Exhibit No.:	
Issues:	*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 Expense; Rate History*
Witness:	*Phillip K. Williams, CPA, CIA*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Direct Testimony*
Case No.:	*ER-2005-0436*
Date Testimony Prepared:	*October 14, 2005*

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-2005-0436

Jefferson City, Missouri
October 2005

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

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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of Aquila, Inc., to Implement a General Rate Increase for Retail Electric Service Provided to Customers in Its MPS and L&P Missouri Service Areas.	))))	Case No. ER-2005-0436 Tariff No. YE-2005-1045

AFFIDAVIT OF PHILLIP K. WILLIAMS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Phillip K. Williams, being of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 39 pages to be presented in the above case; that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

Phillip K. Williams

Phillip K. Williams

Subscribed and sworn to before me this 13th day of October 2005.

Toni M Charlton

Notary

TONI M. CHARLTON
Notary Public - State of Missouri
My Commission Expires December 28, 2008
Cole County
Commission #04474301

TONI M. CHARLTON
NOTARY SEAL
NOTARY PUBLIC
STATE OF MISSOURI

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-2005-0436

BACKGROUND OF WITNESS 1
PURPOSE OF TESTIMONY 3
EXECUTIVE SUMMARY 4
TEST YEAR, KNOWN AND MEASURABLE AND TRUE-UP 6
ACCOUNTING SCHEDULES 9
PLANT IN SERVICE, DEPRECIATION EXPENSE & DEPRECIATION RESERVE 13
SOUTH HARPER CONSTRUCTION AUDIT & MAINTENANCE EXPENSE 14
JURISDICTIONAL ALLOCATION FACTORS 18
UNAMORTIZED ACCOUNTING AUTHORITY ORDER BALANCES 19
PROPERTY TAXES 20
ACCOUNTS RECEIVABLE SALES 22
HISTORICAL RATE INCREASES/REDUCTIONS 26

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-2005-0436

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. Please describe your education 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 filed testimony before this Commission?

A. Yes. Please refer to Schedule 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-2005-0436, 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. Will your testimony relate to both the MPS and L&P divisions of this case?

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-2005-0436?

A. I am assigned the areas of allocations, plant-in-service, depreciation expense, depreciation reserve, property taxes, 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 MPS and L&P electric divisions of Aquila, Inc.

Q. What Accounting Schedules are you sponsoring in Case No. ER-2005-0436?

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 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 and how it is used, a description of known and measurable period, true-up and why each is appropriate in this case. This testimony addresses the area of plant-in service, depreciation expense and depreciation reserve.

This testimony identifies adjustments Staff is making to Aquila's newest generating facility, South Harper. While the Staff is including costs Aquila incurred in constructing the South Harper facility, those costs are independent of the South Harper facility. In other words, while the costs are taken from South Harper construction costs, the costs will stay in the Staff's case even if the South Harper facility is removed pursuant to a court order. This testimony describes construction costs adjustments to plant and the annualization of the South Harper plant maintenance expenses.

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

The rate analysis I performed shows Aquila's Networks - MPS average 2004 electric rates for residential customers are $.07288 per kWh and are the second highest rates of Missouri's five largest investor owned electric utilities. Furthermore, Aquila's Networks - L & P average 2004 electric rate for residential customers is $.0585122 per kWh is the lowest of Missouri's five largest investor owned electric utilities as shown in Schedule 2.

Plant in service and the depreciation reserve were taken to June 30, 2005 to include known and measurable changes through June 30, 2005. Plant was adjusted to include amounts based on the South Harper facility to be included in the rate base. I also made an adjustment to include estimated cost for the maintenance associated with the initial maintenance of the South Harper generating plant. 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. These deferrals were authorized 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, 2004 and the latest known ratio of taxes paid to plant in service. Staff used the ratio of taxes paid in 2004 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 affects to the ratepayers of the Company's financial problems and subsequent financial downgrade.

The jurisdictional allocation factors were updated to reflect Staff's annualization of the demand and energy allocators provided by Staff witness Alan Bax. Staff reviewed the Company's general allocation factors and determined that they were appropriate except for the changes to the demand and energy factors adjusted by Mr. Bax.

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 July 21, 2005, Order was the 12-month period ending December 31, 2004, with an update for known and measurable changes through June 30, 2005. Staff used this test year in the determination of the revenue requirement calculations that are being presented to the Commission in Case No. ER-2005-0436 for MPS and L&P electric operations. 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

Aquila also requested a True-up of "all significant cost increases and cost decreases that have occurred through November 30, 2005," for plant and reserve, revenues, cost of fuel and purchased power, payroll and payroll taxes, depreciation expense, and corporate allocation. The Staff responded to Aquila's recommendation with an alternative proposal with a true-up through October 31, 2005, with a more extensive list of accounts, encompassing "all major changes to revenue, expenses, rate base, and capital structure occurring through the true-up date." The Commission adopted Staff's true-up recommendation for a true-up period through October 31, 2005. The True-up will include the items typically changed for the known and measurable period.

Q. Would you please describe the test year and how it is used?

A. The 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 any adjustments necessary to remove abnormalities that have occurred during the period and to reflect any increase or decrease to the accounts of the utility. 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 Staff recommended a test year of the 12-months ended December 31, 2004, updated through June 30, 2005.

The Commission described the importance of the test year in its July 21, 2005, Order Concerning Test Year and True-Up:

> 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 recommend a test year of the 12 months ended December 31, 2004, updated through June 30, 2005?

A. Shortly before the Company filed its case on May 24, 2005, it approached Staff to discuss the test year Staff planned to recommend. Staff and the Company met to discuss the test year and the need for an update for known and measurable changes and the requested true-up. The Company believed there were a number of major changes that would occur between the end of the Test Year and November 30, 2005, that should be taken into account in determining the revenue requirement in this case.

Staff believed the 2004 test year would allow the Company 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 June 30, 2005, 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. Is a true-up proposed for this case?

A. Yes. Aquila, requested a true-up in this case to capture the additional costs incurred during the installation of the South Harper Generating facility, west of Peculiar Missouri. The Company has installed three 105 MW combustion turbines at the South Harper facility which began producing electricity during June and July 2005. Staff believes that a true-up is necessary because of the material changes that are expected to result in cost elements that will occur subsequent to the June 30, 2005, update period. There are additional costs relating the South Harper facility that should be included in the Company's rate base. Also, when the original true-up was proposed, it also contemplated a possible resolution of the litigation currently pending in the Cass County Courts concerning the South Harper units. It was hoped that the Court would have reached a decision by the time of the true-up, but this is less likely today. Therefore, Staff, recommended and Commission ordered a true-up in this case to include data recorded on the books through October 31, 2005.

ACCOUNTING SCHEDULES

Q. Are there separate Accounting Schedules for both the MPS and L&P divisions of Aquila?

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

Q. Please describe 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 Murray of the Commission's Financial Analysis Department, 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. Please describe 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. Please describe 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 Graham A. Vesely. Cash Working Capital is discussed in the direct testimony of Staff witness Scott Clark.

Q. Please describe 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 V. William Harris. The federal, state and city tax offsets and the interest expense offset are discussed in the direct testimony of Staff witness Scott Clark.

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. Please explain this component of rate base.

A. Amortization of Electric Plant is the Missouri jurisdictional balance of the accumulated amortization reserve as of June 30, 2005. 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 June 30, 2005, the end of the known and measurable update period.

Q. Please describe Accounting Schedule 3, Plant-in-Service.

A. Accounting Schedule 3, Total Plant in Service, lists in Column B total plant balances as of June 30, 2005. 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 June 30, 2005.

Q. Please describe 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. Please describe 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 depreciation rates proposed by Staff witness Greg Macias 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. Please describe Accounting Schedule 6, Depreciation Reserve.

A. Accounting Schedule 6, Depreciation Reserve, lists in Column B total depreciation reserve balances as of June 30, 2005. 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 June 30, 2005.

Q. Please describe 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. Please describe 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, 2004, and updated through June 30, 2005

Q. Please explain 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. Please describe the plant in service and depreciation reserve balances included in Accounting Schedules 3 and 6.

A. The plant in service and depreciation reserve balances shown in Schedules 3 and 6, respectively, are the June 30, 2005, balances that the MPS Electric and L&P electric operations divisions supplied through a response to Data Request Nos. 47.1 and 47.2.

Adjustment to Plant in Service Nos. P-1.1, P-2.1, P-4.1 and P-7.1 were made to the Exhibit Manipulation System (EMS) run for MPS to reflect the inclusion of the Jeffery Energy Center Common plant at June 30, 2005. Adjustments to Depreciation Reserve Nos. R-8.1, R-9.1 and R-12.1 were made to the EMS run for MPS to reflect the inclusion of the Jeffery Energy Center Common Plant depreciation reserve at June 30, 2005. 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 June 30, 2005. Those adjustments and their rationale will be addressed next in my testimony.

Q. Please explain MPS Adjustment S-19.11 and L&P Adjustment S-20.11.

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

SOUTH HARPER CONSTRUCTION AUDIT & MAINTENANCE EXPENSE

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

A. Yes. Staff witnesses Cary Featherstone, Leon Bender, Erin Maloney and I conducted a review of the construction costs associated with the South Harper generating facility. 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 the current rate preceding. A summary of those costs are included as Schedule 2, pages 1 and 2 to my testimony. Schedule 2, shows the total project cost to date as of July 5, 2005, the closest date to the June 30, 2005, known and measurable period. This represents the costs included in this case by Staff. This schedule summarizes the transmission activities, generation activities and cost of the land. The schedule then deducts the amounts retained by the Company and the amounts of the write-downs taken in November, 2004, when the property was transferred to the division and the additional write-down associated with the Stipulation and Agreement the Staff entered into Case No. EO-2005-0156.

The retention amounts are costs that are normally withheld by companies during construction as construction items are completed. These costs are retained by Aquila as provided for in the construction contracts to serve as a means to hold the contractors accountable for work being completed until it meets specifications and is accepted as completed.

Staff has made a further deduction to remove Allowance for Funds Used During Construction (AFUDC) associated with the write-down of the assets. These adjusted construction cost were then distributed to the plant as shown on Schedule 3. Schedule 3, 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 other production facilities and the Greenwood plant 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 and P-28.1 were made to include in the plant in service Staff distributed unitization of the adjusted construction cost of the South Harper Generating plant, land and transmission upgrades necessary to complete the project which have been completed at July 5, 2005. Adjustment S-28.11 was made to include in expense the Staff-adjusted maintenance expense for the South Harper Generating facility. 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 Cary G. Featherstone.

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

A. Yes. All costs associated with the transfer of the turbines from a non-regulated affiliated company, Aquila Merchant Services, were eliminated from the construction amounts. 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. Were any other costs that Staff removed from construction for South Harper?

A. Yes. Staff also removed all legal and consultant costs for South Harper that were 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.

Other legal costs were removed for two cases before the Commission – Case Nos. EA-2005-0248 and EO-2005-0156. Case No. EA-2005-0248 directly related to a case begun before the Cass County Court. The Court held 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 in issue 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 has submitted data requests for the breakdowns in consultant and legal costs but has not received the information as of the date of this filing. When Staff obtains this information, the necessary adjustments will be made for those costs that should be part of this plant addition.

Q. Would you please explain any additional adjustments made to the South Harper construction costs.

A. Yes. Schedule 4 of my testimony is a summary of the adjustments made by the Staff to eliminate legal fees, outside consulting fees, other outside service fees and storage costs associated with the equipment transferred to this project from affiliates.

Plant Adjustment Nos. MPS – P-9.2, P-9.3, P-9.4, P-10.2, P-10.3, P-10.4, P-11.2, P-11.3, P-11.4, P-12.2, P-12.3, P-12.4, P-13.2, P-13.3, P-13.4, P-14.2 P-14.3, P-14.4, P-15.2, P-15.3 and P-15.4 were made to eliminate from plant in service the legal fees, outside consulting fees and other outside services fees associated with the South Harper generating facility that were a result of lawsuits brought by Cass County and by certain residents in the area of the plant.

Plant Adjustment Nos. P-10.5, P-11.5, P-12.5, P-13.5, P-14.5 and P-15.5 were made to eliminate from plant in service the storage cost associated with the equipment transferred to the South Harper project.

Q Would you please explain Plant Adjustment No. P-8.1?

A. Yes. This Adjustment was made to eliminate from plant in service the cost associated with the pads and tents erected at the Ralph Green Generating facility in Pleasant Hill, Missouri. The pads were used to store the three combustion turbines delivered in 2002 to Aquila Equipment, Inc. and subsequently transferred to Aquila Networks – MPS and installed at the South Harper generating facility.

Q. Why has Staff included the South Harper Generating facility in the cost of service?

A. The South Harper Generating facility includes three combustion turbines. Staff's believes that Aquila should have built a total of 500 megawatts of generation. Therefore, Staff is including in cost of service costs for 315 MW of that generation based on the cost of the combustion turbines installed at the South Harper facility. Thus, those costs will remain in Staff's revenue requirement, even if a court decides Aquila did not lawfully build the 315 MW of generation capacity at the South Harper site.

JURISDICTIONAL ALLOCATION FACTORS

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

A. The allocation factors are broken out between the following: 1) Aquila corporate administrative and general allocators were developed by Staff Auditing witness Lesley Preston; 2) demand and plant allocators calculated and provided by Staff witness Alan Bax of the Engineering Section of the Commission's Energy Department; 3) the allocation between MPS electric and gas and L&P electric, gas and steam operations; and 4) the administrative and general expense allocations, which are separated into directly assignable costs, and costs which should be allocated based upon a factor derived from a composite of all other operating and maintenance expenses. Staff is in agreement with the Company in the allocation of common costs of the administrative and general expenses.

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 supplied by Staff witness Bax. 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 MPS and L&P divisions within the state of Missouri and provides electric, natural gas 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, gas 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 June 30, 2005, 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.

There also is an amortization for a 2003 ice storm that resulted in significant costs to restore Aquila's transmission and distribution systems.

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.

PROPERTY TAXES

Q. Please explain adjustments MPS-S-93.6, and L & P – S-94.6.

A. These adjustments annualize 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 2001, 2002, 2003 and 2004. 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, 2004, to calculate an annualized property tax amount in this case.

Q. How 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 by the utility?

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

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.

Q. Did Staff include property taxes on the South Harper plant that the Staff included in rate base.

A. No. The Company has not paid any property taxes on the South Harper facility. Aquila has used a Chapter 100 financing arrangement that it entered into with the City of Peculiar, Missouri. However, the Chapter 100 financing arrangement requires annual lease payments in lieu of the property tax (PILOT) payments. Adjustment S-93.16 was made to include the amount of the Pilot payment in expense in lieu of the property taxes as an on-going expense.

In addition, payments made by Aquila prior to the in-service 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 included in plant in service.

Q. Has the Chapter 100 financing been approved by the Commission?

A. No. The Commission has not approved the use of Chapter 100 financing as requested by the Company in Case No. EO-2005-0156. Aquila, Office of the Public Counsel and Staff entered into a Stipulation in Case No. EO-2005-0156 recommending the Commission approve Chapter 100 financing for the Company to receive the benefit of the reduced property tax payments. Even though the Commission has not approved this part of the Case No. EO-2005-0156, Staff has included the PILOT payments in this case. If the Commission does not approve the Chapter 100 financing, Staff would exclude the PILOT payments from the South Harper construction costs.

ACCOUNTS RECEIVABLE SALES

Q. What is an accounts receivable sales program?

A. An accounts receivable sales program (Program) is a way to enhance cash flow and reduces Aquila's, and its MPS and L&P divisions' needs for short-term loans from investors, banks and other financial institutions. Depending on the amount of accounts receivables sold, the Program produces an immediate influx of cash.

Q. Does MPS and L&P currently participate in an accounts receivable sales program?

A. Yes. Aquila currently participates in such a Program but it is a much different program than the one it had prior to Aquila's 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. Please explain the history associated with the accounts receivable sales program?

A. In the late 1980's, Aquila implemented the 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.

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 the inability to issue commercial paper.

Q. How has the Staff treated the accounts receivable program?

A. The Staff has included the Program and treated it as though it was still available to Aquila. 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. Has Staff attempted to eliminate all adverse impacts of the non-investment grade status of Aquila?

A. Yes. The financial collapse caused Aquila 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 are wanting 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. For further discussion on how this was treated in the cash working capital study, please refer to Staff witness Scott Clark's direct testimony.

Also, Staff witness David Murray 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 does the ratepayer benefit from the accounts receivable program?

A. The ratepayer benefits from the reduction in the cash working capital. The accounts receivable program significantly reduces the revenue lag in the cash working capital calculation thereby decreasing the amount of funds that the ratepayer 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 accounts receivable program?

A. The benefit to the Aquila is that the accounts receivable program provides short-term funds to Aquila 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 Federal Energy Regulatory Commission (FERC) account 426.500 and resource code 2502.

Q. Please explain adjustments S-69.10 MPS and S-67.10 L&P.

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. Please briefly describe your knowledge in the area of Cash Working Capital CWC and the Accounts Receivable Sales Program.

A. I have conducted numerous CWC analyses during my 25 years as a Regulatory Auditor. I have been the primary supervisor of a number of CWC analyses for both Aquila, Inc., Empire District Electric 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 three Aquila rate proceedings including this current case. Those cases include Case Nos. ER-2005-0034 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.

<u>HISTORICAL RATE INCREASES/REDUCTIONS</u>

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 2004. 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. Please describe the recent history of rate changes for MPS and L&P.

A. Since June 1986, MPS electric operations has had five rate reductions and two rate increases and is currently seeking an additional $69,000,000 increase in electric rates. Since January 1986, L&P has had four rate reductions and two rate increases and is currently seeking an additional $7,000,000 increase in electric rates.

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

Table 1

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 $16,100,000 IEC

MPS's last general rate change resulted in a rate increase to permanent rates 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 Stipulation and Agreement between the parties in Case No. ER-2004-0034.

Q. Please describe the rate history of L&P, formerly the St. Joseph Light and Power Company.

A. L&P has reduced its rates 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 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

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)
04/13/2004	ER-2004-0034	$14,640,000	$3,251,000 P $2,400,000 IEC

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 $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.

As a result of the Stipulation and Agreement between the parties, the Commission issued a Report and Order increasing rates.

The rate analysis I performed shows Aquila's Networks - MPS average 2004 electric rates for residential customers are $.07288 per kWh and are the second highest rates of Missouri's five largest investor owned electric utilities. Furthermore, Aquila's Networks - L & P average 2004 electric rate for residential customers is $.0585122 per kWh is the lowest of Missouri's five largest 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

Date Filed	Issue	Case Number	Exhibit	Company Name
	Pensions	GR-88-194		Missouri Public Service Company
	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
9/6/1991	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

Date Filed	Issue	Case Number	Exhibit	Company Name
	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 Payroll, Salary Increases	WR-92- 85	Direct Surrebuttal	Raytown Water Company
		GR-93-240		Western Resources, Inc.
1/22/1993	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
5/28/1993	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;	GR-93-172	Direct	Missouri Public Service a Division of UtiliCorp United, Inc.

Date Filed	Issue	Case Number	Exhibit	Company Name
	Depreciation Expense			
	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
3/28/1997	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
3/28/1997	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
9/16/1997	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.

Date Filed	Issue	Case Number	Exhibit	Company Name
9/30/1997	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
5/15/1998	Public Affairs and Community Relations	GR-98-140	Surrebuttal	Missouri Gas Energy, A Division of Southern Union Company
7/10/1998	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
1/4/1999	Gross Down Factor; Gross Up	GR-98-140	Rehearing Rebuttal	Missouri Gas Energy, A Division of Southern Union Company
4/26/1999	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
5/2/2000	Historical Rate Increases/ Reductions; Cost per kWh Comparison	EM-2000-292	Rebuttal	UtiliCorp United Inc. / St. Joseph Light and Power
6/21/2000	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
4/3/2001	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

Date Filed	Issue	Case Number	Exhibit	Company Name
8/7/2001	Maintenance Expense	ER-2001-299	True-up Direct	The Empire District Electric Company
12/6/2001	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
1/22/2002	Cost Per kWh Comparison	ER-2001-672	Surrebuttal	UtiliCorp United Inc. d/b/a Missouri Public Service
12/6/2001	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
1/22/2002	Cost Per kWh Comparison	EC-2002-265	Surrebuttal	UtiliCorp United Inc. d/b/a Missouri Public

Date Filed	Issue	Case Number	Exhibit	Company Name
8/16/2002	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
9/24/2002	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
2/27/2004	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
2/27/2004	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

Aquila, Inc./Dba
Aquila Networks
Case No. ER-2005-0436
Analysis of Average Cost Per Kwh For Residential Customers

File Name: Rate Comparison
~~Prepared By: PKW~~
Date Prepared:8/15/05

Date Printed: 10/14/2005
Time Printed: 11:38 AM

Company		Residential Revenues	Kwh Sales		Cost Per Kwh
2004					
Aquila, Inc./Dba Aquila Networks - MPS	$	172,391,370	2,365,422,000	$	0.072880
Aquila, Inc./Dba Aquila Networks - L&P	$	41,100,616	702,435,000	$	0.058512
Empire District Electric Company	$	124,394,139	1,703,858,000	$	0.073007
Kansas City Power & Light Company	$	347,085,483	4,902,992,000	$	0.070791
Ameren UE (Union Electric)	$	885,358,283	13,048,599,000	$	0.067851
2003					
Aquila, Inc./Dba Aquila Networks - MPS	$	166,344,608	2,390,039,000	$	0.069599
Aquila, Inc./Dba Aquila Networks - L&P	$	40,563,466	710,455,000	$	0.057095
Empire District Electric Company	$	125,196,648	1,728,315,000	$	0.072439
Kansas City Power & Light Company	$	181,174,569	2,448,487,000	$	0.073994
Ameren UE (Union Electric)	$	931,131,968	12,864,857,000	$	0.072378
2002					
Aquila, Inc./Dba Aquila Networks - MPS	$	163,053,788	2,335,239,000	$	0.069823
Aquila, Inc./Dba Aquila Networks - L&P	$	40,706,093	706,626,000	$	0.057606
Empire District Electric Company	$	126,088,402	1,726,449,000	$	0.073033
Kansas City Power & Light Company	$	183,916,767	2,453,539,000	$	0.074960
Ameren UE (Union Electric)	$	931,131,968	12,864,857,000	$	0.072378
2001					
UtiliCorp United, Inc./(Missouri Public Service Div.)	$	153,831,575	2,182,523,000	$	0.070483
UtiliCorp United, Inc./(St. Joseph Power & Light Div.)	$	38,439,706	670,640,000	$	0.057318
Empire District Electric Company	$	110,584,151	1,681,085,000	$	0.065781
Kansas City Power & Light Company	$	348,769,921	4,728,840,000	$	0.073754
Ameren UE (Union Electric)	$	908,846,345	12,643,689,000	$	0.071881
2000					
UtiliCorp United, Inc./(Missouri Public Service Div.)	$	153,643,417	2,139,885,000	$	0.071800
UtiliCorp United, Inc./(St. Joseph Power & Light Div.)	$	39,783,197	674,999,000	$	0.058938
Empire District Electric Company	$	108,571,833	1,660,928,000	$	0.065368
Kansas City Power & Light Company	$	352,095,387	4,725,323,000	$	0.074512
Ameren UE (Union Electric)	$	915,855,246	12,635,182,000	$	0.072485
1999					
UtiliCorp United, Inc./(Missouri Public Service Div.)	$	148,200,000	1,956,800,000	$	0.075736
UtiliCorp United, Inc./(St. Joseph Power & Light Div.)	$	37,599,754	623,667,000	$	0.060288
Empire District Electric Company	$	98,786,901	1,509,175,836	$	0.065458
Kansas City Power & Light Company	$	324,091,447	4,287,963,454	$	0.075582
Ameren UE (Union Electric)	$	871,212,000	11,872,621,000	$	0.073380

Aquila, Inc./Dba
Aquila Networks
Case No. ER-2005-0436
Analysis of Average Cost Per Kwh For Residential Customers

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1998					
UtiliCorp United, Inc./(Missouri Public Service Div.)	$	154,400,000	2,000,398,000	$	0.077185
UtiliCorp United, Inc./(St. Joseph Power & Light Div.)	$	38,484,479	634,165,000	$	0.060685
Empire District Electric Company	$	100,566,576	1,548,629,943	$	0.064939
Kansas City Power & Light Company	$	334,228,069	4,413,732,000	$	0.075725
Ameren UE (Union Electric)	$	865,106,285	12,204,716,041	$	0.070883
1997					
UtiliCorp United, Inc./(Missouri Public Service Div.)	$	147,599,000	1,833,799,000	$	0.080488
UtiliCorp United, Inc./(St. Joseph Power & Light Div.)	$	37,065,955	621,432,000	$	0.059646
Empire District Electric Company	$	88,635,799	1,429,787,422	$	0.061992
Kansas City Power & Light Company	$	315,240,379	4,087,617,976	$	0.077121
Ameren UE (Union Electric)	$	834,618,100	11,499,116,181	$	0.072581
1996					
UtiliCorp United, Inc./(Missouri Public Service Div.)	$	142,597,000	1,770,725,000	$	0.080530
UtiliCorp United, Inc./(St. Joseph Power & Light Div.)	$	36,428,419	611,911,000	$	0.059532
Empire District Electric Company	$	86,014,341	1,440,512,033	$	0.059711
Kansas City Power & Light Company	$	306,340,000	3,906,196,000	$	0.078424
Ameren UE (Union Electric)	$	840,459,425	11,549,256,528	$	0.072772
1995					
UtiliCorp United, Inc./(Missouri Public Service Div.)	$	138,622,965	1,689,696,000	$	0.082040
UtiliCorp United, Inc./(St. Joseph Power & Light Div.)	$	36,001,141	593,881,000	$	0.060620
Empire District Electric Company	$	81,331,054	1,350,339,907	$	0.060230
Kansas City Power & Light Company	$	306,171,000	3,879,975,000	$	0.078911
Ameren UE (Union Electric)	$	843,037,511	11,229,011,259	$	0.075077

Source: 1995 Thru 1999 Taken from Rebuttal Testimony filed in EM-2000-369, By Phillip K. Williams
2000 Data taken from the Annual Reports
Pages 300 and 301

SCHEDULES 3 AND 4

DEEMED

HIGHLY CONFIDENTIAL

IN THEIR ENTIRETY