

Exhibit No.:

*Issues: Overview; Recommendations and
Conclusions; Working Capital*

Witness: Joan C. Wandel

Sponsoring Party: MoPSC Staff

Type of Exhibit: Rebuttal Testimony

Case No.: EF-2003-0465

Date Testimony Prepared: September 10, 2003

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

JOAN C. WANDEL

AQUILA, INC.

CASE NO. EF-2003-0465

**Jefferson City, Missouri
September 2003**

**Page 6 through Page 50 Have Been Deemed
Highly Confidential in their Entirety
Pending Company Classification
Of Public Information**

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Aquila, Inc.)
for Authority to Assign, Transfer, Mortgage or)
Encumber Its Franchise, Works or System) Case No. EF-2003-0465

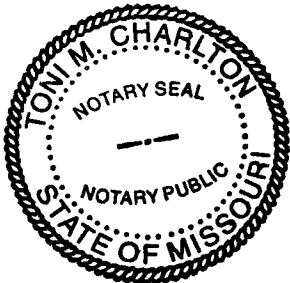
AFFIDAVIT OF JOAN C. WANDEL

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

Joan C. Wandel, being of lawful age, on her oath states: that she has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 50 pages to be presented in the above case; that the answers in the following Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.


Joan C. Wandel

Subscribed and sworn to before me this 9th day of September 2003.





TONI M. CHARLTON
NOTARY PUBLIC STATE OF MISSOURI
COUNTY OF COLE
My Commission Expires December 28, 2004

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1 School District in St. Louis, MO as the Business and Budget Manager. Since 1994, I have
2 been employed by the Commission as a Regulatory Utility Manager of the Auditing
3 Department.

4 Q. Have you previously filed testimony before this Commission?

5 A. Yes. I filed testimony in the St. Louis Water Company rate case, Case
6 No. WR-96-263.

7 Q. With reference to Case No. EF-2003-0465, have you made an examination
8 and analysis of the books, records, data request responses and transcribed verbal answers of
9 Aquila, Inc. (Aquila or Company) in regard to matters raised in this case?

10 A. Yes, in conjunction with other members of the Commission's Staff (Staff). I
11 have reviewed the books, records, data request responses and transcribed verbal answers of
12 Aquila in regard to matters raised in this case. I used these materials to evaluate Aquila's
13 Application. I also relied on specific representations from my counsel that I will identify in
14 my testimony. I evaluated the Company's request on an overall basis and coordinated with
15 other Staff members that performed more detailed examination into specific areas related to
16 the Company's request.

17 Q. What knowledge, skill, experience, training or education did you use to arrive
18 at the conclusions expressed in your testimony?

19 A. I relied upon the education, experience and training detailed earlier in my
20 testimony. I specifically relied upon my training and experience as a CPA to conduct my
21 examinations of Aquila's request in this case and arrive at the conclusions that I will express
22 later in my testimony.

1 Q. You mentioned above, transcribed verbal answers as one source of
2 information in this case. Please describe that process.

3 A. Staff, Office of the Public Counsel and Intervenors to this case interviewed
4 Aquila representatives on July 16-18, 2003. The interview transcripts were a result of those
5 interviews.

6 Q. Please describe the purpose of your rebuttal testimony.

7 A. The purpose of my rebuttal testimony is to respond to the Application and
8 direct testimony of Aquila, Inc. On April 30, 2003, Aquila filed its Application and
9 supporting testimony requesting approval for authority to "Assign, Transfer, Mortgage or
10 Encumber its Franchise, Works or System." At paragraph 4 of that Application, the
11 Company states that it:

12 ...requests a Commission order authorizing the assignment, transfer,
13 mortgage or encumbrance of Aquila's utility franchise, works or
14 system necessary or useful in the provision of regulated electrical,
15 natural gas and heating company utility services to the public in
16 Missouri in order to secure Aquila's financing arrangements which are
17 used to support the Company's utility operations.

18 I will provide testimony setting out the general review of the Application and the
19 conclusions reached by Staff. Specifically I will: 1) address the standard by which the
20 Application was reviewed; 2) address the fact that this is not a traditional finance case; and
21 3) provide the overview and status of similar applications filed by Aquila in other
22 jurisdictions. I will provide an analysis of the loan provisions related to the pledging of
23 Aquila's Missouri assets. I will address Staff's position regarding Aquila's alleged working
24 capital needs related to its Missouri utility operations.

25 Q. What other Staff witnesses are filing rebuttal testimony and what is the
26 purpose of their testimony?

1 A. Ronald L. Bible of the Commission's Financial Analysis Department will
2 testify to the validity of the financial safeguards proposed by Aquila in this case.
3 James L. Ketter of the Commission's Energy Department will testify to the need to formalize
4 current outage and reliability reporting during the period of Aquila's financial distress.
5 Lena L. Mantle of the Commission's Energy Department will provide testimony regarding
6 Aquila's current and future capacity resource needs that require the Company to maintain or
7 have access to capital investment. J. Kay Niemeier of the Commission's Engineering and
8 Management Services Department will address customer service quality concerns occurring
9 during Aquila's current financial distress. She will propose reporting requirements to
10 monitor this situation to reduce the probability that these concerns are not satisfactorily
11 addressed. David M. Sommerer of the Commission's Procurement Analysis Department will
12 address the impacts of the Company's financial condition on the natural gas procurement and
13 supply process. He will also address certain working capital adjustments proposed by
14 Aquila.

15 Q. How did Staff conduct this investigation?

16 A. Staff reviewed the various testimony and exhibits including the Application
17 itself, filed by Aquila relating to the Company's proposal to pledge utility assets for this
18 financing. Staff submitted data requests, discussed data request with Company personnel
19 during the review phase and conducted informal transcribed interviews.

20 The transcribed interviews occurred July 16-18, 2003, and included all of the parties
21 to the case. The Company provided several individuals to answer questions posed by the
22 Staff and the other parties. The Company was allowed to review the transcripts for

1 correctness and accuracy. To the extent Staff has used and relied on these transcribed
2 interviews for purposes of this rebuttal testimony, the corrected versions were used.

3 Q. Is this is a typical finance case?

4 A. No. Unlike every prior finance case of which the Staff is aware, including
5 those Aquila relies upon as precedent in its Application and direct testimony in this case,
6 Aquila has already received the loan proceeds to which the requested encumbrance treatment
7 would apply. In a typical finance case receipt of the loan proceeds is dependent upon
8 Commission authorization. Further, to the extent that Aquila is seeking authority to
9 encumber assets beyond the Term Loans' three-year period, this is also atypical as in the
10 traditional financing case the applicant is seeking authorization limited to a particular
11 transaction before the Commission.

12 **THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.**

13 **THE INFORMATION FROM THIS POINT FORWARD DEEMED**

14 **HIGHLY CONFIDENTIAL IN ITS ENTIRETY PENDING**

15 **COMPANY CLASSIFICATION OF PUBLIC INFORMATION**