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March 16, 2004

Regulatory Law Judge Kennard Jones
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

FILED⁴

APR 29 2004

Missouri Public
Service Commission

Re: Aquila, Inc.
- Case No. ER-2004-0034

Dear Judge Jones:

After the hearing in the above-referenced matter on the issue of depreciation, Commissioner Murray requested the Company to produce a series of late-filed exhibits based upon Exhibit No. 180 which was offered and received during re-direct examination of Company witness Davis Rooney. Accordingly, attached please find a four page exhibit which attempts to respond to Commissioner Murray's request. "Case 1" deals with a single asset where the net cost of removal is accrued as part of the depreciation rate (i.e., Rate Base Treatment) and it is assumed that there is a rate case every year. "Case 2" deals with a single asset where the net cost of removal is expensed per Staff's proposal (i.e., Expense Treatment) and it is assumed that there is a rate case every year. "Case 3" is a single asset, with rate base treatment, and assumes a rate case in the first year and then every third year thereafter. "Case 4" is a single asset, with expense treatment, which assumes a rate case in the first year and then every third year thereafter.

I am not sure how you want to handle the offering of this exhibit. Would you please see that it is brought to the attention of the Commissioners, and advise me as to what I need to do next to admit the exhibit into evidence, if that is the desire of the Commission. Copies of the attached are being provided to parties of record. I thank you in advance for your attention to and cooperation in this matter.

Sincerely,

W.R. England, III

WRE/da
cc: Parties of Record
Mr. Davis Rooney

Exhibit No. 181-A
Case No(s) ER-2004-0034
Date 4-5-04 Rptr TV

Aquila, Inc.
 ER-2004-0034
 Example of Single Asset - Rate Base Treatment
 Rate Case Every Year

Case 1

1	2	3	4	5	6	7
Year	Company Expenditure	Plant Less Reserve= Rate Base	10% Return	Depr Exp	Net Salvage in Expense per Staff	Revenue Requirement
1	1,000	1,000	100	150		250
2		850	85	150		235
3		700	70	150		220
4		550	55	150		205
5		400	40	150		190
6		250	25	150		175
7		100	10	150		160
8		-50	-5	150		145
9		-200	-20	150		130
10		-350	-35	150		115
11	500	0	0	0		0
12		0	0	0		0
13		0	0	0		0
14		0	0	0		0
15		0	0	0		0
16		0	0	0		0
Totals	<u>1,500</u>		<u>325</u>	<u>1,500</u>	<u>0</u>	<u>1,825</u>

Note: This example only involves one (1) item of plant. Accordingly, it does not address the revenue requirements associated with other plant additions and retirements that would occur during this period of time, nor does it address the net present values of cash flows.

Aquila, Inc.
 ER-2004-0034
 Example of Single Asset - Expense Treatment
 Rate Case Every Year

Case 2

1	2	3	4	5	6	7
Year	Company Expenditure	Plant Less Reserve= Rate Base	10% Return	Depr Exp	Net Salvage in Expense per Staff	Revenue Requirement
1	1,000	1,000	100	100		200
2		900	90	100		190
3		800	80	100		180
4		700	70	100		170
5		600	60	100		160
6		500	50	100		150
7		400	40	100		140
8		300	30	100		130
9		200	20	100		120
10		100	10	100		110
11	500	0	0	0	100	100
12			0	0	100	100
13			0	0	100	100
14			0	0	100	100
15			0	0	100	100
16			0	0	0	0
Totals	<u>1,500</u>		<u>550</u>	<u>1,000</u>	<u>500</u>	<u>2,050</u>

Note: This example only involves one (1) item of plant. Accordingly, it does not address the revenue requirements associated with other plant additions and retirements that would occur during this period of time, nor does it address the net present values of cash flows.

Aquila, Inc.
 ER-2004-0034
 Example of Single Asset - Rate Base Treatment
 Rate Case in First Year then Every 3rd Year

Case 3

1	2	3	4	5	6	7
Year	Company Expenditure	Plant Less Reserve= Rate Base	10% Return	Depr Exp	Net Salvage in Expense per Staff	Revenue Requirement
1	1,000	1,000	100	150		250
2		850	100	150		250
3		700	100	150		250
4		550	55	150		205
5		400	55	150		205
6		250	55	150		205
7		100	10	150		160
8		-50	10	150		160
9		-200	10	150		160
10		-350	-35	150		115
11	500	0	-35	0		115
12		0	-35	0		115
13		0	0	0		0
14		0	0	0		0
15		0	0	0		0
16		0	0	0		0
Totals	<u>1,500</u>		<u>390</u>	<u>1,500</u>	<u>0</u>	<u>2,190</u>

Note: This example only involves one (1) item of plant. Accordingly, it does not address the revenue requirements associated with other plant additions and retirements that would occur during this period of time, nor does it address the net present values of cash flows.

Aquila, Inc.
 ER-2004-0034
 Example of Single Asset - Expense Treatment
 Rate Case in First Year then Every 3rd Year

Case 4

1	2	3	4	5	6	7
Year	Company Expenditure	Plant Less Reserve= Rate Base	10% Return	Depr Exp	Net Salvage in Expense per Staff	Revenue Requirement
1	1,000	1,000	100	100		200
2		900	100	100		200
3		800	100	100		200
4		700	70	100		170
5		600	70	100		170
6		500	70	100		170
7		400	40	100		140
8		300	40	100		140
9		200	40	100		140
10		100	10	100		110
11	500	0	10	0	0	110
12		0	10	0	0	110
13		0	0	0	100	100
14		0	0	0	100	100
15		0	0	0	100	100
16		0	0	0	0	0
Totals	<u>1,500</u>		<u>660</u>	<u>1,000</u>	<u>300</u>	<u>2,160</u>

Note: This example only involves one (1) item of plant. Accordingly, it does not address the revenue requirements associated with other plant additions and retirements that would occur during this period of time, nor does it address the net present values of cash flows.

RECEIVED
MAR 16 2004

COMMISSION COUNSEL
PUBLIC SERVICE COMMISSION