004

Exhibit No.:
Issues: Test Year, True-up, Allocation Factors And Various Rate Base And Cost of Service Accounting Adjustments And Schedules
Witness: Susan K. Braun
Sponsoring Party: Aquila Networks-MPS & L&P
Case No.: ER-

Before the Public Service Commission
of the State of Missouri

Direct Testimony

of

Susan K. Braun

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ON BEHALF OF AQUILA, INC.
D/B/A AQUILA NETWORKS-MPS AND AQUILA NETWORKS-L&P
CASE NO. ER-_____

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
DIRECT TESTIMONY OF SUSAN K. BRAUN
ON BEHALF OF AQUILA, INC.
D/B/A AQUILA NETWORKS-MPS AND AQUILA NETWORKS-L&P
CASE NO. ER-_____

Q. Please state your name and business address.

A. My name is Susan Braun. My business address in 20 W. Ninth Street, Kansas City, Missouri 64105.

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

A. I am employed by Aquila, Inc. ("Aquila" or "Company") as Manager of MO-Electric Regulatory Services.

Q. Please describe your educational background and professional experience.

A. I graduated from Friends University in December 1989 with a Bachelors of Science Degree in Business Administration with a major in Accounting. Prior to employment with Aquila, I held the position of Senior Accountant with Sunflower Electric Power Corporation and as Accountant with IBP, Inc.

EXECUTIVE SUMMARY

Q. What is the purpose of your direct testimony in this case before the Missouri Public Service Commission ("Commission")?

A. The purpose of my direct testimony is to present certain schedules and to describe various accounting adjustments made to Aquila Networks – MPS ("MPS") and Aquila Networks – L&P ("L&P") rate case filing.

Q. Please identify the schedules and any adjustments that you are sponsoring.

A. I am sponsoring the following adjustments for MPS and L&P:

Rate Base

- Plant in Service (MPS and L&P)
- RB-30 Jeffrey Energy Center ("JEC") Common Plant and Reserve (MPS Only)
- RB-50 South Harper Peaking Facility True-Up (MPS Only)
- RB-60 Leasehold Improvements 750 Building Plant and Reserve (MPS and L&P)
- RB-80 Corporate Allocation Factor (MPS and L&P)
- Accumulated Reserve for Depreciation (MPS and L&P)
- RBO-10 Customer Deposits (MPS and L&P)
- RBO-20 Customer Advances (MPS and L&P)
- RBO-50 Unamortized Investment Tax Credit ("ITC") (MPS Only)
- WC-10 Materials & Supplies (MPS and L&P)
- WC-30 Fuel Inventories (MPS and L&P)
- WC-40 SO2 (Sulfur Dioxide) Emission Allowance Inventory (MPS and L&P)

Revenue

- R-10 Revenue Normalization (MPS and L&P)
- R-20 Eliminate One-Time Interim Energy Charge ("IEC") Refund (L&P Only)
- R-30 Eliminate Inter-company Off-System Revenue (MPS and L&P)
- R-35 Off-system Sales Revenue (MPS and L&P)
- R-76 Transmission Reliability Revenues (MPS and L&P)

Cost of Service

- FPP-10 Fuel & Purchased Power Energy (MPS and L&P)
- FPP-17 Amortization of Proceeds from EPA Auction Process (MPS and L&P)
- FPP-20 Purchased Power Capacity (MPS and L&P)

- FPP-30 Eliminate Inter-Company Off-System Fuel & Purchased Power (MPS and L&P)
- FPP-35 Cost of Off-system Sales (MPS and L&P)
- FPP-50 Reservation Charge (MPS Only)
- CS-40 PSC Assessment (MPS and L&P)
- CS-45 Customer Deposit - Interest (MPS and L&P)
- CS-50 Rate Case Expense (MPS and L&P)
- CS-57 Transmission Expense (MPS and L&P)
- CS-66 Demand-Side Management (MPS and L&P)
- CS-70 Postage Expense (MPS and L&P)
- CS-76 Transmission Reliability Expense (MPS and L&P)
- CS-80 Outsource Meter Reading (MPS Only)
- CS-95 Depreciation Expense (MPS and L&P)
- CS-96 MPSC Ordered Depreciation Rates (MPS and L&P)

SCHEDULES

Q. Have you included Schedule's SKB-1 through SKB-4 for MPS and L&P electric in your direct testimony?

A. Yes. Schedules SKB-1 through SKB-4 constitute the accounting schedules summarizing both the MPS and L&P electric rate filings and are attached to my direct testimony.

Q. Please describe Schedule SKB-1.

A. Schedule SKB-1 represents the revenue deficiency calculated with a return on equity of 11.50%. Aquila witness Samuel C. Hadaway supports the return on equity and capital structure.

Q. What information is included on Schedule SKB-2?

A. This schedule illustrates the detailed components of rate base. Rate base represents Aquila's investment to provide safe and reliable service to customers in the MPS and L&P service territories.

Q. Please describe Schedule SKB-3.

A. Schedule SKB-3 is the adjusted income statement, which reflects net income available to MPS and L&P, respectively, after all known and measurable changes have been made.

Q. What is the purpose of SKB-4?

A. Schedule SKB-4 is an explanation of all adjustments to Test-Year revenues and expenses.

Q. Are you sponsoring all of the adjustments on Schedule SKB-4?

A. No. There will be other Aquila witnesses also sponsoring adjustments in Schedule SKB-4.

TEST YEAR

Q. What test year did Aquila use to develop the revised tariffs that are the subject of this case?

A. Aquila used the test year ending December 31, 2005 for the purposes of its rate case filing. In addition, we made certain adjustments to reflect changes through June 30, 2006 to make this test period more representative of the periods during which the requested rates would actually be in effect.

Q. Should the adjusted test period used to develop revised rates be updated in this case?

A. No. Aquila will be asking for a true-up of certain accounts. Therefore, updating the test period is not necessary.

TRUE-UP

Q. What true-up period is recommended as part of Aquila's request in this case?

A. Aquila is requesting that the financial information be updated as of January 1, 2007.

Q. What is the purpose of a true-up?

A. A true-up of financial information to a date closer to the effective date of the revised tariffs often provides a better match of rate base, operating revenues and operating expenses to the period in which these costs will be recovered.

Q. What items should be included in the true-up?

A. A true-up should recognize all significant increases and decreases that have occurred through the true-up date. Those areas where significant changes can typically occur are listed below:

(1) Net Plant in Service

(2) Revenue

(3) Fuel and Purchased Power Costs

(4) Payroll Costs

(5) Depreciation

(6) Corporate Allocations

(7) Transmission Revenue and Expense

(8) Capital Cost

Q. Are there any special issues that should be taken into consideration in connection with the true-up of Aquila's current rate request?

A. Yes. Aquila has publicly announced that it is interested in acquiring, at a reasonable price, the Aries Generating Station located in Aquila's MPS service territory, which is

potentially for sale by Calpine. If Aquila were to be successful in acquiring that asset, its purchase price, cost to upgrade, annual maintenance costs, reservation charges, capitalized taxes and other related costs should be reflected in Aquila's cost of service in place of the long-term capacity contract currently reflected.

Q. What is the likelihood that Aquila will acquire the Aries facility?

A. That is impossible to predict at this time; however, it is anticipated that there will be certainty by the date of the proposed true-up. If Aquila has not consummated a transaction to acquire the Aries facility on a timely basis, our capacity requirements are such that we would have had to move forward with an alternative solution (such as the long-term capacity purchase reflected in our filing) prior to the true-up date.

Q. Are there any other items that need to be updated?

A. Aquila anticipates that it will work with the other parties in the case to determine a final list of items to be included in the true-up.

JURISDICTIONAL AND UTILITY ALLOCATIONS

Q. Have jurisdictional and utility allocation factors been developed?

A. Yes. Since MPS and L&P operated during the test year as combination electric and gas utilities and since MPS's electric operations encompass both retail and wholesale jurisdictions, it is appropriate to develop allocation factors to segregate the electric retail operations for this case.

Q. Is an additional allocation for the L&P industrial steam operations necessary?

A. Yes. Two separate products are produced at the L&P Lake Road Station: electricity for Aquila Networks' electric power grid, and process steam (referred to as "Industrial

Steam") delivered to industrial customers located near the Lake Road Station. The two business operations are referred to as the electric and steam jurisdictions.

Q. What are the allocation factors that Aquila uses to allocate the L&P Lake Road Station O&M expenses?

A. The steam allocation factor is developed using the direct assignment of the Lake Road plant, Lake Road payroll charged to O&M, and the total Lake Road plant coal burn (the ratio of three years of steam coal fuel to three years of Lake Road coal fuel) factors. These factors are then applied to the L&P Electric income statement to derive an L&P Steam income statement.

Q. Will Aquila continue to allocate the cost of Lake Road operations?

A. Yes. In Case No. HR-2005-0450 it was stipulated that "Aquila will continue to allocate the cost of Lake Road operations between steam and electric in the Aquila Networks - L&P division".

PLANT IN SERVICE (MPS and L&P)

Q. Please explain how Plant in Service was derived.

A. For the test year ending December 31, 2005, end of period balances are used for electric plant in service.

Q. Explain what Aquila means by electric plant in service.

A. Electric plant in service represents assets that specifically relate to MPS or L&P and are used by these entities to serve their respective customers with electricity. Electric plant includes generation assets used to produce power, transmission assets, and distribution facilities. In addition, electric plant includes a portion of common utility plant, such as vehicles, equipment, and service buildings that are allocated to electric operations.

Q. Please continue.

A. MPS and L&P allocated common plant in service begins with per book electric balances at December 31, 2005. The balances are taken from the Aquila fixed asset sub-ledger system, which provides asset detail by FERC plant account.

Q. Explain what is meant by allocated common plant in service.

A. Allocated common plant in service assets include assets that support Aquila's overall infrastructure. These assets include items such as Aquila's general ledger system and its billing system. These assets serve to benefit all operations of Aquila and are subsequently allocated to all active operating units and divisions within the Aquila corporate umbrella in accordance with Aquila's allocation policy.

Q. Are any other allocations employed?

A. Yes. In the case of MPS, a jurisdictional allocation factor is applied based on functional asset class to compute MPS's jurisdictional plant in service balance. In the case of L&P, an allocation method is applied to the electric generation assets in an effort to segregate and allocate appropriately the portion of generation plant used in both the production of electricity and the production of industrial steam.

Q. What do you mean by jurisdictional allocation?

A. MPS has five wholesale customers whose rates are regulated by the Federal Energy Regulatory Commission ("FERC"). These five customers are allocated a portion of MPS's total rate base and cost of service based on the jurisdictional allocation factors.

Q. What is the amount of jurisdictional direct and allocated plant in service for MPS and L&P filed in this rate case?

A. Please see accounting schedule SKB-2 included in this direct testimony for MPS and L&P's electric and allocated plant in service balances that have been included in this rate filing.

Q. Explain any adjustments made to the plant in service balances.

A. The adjustments made are detailed in my testimony as follows.

RB-30 JEC COMMON PLANT AND RESERVE (MPS Only)

Q. Please explain the Jeffery Energy Center ("JEC") common plant adjustment made to MPS's jurisdictional electric plant in service.

A Adjustment RB-30 is necessary to include the balance of JEC common plant in FERC account 101, plant in service, for MPS only, consistent with the Commission's order in Case No. ER-83-40.

Q. Why is this adjustment necessary?

A. The JEC common plant adjustment is necessary to reverse a FERC compliance audit entry recorded on MPS's books in 1984. The entry was made, subsequent to the 1983 rate proceeding, after a FERC compliance audit indicated all Allowance for Funds Used During Construction ("AFUDC") and property taxes that had accumulated while the investment was in CWIP should be transferred from account 101 to account 186, miscellaneous deferred debits. The JEC common plant adjustment entry reverses the FERC compliance audit entry so that treatment of the plant is consistent with orders previously granted by the Commission.

Q. Was the accumulated reserve for depreciation adjusted also?

A. Yes. Accumulated reserve for depreciation was calculated through December 31, 2005 and also transferred to the accumulated reserve account 108.

Q. Was the JEC common plant adjustment made in MPS's prior electric rate cases?

A. Yes. This adjustment has been consistently approved by the Commission in prior MPS cases.

RB-50 SOUTH HARPER PEAKING FACILITY TRUE-UP (MPS Only)

Q. What is the purpose of this adjustment?

A. The purpose of this adjustment is to bring the South Harper Peaking Facility plant balances to those agreed to in the settlement of Case No. ER-2005-0436.

RB-60 LEASEHOLD IMPROVEMENTS 750 BUILDING PLANT AND RESERVE (MPS and L&P)

Q. What is the purpose of adjustment RB-60 Leasehold Improvements 750 Building Plant and Reserve?

A. Aquila will be vacating the leased facility at 10750 E 350 Highway, Kansas City, Missouri by the end of 2006. This adjustment removes the total amount of leasehold improvements at this facility that are allocated to MPS and L&P from December 31, 2005 plant in service and accumulated depreciation balances.

RB-80 CORPORATE ALLOCATION FACTOR (MPS and L&P)

Q. What is the purpose of adjustment RB-80 Corporate Allocation Factor?

A. Aquila will have divested itself of five utility divisions by the end of 2006. These divisions will be accounted for as discontinued operations prior to their individual sale agreement settlements and approvals. Corporate assets are not allocated to discontinued operations. Effective January 1, 2006, corporate assets are allocated only to the remaining divisions. The purpose of RB-80 is to adjust the December 31, 2005 corporate plant in service and accumulated depreciation balances allocated to MPS and L&P by

using the corporate asset allocation factors in effect from January 1, 2006. Further explanation of this allocation assignment will be addressed in Company witness Ron Klote's direct testimony.

ACCUMLATED RESERVE FOR DEPRECIATION (MPS and L&P)

Q. Please explain how the accumulated reserve for depreciation was derived.

A. For the test year ending December 31, 2005, end of period balances are used for electric accumulated reserve for depreciation.

Q. Does the accumulated reserve for depreciation follow the same reporting methodology as the gross plant in service?

A. Yes.

Q. Does the reserve also follow the utility and jurisdictional allocation methods used in deriving gross plant in service?

A. Yes.

Q. What is the jurisdictional electric and allocated accumulated reserve for depreciation for MPS and L&P?

A. Please see accounting Schedule SKB-2 included in this direct testimony for MPS and L&P's electric and allocated accumulated reserve for depreciation that has been included in this rate filing.

RBO-10 CUSTOMER DEPOSITS (MPS and L&P)

Q. Please explain adjustment RBO-10 Customer Deposits.

A. Customer deposits include all amounts deposited with the Company by customers as security for the payment of bills. The customer deposit adjustment in this rate filing reduces rate base.

Q. How was the Customer Deposit adjustment RBO-10 computed?

A. For purposes of establishing a rate base level for the period in which the rates set in this case will be in effect, the year-end balance for FERC account 235000 was used.

Q. What is the significance of using a test year-end balance instead of a historical average?

A. Using a long-term historical average to normalize year-to-year fluctuations has the effect of ignoring the trend of an increasing account balance. While customer deposits experience slight variations from month to month, the ongoing trend has been an increasing balance. Basing the determination of an ongoing level of customer deposits on historical averages ignores the trend of an increasing balance.

Q. What were the total customer deposits balances for both MPS and L&P?

A. Please refer to Schedule SKB-2 for both MPS and L&P rate base offset totals.

RBO-20 CUSTOMER ADVANCES (MPS and L&P)

Q. Please explain the Customer Advances adjustment RBO-20.

A. Customer advances include advances by customers used for construction. The customer advances adjustment, like the customer deposit adjustment, reduces rate base to ensure that a return is not earned on customer-financed assets.

Q. How was Customer Advances adjustment RBO-20 computed?

A. For purposes of establishing a rate base level for the period in which the rates set in this case will be in effect, the year-end balance for FERC account 252000 was used.

Q. What is the significance of using a test year-end balance instead of a historical average?

A. Using a long-term historical average to normalize year-to-year fluctuations has the effect of ignoring the trend of an increasing account balance. While customer advances have slight variations from month to month, the ongoing trend is an increasing balance. Basing the

determination of an ongoing level of customer advances on historical averages ignores the trend of an increasing balance.

Q. What were the total customer advances balances for both MPS and L&P?

A. Please refer to Schedule SKB-2 for both MPS and L&P rate base offset totals.

RBO-50 UNAMORTIZED INVESTMENT TAX CREDIT (MPS Only)

Q. What is the Investment Tax Credit ("ITC")?

A. ITC, recorded in FERC 255, was created by the federal government to encourage plant investment in the public sector. It allows a company to directly reduce its taxes payable balance. Over the years, the government offered various percentage levels of investment to be taken as a tax credit. For MPS, the 3% vintage is imposed as an offset to rate base.

Q. What time period was used for the ITC?

A. ITC as of December 31, 2005 was used.

Q. Please explain the calculation of the unamortized ITC amount in this case.

A. This adjustment was only made for the MPS jurisdiction. The unamortized MPS electric portion of FERC account 255001, ITC, as of December 31, 2005 was obtained. A 100% jurisdictional factor was applied to the electric balance to determine the total ITC applicable to MPS electric jurisdictional operations. This amount totaled $2,313 as of December 31, 2005.

WC-10 MATERIALS & SUPPLIES (MPS and L&P)

Q. Why are materials and supplies ("M&S") inventories included in rate base?

A. M&S is considered working capital, which is defined as the economic input of funds in excess of the amount used to provide for utility plant which is necessary to operate the business.

Q. Please explain the computation of the M&S rate base adjustment.

A. The average of the thirteen consecutive month-end balances ending December 31, 2005 was used. For M&S, the month-end balances of FERC accounts 154 (Materials and Supplies) and 163 (Stores Expense) were averaged for the months of December 2004 through December 2005. By their general ledger product code, they were designated by utility (electric, gas, steam, common or non-regulated) and function (generation, transmission or distribution).

Q. Please explain why a thirteen-month average calculation was selected.

A. The use of a thirteen-month average is a better measure than the investment at any one single month since monthly amounts fluctuate, and no one single month is representative.

Q. What were the total M&S balances for both MPS and L&P?

A. The total level of M&S included in this case as a component of rate base is provided in Schedule SKB-2.

WC-30 FUEL INVENTORIES (MPS and L&P)

Q. Please explain the purpose of adjustment WC-30 Fuel Inventories for MPS and L&P.

A. Fuel inventories are properly includable in the working capital computation. A utility must carry the appropriate level of fuel stock to ensure that customer service is not interrupted. As a result of maintaining minimum levels of fuel stock, the utility incurs carrying costs. By including fuel stock in rate base, the utility is appropriately allowed to earn a return on those fuel inventory levels.

MPS:

Q. How were the annualized levels of fuel inventory for coal calculated for inclusion in rate base?

A. MPS's recommendations in this case for coal inventory levels at Sibley and the JEC are equivalent to a 61-day and 72-day burn, respectively. First, the annualized fuel price is determined based upon the output of the jointly dispatched Production Cost Model ("PCM") for Sibley and JEC added to the annual level of freeze treatment/dust suppressant for Sibley and rail car expense for both Sibley and JEC. This annualized fuel price is divided by the number of tons of annualized coal obtained from the PCM for both Sibley and JEC to arrive at an annualized price per ton of coal. After quantifying the tons of coal burned for the 61-day and 72-day inventory levels recommended at Sibley and JEC, this amount was multiplied by the annualized price per ton of coal to arrive at the annualized amount of fuel inventory to include in rate base for Sibley and JEC.

Q. Please explain why a 61-day supply of coal for Sibley and a 72-day supply of coal for JEC were chosen as the target levels of coal inventory to include in rate base.

A. The 61-day and 72-day target inventory levels for Sibley and JEC were used by both Aquila and the Staff in MPS's last three rate proceedings before this Commission, Case Nos. ER-01-672, ER-2004-0034 and ER-2005-0436.

Q. Has there been any policy change in the targeted levels?

A. No.

Q. How much No. 2 oil inventory is being included in rate base for the Greenwood, Nevada and JEC plants?

A. No. 2 oil inventory has been included in rate base using a thirteen-month average. The monthly ending balances were averaged for the period December 2004 through December 2005.

Q. How much propane and tire-derived fuel is being included in rate base for Sibley?

A. Propane and tire-derived fuel inventories are being included in rate base for Sibley using a thirteen-month average. The monthly ending balances were averaged for the period December 2004 through December 2005.

Q. How much fuel stock expenses undistributed inventory is included in rate base?

A. Fuel stock expenses undistributed inventory is being included in rate base using a thirteen-month average. As done for the No. 2 oil inventory, propane and tire derived fuel, the monthly ending balances were averaged for the period December 2004 through December 2005.

Q. Please explain why a thirteen-month average calculation was selected for these inventories.

A. Generally, a thirteen-month average is used to smooth out the month-to-month volatility in fuel inventory balances.

Q. How are these inventory balances then adjusted for the Missouri retail portion?

A. A jurisdictional allocation factor was applied to the inventory balances to determine the amount applicable to MPS's retail operations.

Q. What level of total fuel inventory has MPS included in rate base for purposes of this rate proceeding?

A. The total level of fuel inventory included in this case as a component of rate base is provided in Schedule SKB-2.

L&P:

Q. How were the annualized levels of fuel inventory for coal calculated for inclusion in rate base?

A. L&P utilized the same method as MPS in determining the level of fuel inventory to include in rate base for coal. L&P's recommendation in this case for coal inventory levels at Iatan and Lake Road is equivalent to a 58-day and 75-day burn, respectively.

Q. Please explain why a 58-day supply of coal for Iatan and a 75-day supply of coal for Lake Road were chosen as target levels of coal inventory to include in rate base.

A. L&P is a joint owner of Iatan. The operator, Kansas City Power & Light Company ("KCPL"), manages the coal inventory level at the plant and has selected a 58-day supply of coal as their target inventory level. The coal supply target inventory for Iatan was provided to MPS by KCPL. A 75-day supply was selected for Lake Road coal inventory. The level of coal inventory for Lake Road is consistent with what was used by both Aquila and the Staff in the Company's last two rate proceedings, Case Nos. ER-2004-0034 and ER-2005-0436. This level is believed to be adequate but not excessive for the risks assessed for the Lake Road facility to ensure that customers are protected against disruption of service.

Q. What method was used to calculate the No. 2 oil inventory being included in rate base for the Iatan and Lake Road units?

A. For the same reasons as MPS, L&P employed a thirteen-month average for Iatan and Lake Road oil inventory. The monthly balances were averaged for the period December 2004 through December 2005.

Q. What method was used to calculate the fuel stock expenses undistributed inventory being included in rate base for the Lake Road units?

A. For the same reasons as MPS, L&P employed a thirteen-month average for the L&P fuel stock expenses undistributed inventory. The monthly balances were averaged for the period December 2004 through December 2005.

Q. What level of total fuel inventory has L&P included in rate base for purposes of this proceeding?

A. The total level of fuel inventory included in this case as a component of rate base is provided in Schedule SKB-2.

WC-40 SO2 (Sulfur Dioxide) EMISSION ALLOWANCE INVENTORY

(MPS and L&P)

Q. Please explain the purpose of adjustment WC-40 SO2 Emission Allowance Inventory for MPS and L&P.

A. Aquila Networks is required to obtain rights from the federal government for the production of sulfur dioxide emissions resulting from fossil fuel consumption in Aquila's power plants. These rights are secured through the acquisition of emission allowances, which are consumed as the various plants operate.

Q. What method was used to calculate the SO2 emission allowance inventory being included in rate base for the Sibley, Iatan and Lake Road units as well as allowances purchased to fulfill the NPPD Gentlemen Gerald purchased power agreement?

A. Adjustment WC-40 is based on a thirteen-month average of the sulfur dioxide emission allowance inventory (FERC Account 158.1) maintained by MPS and L&P for the period December 2004 through December 2005. Since the allowances are purchased by MPS and then allocated annually to L&P, the monthly balances were averaged in total and then allocated based upon the MPS/L&P per books fuel costs expensed in the test year.

This balance was then offset by the amount held in account 254 for the proceeds from the sale of EPA withheld allowances sold at auction. In addition, a jurisdictional allocation factor was applied to the MPS net balance to determine the amount applicable to the MPS retail operations.

Q. What are the total levels of sulfur dioxide emission allowance inventory for the purposes of this case?

A. The total level of sulfur dioxide emission allowance inventory included in this case as a component of rate base is provided in Schedule SKB-2.

R-10 REVENUE NORMALIZATION (MPS and L&P)

Q. Please summarize the revenue normalizations done for the test year ending December 31, 2005 for MPS and L&P.

A. Per book revenue has been adjusted for MPS and L&P for several items. The Interim Energy Charge ("IEC") adjustment eliminates the IEC revenue. The unbilled revenue adjustment eliminates per book unbilled revenue. The rate increase for both MPS and L&P has been included in adjustment R-10. The other normalization adjustments to revenue, which include a weather-related unbilled adjustment (calendar month-billing month; change in unbilled), customer annualization adjustment, large customer load adjustment and weather normalization are explained in the direct testimony of Company witness Robert D. Adkins.

R-20 ELIMINATE ONE-TIME INTERIM ENERGY CHARGE ("IEC") REFUND (L&P Only)

Q. Please explain the purpose of adjustment R-20 Eliminate One-Time IEC Refund made to L&P for the purposes of this rate proceeding.

A. The purpose of adjustment R-20 is to eliminate a $1.0 million one-time customer credit in connection with the IEC, according to the Stipulation and Agreement in Case No. ER-2005-0436.

R-30 ELIMINATE INTER-COMPANY OFF-SYSTEM REVENUE (MPS and L&P)

Q. Please explain the purpose of revenue adjustment R-30 made to MPS and L&P for purposes of this rate proceeding.

A. The purpose of adjustment R-30 is to eliminate the inter-company revenue transactions between MPS and L&P that were recorded during the 12 months ended December 31, 2005.

Q. Please explain how adjustment R-30 was calculated.

A. The inter-company revenues recorded to FERC account 447030 (SFR Off-System Sales) during the 12 months ending December 31, 2005 were obtained for both MPS and L&P and were eliminated from test year per books. In the case of MPS, a jurisdictional allocation factor was applied to the inter-company revenue amount to determine the amount applicable to MPS's retail operations.

Q. What is the adjustment amount in this case for elimination of inter-company off-system revenue?

A. Please refer to Schedule SKB-4 for the adjustment amounts.

R-35 OFF-SYSTEM SALES REVENUE (MPS and L&P)

Q. Please explain the purpose of adjustment R-35 Off-System Sales.

A. The purpose of adjustment R-35 is to set an appropriate level of off-system sales revenues in the revenue requirement of MPS and L&P.

Q. How was this level determined?

A. A three year average of the off-system revenues for both MPS and L&P was calculated and compared to the per books level recorded in 2005. For MPS a jurisdictional factor was applied to determine the amount applicable to MPS's retail operations.

Q. What is the adjustment amount in this case for off-system sales revenues?

A. Please refer to Schedule SKB- 4 for the adjustment amounts.

R-76 TRANSMISSION RELIABILITY REVENUES (MPS and L&P)

Q. Please explain the purpose of adjustment R-76 Transmission Reliability Revenues made to MPS and L&P for purposes of this rate proceeding.

A. The purpose of adjustment R-76 is to annualize the revenues received in relation to our participation in the Southwest Power Pool ("SPP") as well as eliminate the revenues associated with our prior participation in the Mid-Continent Area Power Pool ("MAPP").

Q. Why would revenues relating to participation in SPP need to be annualized?

A. Revenues received for our participation in the power pool began in August of 2005 (participation began July 1, 2005). Therefore, revenue needs to be annualized in order to represent a full year's worth of receipts.

Q. Why would the revenue associated with the participation in the MAPP need to be eliminated?

A. Aquila exited its participation in this power pool thus causing the flow of revenues to stop. Therefore, the revenues recorded in the test year relating to this power pool must be eliminated.

Q. How was this adjustment calculated?

A. The ten months worth of actual revenues received for SPP through April 2006 were used to determine an annualized amount of revenue. This annualized amount was then compared to a per books level for both SPP and MAPP thus annualizing the SPP revenues while eliminating the MAPP revenues. In addition a jurisdictional factor was applied to the MPS amount in order to determine the level associated with the MPS retail operations.

Q. What is the adjustment amount in this case for transmission reliability revenues?

A. Please refer to Schedule SKB-4 for the adjustment amounts.

FPP-10 FUEL & PURCHASED POWER ENERGY (MPS and L&P)

Q. What is the purpose of adjustment FPP-10 Fuel & Purchased Power Energy made to MPS and L&P's electric operations?

A. The purpose of adjustment FPP-10 is to annualize fuel and purchased power energy expense, net of off-system expense and demand charges.

Q. Please explain how adjustment FPP-10 was calculated for both MPS and L&P.

A. The annualized level of fuel and purchased power energy expense was obtained from the Production Cost Model ("PCM") that jointly dispatches the fuel and purchased power costs for MPS and L&P. The PCM examines the jointly dispatched generation and purchased power to manage the total combined load of both entities in the most efficient manner possible. The output of the PCM includes only the actual fuel cost and transportation expense for coal and oil used for electric generation and only the commodity or energy portion of the natural gas and purchased power used. Any reservation or demand charge associated with the contracts dispatched will be addressed in other rate case adjustments. In addition, total annualized fuel cost includes fuel adders

outside the scope of the PCM. These fuel adders, including mine additives, such as freeze treatment and dust suppression, rail car leases and maintenance, non-labor fuel handling and fly-ash removal must be added manually outside of the PCM. The annualized amount used for fuel adders is equivalent to the per book amounts as recorded during the test year.

Q. Are there any other components added to the PCM output to compute total fuel and purchased power energy expense?

A. Yes, in addition to the output of the PCM and the fuel adders discussed above, the per book test year level of tire-derived fuel and propane have been added. The impact of the Aquila hedge program on the cost of gas has also been taken into account. Further details and various inputs of the model will be addressed in more detail in the direct testimony of Company witness Davis Rooney.

Q. What does the output of the PCM contain?

A. The output of the joint dispatch PCM contains the combined generation fuel and purchased power requirements needed to satisfy the loads for both the MPS and L&P systems. All the generation owned or contracted for by MPS and L&P is combined with all the spot purchase needs for MPS and L&P to create a total pool of resources to draw energy from. The joint dispatch PCM draws energy from all the various available resources to satisfy the needs of both the MPS and L&P systems.

Q. How is the joint dispatch PCM distributed between MPS and L&P?

A. The joint dispatch PCM was allocated between MPS and L&P to determine the annualized fuel and purchased power requirements for each system and to calculate adjustment FPP-10.

Q. What was the allocation based on?

A. The allocation of the joint dispatch PCM was based upon actual fuel and purchased power energy costs from the test year and is further discussed in the direct testimony of Company witness Davis Rooney.

Q. How do the annualized expenses compare to actual expenses for the test year?

A. The actual adjustment amount for fuel and purchased power energy is provided in Schedule SKB-4.

FPP-17 AMORTIZATION OF PROCEEDS FROM EPA AUCTION PROCESS

(MPS and L&P)

Q. What is the purpose of adjustment FPP-17 Amortization of Proceeds from EPA Auction Process?

A. The purpose of adjustment FPP-17 is to amortize the proceeds received from the sale of EPA allocated and auctioned SO2 emission allowances.

Q. Why have MPS and L&P received proceeds from an EPA auction of SO2 allowances?

A. Each year, in addition to the EPA allocated free allowances provided to MPS and L&P, the EPA holds back a certain number of SO2 emission allowances allocated to each covered company. These allowances are held by the EPA for the specific purpose of having allowances available for auction. Once these allowances are sold at the annual EPA allowance auction, the proceeds are forwarded to the associated companies.

Q. How was the adjustment calculated?

A. The balance in account 254 was divided over a five-year period. Additionally for MPS a jurisdictional allocation factor was applied in order to determine the amount associated with the retail operations.

Q. Why are these proceeds being amortized as an offset to expense?

A. Since the expense associated with the purchase and usage of SO2 emission allowances is an includable cost of service, the proceeds from the sale of allocated allowances would appropriately be flowed through to reduce the overall cost of service and therefore shared with the MPS and L&P customers.

Q. Why is the sharing of the proceeds being amortized over a period of five years?

A. These proceeds have been accumulating in account 254 for a number of years. In the past the balances have been immaterial, but with the rising cost per allowance the sales proceeds have risen. Therefore, the sharing of the proceeds over a five year period spreads this accumulation and fairly shares this cost reduction with the MPS and L&P customers.

Q. What is the adjustment amount in this case for the amortization of proceeds from EPA auction process?

A. The adjustment amounts for FPP-17 for both MPS and L&P can be found in Schedule SKB-4.

FPP-20 PURCHASED POWER CAPACITY (MPS and L&P)

Q. Please explain the purpose of adjustment FPP-20 Purchased Power Capacity for both MPS and L&P.

A. Adjustment FPP-20 annualizes purchased power capacity as more fully described in the testimony of Aquila witness Kevin Noblet. This adjustment is necessary to properly reflect the on-going level of purchased power capacity costs used to determine the future rates of MPS and L&P.

Q. Please explain how adjustment FPP-20 was calculated for MPS and L&P?

MPS:

A. Adjustment No. FPP-20 annualizes two purchased power capacity contracts for 2006. A contract which became effective in January 2005 with The Nebraska Public Power District ("NPPD") Cooper plant has been annualized at the contracted cost for 75 MW of capacity. In addition, the adjustment includes an amount for an additional long-term capacity contract as described by Kevin Noblet. This project known as the Additional Capacity Solution Project contract, includes purchases of 600 MW expected to commence by the requested true-up date. The annualized level of expense was calculated by multiplying the MW capacity purchases per month for twelve months by their respective contract price per MW-month. MPS's annualized capacity expense was compared to actual per books expense at December 31, 2005. A jurisdictional allocation factor was then applied in order to determine the level associated with the retail operations.

Q. What is the adjustment amount in this case for MPS's purchased power capacity?

A. The adjustment amount is provided in my Schedule SKB-4.

L&P:

A. Adjustment FPP-20 for L&P annualizes a single purchased power capacity contract for this case: Nebraska Public Power District ("NPPD") Gentlemen Plant. The annualized level of capacity purchases includes 100 MW of capacity from NPPD Gentlemen, which became effective June 2004. The same process was used for L&P as for MPS to calculate the annualized capacity expense.

Q. What is the adjustment amount in this case for L&P's purchased power capacity?

A. The adjustment amount is provided in Schedule SKB-4.

FPP-30 ELIMINATE INTER-COMPANY OFF-SYSTEM FUEL & PURCHASED POWER (MPS and L&P)

Q. Please explain the purpose of adjustment FPP-30 Eliminate Inter-Company Off-System Fuel and Purchased Power made to MPS and L&P for purposes of this rate proceeding.

A. The purpose of adjustment FPP-30 is to eliminate the corresponding inter-company fuel and purchased power expense associated with any energy purchase or sale between MPS and L&P that was recorded during the test year.

Q. Please explain how adjustment FPP-30 was calculated.

A. The amount of fuel and purchased power expense recorded for the 12 months ended December 31, 2005 related to inter-company sales transactions between MPS and L&P was obtained from the following FERC accounts: 501030 (Fuel Off-System Steam), 547030 (Fuel Off-System Other Production) and 555030 (Purchased Power Off-System). The amounts recorded during the test year have been eliminated from both MPS and L&P's cost of service. In the case of MPS, a jurisdictional allocation factor has been applied to MPS's fuel and purchased power off-system accounts to ensure only the portion related to MPS's retail operations has been eliminated from this rate filing.

Q. What is the adjustment amount in this case for elimination of inter-company off-system fuel and purchased power expense?

A. The adjustment amounts for FPP-30 for both MPS and L&P can be found in Schedule SKB-4.

Q. Are there any margins generated between MPS and L&P from the inter-company sales?

A. No.

FPP-35 COST OF OFF-SYSTEM SALES (MPS and L&P)

Q. Please explain the purpose of adjustment FPP-35 Cost of Off-System Sales.

A. The purpose of adjustment FPP-35 is to set an appropriate level of off system sales expense in the revenue requirement of MPS and L&P.

Q. How was this level determined?

A. A three year average of the off-system sales expenses for both MPS and L&P were taken and compared to the per books level recorded in 2005. For MPS a jurisdictional factor was applied to determine the amount applicable to MPS's retail operations.

Q. What is the adjustment amount in this case for off-system sales expenses?

A. Please refer to Schedule SKB-4 for the adjustment amounts.

FPP-50 RESERVATION CHARGES (MPS Only)

Q. What is the purpose of adjustment FPP-50 Reservation Charges made to MPS?

A. The purpose of this adjustment is to annualize the natural gas reservation charges incurred by MPS under the gas transportation contracts to serve the Greenwood and South Harper generating facilities. The annualized level of the gas reservation charges is compared to the per book amounts for the test year ending December 31, 2005.

Q. Have there been any significant changes in the gas reservation charges from the test year per books totals?

A. Yes. The gas transportation agreement with Southern Star Central Gas Pipeline ("SSCGP") serving the Merchant Energy Partners ("MEP") plant has expired effective May 31, 2005. The primary transportation agreement for the South Harper plant has been executed with Panhandle Eastern Pipe Line Company ("PEPL"). The commencement of the reservation charges for the PEPL agreement was July 1, 2005.

Q. Please explain how adjustment FPP-50 was calculated for MPS.

A. Two primary gas transportation agreements are in place to provide service to MPS's Greenwood and South Harper generating facilities. These agreements include a reservation component necessary to ensure that guaranteed service is available to both plants. The Greenwood plant is served exclusively through SSCGP and MPS carries a firm transportation contract with SSCGP. The South Harper plant is connected to both PEPL and SSCGP. MPS has secured firm transportation service through PEPL as the primary supplier to the South Harper plant. The SSCGP interconnect provides MPS with an alternative source of supply which can compete with PEPL. The annualized reservation expense for the SSCGP Greenwood contract and the PEPL South Harper contract is compared to the per book gas reservation expenses for the test year ending December 31, 2005.

Q. What is the adjustment amount in this case for MPS's gas reservation charges?

A. The adjustment amount is provided in Schedule SKB-4.

CS-40 PSC ASSESSMENT (MPS and L&P)

Q. Please explain the purpose of adjustment CS-40 PSC Assessment.

A. Adjustment CS-40 annualizes the Commission's assessment for the fiscal year beginning July 1, 2005 through June 30, 2006.

Q. How was the annualized assessment computed?

A. The actual assessment for the fiscal year beginning July 1, 2005 was obtained from the Commission's letter of assessment notice. The total electric assessment, as stated on the letter of assessment notice, was compared to per books data for the test year. Since it is known that this cost will be incurred, an adjustment was made for the difference to

account for the increase over the prior year's assessment. Current assessments are known and measurable and should be reflected in the rates established in this case.

Q. What is the adjustment amount in this case for the PSC Assessment?

A. The adjustment amount is provided in Schedule SKB-4.

CS-45 CUSTOMER DEPOSIT - INTEREST (MPS and L&P)

Q. How is adjustment CS-45 Customer Deposit – Interest, calculated?

A. Customer deposits interest is calculated by multiplying an interest percentage (currently one percentage point (1%) above the prime rate published in the Wall Street Journal on the first business day in December of the prior year) by the end-of-year electric jurisdictional customer deposit balance. The calculation for customer deposits for year ended December 31, 2005 is discussed earlier in my testimony for rate base adjustments.

Q. What interest rate was used to determine the customer deposits - interest adjustment?

A. An interest rate of eight percent (8%) was used.

Q. What was the total Customer Deposit - Interest adjustment for both MPS and L&P?

A. The adjustment amount is provided in Schedule SKB-4.

CS-50 RATE CASE EXPENSE (MPS and L&P)

Q. Please explain adjustment CS-50 Rate Case Expense.

A. This adjustment is an estimate of rate case expense that MPS and L&P expect to incur during this electric rate proceeding. The estimated amount is amortized over a three-year period.

Q. Why was a three-year amortization period chosen?

A. Based on MPS and L&P rate case history over the past ten years, a three-year average seems most indicative of likely time between rate case proceedings.

Q. What was the total Rate Case Expense adjustment for both MPS and L&P?

A. The adjustment amount is provided in Schedule SKB-4.

CS-57 TRANSMISSION EXPENSE (MPS and L&P)

Q. What is the purpose of adjustment CS-57 Transmission Expense made to MPS and L&P?

A. The purpose of this adjustment is to annualize the firm electric transmission secured by MPS and L&P under current purchased power contract obligations and compare it to the actual per book electric transmission expense for the test year ending December 31, 2005.

MPS:

Q. How was the annualized level of transmission expense calculated for MPS?

A. The annualized level of MPS transmission expense was computed by multiplying the contract transmission capacity in MWs by the corresponding contract price in dollars per MW-month for a fixed one-year period. Other intermittent transmission services were secured and used to transport off-system sales and economy energy (energy purchased at spot prices lower than on-system peaking generation) during the test year ending December 31, 2005. The per book amounts of intermittent transmission expense recorded during the test year have been used for the annualized level for purposes of this rate filing. The total annualized level of transmission expense was then compared to actual transmission expense for the test year, resulting in an adjustment to MPS's cost of service.

Q. What is the adjustment amount in this case for MPS's transmission expense?

A. The adjustment amount is provided in Schedule SKB-4.

L&P:

Q. How was the annualized level of L&P transmission expense calculated?

A. As prepared for MPS, the annualized level of L&P transmission expense was computed by multiplying the contract transmission capacity in MWs by the corresponding contract price in dollars per MW-month for a fixed one-year period. Other intermittent transmission services were secured and used to transport off-system sales and economy energy (energy purchased at spot prices lower than on-system peaking generation) during the test year ending December 31, 2005. The per book amounts of intermittent transmission expense recorded during the test year have been used for the annualized level for purposes of this rate filing. The total annualized level of transmission expense was then compared to actual transmission expense for the test year, resulting in an adjustment to L&P's cost of service.

Q. What is the adjustment amount in this case for L&P's transmission expense?

A. The adjustment amount is provided in Schedule SKB-4.

CS-66 DEMAND-SIDE MANAGEMENT (MPS and L&P)

Q. Please explain the purpose of adjustment CS-66 Demand-Side Management.

A. The purpose of adjustment CS-66 is to include in the cost of service an amount associated with the expected expenditures for demand-side management programs. See further discussion of the Demand-Side Management programs outlined in the direct testimony of Company witness Matt Daunis.

Q. Please explain how adjustment CS-66 was calculated for both MPS and L&P?

A. An expected expenditure level was compared to the per book level to determine the adjustment amount for both MPS and L&P.

Q. What is the adjustment amount in this case for demand-side management expenses?

A. Please refer to Schedule SKB-4 for the adjustment amounts.

CS-70 POSTAGE EXPENSE (MPS and L&P)

Q. Please describe adjustment CS-70 Postage Expense.

A. On November 15, 2005, the Governors of the U.S. Postal Service voted to accept the Postal Rate Commission's recommendations to increase postal rates effective January 8, 2006. This adjustment reflects the estimated increase in postage expense as a function of the increase in postal rates and the number of MPS and L&P electric customer bills processed annually.

Q. What was the increase in the first class stamp postage rate?

A. Effective January 8, 2006, the first class stamp postage rate increased from $0.37 to $0.39.

Q. How was the annual number of MPS and L&P electric customer bills determined?

A. The annual number of MPS and L&P electric customer bills was determined by taking the number of customer bills processed in December 2005 for all appropriate MPS and L&P electric rate classes, and multiplying by 12 months.

Q. Please explain the utility allocation of this adjustment.

A. Customer rate classes were used to determine electric utility classification. Since all customer rate classes for this adjustment correspond to electric product customers, a 100% jurisdictional factor was applied to the estimated electric customer postage expense increase.

Q. What was the total postage expense adjustment for both MPS and L&P?

A. Please refer to Schedule SKB-4 for the adjustment amounts.

CS-76 TRANSMISSION RELIABILITY EXPENSE (MPS and L&P)

Q. Please explain the purpose of adjustment CS-76 Transmission Reliability Expense for both MPS and L&P.

A. MPS and L&P have contracted to pay reliability dues to Southwest Power Pool ("SPP") effective July 1, 2005. SPP's main objective is to operate and monitor the electric transmission system to ensure equal access by all electric industry participants and to maintain or improve electric system reliability in the Southwest United States. Adjustment CS-76 annualizes the impact of a full year of transmission reliability dues at current membership rates.

Q. Please explain how adjustment CS-76 was calculated for both MPS and L&P?

MPS:

A. Since participation in SPP began July 1, 2005, per book expenditures for the remainder of 2005 were annualized for a full year effect. The annualized level of expense was then compared to the actual expense for the test year, resulting in an adjustment to MPS's cost of service.

Q. What is the adjustment amount in this case for MPS's transmission reliability expense?

A. The adjustment amount is provided in my Schedule SKB-4.

L&P:

A. Similar to MPS, per book expenditures for the remainder of 2005 were annualized for a full year effect. The annualized level of expense was then compared to the actual expense for the test year, resulting in an adjustment to L&P's cost of service.

Q. What is the adjustment amount in this case for L&P's transmission reliability expense?

A. The adjustment amount is provided in Schedule SKB-4.

CS-80 OUTSOURCE METER READING (MPS Only)

Q. Please describe adjustment CS-80 Outsource Meter Reading.

A. Aquila, Inc. contracts with Terasen Utility Services U.S., Inc. ("Terasen"), a third party service provider, to perform meter reading and related services for a large portion of MPS's service territory, pursuant to a service agreement. This adjustment annualizes the outsource meter reading expense based on current service agreement pricing.

Q. Please explain how this adjustment was calculated.

A. The estimated number of meter reads performed by Terasen was determined by dividing total dollar amount of Terasen Utility Service expense for the year ended December 31, 2005 by the old contract rate(s) in effect for 2005. The new 2006 price per meter read as reported in the January 1, 2006 Service Agreement between Aquila, Inc. and Terasen was applied to the estimated number of meter reads to arrive at the annualized level of outsourced meter reading expense. The annualized level of expense was compared to the amount of book expense reported for the period ending December 31, 2005.

Q. What was the total adjustment for MPS Outsource Meter Reading?

A. The adjustment amount is provided in Schedule SKB-4.

CS-95 DEPRECIATION EXPENSE (MPS and L&P)

Q. Please describe adjustment CS-95 depreciation expense.

A. The Depreciation expense adjustment resulted in an increase for both MPS and L&P for the total Company and the Missouri jurisdiction, respectively. The increase incorporates the results of the depreciation rates authorized by the Commission in ER-2005-0436 and the plant in service balances at December 31, 2005.

Q. What were the total depreciation expenses included in this rate filing?

A. Please refer to Schedule SKB-4 for the adjustment amounts.

CS-96 MPSC ORDERED DEPRECIATION RATES (MPS and L&P)

Q. What is the purpose of adjustment CS-96 MPSC Ordered Depreciation Rates?

A. Aquila accumulates the difference between Aquila applied accumulated depreciation rates and MPSC ordered depreciation rates as an offset to accumulated depreciation in FERC account 119300. This adjustment calculates depreciation expense using rates approved in ER-2005-0436 on the balance in 119300.

Q. What was the total MPSC ordered depreciation rates adjustment for both MPS and L&P?

A. Please refer to Schedule SKB-4 for the adjustment amounts.

Q. Does this conclude your testimony?

A. Yes.

Aquila Networks - MPS
Case No. ER-xxxx-xxxx
Twelve Months Ended December 31, 2005

Revenue Requirement

Line		Low 8.786% Return	Mid 8.994% Return	High 9.268% Return
	(a)	(b)	(c)	(d)
1	Net Orig Cost of Rate Base (Sch 2)	$ 849,916,414	$ 849,916,414	$ 849,916,414
2	Rate of Return	8.786%	8.994%	9.268%
3	Net Operating Income Requirement	$ 74,674,506	$ 76,438,933	$ 78,771,103
4	Net Income Available (Sch 7)	$ 20,951,266	$ 20,951,266	$ 20,951,266
5	Additional NOIBT Needed	53,723,240	55,487,667	57,819,838
6	Additional Current Tax Required	$ 37,720,699	$ 38,959,556	$ 40,597,043
7	Gross Revenue Requirement	91,443,939	94,447,222	98,416,880

Aquila Networks - L&P (Electric)
Case No. ER-xxxx-xxxx
Twelve Months Ended December 31, 2005

Revenue Requirement

Line		Low 9.3% Return	Mid 9.5% Return	High 9.7% Return
	(a)	(b)	(c)	(d)
1	Net Orig Cost of Rate Base (Sch 2)	$ 184,536,272	$ 184,536,272	$ 184,536,272
2	Rate of Return	9.397%	9.635%	9.872%
3	Net Operating Income Requirement	$ 17,340,873	$ 17,779,516	$ 18,217,421
4	Net Income Available (Sch 7)	$ 3,422,408	$ 3,422,408	$ 3,422,408
5	Additional NOIBT Needed	13,918,465	14,357,108	14,795,013
6	Additional Current Tax Required	$ 9,772,154	$ 10,080,126	$ 10,387,578
7	Gross Revenue Requirement	23,690,620	24,437,233	25,182,591

Aquila Networks - MPS
Case No. ER-xxxx-xxxx
Twelve Months Ended December 31, 2005

Rate Base

Line No.	Line Description	Amount
	(a)	(b)
	Total Plant :	
1	Total Plant in Service-MPS Only (Sch 3)	1,435,097,779
1a	Total Plant in Service-MPS' Share of UCU (Sch 3a)	82,180,920
	Total Plant	1,517,278,698
	Subtract from Total Plant:	
2	Depr Reserve-MPS & UCU Share (Sch 5)	575,889,176
	Total Depreciation Reserve	575,889,176
	Net (Plant in Service)	941,389,522
	Add to Net Plant:	
3	Cash Working Capital	(6,800,524)
4	Materials and Supplies	20,120,838
5	SO2 Emission Allowances	9,524,043
6	Prepayments	9,850,831
7	Fuel Inventory - Oil	2,748,618
8	Fuel Inventory - Coal	10,725,598
9	Fuel Inventory - Other	43,240
10	Fuel Stock - Undistributed	464,338
11	AAO Def Sibley Rebuild & Western Coal 1990	956,270
12	AAO Def Sibley Rebuild & Western Coal 1992	1,093,457
13	AAO Ice Storm 2002	-
14	Regulatory Asset - ERISA Minimum Tracker	-
	Subtract from Net Plant:	
15	Customer Advances for Construction	8,986,862
16	Customer Deposits	4,350,945
17	Deferred Income Taxes	125,781,922
18	Deferred Income Taxes - AAO	586,752
19	Investment Tax Credit - Pre 1971	2,313
20	Regulatory Liability - ERISA Minimum Tracker	491,022
	Total Rate Base	849,916,414

Aquila Networks - L&P (Electric)
Case No. ER-xxxx-xxxx
Twelve Months Ended December 31, 2005

Rate Base

Line No.	Line Description (A)	Amount (B)
	Total Plant :	
1	Total Plant in Service-L&P Only (Sch 3)	360,290,683
1a	Total Plant in Service-L&P' Share of UCU (Sch 3a)	25,392,617
	Total Plant	385,683,300
	Subtract from Total Plant:	
2	Depr Reserve-L&P Share (Sch 5)	203,093,352
	Total Depreciation Reserve	203,093,352
	Net Plant in Service)	182,589,949
	Add to Net Plant:	
3	Cash Working Capital	(1,051,383)
4	Materials and Supplies	6,997,090
5	SO2 Emission Allowances	2,411,461
6	Prepayments	26,662,169
7	Fuel Inventory - Oil	535,184
8	Fuel Inventory - Coal	3,217,032
9	Fuel Inventory - Other	1,997
10	Fuel Stock - Undistributed	174,512
11	Regulatory Asset - ERISA Minimum Tracker	334,359
	Subtract from Net Plant:	
12	Customer Advances for Construction	26,400
13	Customer Deposits	798,007
14	Deferred Income Taxes	36,511,691
15	Regulatory Liability - ERISA Minimum Tracker	0
	Total Rate Base	184,536,272

Aquila Networks - MPS
Case No. ER-xxxx-xxxx
Twelve Months Ended December 31, 2005

Income Statement

Line No.	Description	Total Electric	Electric Non-Juris	Electric Jurisdictional	Adjustment	Jurisdictional As Adjusted
	(A)	(B)	(C)	(D)	(E)	(F)
1	Operating Revenue	421,263,518	1,682,225	419,581,293	9,443,006	429,024,299
2	Operating & Maintenance Expenses:					
3	Production	234,761,908	1,218,382	233,543,526	31,687,271	265,230,797
4	Transmission	15,269,213	81,995	15,187,218	822,327	16,009,545
5	Distribution	21,470,526	121,738	21,348,788	932,957	22,281,745
6	Customer Accounting	9,721,283	0	9,721,283	526,313	10,247,596
7	Customer Services	378,518	0	378,518	49,454	427,972
8	Sales	225,460	(0)	225,460	12,494	237,954
9	A & G Expenses	35,325,452	188,333	35,137,119	3,902,763	39,039,882
10	Total O & M Expenses	317,152,361	1,610,449	315,541,912	37,933,580	353,475,492
11	Depreciation Expense	37,601,647	207,562	37,394,085	9,469,971	46,864,056
12	Amortization Expense	2,021,636	11,159	2,010,477	-	2,010,477
13	Taxes other than Income Tax	11,655,295	64,189	11,591,106	787,953	12,379,059
14	Net Operating Income before Tax	52,832,580	(211,133)	53,043,713	(38,748,498)	14,295,215
15	Income Taxes	5,779,608	(23,097)	5,802,705	(13,410,657)	(7,607,952)
16	Income Taxes Deferred	5,675,062	31,326	5,643,736	(3,935,782)	1,707,954
17	Investment Tax Credit	(760,249)	(4,197)	(756,052)	-	(756,052)
18	Total Taxes	10,694,421	4,032	10,690,389	(17,346,439)	(6,656,050)
19	Total Net Operating Income	42,138,159	(215,165)	42,353,324	(21,402,058)	20,951,266

Aquila Networks - L&P (Electric)
Case No. ER-xxxx-xxxx
Twelve Months Ended December 31, 2005

Income Statement

Line No.	Description	Total Electric	Adjustment	Jurisdictional As Adjusted
	(A)	(B)	(C)	(D)
1	Operating Revenue	106,391,204	4,233,195	110,624,399
2	Operating & Maintenance Expenses:			
3	Production	58,875,043	4,663,941	63,538,984
4	Transmission	5,697,112	408,630	6,105,742
5	Distribution	5,669,164	164,011	5,833,175
6	Customer Accounting	2,694,115	35,988	2,730,103
7	Customer Services	161,750	12,441	174,191
8	Sales	64,316	1,623	65,939
9	A & G Expenses	15,350,237	634,348	15,984,585
10	Total O & M Expenses	88,511,737	5,920,982	94,432,718
11	Depreciation Expense	10,498,522	1,191,136	11,689,658
12	Amortization Expense	84,884	-	84,884
13	Taxes other than Income Tax	4,109,517	59,074	4,168,591
14	Net Operating Income before Tax	3,186,545	(2,937,997)	248,548
15	Income Taxes	(3,709,564)	1,335,074	(2,374,490)
16	Income Taxes Deferred	(803,022)	273,761	(529,260)
17	Investment Tax Credit	(270,110)	-	(270,110)
18	Total Taxes	(4,782,696)	1,608,836	(3,173,860)
19	Total Net Operating Income	7,969,241	(4,546,833)	3,422,408

Aquila Networks - MPS
Case No. ER-xxxx-xxxx
Description of Adjustments to Net Operating Income
Twelve Months Ended December 31, 2005

Adj No.	Description of Adjustment	Witness	Increase (Decrease)
	(A)		(B)
R-10	**Revenue Normalization Adjustment** This adjustment adjusts test period revenues to reflect normal cooling and heating degree days, to annualize customers and to adjust other miscellaneous revenue.	B. Adkins S. Braun	$ 22,455,138
	R-10 - IEC Revenue		(17,150,996)
	R-10 - Unbilled Revenue		1,265,598
	R-10 - Rate Shift		-
	R-10 - Rate Increase		38,500,000
	R-10 - Weather Normalization		(5,217,301)
	R-10 - Customer Annualization Adjustment		5,945,990
	R-10 - Unbilled Revenue Adjustment (weather related)		(1,044,152)
	R-10 - Large Customer Load Adjustment		156,000
R-30	**Inter-Company Off-system Revenue** This adjustment eliminates inter-company off-system revenue between MPS and L&P from the test year.	S. Braun	$ (5,390,521)
R-35	**Off-System Sales Revenue** This adjustment adjusts test period off-system sales revenue to reflect a 3-year average.	S. Braun	$ (8,707,528)
R-76	**Transmission Reliability** This adjustment annualizes the on-going level of transmission reliability revenues.	S. Braun	$ 1,085,917
FPP-10	**Fuel and Purchased Power Energy** This adjustment annualizes fuel and the energy component of purchased power along with fuel adders.	D. Rooney S. Braun	$ 10,463,671
FPP-17	**Amortization of Proceeds from EPA Auction Process** This adjustment amortizes accumulated proceeds from the EPA auction process over a 5-year period.	S. Braun	$ (163,288)
FPP-20	**Purchased Power (Capacity)** This adjustment annualizes the demand component of purchased power.	K. Noblet S. Braun	$ 31,325,003
FPP-30	**Inter-Company Off-System Fuel & Purchased Power** This adjustment eliminates inter-company off-system fuel & purchased power between MPS and L&P from the test year.	S. Braun	$ (5,390,520)
FPP-35	**Cost of Off-System Sales** This adjustment adjusts test period off-system fuel, purchased power and transmission costs to reflect a 3-year average.	S. Braun	$ (5,075,925)
FPP-50	**Reservation Charge** This adjustment annualizes the test year reservation charges.	S. Braun	$ (1,344,726)
CS-5	**Payroll** This adjustment annualizes payroll expense.	R. Klote	$ 3,368,041

Aquila Networks - MPS
Case No. ER-xxxx-xxxx
Description of Adjustments to Net Operating Income
Twelve Months Ended December 31, 2005

Adj No.	Description of Adjustment	Witness	Increase (Decrease)
	(A)		(B)
CS-6	**Incentive** This adjustment annualizes incentive expenses.	R. Klote	$ 881,076
CS-7	**Affiliate Loadings** This adjustment adjusts affiliate loadings for the test year.	R. Klote	$ (249,794)
CS-11	**Benefits** This adjustment annualizes benefits:	P. Beyer R. Klote	$ 1,104,286
	CS-12 - Medical, Dental & Vision		375,904
	CS-13 - Pension		364,951
	CS-13a - Pension Costs - ERISA tracker amortization		(72,905)
	CS-13b - Pension Costs - Prepaid pension amortization		(1,088)
	CS-14 - OPEB SFAS 106		220,245
	CS-15 - 401 (k)		144,130
	CS-16 - Profit Sharing Plan Contribution		91,420
	CS-17 - LTIP		18,998
	CS-17 - SERP		(37,369)
CS-20	**Corporate Allocations** This adjustment updates corporate allocations for the test year.	R. Klote	$ (796,920)
CS-21	**Insurance** This adjustment annualizes insurance.	R. Klote	$ 1,244,978
CS-26	**Major Maintenance** This adjustment annualizes major maintenance expense.	R. Klote	$ 827,254
CS-30	**Injuries and Damages** This adjustment annualizes injuries and damages.	R. Klote	$ (521,272)
CS-35	**Bad Debt** This adjustment annualizes bad debt expense.	R. Klote	$ (314,978)
CS-40	**PSC Assessment** This adjustment annualizes the PSC assessment to the most current assessment received.	S. Braun	$ (4,673)
CS-45	**Customer Deposit - Interest** This adjustment annualizes the interest expense related to customer deposits.	S. Braun	$ 348,076
CS-50	**Rate Case Expense** This adjustment annualizes the expense related to the preparation of the rate case and amortizes it over 3-years.	S. Braun	$ (120,566)
CS-57	**Fixed Transmission Expense** This adjustment annualizes fixed transmission expense.	S. Braun	$ 62,601
CS-60	**Dues and Donations** This adjustment eliminates all dues and donations except EEI and EPRI.	R. Klote	$ (105,674)

Aquila Networks - MPS
Case No. ER-xxxx-xxxx
Description of Adjustments to Net Operating Income
Twelve Months Ended December 31, 2005

Adj No.	Description of Adjustment	Witness	Increase (Decrease)
	(A)		(B)
CS-65	**Advertising** This adjustment eliminates all advertising except safety and informational.	R. Klote	$ (17,028)
CS-66	**Demand-Side Management** This adjustment annualizes the on-going level of demand-side management programs.	M. Daunis S. Braun	$ 1,974,500
CS-70	**Postage Expense** This adjustment annualizes postage expense.	S. Braun	$ 56,115
CS-76	**Transmission Reliability** This adjustment annualizes the on-going level of transmission reliability fees.	S. Braun	$ 772,242
CS-80	**Outsource of Meter Reading** This adjustment annualizes the outsourcing of meter reading expense.	S. Braun	$ 65,913
CS-82	**MPS's Share of JEC** This adjustment annualizes MPS's share of JEC expenses.	R. Klote	$ 24,456
CS-83	**Miscellaneous Test Year Adjustment** This adjustment eliminates miscellaneous expenses from the test year.	R. Klote	$ (854,122)
CS-84	**Transition Costs** This adjustment amortizes transition costs associated with the St. Joe merger.	C. Lowndes	$ 374,854
CS-85	**Payroll Taxes** This adjustment annualizes payroll (FICA and Medicare) tax expenses.	R. Klote	$ 290,571
CS-90	**Property Tax** This adjustment annualizes property taxes.	R. Klote	$ 497,382
CS-95	**Depreciation** This adjustment annualizes depreciation expense for plant balances as adjusted.	S. Braun	$ 8,526,956
CS-96	**MPSC Ordered Depreciation Rates** This adjustment annualizes MPSC ordered depreciation rates.	S. Braun	$ 943,015
TAX-1	**Current Income Tax Expense** This adjustment annualizes the current income tax based on adjusted net operating income.	R. Klote	$ (13,410,657)
TAX-1	**Deferred Income Tax Expense** This adjustment annualizes deferred income tax associated with tax straight-line vs. tax timing differences.	R. Klote	$ (3,935,782)

Aquila Networks - L&P (Electric)
Case No. ER-xxxx-xxxx
Description of Adjustments to Net Operating Income
Twelve Months Ended December 31, 2005

Adj No.	Description of Adjustment (A)	Witness (B)	Increase (Decrease) (C)
R-10	**Revenue Normalization Adjustment** This adjustment adjusts test period revenues to reflect normal cooling and heating degree days, to annualize customers and to adjust other miscellaneous revenue.	D. Rooney S. Braun	$ 5,172,020
	R-10 - IEC Revenue		(2,547,815)
	R-10 - Unbilled Revenue		264,791
	R-10 - Rate Shift		-
	R-10 - Rate Increase		6,300,000
	R-10 - Weather Normalization		(784,209)
	R-10 - Customer Annualization Adjustment		1,621,206
	R-10 - Unbilled Revenue Adjustment (weather related)		(398,536)
	R-10 - Large Customer Load Adjustment		716,583
R-20	**Eliminate One-Time IEC Refund** This adjustment eliminates the one-time IEC refund for L&P customers.	S. Braun	$ 1,000,000
R-30	**Inter-Company Off-System Revenue** This adjustment eliminates inter-company off-system revenue between L&P and MPS from the test year.	S. Braun	$ (3,804,849)
R-35	**Off-System Sales Revenue** This adjustment adjusts test period off-system sales revenue to reflect a 3-year average.	S. Braun	$ 1,693,983
R-76	**Transmission Reliability** This adjustment annualizes the on-going level of transmission reliability revenues.	S. Braun	$ 172,041
FPP-10	**Fuel and Purchased Power Energy** This adjustment annualizes fuel and the energy component of purchased power along with fuel adders.	D. Rooney S. Braun	$ 7,026,486
FPP-17	**Amortization of Proceeds from EPA Auction Process** This adjustment amortizes accumulated proceeds from the EPA auction process over a 5-year period.	S. Braun	$ (19,579)
FPP-20	**Purchased Power (Capacity)** This adjustment annualizes the demand component of purchased power.	K. Noblet S. Braun	$ 195,000
FPP-30	**Inter-Company Off-System Fuel & Purchased Power** This adjustment eliminates inter-company off-system fuel & purchased power between L&P and MPS from the test year.	S. Braun	$ (3,804,848)
FPP-35	**Cost of Off-System Sales** This adjustment adjusts test period off-system fuel, purchased power and transmission costs to reflect a 3-year average.	S. Braun	$ 833,370
CS-5	**Payroll** This adjustment annualizes payroll expense.	R. Klote	$ 732,761
CS-6	**Incentive** This adjustment annualizes incentive expenses.	R. Klote	$ 285,437

Aquila Networks - L&P (Electric)
Case No. ER-xxxx-xxxx
Description of Adjustments to Net Operating Income
Twelve Months Ended December 31, 2005

Adj No.	Description of Adjustment	Witness	Increase (Decrease)
	(A)	(B)	(C)
CS-7	**Affiliate Loadings** This adjustment adjusts affiliate loadings for the test year.	R. Klote	$ (68,870)
CS-11	**Benefits** This adjustment annualizes benefits:	P. Beyer R. Klote	$ 336,940
	CS-12 - Medical, Dental & Vision		104,276
	CS-13 - Pension		45,362
	CS-13a - Pension Costs - ERISA tracker amortization		53,043
	CS-13b - Pension Costs - Prepaid pension amortization		2
	CS-14 - OPEB SFAS 106		20,455
	CS-15 - 401 (k)		42,145
	CS-16 - Profit Sharing Plan Contribution		44,932
	CS-17 - LTIP		6,010
	CS-17 - SERP		20,715
CS-20	**Corporate Allocations** This adjustment updates corporate allocations for the test year.	R. Klote	$ (539,536)
CS-21	**Insurance** This adjustment annualizes insurance.	R. Klote	$ 92,115
CS-26	**Major Maintenance** This adjustment annualizes major maintenance expense.	R. Klote	$ 226,750
CS-30	**Injuries and Damages** This adjustment annualizes injuries and damages.	R. Klote	$ (283,665)
CS-35	**Bad Debt** This adjustment annualizes bad debt expense.	R. Klote	$ (112,296)
CS-40	**PSC Assessment** This adjustment annualizes the PSC assessment to the most current assessment received.	S. Braun	$ 5,460
CS-45	**Customer Deposit - Interest** This adjustment annualizes the interest expense related to customer deposits.	S. Braun	$ 63,841
CS-50	**Rate Case Expense** This adjustment annualizes the expense related to the preparation of the rate case and amortizes it over 3-years.	S. Braun	$ (50,820)
CS-57	**Fixed Transmission Expense** This adjustment annualizes fixed transmission expense.	S. Braun	$ 12,501
CS-60	**Dues and Donations** This adjustment eliminates all dues and donations except EEI and EPRI.	R. Klote	$ (27,754)
CS-65	**Advertising** This adjustment eliminates all advertising except safety and informational .	R. Klote	$ (7,658)
CS-66	**Demand-Side Management** This adjustment annualizes the on-going level of demand-side management programs.	S. Braun	$ 548,700

Aquila Networks - L&P (Electric)
Case No. ER-xxxx-xxxx
Description of Adjustments to Net Operating Income
Twelve Months Ended December 31, 2005

Adj No.	Description of Adjustment (A)	Witness (B)	Increase (Decrease) (C)
CS-70	**Postage Expense** This adjustment annualizes postage expense.	S. Braun	$ 15,331
CS-76	**Transmission Reliability** This adjustment annualizes the on-going level of transmission reliability fees.	S. Braun	$ 287,166
CS-82	**L&P's Share of Iatan** This adjustment annualizes L&P's share of Iatan expenses.	R. Klote	$ 55,118
CS-84	**Transition Costs** This adjustment amortizes transition costs associated with the St. Joe merger.	C. Lowndes	$ 119,032
CS-85	**Payroll Taxes** This adjustment annualizes payroll (FICA and Medicare) tax expenses.	R. Klote	$ (635)
CS-90	**Property Tax** This adjustment annualizes property taxes.	R. Klote	$ 59,709
CS-95	**Depreciation** This adjustment annualizes depreciation expense for plant balances as adjusted.	S. Braun	$ 867,767
CS-96	**MPSC Ordered Depreciation Rates** This adjustment annualizes MPSC ordered depreciation rates.	S. Braun	$ 323,369
TAX-1	**Current Income Tax Expense** This adjustment annualizes the current income tax based on adjusted net operating income.	R. Klote	$ 1,335,074
TAX-1	**Deferred Income Tax Expense** This adjustment annualizes deferred income tax associated with tax straight-line vs. tax timing differences.	R. Klote	$ 273,761

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P, for authority to file tariffs increasing electric rates for the service provided to customers in the Aquila Networks-MPS and Aquila Networks-L&P area	))))))	Case No. ER-_____

County of Jackson)
) ss
State of Missouri)

AFFIDAVIT OF SUSAN BRAUN

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

Susan Braun

Subscribed and sworn to before me this 3rd day of July, 2006.

Notary Public
Terry D. Lutes

My Commission expires:

8-20-2008

Notary Public Notary Seal State of Missouri

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