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BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

TRANSCRIPT OF PROCEEDINGS

Order Consolidating Cases

March 5, 2004  
Jefferson City, Missouri  
Volume 17

In the Matter of Aquila, Inc., d/b/a Aquila )  
Networks - L&P and Aquila Networks - MPS, to )Case No.  
Implement a General Rate Increase in Electricity)ER-2004-0034

In the Matter of the Request of Aquila, Inc., )  
d/b/a Aquila Networks - L&P, to Implement a )Case No.  
General Rate Increase in Steam Rates. )HR-2004-0024

KENNARD JONES, presiding,  
Regulatory Law Judge

REPORTED BY:  
Jennifer L. Leibach  
ASSOCIATED COURT REPORTERS

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PROCEEDINGS

JUDGE JONES: Okay. We can go ahead and go on the record. We are on the record with Case No. ER-2004-0034. It is Friday, March 5, 8:35 a.m. Before we proceed with our schedule today, Commissioner Murray would like to address the issue of depreciation that was discussed yesterday and get some input from the parties on the filing of late exhibits.

Commissioner Murray.

COMMISSIONER MURRAY: Thank you, Judge.

I understand that the attorneys that were here on that issue are not here today, but I'm assuming that co-counsel, you can talk to your co-counsel and find out if this is possible. Yesterday, Mr. England introduced an Exhibit No. 181, and that exhibit was so helpful to diagraming the issue that I would -- as I was thinking about what we need further for clarification of the issue, I think a few more late filed exhibits based upon that one would be very helpful.

And what I am wanting to request is that if you look at Exhibit 181, that is a demonstration of a cruel -- an accrual method of treatment of net salvage, and it's assuming \$1000 asset going in on year one with the \$500 cost of removal being depreciated over the life of the asset, and assuming a ten percent return on equity, and it goes through years one through ten, and shows on year 11 the asset was

1 removed for a cost of \$500, and it shows the resulting rate  
2 base.

3                   Now, what I think would be helpful would be an  
4 exhibit based on those same facts, but including a column  
5 that would show the effect on revenue requirement year by  
6 year, and also, I'm making an assumption that Exhibit 181 is  
7 assuming the facts as if a rate case were filed every year.  
8 That would be one late filed exhibit.

9                   A second late filed exhibit I would like to  
10 see based upon an expense method of accounting for cost of  
11 removal assuming \$1000 asset going into service on year one,  
12 assuming the same return on equity, and assuming the only  
13 thing being depreciated over the life of the asset is the ten  
14 percent on the cost -- original cost of the asset, and then a  
15 column that would show the revenue requirement each year  
16 resulting from staff's treatment of the expense method of  
17 accounting for cost of removal, also, assuming a rate case  
18 filed every year.

19                   And then two additional exhibits, one showing  
20 the accruing method, one showing the expense method, but  
21 assuming making all the same assumptions as the first two,  
22 except that assume a rate case was filed every three years,  
23 and if I'm asking for something that's not clear or is not  
24 possible, I'm assuming that someone will clarify that, and I  
25 apologize for not thinking of this while everyone was here on

1 that issue, but if that could be provided as -- if those  
2 could be provided as late filed exhibits, I think it could be  
3 very helpful.

4 JUDGE JONES: Mr. Dottheim.

5 MR. DOTTHEIM: Commissioner Murray, you  
6 mentioned those to be submitted as late filed exhibits, do  
7 you have a date in mind in particular?

8 COMMISSIONER MURRAY: Well, first may I ask  
9 would -- would it be logical to request this -- to request  
10 these exhibits of Mr. England with the other parties having  
11 the opportunity to object to them, or would it be more  
12 logical to ask that the exhibits be a joint exhibit between  
13 the company and Staff?

14 I'm not sure how to approach asking for the  
15 exhibits. If there are suggestions on that, I would  
16 appreciate it.

17 MR. SWEARENGEN: Well, the company would be  
18 more than happy to make an effort to put these together and  
19 provide them to the other parties, and if we would have  
20 agreement on that, that would be wonderful. If we don't have  
21 agreement on it, I'm into the sure how we would proceed.  
22 Perhaps at some point down the road, if we find ourselves in  
23 that situation, then the other parties would have an  
24 opportunity to make their position known with respect to  
25 those exhibits.

1                   MR. DOTTHEIM: I would expect that -- excuse  
2 me, Mr. Swearengen, I don't know if you were finished.

3                   MR. SWEARENGEN: I am finished, Mr. Dottheim.

4                   MR. DOTTHEIM: Thank you. I assume that the  
5 Staff would like the opportunity, if it doesn't agree with  
6 the exhibits put together by the company, even though the  
7 Staff would certainly be open to working with the company,  
8 but if the Staff doesn't agree with those exhibits, I'm  
9 certain the Staff would want the opportunity to not just  
10 comment, but also submit exhibits that the Staff believes are  
11 responsive to your request and show what the Staff would  
12 believe is the correct methodology.

13                   COMMISSIONER MURRAY: I would think that would  
14 be fair. I understand there has to be a chance to respond.  
15 And then in terms of the time for filing these exhibits, Mr.  
16 Swearengen, I suppose you have no idea how long it might  
17 take.

18                   MR. SWEARENGEN: I really don't, but Mr.  
19 England is usually very helpful, and I will ask him, and we  
20 can advise the Commission later, if that would be  
21 appropriate.

22                   COMMISSIONER MURRAY: That would be fine, and  
23 in response to that question, I guess I would just say the  
24 sooner the better, but I'm not going to put a time line on  
25 it.

1                   MR. SWEARENGEN: Thank you. And we'll find  
2 out and get back to the Commission at the earliest  
3 opportunity on that.

4                   COMMISSIONER MURRAY: Thank you, Judge.

5                   JUDGE JONES: If it's any help, it only took  
6 Mr. Swearengen, I don't know, three or four minutes to sketch  
7 out the exhibit, it's not very complicated.

8                   MR. SWEARENGEN: You mean Mr. England?

9                   JUDGE JONES: I mean Mr. England.

10                  MR. SWEARENGEN: He's very helpful. I  
11 understand that.

12                  JUDGE JONES: Well, as you all requested  
13 earlier to have some time to discuss possible settlements, I  
14 take it this would be the appropriate time to do that. Right  
15 now, it's 15 minutes until 9 o'clock. Why don't we adjourn  
16 until -- is 11 o'clock fine for you all?

17                  Well, if I come back down here at 11:00 and no  
18 one's here, then I'll assume we'll meet again after lunch.  
19 However, I want to remind you all that the fuel issue is on  
20 for today, and in all honesty, I intend on finishing it today  
21 if we have to, so keep that in mind. All right.

22                  And I have copies of the exhibit that Mr.  
23 England filed yesterday or entered yesterday, and I'll pass  
24 those out to you all. So at this time, we're adjourned  
25 until, let's say, 11 o'clock tentatively.



1                   WHEREUPON, the recorded portion of the hearing  
2 was continued until a further date and time.  
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