

Exhibit No.:

Issues: Pensions,

Witness: H. Davis Rooney

Sponsoring Party: Aquila Networks-L&P

Case No.: HR-

Before the Public Service Commission
of the State of Missouri

Direct Testimony

of

H. Davis Rooney

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
DIRECT TESTIMONY OF H. DAVIS ROONEY
ON BEHALF OF AQUILA, INC.
D/B/A AQUILA NETWORKS-L&P
CASE NO. HR-_____**

1 Q. Please state your name and business address.

2 A. My name is Davis Rooney. My business address is 10750 E. 350 Highway, Raytown,
3 MO 64138.

4 Q. What is your occupation?

5 A. I am employed by Aquila, Inc. (“Aquila” or “Company”) as Director of Accounting and
6 Finance.

7 Q. Would you briefly describe your educational training and professional background?

8 A. I graduated from the University of Kansas. I received a B.A., with distinction, in
9 Mathematics (1982), and a B.S., with distinction, in Business (1983), with majors in
10 Accounting and Business Administration and a concentration in Computer Science. I
11 obtained my Certified Public Accountant certificate in 1983 and practiced in public
12 accounting from 1983 to 1992. In 1992 I joined Aquila as Controller of its WestPlains
13 Energy division and have held several positions focused on financial management and
14 analysis.

15 Q. What is the purpose of your testimony in this proceeding before the Missouri Public
16 Service Commission (“Commission”)?

17 A. I will provide support for the Company’s position on pensions.

Pensions

Q. How have the pension contribution liability, pension cost, prepaid pension amortization and prepaid pension been reflected in this case?

A. The pension contribution liability, pension cost, prepaid pension amortization and prepaid pension have been reflected in accordance with the stipulation entered into in Case No. ER-2004-0034 and Case No. HR-2004-0024 ("the Stipulation").

Q. What is the pension contribution liability?

A. In the Stipulation, the Company was authorized to collect certain amounts for pension contribution expense. These amounts were intended to provide for such minimum contributions as might be required under the ERISA rules. The Stipulation provided that if these amounts were not required to be actually contributed to the pension plan under the ERISA minimum rules, the amounts should be recorded as a regulatory liability.

Q. What treatment did the Stipulation provide for this regulatory liability?

A. The Stipulation provided that the regulatory liability should be refunded over a five-year period.

Q. Did the Company comply with the Stipulation?

A. Yes. The Company has made no contributions to the pension plan since the effective date of rates. The amounts collected were recorded as a regulatory liability. The regulatory liability has been reflected as a component of rate base (reducing rate base). This reduction is reflected in Adjustment RBO-100 on Schedule SKB-2 sponsored by Aquila witness Susan Braun. Cost of service has been reduced by an amount equal to amortizing

1 the regulatory liability over five years. This reduction in cost of service is reflected in

2 Adjustment CS-13a on Schedule SKB-4 sponsored by Aquila witness Susan Braun.

3 Q. What is pension cost?

4 A. Pension cost is the amount allowed in rates for employee pension costs.

5 Q. How has pension cost been determined?

6 A. As one component of settling pensions in Case No. HR-2004-0024, the Commission Staff

7 (“Staff”) and Company agreed to use Staff’s calculation of pension expense. The

8 calculation in the Stipulation was based on a five-year average of actual pension

9 contributions. The pension cost included in this case has also been calculated based on a

10 five-year average of pension contributions, consistent with the agreed to Stipulation in

11 Case No. HR-2004-0024. This calculation and amount has been included with the

12 prepaid pension amortization and is reflected in Adjustment CS-13 on Schedule SKB-4

13 sponsored by Aquila witness Susan Braun.

14 Q. What is the prepaid pension amortization?

15 A. As one component of settling pensions in Case No. HR-2004-0024, Staff and Company

16 agreed that a portion of prepaid pensions would be included in rate base. Staff and

17 Company agreed that the rate base portion of prepaid pensions would be amortized. This

18 amortization would be included in rates.

19 Q. What treatment did the Stipulation provide for this prepaid pension amortization?

20 A. The Stipulation specified the amount of the annual amortization.

21 Q. Has the Company complied with the Stipulation?

1 A. Yes. The Company has included in cost of service the prepaid amortization amounts
2 agreed to in the Stipulation. These amounts are reflected in the adjustment at Adjustment
3 CS-13 on Schedule SKB-4 sponsored by Aquila witness Susan Braun.

4 Q. What is prepaid pension?

5 A. Prepaid pension included in rate base is the amount included in rate base and amortized in
6 accordance with the Stipulation in Case No. HR-2004-0024.

7 Q. How has prepaid pension been included in rate base?

8 A. As one component of settling pensions in Case No. HR-2004-0024, Staff and Company
9 agreed that a portion of prepaid pensions would be included in rate base. Staff and
10 Company agreed that the rate base portion of prepaid pensions would be amortized. The
11 unamortized balance at the end of the test year, consistent with the Stipulation, has been
12 included in rate base. This amount is reflected in the adjustment at Adjustment WC-21
13 on Schedule SKB-2 sponsored by Aquila witness Susan Braun.

14 Q. Does this conclude your testimony?

15 A. Yes.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the matter of Aquila, Inc. d/b/a Aquila)
Networks-L&P, for authority to file tariffs)
Increasing steam rates for the service provided)
To customers in the Aquila Networks-L&P area)

Case No. HR-_____

County of Jackson)
)
State of Missouri) ss

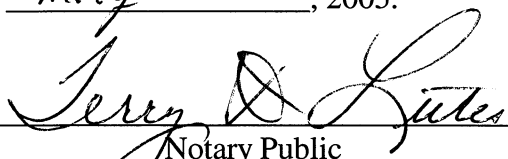
AFFIDAVIT OF H. DAVIS ROONEY

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



H. Davis Rooney

Subscribed and sworn to before me this 18th day of May, 2005.



Notary Public
Terry D. Lutes

My Commission expires:

8-20-2008



TERRY D. LUTES
Jackson County
My Commission Expires
August 20, 2008