Exhibit No.:	
Issues:	*Test Year; Staff Accounting Schedules; Plant in Service; Depreciation Expense; Depreciation Reserve; South Harper Construction Audit; Jurisdictional Allocation Factors; Accounting Authority Orders; Property Taxes; Cash Working Capital; Accounts Receivable Sales; Rate History*
Witness:	*Phillip K. Williams, CPA CIA*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Direct Testimony*
Case No.:	*ER-2007-0004*
Date Testimony Prepared:	*January 23, 2007*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

PHILLIP K. WILLIAMS

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

CASE NO. ER-2007-0004

Jefferson City, Missouri
January 2007

TABLE OF CONTENTS

DIRECT TESTIMONY OF

PHILLIP K. WILLIAMS, CPA CIA

AQUILA, INC.

D/B/A AQUILA NETWORKS - MPS ELECTRIC
AND AQUILA NETWORKS - L&P ELECTRIC

Case No. ER-2007-0004

DIRECT TESTIMONY

OF

PHILLIP K. WILLIAMS, CPA CIA

AQUILA, INC.

D/B/A AQUILA NETWORKS - MPS ELECTRIC

and AQUILA NETWORKS - L&P ELECTRIC

CASE NO. ER-2007-0004

Q. Please state your name and business address.

A. My name is Phillip K. Williams, and my business address is Fletcher Daniels State Office Building, Room G8, 615 East 13th Street, Kansas City, MO 64106.

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

A. I am a Regulatory Auditor for the Missouri Public Service Commission (Commission or MoPSC).

BACKGROUND OF WITNESS

Q. What are your educational and other qualifications?

A. I graduated from Central Missouri State University (CMSU) at Warrensburg, Missouri, in August of 1976, with a Bachelor of Science degree in Business Administration. My functional major was Accounting. Upon completion of my undergraduate degree, I entered the masters program at CMSU. I received a Masters of Business Administration degree from CMSU in February 1978, with an emphasis in Accounting. In May 1989, I passed the Uniform Certified Public Accountant (CPA) examination. I am currently licensed

as a Certified Public Accountant in the state of Missouri. In May 1994, I passed the Certified Internal Auditors (CIA) examination, and received my CIA designation.

Q Have you previously testified before this Commission?

A. Yes. Please refer to Schedule PKW-1, attached to this direct testimony, for a list of cases in which I have filed testimony before this Commission.

Q. What knowledge, skill, experience, training or education do you have in regulatory matters?

A. I have acquired general knowledge of these topics through my experience and analyses in prior rate cases and merger cases before this Commission. I have also acquired knowledge of these topics through review of Staff workpapers for prior rate cases brought before this Commission. I have reviewed prior Commission decisions with regard to these areas. I have reviewed the Company's testimony, workpapers and responses to Staff's Data Requests addressing these topics. In addition, my college coursework included accounting and auditing classes. Additionally, I received a Masters in Business Administration degree. I have also successfully passed the Certified Public Accountants Exam, which included sections on accounting practice and theory, as well as, auditing. I currently hold a license to practice in Missouri. I also successfully passed the Certified Internal Auditors Exam. Since commencing employment with the Commission in September, 1980, I have attended various in-house training seminars and NARUC conferences. I have participated in approximately 40 formal rate case proceedings. I have also participated in and supervised the work on a number of informal rate proceedings. As a senior auditor and the Lead Auditor on a number of cases I have participated in the supervision and instruction of new accountants and auditors within the Utility Services Division.

PURPOSE OF TESTIMONY

Q. With reference to Case No. ER-2007-0004, have you made an examination of the books and records of Aquila Networks - MPS (MPS) and Aquila Networks - L&P (L&P) divisions of Aquila, Inc?

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

Q. Does your testimony relate to both the MPS and L&P divisions?

A. Yes. References in this testimony to MPS refer to the Missouri jurisdictional Aquila Network – MPS division electric operations of Aquila. References in this testimony to L&P refer to the Missouri jurisdictional Aquila Networks – L&P division electric operations of Aquila.

Q. What are you areas of responsibility in regard to Case No. ER-2007-0004?

A. I am assigned the areas of allocations, plant-in-service, depreciation expense, depreciation reserve, property taxes, cash working capital, accounts receivable sales imputation used in cash working capital and the co-review of the South Harper construction costs to be included in rate base, and to support other Accounting Staff as needed. I am sponsoring the Accounting Authority Orders (AAOs) for Sibley and an ice storm. I am sponsoring jurisdictional allocations of administrative and general expense (A&G Expense). I address the test year and the update period for known and measurable changes the Staff plans to use in this case. Additionally, I will provide testimony about the rate increases and reductions of the MPS and L&P electric divisions of Aquila, Inc.

Q. What Accounting Schedules are you sponsoring in Case No. ER-2007-0004?

A. I am sponsoring the following Accounting Schedules:

Accounting Schedule 1	Revenue Requirement
Accounting Schedule 2	Rate Base
Accounting Schedule 3	Plant-in-Service
Accounting Schedule 4	Adjustments to Plant-in-Service
Accounting Schedule 5	Depreciation Expense
Accounting Schedule 6	Depreciation Reserve
Accounting Schedule 7	Adjustments to Depreciation Reserve
Accounting Schedule 8	Cash Working Capital
Accounting Schedule 9	Income Statement
Accounting Schedule 10	Adjustments to Income Statement

These schedules will apply to both the MPS and L&P divisions which will each have a separate Revenue Requirement run filed.

EXECUTIVE SUMMARY

Q. Please provide a brief summary of your testimony.

A. My testimony covers an overview of what a test year is and how it is used, a description of the known and measurable period, true-up and why each is appropriate in this case. I address the areas of plant-in service, depreciation expense and depreciation reserve.

This testimony identifies adjustments Staff is making to the costs Aquila booked for its newest generating facility, South Harper, before the Staff used those costs in developing the costs it is imputing to MPS for the five CT generating facility the Staff is imputing to Aquila. I calculated the cost of the five CT generating facility Staff is imputing to MPS by adding the adjusted booked value of the three South Harper units and the value imputed by

Staff in ER-2005-0436 for two additional CT's. This testimony describes construction costs adjustments to plant and the annualization of the South Harper plant maintenance expenses.

I also address jurisdictional allocations, unamortized accounting authority order balances and property tax expense annualization.

The rate analysis I performed shows Aquila Networks - MPS's average 2005 electric rates for residential customers are $.074479 per kWh and are the second highest rates of Missouri's five investor owned electric utilities. Furthermore, Aquila Networks - L&P's average 2005 electric rate for residential customers of $.059707 per kWh, which is the lowest of Missouri's five investor-owned electric utilities as shown in Schedule PKW-2.

To include known and measurable changes through September 30, 2006, plant-in-service and the depreciation reserve were taken to September 30, 2006. Staff also adjusted the plant in service associated with the Jeffrey Energy Center to include the common plant allocable to MPS.

Staff has included the unamortized balances of the AAO's associated with the Sibley rebuild and the Sibley western coal conversion of the early 1990's. The Commission authorized these deferrals in Case Nos. ER-90-101 and ER 93-37.

Staff has annualized the property taxes to reflect the plant in service as of December 31, 2005, and the latest known ratio of taxes paid to plant in service. Staff used the ratio of taxes paid in 2006 to annualize property taxes.

Staff has imputed expenses associated with the administration of an accounts receivable sales program and has used a revenue lag in Cash Working Capital (CWC) which assumes the sale of the accounts receivable program that was in use at the start of Aquila's financial collapse and subsequent financial downgrade. Staff imputed the accounts receivable

sales program benefits into the revenue lag of the CWC to eliminate the adverse effects to the ratepayers of the Company's financial problems and subsequent financial downgrade.

The jurisdictional allocation factors were updated to reflect Staff's demand and energy allocators, as determined by Staff witness Erin Maloney. Staff reviewed the Company's general allocation factors and determined that they were appropriate except for the adjustments to the demand and energy factors made by Ms. Maloney.

TEST YEAR, KNOWN AND MEASURABLE AND TRUE-UP

Q. What test year is the Staff using in this case?

A. The test year authorized by the Commission in its August 22, 2006, Order was the 12-month period ending December 31, 2005, with an update for known and measurable changes through December 31, 2006. Staff used this test year in the determination of the revenue requirement calculations that are being presented to the Commission in Case No. ER-2007-0004 for the electric operations of MPS and L&P. Some of the major revenue requirement components which are examined that typically change from test year levels are utility plant-in-service, accumulated depreciation, deferred taxes, fuel prices, cash working capital, capital structure and cost of capital, customer growth revenues, payroll, fuel and purchased power expense, depreciation expense, system loads, taxes, purchased power demand charges and allocation factors. Updates are known and measurable changes, which occur within a reasonable time after the close of the test year

Q. What is a test year and how it is used?

A. A test year is a 12-month period, which is used as the basis for the audit of any rate filing or earnings complaint case. This period serves as the starting point for review and analysis of the utility's operations to determine the reasonableness and appropriateness of the

rate filing. The test year forms the basis from which adjustments are made to remove cost due to abnormalities that occurred during the test year (normalization) and to reflect any increase or decrease to the accounts of the utility so they reflect amounts for a full year (annualization). Adjustments are made to the test year level of revenues, expenses and rate base to determine the proper level of investment on which the utility is allowed to earn a return. After the recommended rate of return is determined for the utility, a review of existing rates is made to determine if any additional revenues are necessary. If the utility's earnings are deficient, rates need to be increased. In some cases, existing rates generate earnings in excess of authorized levels, which may indicate the need for rate reductions. The test year is the time period that is used to evaluate and determine the proper relationship between revenue, expense and investment. This relationship is essential to determine the appropriate level of earnings for the utility. In this case, the parties recommended a test year of the 12-months ended December 31, 2005, updated through December 31, 2006.

The Commission described the importance of the test year in its July 21, 2005, Order Concerning Test Year and True-Up in Aquila's last rate case, Case No. ER-2005-0436:

> The test year is a central component in the ratemaking process. Rates are usually established based upon a historical test year which focuses on four factors: (1) the rate of return the utility has an opportunity to earn; (2) the rate base upon which a return may be earned; (3) the depreciation costs of plant and equipment; and (4) allowable operating expenses. From these four factors is calculated the 'revenue requirement,' which, in context of ratemaking, is the amount of revenue ratepayers must generate to pay the costs of producing the utility service they receive while yielding a reasonable rate of return to the utility's investors. A historical test year is used because the past expenses of a utility provide a basis for determining what rate is reasonable to be charged in the future.

Q. Why did the Staff and the other parties recommend a test year of the 12 months ended December 31, 2005, updated through December 31, 2006?

A. Shortly after Aquila filed its case on July 3, 2006, it approached Staff to discuss the test year Staff planned to recommend. Staff and Aquila met to discuss the test year and the need for an update for known and measurable changes through the end of 2006. Aquila believed there were a number of major changes that would occur between the end of the test year and December 31, 2006, that should be taken into account in determining the revenue requirement in this case.

Staff believed the 2005 test year would allow Aquila to supply data on a more timely basis and any material changes that occurred between the end of the test year and the update period could be alleviated by the taking the case out through the December 31, 2006, known and measurable period.

Q. Why is a test year update being utilized in this case?

A. The use of a test year update allows test year data to remain current through the update period for changes in material items that are known and measurable. Such items could include plant additions and retirements, payroll increases and changes in employee levels, customer growth, changes in fuel prices, etc. Test year amounts are adjusted to enable the parties to make rate recommendations on the basis of the most recent auditable information available.

Q. Has anyone proposed a true-up?

A. No. Once the update through the end of the year 2006 was established, Aquila did not believe that a true-up in this case was necessary.

Q. Why wasn't the December 31, 2006, update used in this direct filing?

A. The direct filing date was set as January 18, 2007. There is not sufficient time to obtain and review the necessary information through December 31, 2006, and meet the

January 18, 2007, direct filing date. Consequently, an update to the case using December 31, 2006, information will be developed in February.

Q. Aquila's Missouri gas properties were sold with the sale closing in 2006. Was it necessary to remove the costs associated with Aquila's Missouri gas properties from the test year amounts?

A. Yes, the 2005 test year included costs associated with the gas properties. With the sale of the gas properties it became necessary remove from test year expense all costs associated with the gas systems. These adjustments were made to both Aquila Networks - MPS and Aquila Networks - L&P. The adjustments made to Aquila Networks - MPS to remove the gas expenses are S-67.2, S-68.2, S-69.2, S-70.1, S-71.2, S-72.2, S-73.2, S-74.2, S-75.2, S-76.2, S-77.2, S-78.1, S-79.2, S-80.2, S-81.1, S-82.2, S-83.1, S-84.1, S-85.2, S-86.1, S-88.1, S-89.2, S-90.1, S-91.2, S-93.1 and S-94.1. The Adjustments made to Aquila Networks - L&P to remove the gas expenses are S-65.2, S-66.2 S-67.2, S-68.1, S-69.2, S-70.2, S-71.1, S-72.2, S-74.2, S-75.2, S-76.2, S-77.1, S-78.2, S-79.2, S-80.1, S-81.2, S-82.1, S-83.1, S-84.2, S-85.1, S-87.1, S-88.2, S-89.1, S-90.2, S-92.1, S-93.1 and S-94.1.

ACCOUNTING SCHEDULES

Q. Did the Staff create separate Staff Accounting Schedules for Aquila's MPS and L&P divisions?

A. Yes. There are separate Revenue Requirement runs for MPS and the L&P divisions. The Accounting Schedule numbers and formats are the same for each Revenue Requirement run.

Q. What is shown on Accounting Schedule 1, Revenue Requirement?

A. Accounting Schedule 1 is the Revenue Requirement Schedule, which contains the calculations of the Staff's gross revenue requirement. This Accounting Schedule contains information from the Rate Base, Income Statement and Income Tax Accounting Schedules to determine the actual revenue requirements that the Staff recommends. This Accounting Schedule details the net original cost rate base to which the rate of return, supplied by Staff witness David C. Parcell, a consultant hired by Staff, is applied to determine the required net operating income requirement before income taxes. This schedule compares the net operating income requirement with the net income available determined from Accounting Schedule 9, Income Statement, to determine the overall net revenue deficiency.

Q. What is shown on Staff Accounting Schedule 2, Rate Base?

A. This Accounting Schedule takes the adjusted jurisdictional plant in service balance from Accounting Schedule 3, Total Plant in Service, and deducts adjusted jurisdictional depreciation reserve from Accounting Schedule 6, Depreciation Reserve, to compute the net plant in service. Added to net plant in service on this Accounting Schedule are Missouri jurisdictional amounts for cash working capital, materials and supplies, prepayments and fuel stock. Rate base deductions include cash working capital amounts for the federal tax offset, state tax offset and interest expense offset. Rate base deductions also include customer advances, customer deposits, injuries and damages reserve, amortization of electric plant and reserve for deferred income taxes. The mathematical total of these items is the Rate Base amount that is incorporated in the Gross Revenue Requirement recommendation shown on Accounting Schedule 1, Revenue Requirement.

Q. What are the items that are added to net plant in service in determining the rate base?

A. The Staff's calculation of materials, supplies and prepayments is discussed in the direct testimony of Staff witness Kofi Boateng. The Staff's calculation of the level of fuel stock inventory is discussed in the direct testimony of Staff witness Charles R. Hyneman. Cash Working Capital is discussed later in this direct testimony.

Q. What are the items that are deducted from net plant in service in determining rate base?

A. The Staff's calculation of customer advances and customer deposits are discussed in the direct testimony of Staff witness Boateng. Staff's calculations of the reserve for deferred income taxes and the unamortized investment tax credit are discussed in the direct testimony of Staff witness Steve Traxler. The federal, state and city tax offsets and the interest expense offset are discussed later in this direct testimony.

Q. Are there any additional items that you are sponsoring on Accounting Schedule 2, Rate Base?

A. Yes, I am sponsoring the amounts for Amortization of Electric Plant and Reserve.

Q. What is this component of rate base?

A. Amortization of Electric Plant is the Missouri jurisdictional balance of the accumulated amortization reserve as of September 30, 2006. Use of the balance for this item as of this date is consistent with the adjusted jurisdictional balance of net plant in service as of September 30, 2006. This amount, along with other rate base amounts, will be updated to December 31, 2006, to reflect the end of the known and measurable update period.

Q. What is shown on Staff Accounting Schedule 3, Plant-in-Service?

A. Accounting Schedule 3, Total Plant in Service, lists in Column B total plant balances as of September 30, 2006. The plant adjustments are listed in Column C. Column D lists the Missouri jurisdictional plant allocation factors. Column F contains the Missouri adjusted jurisdictional plant in service balance as of September 30, 2006.

Q. What is shown on Staff Accounting Schedule 4, Adjustments to Total Plant?

A. Accounting Schedule 4, Adjustments to Total Plant, details the Staff's individual adjustments to the total plant in service, which are listed in Column C of Accounting Schedule 3.

Q. What is shown on Staff Accounting Schedule 5, Depreciation Expense?

A. Accounting Schedule 5, Depreciation Expense, lists in Column B the Missouri adjusted jurisdictional plant in service balances from Accounting Schedule 3, Column F. Column C contains the existing depreciation rates provided by Staff witness Rosella L. Schad of the Engineering and Management Services Department. The rates in Column C are then applied to the plant balances in Column B to determine the annualized level of depreciation expense that appears in Column D.

Q. What is shown on Staff Accounting Schedule 6, Depreciation Reserve?

A. Accounting Schedule 6, Depreciation Reserve, lists in Column B total depreciation reserve balances as of September 30, 2006. Column D lists the Missouri jurisdictional depreciation reserve allocation factors. Column E lists the Staff's Missouri jurisdictional depreciation reserve adjustments and Column F contains the Missouri adjusted jurisdictional depreciation reserve balances as of September 30, 2006.

Q. What is shown on Staff Accounting Schedule 7, Adjustment to Depreciation Reserve?

A. Accounting Schedule 7, Adjustments to the Depreciation Reserve, details the Staff's individual adjustments to total depreciation reserve, which are listed in Column C of Accounting Schedule 6.

Q. What is shown on Staff Accounting Schedule 8, Cash Working Capital?

A. Accounting Schedule 8, Cash Working Capital, depicts the calculation which determines the level of Cash Working Capital (CWC). A complete description of Accounting Schedule 8 and an explanation of calculations shown on Accounting Schedule 8 will be provided later in this testimony.

Q. What is shown on Staff Accounting Schedule 9, Income Statement?

A. Accounting Schedule 9, Income Statement, contains the Staff's adjusted Missouri jurisdictional revenues and expenses for the test year ended December 31, 2005, and updated through September 30, 2006.

Q. What is shown on Staff Accounting Schedule 10, Adjustments to Income Statement?

A. Accounting Schedule 10, Adjustments to Income Statement, contains a listing of the specific adjustments Staff has made to the unadjusted test year income statement to derive the Staff's adjusted net income. A brief explanation for each adjustment and the name of the Staff witness sponsoring the adjustment are listed on Accounting Schedule 10.

PLANT IN SERVICE, DEPRECIATION EXPENSE & DEPRECIATION RESERVE

Q. Would you please explain the plant in service and depreciation reserve balances included in Staff Accounting Schedules 3 and 6?

A. The plant in service and depreciation reserve balances shown in Staff Accounting Schedules 3 and 6, respectively, are the September 30, 2006, balances that the

MPS and L&P divisions supplied for their electric operations through responses to Data Request Nos. 47.1 and 47.2.

Adjustment to Plant in Service Nos. P-1.1, P-2.1, P-3.1, and P-7.1 were made to the Revenue Requirement run for MPS to reflect the inclusion of the Jeffrey Energy Center Common plant at September 30, 2006. Adjustments to Depreciation Reserve Nos. R-3.1, R-4.1 and R-7.1 were made to the EMS run for MPS to reflect the inclusion of the Jeffrey Energy Center Common Plant depreciation reserve at September 30, 2006. Staff made further adjustments to the plant in service to reflect the inclusion of an amount based on the South Harper generating station in rate base as of September 30, 2006. Those adjustments and their rationale will be addressed next in my testimony.

Q. What are MPS Adjustment S-___ and L&P Adjustment S-___?

A. These adjustments were made to remove the transportation equipment depreciation expense charged through clearing to maintenance expenses.

SOUTH HARPER CONSTRUCTION AUDIT

Q. Did you review the construction cost associated with the South Harper construction project?

A. Yes. Staff witnesses Featherstone, Bender, Maloney and I conducted a review of the construction costs associated with the South Harper generating facility in the last Aquila rate case, Case No. ER-2005-0436. The analysis in the last case went through October 31, 2005.

A review of the South Harper construction costs was continued in this case. Mr. Featherstone and I have reviewed the costs and associated accounting entries and have made an analysis of those costs to determine the amount that should be included in developing

the five CT facility costs Staff is imputing to MPS in the current rate proceeding. A summary of those costs are included as Schedule PKW-2, pages 1 and 2 to my testimony. This schedule shows the total project cost to date as of September 30, 2006. This represents the costs included in the five CT facility costs Staff is imputing to Aquila in this case. This schedule summarizes the transmission activities, generation activities and cost of the land. The schedule then deducts the amounts of the write-downs taken in November, 2004, when the property was transferred to MPS and the additional write-down associated with the Stipulation and Agreement the Staff entered into Case No. EO-2005-0156.

In Case No. ER-2005-0436, Staff made a deduction to remove the Allowance for Funds Used During Construction (AFUDC) associated with the write-down of the South Harper assets. Aquila reflected the adjustments made in the last case in the plant in service records relating to South Harper. The September 30, 2006, balances include those write-down adjustments, so no further adjustments are necessary. In this case, additional adjustments relating to the legal costs and other costs for the court activities surrounding South Harper have been made, consistent with the approach taken in the last rate case. These costs have been incurred since Staff last reviewed the South Harper construction costs through October 31, 2005. These adjusted construction costs were then distributed to the plant as shown on Schedule PKW-3. This schedule shows how Staff determined the distribution of the construction costs to the different plant accounts. Staff distributed the adjusted construction costs based upon the ratio of the plant accounts for the combined plant balances of the South Harper production facilities. Adjustment Nos. MPS – P-9.1, P-10.1, P-11.1, P-12.1, P-13.1, P-14.1, P-15.1 shown on Staff Accounting Schedule 4 were made to reflect the additional costs that Staff believes should be removed from plant in service as of

September 30, 2006. A further discussion of South Harper and the appropriate criteria as to when these items should be included in rate base will be addressed by Staff witness Featherstone.

Q. Did Staff make further adjustments to South Harper construction costs?

A. No. All costs associated with the transfer of the turbines from a non-regulated affiliated company, Aquila Merchant Services, were eliminated from the construction amounts in Case No. ER-2005-0436, which Aquila has booked to the proper plant accounts. The adjustments remove costs associated with the original purchase of the turbines and related equipment by Aquila Merchant. This equipment was taken for delivery starting in August 2002, with shipments continuing through the end of 2002. Because the equipment was originally purchased for Aquila's non-regulated operations, the turbines were placed in storage over two-and-one-half years before they were installed at the South Harper site.

Staff has attempted to remove all cost impacts related to the purchase of the units by the non-regulated affiliate to put the installation costs on the same basis as though MPS had acquired the units on a stand-alone basis.

Q. Did the Staff remove any other costs that Aquila had booked as costs for construction of South Harper?

A. Yes. Staff also removed all legal and consultant costs for South Harper that was incurred in the Cass County Court case. These costs were for defense of the Court decision where Aquila did not meet the County's building zoning permits. Staff updated the original analysis performed in the last rate case for additional costs incurred since that time.

Other legal costs were removed for three cases before the Commission – Case Nos. EA-2005-0248, EA-2006-0309 and EO-2005-0156. Case Nos. EA-2005-0248 and

EA-2006-0309 directly related to the Cass County Court cases. The Court held that Aquila needed site-specific authorization from the Commission or Cass County approval to build a generating facility in Cass County. In Case No. EA-2005-0248 Aquila sought such site-specific authority from the Commission. Case No. EO-2005-0156 was an Application both for authority to engage in a Chapter 100 financing arrangement with the City of Peculiar and for the valuation of the three combustion turbines and ancillary equipment. That valuation would not have been necessary if this equipment had been purchased from the turbine manufacturer directly instead of MPS receiving the assets from a non-regulated affiliate.

Staff also removed the consultant fees for an R.W. Beck appraisal conducted to assist Aquila in determining the value of the transferred equipment. This appraisal would not have been necessary if the equipment had not have been transferred from a non-regulated affiliate.

Q. Does Staff believe that all consultant and legal costs associated with the construction of South Harper should be disallowed?

A. No. Clearly, there are some consultant and legal costs that are needed to construct the South Harper facility. There needs to be a breakdown of these costs to determine those that relate to the appraisal of the turbines and those legal costs that relate to the Court cases and cases before the Commission. Staff submitted data requests for the breakdowns in consultant and legal costs and reviewed the material to identify costs that should properly be included in the construction of these power plant facilities.

Q. How has Staff used Aquila's costs for the South Harper Generating facility in determining cost of service?

A. Aquila obtained the site for the South Harper Generating facility and erected three 105 MW combustion turbines on it, although it was designed for six combustion

turbines. Staff believes that when it installed the three 105 MW CTs Aquila should have instead installed at that time five 105 MW CTS for a total of 525 MW of generation (five 105 MW CTs). Therefore, Staff is using costs Aquila actually incurred for the South Harper facility, including the three 105 MW CTs it installed, as the basis for 315 MW of the 525 MW facility the Staff is imputing to Aquila for purposes of MPS's cost-of-service. The costs Staff has included in its revenue requirement for the 525 MW CT facility it is imputing to MPS remain in Staff's case, regardless of whether Aquila ultimately keeps or removes the 315 MW of generation capacity it built at the South Harper site.

JURISDICTIONAL ALLOCATION FACTORS

Q. What jurisdictional allocation factors did Staff use in this case?

A. The allocation factors are broken out between the following: 1) Aquila corporate administrative and general allocators developed by Staff witness Charles R. Hyneman; 2) demand allocators calculated and provided by Staff witness Maloney; and 3) the allocation factors between L&P electric and steam operations based on the allocation methodology approved in Case No. EO-94-36.

Staff then calculated Missouri jurisdictional factors, utilizing the factors described above, which are appropriate for each individual Federal Energy Regulatory Commission (FERC) account. The electric expense accounts that are 100% electric were multiplied by the demand, distribution or transmission allocation factors. The electric allocation ratio is then multiplied by the ratio of other operations and maintenance expenses to arrive at the jurisdictional allocation factor.

Q. Why is it necessary to allocate costs in this case?

A. Aquila operates both its MPS and L&P divisions within the state of Missouri and provides electric and steam service to Missouri customers. It also provides wholesale electric power to several entities. Since it supplies power to various entities and jurisdictions, an allocation process is needed to identify costs specific to the various Aquila utilities operating within Missouri, i.e. electric and steam, and to specific jurisdictional operations that are under the authority of either the Commission or the FERC.

UNAMORTIZED ACCOUNTING AUTHORITY ORDER BALANCES

Q. Please describe the unamortized Accounting Authority Order (AAO) balances included in rate base.

A. Unamortized AAO balances at September 30, 2006 were included in rate base, to reflect a return on the unamortized balance of the AAO deferrals authorized by the Commission in Case Nos. ER-90-101, EO-91-247 and ER-93-37. These AAO deferrals are the MPS Sibley rebuild project, Case No. ER-90-101, and the MPS Sibley Western Coal Conversion, Case No. ER-93-37. The Commission has included the unamortized balance associated with the Sibley rebuild project and the Sibley Western Coal Conversion in every rate case since Case No. ER-93-37.

Q. Did the Staff include expense amortizations of the deferrals for each of the above AAOs?

A. Yes. The Staff adopted the test year amortization for the Sibley rebuild and the Sibley Western Coal Conversion deferrals. Staff adjusted the test year amortization of the Case No. EU-2002-1053 ice storm deferral as determined in Case No. ER-2004-0034.

Staff has included the expense amortization for a 2003 ice storm that resulted in significant costs to restore Aquila's transmission and distribution systems. However, Staff

did not include the unamortized balance for the ice storm in rate base. Allowing the recovery (expense amortization) of the cost of the 2003 ice storm in cost of service, without rate base recognition for the unamortized balance, results in a sharing of the abnormal cost between ratepayers and shareholders.

PROPERTY TAXES

Q. What is MPS and L&P adjustment S-94.2, shown on Staff Accounting Schedule 10?

A. This adjustment annualizes property tax expense for each of these divisions.

Q. How did the Staff compute property tax expense in this case?

A. The Staff examined the actual amounts of property tax payments made by MPS and L&P for each year for the period 2001 through 2006. I developed a relationship of actual property tax payments to the level of property at January 1 for each of those years. The relationship was applied to the plant in service balance at the end of the test year, December 31, 2005, to calculate an annualized property tax amount in this case.

Q. On what basis are property taxes paid?

A. The state and local taxing authorities determine the annual property tax payment through an assessment of utilities' real property. This assessment is made based upon the utilities' property balances on January 1 of each year. The taxing authorities also determine a property tax rate that is applied to the assessed values to compute the property tax amount billed to utilities.

Q. When are property taxes paid?

A. The property taxes are paid to the state and local taxing authorities at the end of each year, generally by December 31st.

Q. Will Staff update property taxes through the end of December 31, 2006?

A. Yes. Since there will new assessment made as of January 1, 2007, Staff will update the property tax calculation to reflect this new assessment period.

Q. Are all property taxes charged to expense?

A. No. Although the majority of property taxes are expensed, a portion of property taxes relate to construction activity as of the assessment date of January 1 of each year. Property taxes that relate to construction activities are capitalized and, therefore charged to construction work orders.

Q. Did Staff include property taxes as part of the costs for the plant site Staff included in rate base that relies on Aquila's South Harper plant costs for those costs?

A. No. Staff treated the plant site as being owned by a political subdivision as part of a Chapter 100 financing arrangement. Aquila entered into such an arrangement with the City of Peculiar, Missouri. The Chapter 100 financing arrangement requires annual lease payments in lieu of the property tax (PILOT) payments. Adjustment S-94.3 has been made to include the amount of the Pilot payment in expense in lieu of including this plant in property taxes expense levels.

In addition, payments Aquila made prior to the in-service date of the units has been capitalized and included in the South Harper work construction costs. These have been included as part of the construction costs for the six CT plant site, with five 105 MW CTs installed, that Staff has imputed to MPS and included in plant-in-service.

CASH WORKING CAPITAL

Q. What is Cash Working Capital (CWC)?

A. CWC is the amount of cash necessary for a utility to pay the day-to-day expenses incurred to provide utility services to its respective customers.

Q. During Case No. ER-2005-0436, Staff determined that Aquila's financial condition had impacted the calculation of CWC. Has Staff further examined this in the current case?

A. Yes. Aquila is still having financial difficulties. Aquila's credit ratings are still not investment grade. Since noting has substantially changed since the last rate case, Staff has used many of the lags that were determined in Case ER-2005-0436. Staff will identify the lags that were updated for this case when each of those lag calculations are discussed in testimony.

Q. How did Aquila's financial condition impacted Staff's analysis of CWC in Case ER-2005-0436 and in this case?

A. Aquila's financial condition was examined very closely in Case No. ER-2005-0436 to ensure that any adverse effects of the Company's financial condition were not reflected in the calculation of CWC. Since Aquila's financial condition has not significantly changed from the last case, those calculations have been carried forward to the CWC analysis in the current Case ER-2007-0004.

Q. What types of adverse effects due to Aquila's financial condition could be reflected in the calculation of cash working capital?

A. As a result of Aquila's poor credit ratings, some vendors were requiring certain expenses, such as purchased power and fuel purchases, to be paid differently than when Aquila was considered an investment grade company.

Q. What types of requirements are you referring to?

A. Because of Aquila's poor financial condition, vendors have required changes such as prepayments, early pays, letters of credit and collateral. The need to use different methods of payment have associated costs which impact the Company's CWC needs.

Q. Can you please describe these different payment methods?

A. Yes. When a vendor requires prepayments, the customer must pay, in advance, for goods or services. Early pays are a type of accelerated payments. Early payments are usually required to be paid after the goods or services are provided, but prior to the normal due date shown on the invoice/bill. Letters of credit are usually issued by banks, to the Company, which the company can present to third parties as proof of ability to pay. There are usually fees involved with letters of credit. The use of collateral is a means by which vendors hold cash, which is usually obtained by wired funds from the Company, as a type of "insurance" to cover defaulted payments. These methods of payments are required by some vendors when a customer is considered to be a poor credit risk. Staff's approach to calculating CWC for this case is to mitigate, as much as possible, any adverse effects relating to Aquila's financial condition.

Q. How long has Aquila had financial difficulties?

A. Aquila first experienced financial difficulties in early 2002. Its financial condition deteriorated after the collapse of Aquila's non-regulated operations. Much of the information examined relating to the cash management of the company is impacted by its financial condition. Because the adverse financial conditions were not related to the regulated utility operations of Aquila, Staff has examined impacts that the adverse financial condition has had on CWC. Staff has determined the appropriate CWC by removing the negative

impact of the financial condition caused by the non-regulated operations so that Aquila's regulated utility customers would not be harmed.

Q. Where are the results of the Staff's CWC analysis shown?

A. The results of CWC is reflected on the Rate Base Staff Accounting Schedule 2, line 4 - Cash Working Capital. In addition to calculation of CWC on Staff Accounting Schedule 8, there are other off sets to rate base that are considered part of CWC. These additional CWC components are show on line 16-Federal Tax Offset, line 17-State Tax Offset, line 18-City Tax Offset and line 19-Interest Expense Offset on Schedule 2, Rate Base.

Q. Did Staff perform a lead/lag study in this case?

A. Yes. Staff reviewed the lead/lag study it performed in Case No. ER-2005-0436, as well as the workpapers supporting Aquila's lead/lag study in this case. Based upon its review of these studies Staff has updated some of the expense lags, however, a majority of the lags from Case No. ER-2005-0436 calculated by the Staff under my supervision were used in the current analysis.

Q. Did Staff use the same method to calculate MPS' and L&P's CWC requirements as the Staff has used in previous rate cases?

A. Yes. The lead/lag method has been used by the Staff and adopted by the Commission in numerous rate proceedings dating back to the 1970s, including MPS's and L&P's most recent rate cases (Case Nos. ER-2005-0436, ER-2004-0034, GR-2004-0072 and ER-2001-0672).

Q. Why does the Staff perform a lead/lag study?

A. A lead/lag study determines the amount of cash that is necessary on a day-to-day basis for MPS and L&P to provide electric services to its customers. A lead/lag study

analyzes the cash flows related to the payments received from its customers for the provision of electric services and the disbursements made by MPS and L&P to its suppliers and vendors of goods and services necessary to provide this electric service. A lead/lag study determines the number of days MPS and L&P has to make payments after receiving goods or services from a vendor and is compared with the number of days it takes MPS and L&P to receive payment for the electric service it provides to its customers. A lead/lag study also determines who provides CWC.

Q. Who provides cash working capital?

A. The shareholders and ratepayers are the sources of CWC.

Q. How do shareholders supply CWC?

A. When MPS and/or L&P expend funds to pay for an expense before the ratepayers provide the cash, the shareholders are the source of the funds. This cash represents a portion of the shareholders' total investment in the MPS and/or 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 electric services received before MPS and L&P pay the expenses incurred to provide that service. Ratepayers are compensated for the CWC they provide by reducing rate base by the amount of CWC the ratepayers provide.

Q. How does the Staff interpret lead/lag study results?

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 utility paid the expenses incurred to provide the electric service to its customers before those customers had to pay the Company for the provision of utility service.

A negative CWC requirement indicates that, in the aggregate, the ratepayers provided funds to the Company in advance of payments. This means that, on average, the ratepayers paid for their electric services before the utility paid the expense incurred to provide those services.

Q. Please explain the components of the Staff's calculation of CWC that appear on Staff Accounting Schedule 8.

A. The components of the Staff's calculation are as follows:

1) Column A (Account Description): lists the types of cash expenses, which MPS and L&P pay on a day-to-day basis;

2) Column B (Test Year Expenses): 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. The revenue lag addressed in this case is discussed later in this direct testimony;

4) Column D (Expense Lag): indicates the number of days between the receipt of and payment for the goods and services (i.e., cash

expenditures) used to provide service to the ratepayer. The expense lags addressed in this case are discussed later in this direct testimony;

5) Column E (Net Lag): results from the subtraction of the Expense Lag (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;

7) Column G (CWC Requirement): shows 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).

Q. What is the revenue lag?

A. The revenue lag is the amount of time between the when MPS and L&P divisions provide the utility service to customers, and when they receive payment from those customers for that service. The overall revenue lag in this case is the sum of three subcomponent lags. They are as follows:

1) Usage Lag: The midpoint of average time elapsed from the beginning of the first day of a service period through the last day of that service period;

2) Billing Lag: The period of time between the last day of the service period, the day the meter is read, and the day the bill is placed in the mail by the company;

3) Collection Lag: The period of time between the day the bill is placed in the mail by the company and the day the company receives payment from the ratepayer for services performed.

Q. Did the Staff use the same three subcomponent lags you just discussed in developing a total revenue lag for Aquila's Missouri electric operations?

A. Yes. Staff's revenue lag subcomponents are identified below:

	Staff
Usage Lag	15.21 days
Billing Lag	2.00 days
Collection Lag	4.38 days
Total	21.59 days

Q. How did Staff determine the usage lag?

A. The usage lag was determined by dividing the number of days in a typical year (365) by the number of months in a year (12) to yield the average number of days in a month (30.42). The 30.42 was then divided by two to yield an average usage lag of 15.21 days. This further calculation using two as the divisor is necessary since MPS and L&P bill monthly, and Staff assumed that service is delivered to the customer evenly throughout the month.

Q. How did Staff approach the billing lag?

A. The billing lag is the time it takes between when MPS and L&P read the meters and when the bills are subsequently mailed to the customer. Staff used the billing lag from the previous Aquila rate case of two days.

Q. How did Staff approach the collection lag?

A. The collection lag is the average number of days that elapse between the day that the bills were mailed and the day when MPS and L&P receive payments for those bills. The Staff used the collection lag from the three previous cases (Case Nos. ER-2005-0436 and ER-2004-0034) of 4.38 days. The collection lag reflects the sale of accounts receivables which accelerates the collection process for the Company. Staff's calculation of the collection lag will be addressed later in this testimony immediately following the remainder of the CWC testimony. The calculated total revenue lag was 21.59 days.

Q. How did Staff approach determining expense lags in this case?

A. Staff used the expense lags calculated in Aquila's last rate case in most instances.

Q. Which expense lags did Staff take from those it used in Aquila's last rate case?

A. Staff used the following expense lags from the previous rate audit, Case No. ER-2005-0436: (1) cash vouchers, (2) payroll expense; (3) federal, state and FICA taxes withheld; (4) federal and state unemployment taxes; (5) Sibley coal and freight; (6) Jeffrey operations and fuel; (7) Iatan operations and fuel; (8) Lake Road coal and freight; (9) city franchise taxes; (10) purchased power; (11) gas and oil purchased; (12) pension fund, (13) lease payments and (14) property taxes.

Q. What expense lags did Aquila calculate that the Staff accepted?

A. Staff accepted expense lags for accrued vacation.

Q. What is the expense lag for cash vouchers as found on line 1 of Staff Accounting Schedule 8, for both MPS and L&P?

A. Cash vouchers are miscellaneous expenditures that do not coincide with other operations and maintenance (O&M) expense items and that were not specifically examined

elsewhere in the CWC analysis study (e.g., payroll, fuel, etc.). Staff used the lag that was accepted in previous cases of 44.14 days.

Q. What is the expense lag for federal income withholding taxes and Social Security payroll taxes collected under authority of the Federal Insurance Contributions Act (FICA) found on lines 2, 4 and 18 of Staff Accounting Schedule 8 for both MPS and L&P?

A. The expense lag for FICA and federal income withholding taxes relating to payroll taxes is the period of time between the midpoint of the pay period for which the taxes are withheld and the date the tax withholdings must be paid to the taxing authorities. Payments for the employee's portion of FICA taxes and employer's portion of FICA taxes are made at the same time. An employer must typically deposit the income tax withheld and the FICA taxes with an authorized commercial bank depository or Federal Reserve Bank on the Monday following the previous Friday payday. The resulting tax lags are 16.5 days.

Q. What is the expense lag for state withholding taxes found on line 3 of Staff Accounting Schedule 8 for both MPS and L&P?

A. The expense lag for the state withholding taxes is the period of time between the midpoint of the pay period for which the taxes were withheld and the date that the tax withholdings must be turned over to the taxing authorities. The lag for state withholding taxes is 18.50 days.

Q. What is the payroll expense lag found on line 5 of Accounting Schedule 8 for both MPS and L&P?

A. The payroll expense lag is the time lapse between the midpoint of the period in which the employees earned wages and the date the Company paid the wages. Employees are

paid on the Friday following the two-week pay period, which ended on the previous Friday. The payroll expense lag is 13.42 days. This is seven days, to the midpoint of the 14-day period, plus 6.42 days between the end of the pay period and the Friday pay date.

Q. What is the vacation expense lag found on line 6 of Staff Accounting Schedule 8 for both MPS and L&P?

A. The expense lag computation accounts for the time between the average date the vacation is earned (i.e., the midpoint of the year) and the date when employees are actually paid for vacation. The Company's employees are entitled to two weeks vacation at the beginning of each calendar year, which is earned from the prior year. The Staff is therefore using a vacation expense lag of 365 days.

Q. What is the expense lag for natural gas and oil on line 7 of Staff Accounting Schedule 8 for both MPS and L&P?

A. The natural gas and oil expense lag is the difference in days between the midpoint of the period when the Company received natural gas or oil from its suppliers and the date when the natural gas/oil deliveries are paid. The natural gas and oil expense lag is 40.79.

Q. What is the injuries and damages lag as found on line 9 of Staff Accounting Schedule 8 for both MPS and L&P?

A. A significant portion of injuries & damages claims were paid in multiple installments. As a result, a weighted average lag was calculated between the reported date and the mid point of each month which a specific payment was made. The injuries and damages expense lag is 311.18 for MPS and 338.05 for L&P.

Q. What is the purchased power expense lag as found on line 10 of Staff Accounting Schedule 8 for MPS and L&P.

A. Purchased power expense lag is the difference in days between the midpoint of the period when the Company received the purchased power and the date the Company paid for the power. The purchased power expense lag is 36.42.

Q. What is the expense lag for Sibley coal and freight on line 11 of Staff Accounting Schedule 8 for MPS?

A. The Sibley coal and freight expense lag is the time lapse between the date the coal and/or freight services were received and the date the Company paid for these goods and/or services. The Sibley coal and freight expense lag is 20.03 days.

Q. What is the expense lag for Lake Road coal and freight on line 11 of Staff Accounting Schedule 8 for L&P?

A. The Lake Road coal and freight expense lag is the time lapse between the date the coal and/or freight services were received and the date the Company paid for these goods and/or services. The coal and freight expense lag for Lake Road is 20.02 days.

Q. What is the expense lag for Jeffrey fuel and operations found on lines 12 and 13 of Staff Accounting Schedule 8 for MPS?

A. The managing partner of the Jeffrey Energy Center (Jeffrey), a coal-fired generating facility jointly owned by Aquila and Westar Energy, bills MPS bi-monthly resulting in a time lapse between the midpoint of when services are provided and when MPS pays for these services. The resulting lag is 30.62 days. The fuel and operations for Jeffrey have been split into separate lines on Accounting Schedule 8 to clarify the types of expenses

incurred for Jeffrey. The lags are the same for both lines because of the manner in which the managing partner bills.

Q. What is the expense lag for Iatan fuel and operations found on lines 12 and 13 of Staff Accounting Schedule 8 for L&P?

A. The managing partner of the Iatan plant, Kansas City Power & Light Company, bills L&P as expenditures are incurred for fuel and freight. L&P is also billed monthly for operational fees. This results in two different lags based on the variation in billings from the managing partner and the date payment was made for the services by L&P. The lags are 30.16 days for fuel and 52.74 days operations.

Q. What is the expense lag associated with pension fund payment found on line 14 of Staff Accounting Schedule 8 for both MPS and L&P?

A. The pension fund payment lag is the number of days between the midpoint of the calendar year and the date payment was made to the pension fund. Staff used the lag from the previous case (Case No. ER-2004-0034) of 90 days.

Q. What is the expense lag associated with lease payments found on line 15 of Accounting Schedule 8 for MPS?

A. The lease payment lag is the difference between the midpoint of the service and the date payment was made for that service. The Staff has used the lag from the previous cases (Case Nos. ER-2004-0034 and ER-2001-0672) of 67.32 days.

Q. What is the expense lag associated with property taxes found on line 17 of Staff Accounting Schedule 8 for L&P and line 18 of Staff Accounting Schedule 8 for MPS?

A. The property tax payment lag is the weighted average number of days between the midpoint of the calendar year and the statutory due date for each state that MPS and L&P

own property in. The property tax payment lag is 188.36 days for MPS and 182.52 days for L&P.

Q. What are the federal and state unemployment tax lags as found on line 19 of Staff Accounting Schedule 8 for L&P and line 20 of Staff Accounting Schedule 8 for MPS?

A. Federal and state unemployment taxes (FUTA and SUTA, respectively) are paid quarterly and are due at the end of the month following each quarter. The Staff's calculation for FUTA and SUTA resulted in an expense lag of 75.88 days for MPS and L&P.

Q. What is the corporate franchise tax lag found on line 20 of Staff Accounting Schedule 8 for L&P and line 21 of Staff Accounting Schedule 8 for MPS?

A. Corporation franchise taxes are paid annually. The lag is the number of days between the midpoint of the taxable period (calendar year) and the date the taxes are due to be paid (April of the current year). The Staff determined a lag of negative 78 days for corporate franchise tax. This means that Aquila must pay in advance of the average period for this item, thus creating need for cash working capital.

Q. What is the city franchise tax lag found on line 21 of Staff Accounting Schedule 8 for L&P and line 22 of Staff Accounting Schedule 8 for MPS?

A. City franchise taxes are remitted to each respective city either monthly, semimonthly, quarterly, or semi-annually depending on the agreement between the city and the Company. The lag is the weighted number of days between the taxable period and the date that the taxes are due. The Staff calculated a lag of 98.20 days for MPS and 47.82 days for L&P.

Q. What is the expense lags associated with sales and use taxes as found on line 22 of Staff Accounting Schedule 8 for L&P and line 23 of Staff Accounting Schedule 8 for MPS?

A. The sales and use tax expense lag is the weighted number of days between the taxable period and the date the taxes are due. The sales and use taxes lag was calculated at 35.68 days for MPS and 37.84 days for L&P.

Q. Why does the revenue lags for sales and use taxes differ from the revenue lags discussed earlier?

A. The Company acts solely as an agent of the taxing authority in collecting sales and use taxes from the ratepayer, and paying the proper institution on a timely basis. The Company has not provided any service to the ratepayer associated with sales and use taxes. Therefore, in order to match the same time frames for these components, the Staff adopted the collection lag and used it as the revenue lag. As explained earlier, the Staff calculated a 4.38-day collection lag and used this number as the revenue lag for the sales and use tax lag.

Q. What components of CWC are not on Staff Accounting Schedule 8?

A. The Federal Income Tax Offset, State Income Tax Offset and Interest Expense Offset do not appear in the Accounting Schedule 8, CWC. These items appear as separate line items in the Staff's Rate Base Schedule, Staff Accounting Schedule 2.

Q. Why are the Federal Income Tax Offset, State Income Tax Offset, and Interest Expense Offset included in the Staff Accounting Schedule 2, rather than Staff Accounting Schedule 8?

A. The normalized Missouri jurisdictional expense component used for these offsets is tied directly to the computation of the revenue requirement. The revenue

requirement computer program (EMS run) has the capability to extract these amounts from Staff Accounting Schedule 11, Income Tax. The computer program applies the CWC factor to each component and places the CWC requirement directly in Staff Accounting Schedule 2, Rate Base.

Q. How did Staff treat and include taxes in the Staff's analysis of CWC?

A. Unlike other line items reflected within the CWC Staff Accounting Schedule 2, taxes are not considered as O&M expenses, but they are known and certain obligations of the Company with payment periods and payment dates established by statutes. Rates paid by customers to cover taxes payable represents a source of cash to the Company until passed on to the appropriate taxing authority.

Q. What are the federal and state income tax expense lags?

A. The federal and state income tax expense lags represent the period of time between the midpoint of the tax or calendar year and the dates the income taxes must be paid to the federal and state taxing authority. Currently, 100% of the estimated federal tax must be paid during the year in four installments, which are due by the 15th day of April, June, September and December. The state of Missouri requires that at least 90% of the Company's estimated tax liability be paid during the year in four equal installments, which must be paid by the 15th day of April, June, September, and December. Unlike the estimated federal tax requirements, the remaining 10% tax liability is due by April 15th following the close of the tax year. Because there have been no known changes to these payment dates, the Staff accepted the lags used by the Company of 36.5 and 61.55 days for the federal and state income tax lags, respectively. The CWC factor is placed in the Rate Base Accounting

Schedule, and the Staff's computer program calculated the CWC requirement for income taxes.

Q. Has Staff included interest expense in its lead/lag study?

A. Yes. Although not an O&M expense, interest expense is included in the Staff's lead/lag analysis because interest is a source of cash provided by the ratepayer and, therefore, properly considered in CWC. The Company has a known and certain obligation to pay cash, in the form of interest on its debt. The interest is pre-collected through rates from the ratepayer for the purpose of passing it on to the bondholder. The funds are a source of cash to the Company for use toward any purpose that it desires until they are passed on to the bondholder.

The expense lag for interest was computed by dividing the number of days in the year by four. All Aquila's long-term debt bears semi-annual interest. The lag represents the period of time between the midpoint of the semi-annual period, and the date interest paid. The expense lag computed for interest is 90 days (365 / 4). The CWC factor was placed in the Rate Base Accounting Schedule and the Staff's computer program calculated the CWC requirement for interest.

Q. What is the overall result of the Staff's lead/lag study?

A. The lead/lag study performed by the Staff resulted in a negative CWC requirement. This means that in the aggregate the ratepayer has provided the CWC to the Aquila during the test year. Therefore, the ratepayer is compensated for the CWC that the ratepayer provides, through a reduction to rate base. This rate base offset is shown on Staff Accounting Schedule 2.

ACCOUNTS RECEIVABLE SALES

Q. Does Aquila sell its accounts receivables?

A. Yes. It sells them to enhance cash flow and reduces Aquila's need for short-term loans from investors, banks and other financial institutions.

Q. Does MPS and L&P currently sell their accounts receivables?

A. Yes, but it is a much different program than the one Aquila had prior to its financial collapse. The Company's current program was developed since Aquila's last rate case when it did not have any kind of accounts receivable program. Because of Aquila's financial difficulties that started in the spring of 2002, the third party lender (purchaser) of the account receivables told Aquila that it did not want to continue to purchase the Company's accounts receivables as they were too risky.

Q. What is the history associated with Aquila selling its accounts receivable?

A. In the late 1980's, Aquila implemented an accounts receivable sales program to increase immediate cash flow and provide access to funds through lines of credit. Depending upon Aquila's cash needs, Aquila sold its MPS and L&P Divisions' accounts receivables, less uncollectibles, to Ciesco, an affiliate of Citibank. Also included in the Program was payment of interest and administrative fees. Basically, the Program is a loan from a third party backed by MPS and L&P divisions' accounts receivables. MPS was initially the only Missouri division whose accounts receivables were sold until after the 2001 merger with St. Joseph Light and Power Company. As a result of the merger, both MPS and L&P receivables were subsequently sold. The Program was phased out through September and October of 2002 and was terminated on November 1, 2002 because of Aquila's financial condition.

Q. Why was the Program terminated?

A. Aquila experienced a severe decline in its credit rating to non-investment grade. Ciesco was no longer able to fund the Program because of Aquila's inability to issue commercial paper.

Q. How has the Staff treated the sale of accounts receivable?

A. The Staff has treated Aquila as if it was still selling MPS' and L&P's accounts receivable to Ciesco. The termination of the accounts receivable program was the direct result of Aquila's poor financial condition and has caused a detriment to MPS, L&P and their customers. The loss of the sale of the accounts receivables resulted directly from the problems that Aquila has faced in its non-regulated ventures.

Q. Did Aquila include the effects of the accounts receivable sales program with Ciesco in rate cases?

A. At one time Aquila included the reduced collection lag resulting from the sale of accounts receivables in its rate cases dating back to the inception of the program in the late 1980s. However, since the termination of the program in 2002, Aquila has not reflected the reduced collection lag in its case, thus creating an adverse impact on its regulated customers as direct result of its poor financial condition.

Q. Has Staff attempted to eliminate all adverse impacts of Aquila's non-investment grade status?

A. Yes. Aquila's financial collapse caused it to have to operate differently in the way it financed its operations and in the way it paid its creditors. Throughout the case, Staff has had to make sure that no adverse impacts from Aquila's financial problems are reflected in any form in the revenue requirement calculation. Staff has attempted to insulate Aquila's regulated businesses from any aspect of Aquila's poor financial condition. The Staff's goal is

to ensure that no adverse harm would come from Aquila's investment downgrade. Staff has made its best effort to eliminate all costs associated with the corporate restructuring that Aquila is facing due to its poor financial condition, as those costs are not directly related to regulated activities. To achieve the elimination of corporate restructuring costs, the Staff has treated the program as if it was still in place, which results in a shorter collection lag and the inclusion of an annualized level of fees associated with the Program.

Q. Has Staff considered the financial condition of Aquila in other areas of this case?

A. Yes. In the cash working capital area, Staff has not included any impacts of Aquila's venders and suppliers of goods and services who require advanced payments and early accelerated payments because Aquila is higher risk customer. Staff calculated the expense lags in this case removing any impacts of prepayments and early payments of goods and services to Aquila.

Also, Staff witness Parcell has developed his rate of return recommendations based on removing the poor financial condition of the Company as result to the non-regulated failures.

Q. How do ratepayers benefit from the sale of accounts receivable?

A. The ratepayer benefits from the reduction in the cash working capital. The sale of accounts receivables significantly reduces the revenue lag in the cash working capital calculation thereby decreasing the amount of funds that the shareholders must contribute to cash working capital. Since the cash working capital amount is an offset to rate base, overall revenue requirement is less, thus customers benefit.

Q. How does Aquila benefit from the sale of accounts receivables?

A. It benefits Aquila by providing short-term funds that Aquila uses for working capital purposes at a cost less than a financial institution might charge.

Q. What expenses has Aquila incurred in selling its accounts receivable?

A. Under the agreement with the buyer of the accounts receivables, Aquila was required to pay fees to various parties. These fees include interest on the outstanding balance plus an administrative, program and investment fees. Also, Aquila was required to pay for any defaults on the receivables sold.

Q. Were these accounts receivable program expenses booked above or below the line in the MPS and L&P divisions' test year expenses?

A. According to Aquila's response to Staff Data Request No. 421 in Case No. ER-2004-0034, all accounts receivable sales program expenses were booked below the line to FERC account 426.500 and resource code 2502. When Aquila and Staff both reflected the sale of accounts receivable in the rate case, an adjustment was made to include these expenses above the line for ratemaking purposes.

Q. What are adjustments S-69.5 for MPS and S-67.5 for L&P shown on Staff Accounting Schedule 10?

A. The Staff has made these adjustments to include in the cost of service interest for the accounts receivable program and a one percent corporate administrative fee. These adjustments were necessary as the costs of the Program were charged below the line. In order to reflect these costs consistent with the use of the Program, the above adjustments were necessary.

Q. What experience do you have with regard to the impacts of selling accounts receivable on cash working capital?

A. I have conducted numerous CWC analyses during my 26 years as a Regulatory Auditor. I have been the primary supervisor of a number of CWC analyses for both Aquila, Inc., Empire District Electric Company (Empire) and Missouri Gas Energy since the mid 1990's. Specifically I have been the supervisor responsible to oversee the CWC analyses in each of the last four Aquila rate proceedings including this current case. Those cases include Case Nos. ER-2005-0436, ER-2004-0034 and ER-2001-0672. Additionally, I was directly involved in the discussions between Staff and the Company during the 1980's as to the implementation of the Accounts Receivable Sales program and how it would affect the rate case.

I was recently involved in KCPL's rate increase case, Case No. ER-2006-0314, where I was responsible for the development and review of the CWC analysis performed by Staff. KCPL has an accounts receivable sales program and both KCPL and Staff reflected the impact of this program on the revenue lag included in the CWC analysis.

HISTORICAL RATE INCREASES/REDUCTIONS

Q. What has been the rate history of the MPS and L&P divisions of Aquila, Inc.?

A. Aquila's MPS division has experienced both rate increases and rate reductions during the 1990's and through 2005. Aquila's MPS division provides both electric and natural gas service to Missouri customers. Aquila's L&P division provides electric, natural gas and steam service to Missouri customers. MPS's actual growth in rates over its January 1, 1990, level is due to the refurbishment of its Sibley Generating Unit for plant upgrades and modifications to this unit that were required to convert to the burning of western coal. Once these construction projects were completed in 1993, the Commission ordered MPS to decrease its electric rates as a result of Staff's earnings complaint filed in 1997, Case

Nos. EO-97-144 and EC-97-362. MPS's rates were also reduced as a result of the earnings complaint that resulted from the rate request filed by MPS in 2001, Case No. ER-2001-672. MPS requested a rate increase in Case No. ER-2004-0034 which resulted in an increase of $14,500,000 in permanent rates and an additional $16,100,000 in interim rates through an Interim Energy Charge or IEC adjustment. The L&P Division has experienced an overall reduction in electric rates since January 1986.

Q. What is the history of rate changes for the past twenty years for what are now the territories served by MPS and L&P?

A. Since June 1986, MPS electric operations has had five rate reductions and four rate increases and is currently seeking an additional $94,500,000 increase in electric rates. Since January 1986, L&P has had four rate reductions and three rate increases and is currently seeking an additional $24,400,000 increase in electric rates.

The following Table 1 summarizes MPS's rate changes that have occurred since June 1986:

Table 1 MPS Rate Changes

Date of Order	Case Number	Rate Request	Public Service Commission Decision
06/11/1986	EO-86-83	Not Applicable	($ 308,575)
09/12/1986	EO-87-9	Not Applicable	($10,000,000)
09/10/1987	EO-88-36	Not Applicable	($ 5,400,000)
10/05/1990	ER-90-101	$25,000,000	$ 12,400,000
06/18/1993	ER-93-37	$19,400,000	$ 4,900,000
03/06/1998	ER-97.394	$25,000,000	($17,000,000)
02/22 /2002	ER-2001-672	$49,000,000	($ 4,000,000)
04/13/2004	ER-2004-0034	$65,000,000	$14,500,000 Prem
		$69,200,000	$16,100,000 IEC
2/23/2006	ER-2005-0436	$94,500,000	$38,500,000
7/3/2006	ER-2007-0004		pending

MPS had a permanent rate change in 2004 resulting from Case No. ER-2004-0034 of $14,500,000 and an additional $16,100,000 of interim rates subject to refund for an Interim Energy Charge (IEC) as agreed to in the Commission-approved Stipulation and Agreement between the parties in that case. MPS' last general rate change resulted in an increase of $38,500,000 as agreed to in a Commission-approved Stipulation and Agreement between the parties in that case.

L&P is currently seeking a $24.4 million rate increase in this case. L&P's last general rate change resulted in an increase of $6.3 million as agreed to in a Stipulation and Agreement between the parties in that case.

L&P's rates have been reduced four times since February 1987, totaling $12,076,000, in addition to a rate increase in 1994 of $2,150,000 and another in 2004 of $3,250,000 of permanent rates with and additional $2,400,000 of interim rates subject to refund for an Interim Energy Charge (IEC) which was agreed to in a Commission-approved Stipulation and Agreement among the parties to Case No. ER-2004-0034. On December 31, 2000, Aquila acquired St. Joseph Light and Power Company and now serves the former St. Joseph Light and Power Company customers through its L&P division.

The following Table 2 summarizes L&P's rate changes that have occurred since January 1986: **Table 2 Light & Power Rate Changes**

Date of Order	Case Number	Rate Request	Public Service Commission Decision
02/22/1986	EO-87-87	Not Applicable	($5,000,000)
12/22/1987	ER-85.157	Not Applicable	($3,700,000)
06/25/1993	ER-93-41	$ 6,100,000	($ 876,000)
06/03/1994	ER-94-163	$ 5,500,000	$ 2,150,000
08/27/1999	ER-99-247	$19,400,000	($2,500,000)

Date of Order	Case Number	Rate Request	Public Service Commission Decision
04/13/2004	ER-2004-0034	$14,640,000	$3,251,000 Prem
		$9,400,000	$2,400,000 IEC
2/23/2006	ER-2005-0436	$24,400,000	$6,300,000
7/3/2006	ER-2007-0004		pending

The net reduction in rates to L&P's customers since January 1986 has been $4,275,000. L&P's last general rate change resulted in a rate increase to permanent rates of $6,300,000. In 2004, L&P rates were changed by $3,251,000 and an additional $2,400,000 of interim rates subject to refund for an Interim Energy Charge (IEC) agreed to in the Stipulation and Agreement between the parties in Case No. ER-2004-0034.

The rate analysis I performed shows Aquila's Networks - MPS average 2005 electric rates for residential customers are $.074479 per kWh and are the second highest rates of Missouri's five investor owned electric utilities. Furthermore, Aquila's Networks - L&P average 2005 electric rate for residential customers is $.059707 per kWh is the lowest of Missouri's five investor owned electric utilities as shown in Schedule 2.

Q. Mr. Williams, does this conclude your direct testimony?

A. Yes, it does.

CASE PROCEEDING PARTICIPATION

PHILLIP K. WILLIAMS, CPA, CIA

Date Filed	Issue	Case Number	Exhibit	Company Name
	Advertising, Dues & Donations, Plant, Depreciation Reserve, Property Taxes	ER-81-42		Kansas City Power & Light Company
	Material and Supplies, Cash Working Capital	GR-81-155		The Gas Service Company
	Cash Working Capital	TR-81-302		United Telephone Company
	Payroll, O&M Expenses	GR-81-332		Rich Hill-Hume Gas Company
	Cash Working Capital	ER-82-39		Missouri Public Service Company
	Cash Working Capital	WR-82-50		Missouri Public Service Company
	Cash Working Capital	GR-82-151		The Gas Service Company
		GR-82-194		Missouri Public Service Company
	Revenues	WR-82-279		Missouri Water Company-Lexington Division
	Fuel Expense	ER-83-40		Missouri Public Service Company
	Cash Working Capital	GR-83-225		The Gas Service Company
	Revenues	GR-14-24		Rich Hill-Hume Gas Company
	Unit 3/Extra Work, Unit 3/Back charges; Phase IV	ER-85-128		Kansas City Power & Light Company
	Unit 3/Extra Work, Unit 3/Back charges; Phase IV	ER-85-185		Kansas City Power & Light Company
	Payroll, Payroll Taxes, Pensions	GR-86-76		KPL Gas Service Company
	Payroll, Payroll Taxes	TC-87-57		General Telephone Company of the Midwest
	Pensions	GR-88-194		Missouri Public Service Company

Date Filed	Issue	Case Number	Exhibit	Company Name
	Revenues, Pumping Power Expense, Chemical Expense, Vehicle Lease Expense, Interest Expense on Customer Deposits, Bad Debt Expense, Materials & Supplies, Prepayments, Customer Advances, Contributions in Aid of Construction	WR-88-255	Direct	U.S. Water/Lexington, Mo., Inc.
	Cash Working Capital	GR-90-50		KPL Gas Service
		ER-90-101		UtiliCorp United, Inc., Missouri Public Service
09/06/1991	Deferred Income Taxes; Liability Insurance Expense; Commission Assessment Expense; Income Taxes; Injuries & Damages Accrual; WOMAC Employee Expense; Exempt Employee Compensation Study Expense; Rate Case Expense; Employee Relocation Expense	GR-91-291	Direct	Kansas Power and Light Company Gas Service Division
	Revenue Requirement, Project Feasibility	GA-92-269	Direct	Missouri Public Service Company
	Payroll, Employee Benefits, Payroll Taxes, Administrative & General Expense, Donations, Board Fees, Outside Services, Rate Case Expense	WR-92- 85	Direct	Raytown Water Company
	Payroll, Salary Increases	WR-92- 85	Surrebuttal	Raytown Water Company
		GR-93-240		Western Resources, Inc.

Date Filed	Issue	Case Number	Exhibit	Company Name
01/22/1993	Ralph Green No. 3 Lease Expense; Injuries & Damages Expense; Property Tax Expense ; Interest Expense on Customer Deposits; Customer Deposits; Customer Advances; Prepayments; Materials & Supplies; Depreciation Expense; Plant in Service; Amortization Expense; Rate Base; Depreciation Reserve	ER-93-37	Direct	UtiliCorp United Inc. d/b/a MO Public Service
05/28/1993	Plant in Service; Accounting Authority Order; Corporate Overheads; Injuries & Damages Expense; Property Tax Expense; Interest Expense on Customer Deposits; Customer Deposits; Customer Advances; Prepayments; Materials & Supplies; Amortization Expense; Depreciation Reserve; Rate Base; Depreciation Expense	GR-93-172	Direct	Missouri Public Service a Division of UtiliCorp United, Inc.
	Payroll, Payroll Taxes, Insurance, Employee Benefits, Materials and Supplies, Prepayments, Customer Deposits, PSC Assessment, Maintenance Expense, Admin and General Expenses, Donations, Board Fees	WR-94-211	Direct	Raytown Water Company
		GR-96-285		Missouri Gas Energy

Date Filed	Issue	Case Number	Exhibit	Company Name
03/28/1997	Plant; Amortization of Authority Orders; Sale of Accounts Receivable; Property Taxes; Customer Advances; Customer Deposits; Prepayments; Materials and Supplies; Depreciation Reserve; Depreciation Expense	EO-97-144	Direct	UtiliCorp United Inc. d/b/a MO Public Service
03/28/1997	Prepayments; Amortization of Authority Orders; Sale of Accounts Receivable; Plant; Property Taxes; Customer Advances; Customer Deposits; Materials and Supplies; Depreciation Reserve; Depreciation Expense	EC-97-362	Direct	UtiliCorp United Inc. d/b/a MO Public Service
09/16/1997	Plant; Property Taxes; Depreciation Reserve; Depreciation Expense; Accounting Authority Order Amortization; Accounts Receivable Sales; Property Taxes	ER-97-394	Direct	MO Public Service, A Division of UtiliCorp United Inc.
09/30/1997	Gain on Sale of Assets	GM-97-435	Rebuttal	Missouri Public Service, A Division of UtiliCorp United Inc.
		EC-98-126		UtiliCorp United, Inc., Missouri Public Service
05/15/1998	Public Affairs and Community Relations	GR-98-140	Surrebuttal	Missouri Gas Energy, A Division of Southern Union Company
07/10/1998	Staffs' Accounting Schedules; True-Up Methodology; Payroll; Payroll Taxes; Payroll Expense Ratio; AMR Employee Savings	GR-98-140	True-Up	Missouri Gas Energy, A Division of Southern Union Company

Date Filed	Issue	Case Number	Exhibit	Company Name
01/04/1999	Gross Down Factor; Gross Up	GR-98-140	Rehearing Rebuttal	Missouri Gas Energy, A Division of Southern Union Company
04/26/1999	Rate Disparity; Advertising Savings; Insurance Savings; Vehicle Savings; Facility Savings; Administrative and General Savings	EM-97-515	Rebuttal	Western Resources Inc. and Kansas City Power and Light Company
05/02/2000	Historical Rate Increases/ Reductions; Cost per kWh Comparison	EM-2000-292	Rebuttal	UtiliCorp United Inc. / St. Joseph Light and Power
06/21/2000	Historical Rate Increases/ Reductions; Cost Per kWh Comparisons	EM-2000-369	Rebuttal	UtiliCorp United Inc. / Empire District Electric Company
11/30/2000	Revenue Requirements	TT-2001-116	Rebuttal	Iamo Telephone Company
04/03/2001	Postage Expense; Test Year/True Up; Iatan Maintenance Expense; Bad Debt; Banking Fees; State Line Plant Maintenance Expense; Interest on Customer Deposits; Injuries and Damages;	ER-2001-299	Direct	The Empire District Electric Company
08/07/2001	Maintenance Expense	ER-2001-299	True-up Direct	The Empire District Electric Company
12/06/2001	AFUDC; Test Year; Sale of Accounting Receivable; Plant; True-Up; Jurisdictional Allocations; Cost per Kwh Comparison; Historical Rate Increases/Decreases; Cash Working Capital; Depreciation Expense/Depreciation Reserve; Accounting Authority Order; Pensions and OPEBS	ER-2001-672	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
01/22/2002	Cost Per kWh Comparison	ER-2001-672	Surrebuttal	UtiliCorp United Inc. d/b/a Missouri Public Service

Date Filed	Issue	Case Number	Exhibit	Company Name
12/06/2001	Accounting Authority Order; Test Year; True-Up Jurisdictional Allocations; Historical Rate Increases/Decreases; Depreciation Expense/ Depreciation Reserve; Cost per Kwh Comparison; Revenues; Uncollectible Expense; AFUDC and Sale of Accounts Receivable; Cash Working Capital Plant	EC-2002-265	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
01/22/2002	Cost Per kWh Comparison	EC-2002-265	Surrebuttal	UtiliCorp United Inc. d/b/a Missouri Public
08/16/2002	Test Year; Jurisdictional Allocators; State Line Maintenance Contract; State Line 1 and Energy Center 1 & 2 Maintenance Contract; Iatan Maintenance Expense; Asbury Maintenance Expense; Miscellaneous Expenses & Banking Fees;	ER-2002-424	Direct	The Empire District Electric Company
09/24/2002	Security Rider	ER-2002-424	Rebuttal	The Empire District Electric Company
12/09/2003	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Direct	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P
01/06/2004	Test Year, Jurisdictional Allocation Factors, Asset Impairment Write-Down of Eastern System	GR-2004-0072	Direct	Aquila, Inc. d/b/a Aquila Networks MPS Gas and Aquila Networks-L&P Gas
01/26/2004	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Rebuttal	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P
02/27/2004	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Modified Direct	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P
02/27/2004	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Modified Rebuttal	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P

Date Filed	Issue	Case Number	Exhibit	Company Name
10/14/2004	Merger Recommendations, Asset Impairment Write-down, Original Cost of Rate Base, Description of Chilled Water System, Acquisition Premium, Affiliated Transactions	HM-2004-0618	Rebuttal	Trigen-Kansas City Energy Corp. and Thermal North American, Inc.
06/13/2005	Asset Impairment, Write-down of the three Natural Gas Combustion Turbines, Regulatory Accounting	EO-2005-0156	Rebuttal	Aquila, Inc. d/b/a Aquila Networks – MPS
10/14/2005	Test Year; Jurisdictional Allocations; Revenue Requirement; Plant in Service; Depreciation Expense; Depreciation Reserve; Accounting Authority Orders; Property Taxes; South Harper Construction Costs; South Harper Maintenance	ER-2005-0436	Direct	Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks - L&P
11/18/2005	Accounting Authority Orders (AAOs)	ER-2005-0436	Rebuttal	Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks - L&P
12/13/2005	Cash Working Capital; Chapter 100 Ratemaking Treatment; South Harper Construction Costs; South Harper AFUDC; Accounting Authority Orders (AAOs)	ER-2005-0436	Surrebuttal	Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks - L&P

Date Filed	Issue	Case Number	Exhibit	Company Name
08/08/2006	Test Year; Jurisdictional Allocations; Revenue Requirement; Plant in Service; Depreciation Expense; Depreciation Reserve; Accounting Authority Orders; Cash Working Capital; Property Taxes; Expense; Customer Advances; Customer Deposit; Materials & Supplies; Prepayments, Lobbying; Accounting Treatment of Hawthorne 5; and Dues and Donations	ER-2006-0314	Direct	Kansas City Power & Light Company
10/06/2006	Hawthorn 5 AFDC and Depreciation Expense, Lobbying Expenses, Cash Working Capital and EEI	ER-2006-0314	Surrebuttal	Kansas City Power & Light Company