

**Aquila Networks - MPS
Case No. GR-
Twelve Months Ended December 31, 2002**

Revenue Requirement

Line	(a)	Mid 9.739% Return (b)
1	Net Orig Cost of Rate Base (Sch 2)	\$ 59,037,931
2	Rate of Return	<u>9.739%</u>
3	Net Operating Income Requirement	\$ 5,749,409
4	Net Income Available (Sch 7)	<u>\$ 2,286,881</u>
5	Additional NOIBT Needed	3,462,528
6	Additional Current Tax Required	<u>\$ 2,157,432</u>
7	Required Deferred ITC	
8	Test Year Deferred ITC	
9	Additional Deferred ITC Required	<u>\$ -</u>
10	Total Additional Tax Required	2,157,432
11	Gross Revenue Requirement	<u><u>5,619,960</u></u>

Aquila Networks - L&P
Case No. GR-
Twelve Months Ended December 31, 2002

Revenue Requirement

Line	(a)	Mid 10.084% Return (b)
1	Net Orig Cost of Rate Base (Sch 2)	\$ 7,891,459
2	Rate of Return	<u>10.084%</u>
3	Net Operating Income Requirement	\$ 795,735
4	Net Income Available (Sch 7)	<u>\$ 296,436</u>
5	Additional NOIBT Needed	499,299
6	Additional Current Tax Required	<u>\$ 311,103</u>
7	Required Deferred ITC	
8	Test Year Deferred ITC	
9	Additional Deferred ITC Required	<u>\$ -</u>
10	Total Additional Tax Required	311,103
11	Gross Revenue Requirement	<u><u>810,403</u></u>

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Rate Base

Line No.	Line Description	Amount
	(a)	(b)
Total Plant :		
1	Total Plant in Service-MPS Only (Sch 3)	\$ 87,906,443
1a	Total Plant in Service-MPS' Share of UCU (Sch 3a)	4,971,344
	Total Plant	<u>92,877,786</u>
 Subtract from Total Plant:		
2	Depr Reserve-MPS & UCU Share (Sch 5)	37,718,830
	Total Depreciation Reserve	<u>37,718,830</u>
3	Net Plant in Service	<u>\$ 55,158,957</u>
 Add to Net Plant in Service		
4	Cash Working Capital	(572,143)
5	Materials and Supplies	1,607,139
6	Gas Storage	3,563,060
7	Prepayments	3,394,668
8	AAO Gas Pipe replacement	1,297,207
 Subtract from Net Plant:		
9	Customer Advances for Construction	\$ 43,040
10	Customer Deposits	150,000
11	Deferred Income Taxes - Depreciation	4,645,543
12	Deferred Income Taxes - AAO	497,998
13	Unamortized Investment Tax Credit	5,458
14	Deferred Income Taxes - Synergies to MPS	68,917
15	Total Rate Base	<u><u>\$ 59,037,931</u></u>

Aquila Networks - L&P
Case No. GR-
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Rate Base

Line No.	Line Description	Amount
	(a)	(b)
Total Plant :		
1	Total Plant in Service-SJLP Only (Sch 3)	\$ 7,883,656
1a	Total Plant in Service-SJLP' Share of UCU (Sch 3a)	<u>278,097</u>
	Total Plant	<u>8,161,753</u>
 Subtract from Total Plant:		
2	Depr Reserve-SJLP & UCU Share (Sch 5)	<u>3,603,477</u>
	Total Depreciation Reserve	<u>3,603,477</u>
3	Net Plant in Service	<u>\$ 4,558,276</u>
 Add to Net Plant in Service		
4	Cash Working Capital	(59,864)
5	Materials and Supplies	23,679
6	Gas Storage	931,475
7	Prepayments	3,066,567
8	\$ -	-
 Subtract from Net Plant:		
9	Customer Advances for Construction	\$ -
10	Customer Deposits	38,441
11	Deferred Income Taxes - Depreciation	590,233
12	Deferred Income Taxes - AAO	-
13	Unamortized Investment Tax Credit	-
14	Total Rate Base	<u><u>\$ 7,891,459</u></u>

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Income Statement

Line No.	Description	Total Gas	Adjustment	Gas As Adjusted
	(A)	(B)	(E)	(F)
1	Operating Revenue	46,093,613	5,141,774	51,235,387
2	Operating Expenses:			
3	Production	29,520,514	3,068,616	32,589,130
4	Transmission	179,617	2,136	181,753
5	Distribution	3,657,153	(23,684)	3,633,469
6	Customer Accounting	2,220,139	(296,954)	1,923,185
7	Customer Services	116,038	(6,402)	109,636
8	Sales	62,612	(24,931)	37,681
9	A & G Expenses	5,568,067	(328,329)	5,239,738
10	Total O & M Expenses	41,324,140	2,390,452	43,714,592
11	Depreciation Expense	3,167,311	130,603	3,297,914
12	Amortization Expense	50,341	716	51,057
13	Taxes other than Income Tax	846,819	308,151	1,154,970
14	Net Operating Income before Tax	705,002	2,311,852	3,016,854
15	Income Taxes	(1,172,698)	1,518,370	345,672
16	Income Taxes Deferred	200,581	226,212	426,793
17	Investment Tax Credit	(42,492)	-	(42,492)
18	Total Taxes	(1,014,609)	1,744,582	729,973
19	Total Net Operating Income	1,719,611	567,270	2,286,881

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Income Statement

Line No.	Description	Total Gas	Adjustment	Gas As Adjusted
	(A)	(B)	(E)	(F)
1	Operating Revenue	5,710,328	352,466	6,062,794
2	Operating Expenses:			
3	Production	4,050,181	32,976	4,083,157
4	Transmission	-	-	-
5	Distribution	515,173	(9,801)	505,372
6	Customer Accounting	195,368	(3,249)	192,119
7	Customer Services	18,770	(965)	17,805
8	Sales	12,129	(4,022)	8,107
9	A & G Expenses	(165,303)	600,606	435,303
10	Total O & M Expenses	4,626,318	615,545	5,241,863
11	Depreciation Expense	278,966	30,442	309,408
12	Amortization Expense	5,882	-	5,882
13	Taxes other than Income Tax	135,984	(14,480)	121,504
14	Net Operating Income before Tax	663,178	(279,041)	384,137
15	Income Taxes	85,769	(49,848)	35,921
16	Income Taxes Deferred	68,064	(14,041)	54,023
17	Investment Tax Credit	(2,243)	-	(2,243)
18	Total Taxes	151,590	(63,889)	87,701
19	Total Net Operating Income	511,588	(215,152)	296,436

AQUILA NETWORKS - MPS
DESCRIPTION OF ADJUSTMENTS TO NET OPERATING INCOME
FOR THE YEAR ENDED DECEMBER 31, 2002

Adj No.	Description of Adjustment (A)	Witness	Increase (Decrease) (B)
R-10	Customer & Weather Adj This adjusts test period revenues to reflect normal heating degree days and annualizes revenues for 2002 customer level Operating Revenues	Sullivan	\$ 2,172,385
R-15	Eliminate Provision for Rate Refund This adjustment reverses an entry originally booked during 2001 to defer incremental expense incurred and incremental revenues lost pending a decision in case No. GO-2202-175 for recognition of uncollectibles expense under the terms of 4 CSR 240-13.055(10)1. Operating Revenues	R. Petersen	\$ 500,000
R-20	Eliminate Unbilled Revenues This adjusts revenues to a billed basis. Operating Revenues	R. Petersen	\$ 2,169,946
R-25	Fee Revenue This adjustment reflects the addition or increase in service fees for connections, reconnections, special meter reads, collection fees, and charges for bad checks Operating Revenues	B. Amdor	\$ 299,443
CS-1	Customer & Weather Adj This adjusts test period purchases to reflect normal heating degree days and annualizes revenues for 2002 customer level Gas Purchases	T. Sullivan	\$ 1,560,296
CS-2	Eliminate Unbilled Purchases This adjusts test period purchases to match billed revenues. Gas Purchases	R. Petersen	\$ 1,495,408
CS-4	Miscellaneous Purchases This adjusts test period purchases for gas cost omitted from test period expenses related to Interdepartmental Sales, L&U on Small Volume Transportation, and other miscellaneous purchase adjustment. Gas Purchases	R. Petersen	\$ 12,907
CS-5	Payroll This adjustment annualizes payroll expense for the test year. Production Transmission Distribution Customer Accounting Customer Service Sales Administrative & General Total	A. Stichler	\$ 36,536

AQUILA NETWORKS - MPS
DESCRIPTION OF ADJUSTMENTS TO NET OPERATING INCOME
FOR THE YEAR ENDED DECEMBER 31, 2002

Adj No.	Description of Adjustment (A)	Witness	Increase (Decrease) (B)
CS-6	Incentive This adjustment annualizes incentive expenses to be paid at target levels Production Transmission Distribution Customer Accounting Customer Service Sales Administrative & General Total	R. Petersen	\$ 46,743
CS-10	Restructuring This adjustment amortizes restructuring related expenses during the test year over three years. Production Transmission Distribution Administrative & General Taxes Other Than Income Taxes Total	J. Thomas	\$ (217,338)
CS-11	Employee Benefits This adjustment annualizes the MPS portion of employee benefits made on behalf of its employees. Administrative and General	H. Mikkelsen	\$ 49,506
CS-16	ESF/IBU Adjustments This adjustment updates the ESF and IBU corporate allocation factors to January 2003 drivers. Administrative and General	B. Agut	\$ (171,769)
CS-17	O&M L&P Merger Synergies This adjustment annualizes the O&M synergies resulting from the L&P Merger. Production Transmission Distribution Customer Accounting Customer Service Sales Administrative & General Total	V. Siemek/B. Agut	\$ 233,732
CS-35	Bad Debt Expense This adjusts bad debt expense to an annualized level based on a three year average rate times annualized revenue Customer Accounting Expense	H. Mikkelsen	\$ (356,854)

AQUILA NETWORKS - MPS
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Adj No.	Description of Adjustment (A)	Witness	Increase (Decrease) (B)
CS-40	PSC Assessment This adjustment annualizes the PSC assessment to the most current assessment received. Administrative and General	R. Petersen	\$ (19,845)
CS-45	Customer Deposit Interest This entry annualizes the interest expense related to customer deposits. Customer Accounting Expense	R. Petersen	\$ 9,000
CS-50	Rate Case Expense This adjustment annualizes the expense related to the preparation of the rate case and amortizes it over 3 years. Administrative and General	R. Petersen	\$ 88,339
CS-56	Eliminate TransUCU This adjustment eliminates test year transportation related expenses allocated to MPS from TransUCU. Office Supplies and Expenses	R. Petersen	\$ (89,038)
CS-60	Dues and Donations This adjustment eliminates all dues and donations except AGA dues. Administrative and General	R. Petersen	\$ (53,452)
CS-65	Advertising Expense This adjustment eliminates all advertising except safety and informational . Production Distribution Customer Accounts Customer Service and Informational Expense Sales Expense Administrative & General Total	R. Petersen	\$ (39,094)
CS-81	Homeland Security This adjustment annualizes Homeland Security costs not included in the test year. Office Supplies and Expenses	R. Petersen	\$ 9,467
CS-83	Write-off Pre-2002 Miscellaneous Payroll Expenses This adjustment eliminates miscellaneous payroll costs written off in December 2002 associated with time periods prior to 2002 that are included in test year expenses. Office Supplies and Expenses	J. Thomas	\$ (179,771)

AQUILA NETWORKS - MPS
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Adj No.	Description of Adjustment (A)	Witness	Increase (Decrease) (B)
CS-85	Payroll Taxes This adjustment annualizes FICA and Medicare tax expense. Taxes Other Than Income Tax	R. Petersen	\$ 6,083
CS-90	Ad Valorem Taxes This adjustment annualizes Property taxes based on plant in service adjusted in this case. Taxes Other Than Income Tax	R. Petersen	\$ 292,171
CS-95	Depreciation This adjustment annualizes depreciation expense for plant additions through the known and measurable test period September 30, 2003. Depreciation Expense	B. Tangeman	\$ 427,867
CS-97	Depreciation - Eastern system This adjustment annualizes the impact on depreciation expense for the write-down of the Eastern System. Depreciation Expense	J. Bahr	\$ (310,972)
TAX-10A	Current Income Taxes Expense This adjustment annualizes the current income tax based on adjusted net operating income. Income Taxes, Operating Income	A. Stichler	\$ 1,518,370
TAX-10A	Deferred Taxes & ITC This adjustment annualizes deferred income tax associated with tax straight-line vs. tax timing differences. Deferred Income Taxes	A. Stichler	\$ 226,212

AQUILA NETWORKS - L&P
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FOR THE YEAR ENDED DECEMBER 31, 2002

Adj No.	Description of Adjustment (A)	Witness	Increase (Decrease) (B)
R-10	Customer & Weather Adj This adjusts test period revenues to reflect normal heating degree days and annualizes revenues for 2002 customer level Operating Revenues	T. Sullivan	\$ 244,192
R-20	Eliminate Unbilled Revenues This adjusts revenues to a billed basis. Operating Revenues	R. Petersen	\$ 82,135
R-25	Fee Revenue This adjustment reflects the addition or increase in service fees for connections, reconnections, special meter reads, collection fees, and charges for bad checks Operating Revenues	B. Amdor	\$ 26,139
CS-1	Customer & Weather Adj This adjusts test period purchases to reflect normal heating degree days and annualizes revenues for 2002 customer level Gas Purchases	T. Sullivan	\$ 167,660
CS-4	Miscellaneous Purchases This adjusts gas cost per book to gas costs in revenues from revenue reports Gas Purchases	R. Petersen	\$ (134,684)
CS-5	Payroll This adjustment annualizes payroll expense for the test year. Production Transmission Distribution Customer Accounting Customer Service Sales Administrative & General Total	A. Stichler	\$ (20,939)
CS-6	Incentive This adjustment annualizes incentive expenses to be paid at target levels Production Transmission Distribution Customer Accounting Customer Service Sales Administrative & General Total	R. Petersen	\$ 5,613

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DESCRIPTION OF ADJUSTMENTS TO NET OPERATING INCOME
FOR THE YEAR ENDED DECEMBER 31, 2002

Adj No.	Description of Adjustment (A)	Witness	Increase (Decrease) (B)
CS-10	<p>Restructuring This adjustment amortizes restructuring related expenses during the test year over three years. Production Transmission Distribution Administrative & General Taxes Other Than Income Taxes Total</p>	J. Thomas	\$ (23,206)
CS-11	<p>Employee Benefits This adjustment annualizes the L&P portion of employee benefits made on behalf of its employees. Administrative and General</p>	H. Mikkelsen	\$ 179,558
CS-16	<p>ESF/IBU Adjustments This adjustment updates the ESF and IBU corporate allocation factors to January 2003 drivers. Administrative and General</p>	V. Siemek/B. Agui	\$ (38,104)
CS-30	<p>Injuries and Damages Expense This adjusts Injuries and Damages to correct a product classification booked in error during the test period. Administrative and General</p>	J Thomas	\$ 527,284
CS-35	<p>Bad Debt Expense This adjusts bad debt expense to an annualized level based on a three year average rate times annualized revenue Customer Accounting Expense</p>	H. Mikkelsen	\$ (5,581)
CS-40	<p>PSC Assessment This adjustment annualizes the PSC assessment to the most current assessment received. Administrative and General</p>	R. Petersen	\$ 1,600
CS-45	<p>Customer Deposit Interest This entry annualizes the interest expense related to customer deposits. Customer Accounting Expense</p>	R. Petersen	\$ 2,306
CS-50	<p>Rate Case Expense This adjustment annualizes the expense related to the preparation of the rate case and amortizes it over 3 years. Administrative and General</p>	R. Petersen	\$ 5,097

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Adj No.	Description of Adjustment (A)	Witness	Increase (Decrease) (B)
CS-56	Eliminate TransUCU This adjustment eliminates test year transportation related expenses allocated to L&P from TransUCU. Office Supplies and Expenses	R. Petersen	\$ (13,319)
CS-60	Dues and Donations This adjustment eliminates all dues and donations except AGA and Power Pool dues. Administrative and General	R. Petersen	\$ (5,223)
CS-65	Advertising Expense This adjustment eliminates all advertising except safety and informational . Production Distribution Customer Accounts Customer Service and Informational Expense Sales Expense Administrative & General Total	R. Petersen	\$ (4,581)
CS-81	Homeland Security This adjustment annualizes Homeland Security costs not included in the test year. Office Supplies and Expenses	R. Petersen	\$ 724
CS-83	Write-off Pre-2002 Miscellaneous Payroll Expenses This adjustment eliminates miscellaneous payroll costs written off in December 2002 associated with time periods prior to 2002 that are included in test year expenses. Office Supplies and Expenses	J. Thomas	\$ (27,906)
CS-85	Payroll Taxes This adjustment annualizes FICA and Medicare tax expense. Taxes Other Than Income Tax	R. Petersen	\$ (23,098)
CS-90	Ad Valorem Taxes This adjustment annualizes Property taxes based on plant in service adjusted in this case. Taxes Other Than Income Tax	R. Petersen	\$ 7,864
CS-95	Depreciation - L&P Assets This adjustment annualizes depreciation expense for plant additions through the known and measurable test period September 30, 2003. Depreciation Expense	B. Tangeman	\$ 30,442

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Adj No.	Description of Adjustment (A)	Witness	Increase (Decrease) (B)
TAX-10A	<p>Current Income Taxes Expense This adjustment annualizes the current income tax based on adjusted net operating income. Income Taxes, Operating Income</p>	A. Stichler	\$ (49,848)
TAX-10A	<p>Deferred Taxes & ITC This adjustment annualizes deferred income tax associated with tax straight-line vs. tax timing differences. Deferred Income Taxes</p>	A. Stichler	\$ (14,041)