Exhibit No.:
Issues: Rate Base, Employee Benefits, Homeland Security, Property Taxes & Depreciation
Witness: Stephanie A. Murphy
Sponsoring Party: Aquila Networks-MPS & L&P
Case No.: ER-

Before the Public Service Commission
of the State of Missouri

Direct Testimony

of

Stephanie A. Murphy

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**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
DIRECT TESTIMONY OF STEPHANIE A. MURPHY
ON BEHALF OF AQUILA, INC.
D/B/A AQUILA NETWORKS-MPS AND AQUILA NETWORKS-L&P
CASE NO. ER-__________**

Q. Please state your name and business address.

A. My name is Stephanie A. Murphy and my business address is 10700 East 350 Highway, Kansas, City, Missouri.

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

A. I am presently employed by Aquila, Inc. ("Aquila" or "Company") as a Senior Regulatory Analyst.

Q. Please briefly describe your duties and responsibilities as a Senior Regulatory Analyst for Aquila.

A. I am responsible for the preparation of financial and other data in connection with filings before regulatory bodies having jurisdiction over Aquila's operations.

Q. Please describe your educational and employment history.

A. I hold a Bachelors of Science degree in Finance with a minor in Accounting, from Wichita State University, awarded in 1995. I have been employed by Aquila, Inc. since November of 1998 primarily in the regulatory services department. Prior to my employment at Aquila, I held positions with Sprint PCS as a Financial Analyst and Agripro Seeds, Inc. as their Cost Accountant.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to support and explain certain schedules and adjustments to rate base and cost of service in support of Aquila's rate case filings for its Missouri Public Service ("MPS") and St. Joseph Light & Power ("L&P") electric divisions.

Q. Please identify the schedules and any adjustments that you are sponsoring.

A. Attached schedules SAM-1 and SAM-2 consist of financial data that support the MPS and L&P revenue requirement.

Q. Please describe Schedule SAM-1.

A. Schedule SAM-1 details the cost of service adjustment related to certain employee benefits for the MPS division. This schedule and the actual adjustment are discussed later in my testimony.

Q. Please describe Schedule SAM-2.

A. Schedule SAM-2 details the cost of service adjustment related to certain employee benefits for the L&P division. This schedule and the actual adjustment are discussed later in my testimony.

Q. Please identify any other items or adjustments you are sponsoring.

A. I am sponsoring the following items in rate base:

- Plant in Service (MPS and L&P)
- Accumulated Reserve for Depreciation (MPS and L&P)

Additionally, I am sponsoring the following adjustments to the above rate base items:

- RB-10, RB-15, RB-20, RB-25 Projected Plant and Reserve at September 30, 2003 (MPS and L&P)
- RB-30 Jeffrey Energy Center ("JEC") Common Plant adjustment (MPS Only)
- RB-50 Greenwood Plant in Service adjustment (MPS Only)

- RB-60 Office Building Adjustment (L&P Only)
- RB-65 Office Building Adjustment - Reserve (L&P Only)
- RB-70 Merger Synergy Adjustment for Rate Base items (MPS Only)
- RB-80 Corporate Assets - Depreciation Reserve (MPS and L&P)
- RBO-60 Merger Synergy Adjustment for Deferred Income Taxes (MPS Only)

I am also sponsoring the following adjustments to cost of service:

- CS-12 Medical and Dental Benefits (MPS and L&P)
- CS-13 Pensions (MPS and L&P)
- CS-14 Other Post Retirement Benefits ("OPEB") (MPS and L&P)
- CS-15 401(k) Adjustment (MPS and L&P)
- CS-15.5 Employee Stock Contribution Plan ("ESOP") (MPS and L&P)
- CS-81 Homeland Security (MPS and L&P).
- CS-90 Property Taxes (MPS and L&P)
- CS-95 Depreciation Annualization (MPS and L&P)

RATE BASE

Plant in Service

Q. Please explain how Plant in Service was derived.

A. The MPS and L&P direct plant in service starts with per book electric balances at December 31, 2002. These balances are derived from the fixed asset system, which details asset records at Aquila.

Q. Explain what you mean by direct plant in service.

A. Direct plant in service represents assets that specifically relate to MPS or L&P and provide usefulness to these entities in efforts to serve their respective customers with electric utility operations. Direct plant is inclusive of generation assets used to produce power, transmission assets, and distribution facilities. In addition, direct plant includes a portion of common utility plant, such as vehicles, equipment, and service buildings, allocated to electric operations.

Q. Continue your testimony on deriving plant in service.

A. MPS and L&P allocated common plant in service also begin with per book electric balances at December 31, 2002. Once again, the balances are derived from the Aquila fixed asset system, which details the asset records of Aquila.

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

A. Allocated plant in service assets include assets that support Aquila's overall infrastructure. These assets include items such as, Aquila's general ledger system, its billing system, and the headquarters office at 20 West Ninth Street. These assets serve to benefit all operations of Aquila and are subsequently allocated to operating units and divisions within the Aquila corporate umbrella in accordance with Aquila's allocations policy. Testimony regarding the allocation policy incorporated by Aquila is being sponsored by Company witness Beverlee Agut.

Q. Are any other allocations employed?

A. Yes. In the case of MPS, a jurisdictional allocation factor is applied based on functional asset class to compute the MPS' jurisdictional 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. The factors utilized for the MPS jurisdictional allocation and the L&P industrial steam allocation are included in the testimony of Aquila witness Beverlee Agut.

Q. What do you mean by jurisdictional allocation?

A. MPS has six wholesale customers whose rates are regulated by the Federal Energy Regulatory Commission ("FERC"). These six customers are allocated a portion of MPS' total rate base and cost of service based on the jurisdictional allocation factors.

Q. What is the jurisdictional direct and allocated plant in service for MPS filed in this rate case?

A. Direct jurisdictional gross electric plant in service balance including the adjustments detailed in my testimony below is $1,183,943,320, the allocated jurisdictional gross electric plant in service at September 30, 2003 is estimated at $53,358,002, for a total MPS jurisdictional gross plant in service balance of $1,237,301,322.

Q. What is the direct and allocated electric plant in service for L&P filed in this rate case?

A. Direct gross electric plant in service balance including the adjustments detailed in my testimony below is $336,369,840, the allocated gross electric plant in service at September 30, 2003 is estimated at $17,713,154, for a total L&P gross plant in service balance of $354,082,994.

Q. Explain any adjustments made to the plant in service balances.

A. The adjustments made are detailed in my testimony as follows.

RB-10, RB-15, RB-20,& RB-25 –Projected Plant and Reserve at 9/30/2003 (MPS & L&P)

Q. Please explain these adjustments.

A. These adjustments are to project plant and reserve at September 30, 2003.

Q. Please explain the methodology.

A. For adjustments RB-10 direct construction work in progress ("CWIP") and RB-20 corporate allocated CWIP, a study was done from the project cost accounting system to identify all open MPS and L&P direct electric and any Aquila common construction and work in process projects with the following characteristics:

1) A balance of greater than $50,000 at the completion of test year December 31, 2002.
2) An estimated in service date of on or before the known and measurable date of September 30, 2003.

The Aquila common activities were then allocated to the MPS and L&P divisions following the Aquila corporate allocation manual outlined in the testimony of Aquila witness Beverlee Agut.

Q. Please continue your testimony regarding this adjustment?

A. The activities were assigned a utility plant account based on a combination of activity description and discussions with project management. Finally, for MPS, utility class and jurisdictional allocation factors were applied, and for L&P, utility class allocation factors were applied.

Q. What is the purpose of this adjustment?

A. The purpose of this adjustment is to identify and adjust plant in service for any construction or work in progress that is expected to be in service September 30, 2003.

Q. What is the adjustment made for both MPS and L&P?

A. For MPS, the electric jurisdictional direct and allocated adjustment totaled $16,458,203, and for L&P, the electric direct and allocated adjustment totaled $4,424,493. The effect of this adjustment will be to narrow the regulatory lag in placing the items into rate base. It is Aquila's proposal that these figures should be replaced in the updated case with actual plant in service figures at the known and measurable date of September 30, 2003.

Q. Please explain RB-15 and RB-25.

A. These adjustments are to determine the depreciation reserve at September 30, 2003. The same method was used for the depreciation reserve portion that was used for the plant adjustments above. The adjustment for direct allocated electric reserve at September 30, 2003 for MPS is $723,559, and for L&P reserve is $258,840.

RB-30 JEC Common Plant (MPS Only)

Q. Please explain the JEC common plant adjustment made to jurisdictional electric plant in service.

A Adjustment RB-30 is necessary to include the balance of JEC common plant in account 101 plant in service for MPS only, consistent with the Missouri Public Service Commission's ("Commission") 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 forecasted for the known and measurable period to September 30, 2003 and also transferred to the accumulated reserve account 108.

Q. What is the amount for adjustment RB-30?

A. The electric jurisdictional amount for RB-30 is $3,482,159.

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

A. Yes. This adjustment has been consistently approved by the Commission in prior cases.

RB-50 Greenwood Transfer (MPS Only)

Q. Please explain the Greenwood Plant in Service adjustment made to jurisdictional electric plant in service.

A. Adjustment RB-50 includes the transfer of Greenwood Generating Station Units 1, 2, 3, & 4 into MPS' plant in service balance. Aquila acquired the Greenwood units upon expiration of the operating lease for units 1-3. Aquila bought out the lease for unit 4 before the expiration of the lease, as renewing the lease would have had a substantially higher cost to the ratepayer. These assets were subsequently held in an unregulated subsidiary of Aquila.

Q. Why did Aquila choose to hold the Greenwood facility in an unregulated subsidiary?

A. Aquila felt it was best for our customers to lease the units given the status and uncertainty of deregulation within the United States. Aquila's view was that having these generation plants in an unregulated subsidiary would benefit the customer through lower prices, driven down by a deregulated market price setting mechanism, rather than having the cost of the plant embedded in rate base.

Q. Has Aquila's view changed?

A. Yes, the market has shifted dramatically causing Aquila to refocus on its regulated activities. Coupling this market shift with the desire of the Commission Staff to place these assets into rate base, management is proposing to the Commission to place the Greenwood Generating Station into rate base.

Q. How was the transfer calculated?

A. The Greenwood electric jurisdictional gross plant balance of $32,563,876 was derived from the general ledger system as well as any known and measurable items through September 30, 2003. This balance was segregated into the appropriate FERC account structure, and a jurisdictional allocation factor was applied to arrive at the balance transferred to electric plant in service for MPS.

Q. Did you also transfer the associated accumulated reserve?

A. Yes, the accumulated reserve of $5,593,046 associated with Units 1-4 was also transferred. This is inclusive of the rate case known and measurable period extending to September 30, 2003. Nine months of depreciation was also added to the reserve balance to arrive at a net book value at September 30, 2003.

<u>RB-60/65 Office Building Retirement (SJLP Only)</u>

Q. Please explain this adjustment.

A. Adjustment RB-60 includes the retirement of the office building and contents located at 520 Francis, St. Joseph, MO 64506. This office building was sold on January 2, 2003. An adjustment to gross electric plant in service was made for $4,946,529.

Q. Did you also make an entry to the accumulated reserve?

A. Yes, adjustment RB-65 is the reserve associated with the retirement of the L&P office building which is $4,690,482.

RB-70 Merger Savings (MPS Only)

Q. Please explain the Merger Synergy Adjustment No. RB-70.

A. The merger savings is more fully described by Aquila witness Vern Siemek. This adjustment reflects the sharing by MPS of the MPS/L&P merger related rate base synergies arising from centralized support functions ("ESF" and "IBU" allocations). RB-70 calculates the reduction to corporate shared assets to determine the rate base savings to MPS created by the merger. The adjustment to MPS rate base including plant and accumulated depreciation reserve totaled, $1,545,093. This adjustment reflects 50% of rate base savings from shared assets to Aquila, of which half is directed to the low income assistance program. The remaining 50% of the savings remains in the test period to benefit MPS customers.

RB-80 Corporate Assets – Depreciation Reserve

Q. Please explain this adjustment.

A. This adjustment is to reflect the depreciation reserve for the corporate depreciation adjustment as explained further in Company witness Davis Rooney's testimony. The corporate depreciation rates are higher than the Missouri ordered rates; this has caused the corporate allocated reserve to be overstated. The adjustment of $6,137,194 for MPS and $2,158,107 for L&P was made to bring the corporate reserve balances allocated to MPS and L&P in synchronization with the depreciation rates ordered by the Commission.

RBO-60 Merger Synergy Related Deferred Income Taxes (MPS Only)

Q. Please explain the Deferred Income Tax Merger Savings Adjustment No. RBO-60.

A. This adjustment reflects the sharing by MPS of the MPS/L&P merger related rate base synergies, arising from deferred income tax savings. RBO-60 calculates the reduction to the deferred income taxes on the corporate shared assets to determine the savings to MPS created by the merger. The adjustment to MPS for deferred income taxes is, $739,697. This adjustment reflects 50% of rate base savings from the deferred taxes on the shared assets to Aquila, of which half is directed to the low-income assistance program. The remaining 50% of the savings remains in the test period to the benefit of all MPS customers.

Accumulated Reserve for Depreciation

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

A. MPS and L&P direct accumulated reserve for depreciation begins with per book electric balances derived from Aquila's fixed asset ledger system at December 31, 2002.

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

A. Yes.

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

A. Yes.

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

A. The jurisdictional direct and allocated balance for accumulated reserve for depreciation, including the adjustments detailed in my testimony above, is $482,779,235.

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

A. The direct and allocated accumulated reserve for depreciation, including the adjustments detailed in my testimony above, is $178,794,379.

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

A. No. Aquila's proposed position is to update the accumulated reserve with actual recorded per book numbers at September 30, 2003 once these are known, and include these in the final revenue requirement calculation.

COST OF SERVICE

Benefits

Q. Please explain Schedule SAM-1 "CS-11 Benefits Lead Schedule – MPS" and Schedule SAM-2 "CS-11 Benefits Lead Schedule – L&P".

A. This schedule includes several benefits adjustments:

- CS-12 Medical, dental, and vision
- CS-13 Pensions
- CS-14 SFAS 106 Other Post Employment Benefits ("OPEB")
- CS-15 401(k)
- CS-15.5 Employee Stock Option Plan ("ESOP")

Q. Can you please explain the adjustment made to the CS-12 medical, dental and vision benefits?

A. Yes. The amount on the books at December 31, 2002 was adjusted by the known health, dental and vision plans priced at 2003 rates.

Q. Where were the 2003 rates obtained?

A. The rates for 2003 were provided by the Human Resources Department of Aquila. The rates are per Aquila's contracts with its insurance service providers.

Q. What was the method used to adjust health, dental and vision with the 2003 rates?

A. The benefit elections data by employee number, supplied by the Human Resources Department of Aquila as of January 3, 2003, was used to determine the existing coverage election, coverage level, and corresponding dollar amount of benefits coverage for each employee utilizing 2003 rates. This data was then summarized by department, and multiplied by an appropriate allocation factor for each operating unit, MPS and L&P. The employer portion of health, dental and vision coverage cost was then totaled and compared to the per book level. The next step was to multiply this difference by a capitalization factor to adjust figures for any benefit costs that might be capitalized. The adjustment amount was then allocated across utility class for both MPS and L&P, and then for MPS electric only, a jurisdictional factor was applied.

Q. Did this employee data include any active employees on January 3, 2003 that were under a severance agreement?

A. No.

Q. What was the amount of the adjustment for MPS and L&P?

A. The electric jurisdictional adjustment for MPS' health, dental and vision expense is an expense decrease of $71,489, and the electric adjustment for L&P is an expense decrease of $17,240.

Q. How was the CS-13 employer pension plan adjustment calculated?

A. The employer pension share was calculated using the latest available Northern Trust Retirement Consulting, L.L.C. ("Northern Trust") study with fiscal 2002 data. Aquila employs Northern Trust as its actuarial consultant for computing pensions and SFAS 106 liabilities and expenses. The adjustment was calculated by taking the "2003 Total Allocated Net Periodic Pension Cost" per the Northern Trust study, less the amount per books at December 31, 2002. This adjustment was then multiplied by a capitalization factor to exclude the capital component. For MPS and L&P, this adjustment amount was allocated by utility class, and for MPS only, a jurisdictional factor was applied.

Q. What is the amount of the pension adjustment for MPS and L&P?

A. The electric jurisdictional adjustment for MPS' pension expense is an increase of $786,264, and the electric adjustment for L&P is an increase of $2,149,901.

Q. What are the components of SFAS 106 adjustment?

A. The annual OPEB expense under SFAS 106 includes the employee service costs, which are 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. Differences between the actuarial assumptions and actual experience, the gains/losses, are amortized over five years. 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. Another component of the OPEB adjustment is the transition obligation, which is the unfunded and unrecognized accumulated postretirement benefit obligation for all plan participants at the date SFAS 106 is adopted. The prior service cost component results from amendments to the pension plan.

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

A. The following components were added together; 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 out of this calculation to derive the estimated OPEB expense. The direct and allocated portions of this expense were totaled to arrive at a 2003 annualized OPEB amount for each division, MPS and L&P. The difference between the 2003 annualized OPEB amount and the amount recorded on the books as of December 31, 2002 is used to calculate the adjustment. The adjustment was then multiplied by a capitalization factor to eliminate any OPEB costs that would be capitalized.

Q. After this step what remains?

A. At this stage the OPEB expense adjustment was allocated by utility class. For MPS and L&P, this allocation was based on per book split between utility classes for the employee pension and benefit account.

Q. Does this conclude the adjustment for SFAS 106?

A. For L&P, yes. For MPS, the electric SFAS 106 adjustment was multiplied by the appropriate jurisdiction factor to complete the adjustment.

Q. What was the amount of the adjustment for OPEB for MPS and L&P?

A. The electric jurisdictional adjustment for MPS' OPEB expense is an expense decrease of $409,229, and the electric adjustment for L&P is an expense decrease of $10,986.

Q. Can you describe Aquila's 401(k) plan?

A. Aquila provides its employees with an optional benefit known as the 401(k) plan. The plan is administered by J.P. Morgan / American Century Retirement Plan Services. 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 Aquila?

A. Yes. Aquila 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 on adjustment CS-15, 401(k) expense?

A. The 6% matched portion, called 401(k) Employer Share, was calculated by taking the 401(k) balance, for test year end December 31, 2002, and dividing it by the per books base pay, excluding incentives, for the same period to arrive at a percentage of base pay being matched by Aquila. This ratio was then multiplied by the annualized net base pay as calculated on adjustment CS-5 to come up with an annualized 401(k) amount.

Q. Why is the percentage not simply 6% of base salaries and wages?

A. Certain employees choose not to participate to the full 6% match for various reasons; this has the effect of drawing the percentage slightly lower.

Q. What is the adjustment for MPS and L&P?

A. The MPS electric jurisdictional adjustment for 401(k) expense is an increase of $12,263, and for L&P the electric expense adjustment is a decrease of $16,201.

Q. How was adjustment CS-15.5, the ESOP portion of the adjustment calculated?

A. The ESOP portion was calculated in the same manner. The ESOP amount per books for the test year-end, December 31, 2002, was divided by the base salaries and wages per books for the same time period. This ratio was then multiplied by the 2003 annualized base salaries and wages as calculated in CS-5 to arrive at the adjusted ESOP level in total for 2003. Next, a capitalization ratio was applied, and then the adjustment was allocated to utility class on the same basis as discussed above in the 401(k) adjustment.

Q. What is the amount of the ESOP adjustment for MPS and L&P?

A. The MPS electric jurisdictional adjustment for ESOP expense is an increase of $6,630, and for L&P the electric expense adjustment is a decrease of $5,800.

CS-81 Homeland Security

Q. Please describe adjustment CS-81 for Homeland Security ("HS").

A. On October 8, 2001 President Bush established the Office of Homeland Security within the White House and authorized it to produce the first National Strategy for Homeland Security. This National Strategy for Homeland Security outlines the mobilization of the United States in an effort to thwart future terrorist attacks. Within this strategy are critical mission areas, one of which is protecting critical infrastructure and key assets, such as agriculture, food, water, banking and finance, telecommunications, and energy assets among others. Subsequently, in complying with this federally legislated requirement Operating and Maintenance ("O&M") expenditures to upgrade security at many generation facilities, substations, and office facilities have increased. This adjustment calculates the increased cost of homeland security for inclusion in rate recovery.

Q. How was the increased cost calculated?

A. The Aquila Security Department in response to the Homeland Security Legislation performed an audit of Aquila's facility and network security. As an outcome of this audit, key initiatives were identified and subsequently budgeted based upon cost estimates to implement security measures consistent with HS mandates.

Q. What did the initiatives consist of?

A. Key initiatives consisted of Capital and O&M expenditures. The capital expenditure items are included in the rate base adjustment RB-10 & RB-20, which updates plant levels to September 30, 2003. The O&M expenditure items are discussed within this section of testimony and included as a cost of service adjustment.

Q. Please continue with your testimony on O&M expenditures.

A. The O&M expenditures adjustment for Homeland Security does not include the normal historical cost of security at Aquila; this figure would already be included in per book cost of service. Only the increased (incremental) costs as an outcome of the new Homeland Security standards are included in this estimate. These costs are comprised of mainly two items, the Network and Information Technology Operating and Maintenance costs associated with the HS efforts, and second, any increase in contracted security staff or contracts associated with the actual monitoring of Aquila facilities.

Q. What is the amount of the Homeland Security O&M adjustment?

A. The O&M adjustment including the direct and allocated security cost for MPS on an electric jurisdictional basis is $101,595, and for L&P electric consumers the adjustment including the direct and allocated increase in security costs is $27,464.

CS-90 Property Taxes

Q. Please explain the property tax adjustment.

A. This adjustment annualizes property tax expense, for the test year ending December 31, 2002.

Q. Please explain the method used for annualizing property taxes.

A. The method employed began with the level of property taxes actually paid in the test year ending December 31, 2002 but assessed in the year ending December 31, 2001, as stated by the Aquila Corporate Tax Department, and divided by the corresponding level of asset base from which this tax was generated. The asset base is composed of the following items, all of which were pulled from the December 31, 2001 FERC Form 1 for MPS and L&P, direct and allocated common plant in service, fuel stock, fuel stock expense undistributed, plant materials and supplies, stores expense undistributed, and gas stored underground.

Q. What was the next step?

A. The aforementioned ratio was then multiplied by the annualized level of direct and allocated plant in service, materials and supplies, fuel stock, and gas stored underground to calculate an annualized level of property taxes. This number was then compared to the per book property tax expense at December 31, 2002, to calculate an adjusted level of expense.

Q. Has this method been employed in prior rate cases?

A. Yes, the Commission has accepted this method in prior rate proceedings.

Q. What is the adjustment for MPS and L&P property taxes?

A. The electric jurisdictional adjustment for MPS' property tax expense is an expense increase of $113,855, and for L&P the property tax expense adjustment is a decrease of $55,193.

CS-95 Depreciation

Q. Please explain the depreciation adjustment.

A. This adjustment computes the annualized depreciation expense on plant in service for both direct and allocated plant at the known and measurable date of September 30, 2003. 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 ending balance of gross plant, both direct and allocated, on the known and measurable date of September 30, 2003.

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

A. The rates used for the depreciation annualization calculation for MPS and L&P direct plant are from depreciation studies performed by Foster Associates, Inc. using actual plant data at December 31, 2001. A separate depreciation study was performed by Foster Associates, Inc. for Aquila's corporate assets using plant data forecasted through December 31, 2002. This separate study and corresponding rates are applied to all allocated corporate plant. Aquila witness Ron White of Foster Associates, Inc. has filed testimony in this case on the actual rates and the methodology applied in calculating these rates.

Q. Why was a separate study used to annualize the depreciation expense for allocated assets versus direct assets?

A. Very simply, the most current depreciation rate data was incorporated into the depreciation calculation.

Q. Are there any adjustments to depreciation expense?

A. Yes. There is an adjustment to eliminate from the computed annualized depreciation expense the costs associated with the depreciation of transportation equipment charged to capital projects.

Q. What is the amount of the depreciation expense adjustment for MPS and L&P?

A. The electric jurisdictional adjustment for MPS' depreciation expense is an expense increase of $11,605,820, and for L&P electric the depreciation expense adjustment is a decrease of $120,706.

Q. Does this conclude your direct testimony?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P, for authority to file tariffs increasing electric rates for the service provided to customers in the Aquila Networks-MPS and Aquila Networks-L&P area	))))))	Case No. ER-_________

County of Jackson)
) ss
State of Missouri)

AFFIDAVIT OF STEPHANIE A. MURPHY

Stephanie A. Murphy, being first duly sworn, deposes and says that she is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Stephanie A. Murphy;" that said testimony was prepared by her and under her direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, she would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of her knowledge, information, and belief.

____
Stephanie A. Murphy

Subscribed and sworn to before me this ______ day of ___________________, 2003.

____
Notary Public
Terry D. Lutes

My Commission expires:

____

MPS Benefits Summary Schedule

Description of Adjustment	Adjustment	Resource	Total Elec-Juris Adjustment
Benefits - Health and Dental	CS-12	1715	(71,489)
Benefits - Pension Employer Share	CS-13	1710	786,264
Benefits - OPEB SFAS 106	CS-14	1719	(409,229)
Benefits - 401(k)	CS-15	1709	12,263
Benefits - ESOP Contribution	CS-15.5	1711	6,630
Total Benefits Adjustment (FERC 926)			**324,439**

(+) Expense Increase / (-) Expense Decrease