales Revenue** This adjustment adjusts test period off-system sales revenue to reflect anticipated annualized revenues.	T. Rush	$	(44,064,420)
R-36	**Eliminate Revenue from WPKSE** To eliminate revenue associated with WPKSE included in the test year.	R. Klote	$	(1,009,094)
FPP-10	**Fuel and Purchased Power Energy** This adjustment annualizes fuel and the energy component of purchased power along with fuel adders.	D. Rooney	$	42,589,676
FPP-17	**Amortization of Proceeds from EPA Auction Process** This adjustment amortizes accumulated proceeds from the EPA auction process over a 5-year period.	R. Klote	$	(110,293)
FPP-20	**Purchased Power (Capacity)** This adjustment annualizes the demand component of purchased power.	D. Rooney	$	3,163,496
FPP-30	**Inter-company Off-System Fuel & Purchased Power** This adjustment eliminates inter-company off-system fuel & purchased power between MPS and L&P from the test year.	R. Klote	$	(10,044,201)
FPP-35	**Cost of Off-System Sales** This adjustment adjusts test period off-system fuel, purchased power and transmission costs to reflect annualized anticipated margins.	T. Rush	$	(39,710,279)
FPP-36	**Eliminate Cost of Sales to WPKSE** To eliminate the costs associated with sales to WPKSE included in the test year.	R. Klote	$	(1,246,361)
FPP-50	**Reservation Charge** This adjustment annualizes the test year reservation charges.	R. Klote	$	1,549,793
CS-5	**Payroll** This adjustment annualizes payroll expense.	R. Klote	$	3,264,767
CS-11	**Benefits**	R. Klote	$	(1,239,270)

Aquila Networks - MPS
Case No. ER-xxxx-xxxx
Description of Adjustments to Net Operating Income
Twelve Months Ended December 31, 2007

Adj No.	Description of Adjustment	Witness		Increase (Decrease)
(a)	(b)	(c)		(d)
	This adjustment annualizes benefits:			
	CS-12 - Medical, Dental & Vision			362,553
	CS-13 - Pension			(1,044,524)
	CS-13a - Pension Costs - ERISA tracker amortization			(537,001)
	CS-13b - Pension Costs - Prepaid pension amortization			N/A
	CS-14 - OPEB SFAS 106			(39,586)
	CS-15 - 401 (k)			144,426
	CS-16 - Profit Sharing Plan Contribution			N/A
	CS-17 - LTIP			N/A
	CS-18 - SERP			(125,138)
CS-21	**Insurance** This adjustment annualizes insurance.	R. Klote	$	(333,577)
CS-26	**Major Maintenance** This adjustment annualizes major maintenance expense.	R. Klote	$	438,359
CS-27	**Maintenance Expense** This adjustment annualizes maintenance expense.	R. Klote	$	2,150,006
CS-30	**Injuries and Damages** This adjustment annualizes injuries and damages.	R. Klote	$	(1,333,977)
CS-35	**Bad Debt** This adjustment annualizes bad debt expense.	R. Klote	$	65,224
CS-40	**PSC Assessment** This adjustment annualizes the PSC assessment to the most current assessment received.	R. Klote	$	110,858
CS-45	**Customer Deposit - Interest** This adjustment annualizes the interest expense related to customer deposits.	R. Klote	$	502,562
CS-50	**Rate Case Expense** This adjustment annualizes the expense related to the preparation of the rate case and amortizes it over 2 years.	R. Klote	$	53,681
CS-57	**Fixed Transmission Expense** This adjustment annualizes fixed transmission expense.	R. Klote	$	2,957,704
CS-60	**Dues and Donations** This adjustment eliminates all dues and donations except EEI and EPRI.	R. Klote	$	(36,690)
CS-65	**Advertising** This adjustment eliminates all advertising except safety and informational.	R. Klote	$	(41,565)
CS-66	**Demand-Side Management** To amortize deferred DSM/EE costs over a 10-year period.	A. Dennis	$	187,502
CS-70	**Postage Expense** This adjustment annualizes postage expense.	R. Klote	$	52,863
CS-77	**Vegetation Management/Infrastructure Expense** To annualize vegetation management and infrastructure expense for the test year.	W. Herdegen	$	4,288,647

Aquila Networks - MPS
Case No. ER-xxxx-xxxx
Description of Adjustments to Net Operating Income
Twelve Months Ended December 31, 2007

Adj No.	Description of Adjustment	Witness	Increase (Decrease)
(a)	(b)	(c)	(d)
CS-78	**Merger Effects** To adjust test year expense for merger effects.	D. Ives	$ (9,928,360)
CS-80	**Outsourced Meter Reading Expense** This adjustment annualizes the outsourcing of meter reading expense.	R. Klote	$ 36,969
CS-82	**MPS's Share of JEC** This adjustment annualizes MPS's share of JEC expenses.	R. Klote	$ (58,057)
CS-83	**Miscellaneous Test Year Adjustment** This adjustment eliminates miscellaneous expenses in the test year.	R. Klote	$ (700,287)
CS-84	**Transition Costs** This adjustment amortizes transition costs associated with the St. Joe merger.	R. Klote	$ 374,933
CS-85	**Payroll Taxes** This adjustment annualizes payroll (FICA and Medicare) tax expense for the test year.	R. Klote	$ 201,570
CS-86	**Crossroads** To adjust O&M expense for the addition of the Crossroads Energy Center.	D. Rooney	$ 2,155,478
CS-88	**Credit Card & Electronic Check Fee Expense** This adjustment annualizes Credit Card & Electronic Check Fee expenses.	J. Alberts	$ 230,756
CS-90	**Property Tax** This adjustment annualizes property taxes.	R. Klote	$ 119,698
CS-95	**Depreciation** This adjustment annualizes depreciation expense for plant balances as adjusted.	R. Klote	$ 12,353,385
CS-98	**Sibley AAO Amortization** To adjust test year expense for Sibley AAO amortization.	R. Klote	$ 257,916
TAX-1	**Current Income Tax Expense** This adjustment annualizes the current income tax based on adjusted net operating income.	R. Klote	$ 4,383,320
TAX-1	**Deferred Income Tax Expense** This adjustment annualizes deferred income tax associated with tax straight-line vs. tax timing differences.	R. Klote	$ (6,857,423)

Aquila Networks - MPS
Cash Working Capital - Schedule 6
TYE 12/31/07; Update (K&M) TBD; True-up 03/31/09

Line #	Account Description (a)	W/P Ref	(Elec-Juris) Test Year Expenses (b)	Revenue Lag (c)	Expense Lead (d)	Net (Lead)/Lag (C) - (D) (e)	Factor (Col E/365) (f)	CWC Req (B) X (F) (g)
	Operations & Maintenance Expense							
1	Cash Vouchers	diff	108,499,514	39.1751	45.6250	(6.4499)	(0.01767)	(1,917,290)
2	Federal Income Tax Withheld		6,336,914	39.1751	12.5000	26.6751	0.07308	463,117
3	State Income Tax Withheld		1,893,651	39.1751	12.5000	26.6751	0.07308	138,393
4	FICA Taxes Withheld - Employee	CS-85	2,526,876	39.1751	12.5000	26.6751	0.07308	184,670
5	Net Payroll	CS-5	30,056,190	39.1751	14.0000	25.1751	0.06897	2,073,062
6	Accrued Vacation		449,602	39.1751	365.0000	(325.8249)	(0.89267)	(401,347)
7	Purchased Gas & Oil	FPP-10	14,690,041	39.1751	39.8343	(0.6592)	(0.00181)	(26,531)
8	Injuries & Damages	CS-30	1,637,890	39.1751	707.1289	(667.9538)	(1.83001)	(2,997,356)
9	Purchased Power	Sch 7, AC 555	103,234,491	39.1751	34.5000	4.6751	0.01281	1,322,278
10	Sibley - Coal & Freight	FPP-10	78,240,737	39.1751	17.3909	21.7842	0.05968	4,669,622
11	Jeffrey - Coal	FPP-10	21,706,091	39.1751	16.6431	22.5320	0.06173	1,339,950
12	Jeffrey - Operations	CS-82	5,191,423	39.1751	16.6431	22.5320	0.06173	320,474
	Total Operation & Maintenance Expense		374,463,420					5,169,043
13	Interest Expense	Sch 8	37,452,917	39.1751	92.0000	(52.8249)	(0.14473)	(5,420,402)
	Taxes other than Income Taxes							
14	Ad Valorem/Property Taxes	Sch 7, AC 408.1	10,443,080	39.1751	187.4321	(148.2570)	(0.40618)	(4,241,807)
15	FICA Taxes - Employer's	CS-85	2,526,876	39.1751	12.5000	26.6751	0.07308	184,670
16	Unemployment Taxes (FUTA & SUTA)	CS-85	125,747	39.1751	76.3750	(37.1999)	(0.10192)	(12,816)
17	Corporate Franchise Taxes		442,931	39.1751	(76.0000)	115.1751	0.31555	139,766
18	City Franchise Taxes		23,771,792	39.1751	98.4956	(59.3205)	(0.16252)	(3,863,437)
19	Sales Taxes	ST-1	12,034,251	39.1751	35.2000	3.9751	0.01089	131,061
	Total Taxes other than Income Taxes		49,344,677					(7,662,563)
20	Current Income Taxes-Federal	Sch 8	9,737,444	39.1751	38.5000	0.6751	0.00185	18,010
21	Current Income Taxes-State	Sch 8	1,530,170	39.1751	38.5000	0.6751	0.00185	2,830
	Total Cash Working Capital Requirement		472,528,628					(7,893,081)