Exhibit No.:

Issues: Fuel Inventory,

Fuel & Purchase Power, Gas Cost Cap

Adjustment & Miscellaneous

Adjustments

Witness: Lisa A. Starkebaum

Sponsoring Party: Aquila Networks-L&P

Case No.: HR-

Before the Public Service Commission of the State of Missouri

Direct Testimony

of

Lisa A. Starkebaum

_Exhibit No. Case No(s). FR-2004 -603-Date 2/23/04 Rptr KE

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BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI DIRECT TESTIMONY OF LISA A. STARKEBAUM 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 Lisa A. Starkebaum and my business address is 10700 East 350 Highway,	
3		Kansas City, Missouri.	
4	Q.	By whom are you employed and in what capacity?	
5	A.	I am employed by Aquila, Inc., ("Aquila" or "Company") as a Senior Regulatory	
6		Analyst.	
7	Q.	Please state your educational background and experience.	
8	A.	I attended Northwest Missouri State University in Maryville, Missouri, where I received	
9		Bachelor of Science Degree with a major in Finance. In 1995, I began working for	
10		Cerner Corporation as an Accountant in the Finance Department. In July 1997, I joined	
11		Aquila, Inc., (formerly UtiliCorp United Inc.) where I worked in the Financial and	
12		Regulatory Reporting group as an Accountant, until joining Regulatory Accounting	
13		Services as a Regulatory Analyst in late 1999.	
14	Q.	Have you previously testified before any regulatory bodies?	
15	A.	Yes. I have testified before the Kansas Corporation Commission, the Missouri Public	
16		Service Commission and the Public Utilities Commission of Colorado.	
17	Q.	What is the purpose of your testimony in this proceeding involving Aquila Networks -	
18		L&P ("L&P") steam operations?	

1 A. The purpose of my testimony is to explain and support various rate base items and cost of 2 service (operations) adjustments. 3 Q. Please identify the adjustments that you are sponsoring. 4 A. I am sponsoring the following rate base item. 5 Fuel Inventories 6 In addition to the above mentioned item, I am sponsoring the following cost of service 7 (operations) adjustments. 8 Fuel and Purchased Power Energy 9 Gas Cost Cap Adjustment 10 Elimination of Trans UCU Expenses **FUEL INVENTORY** 11 12 Q. Please explain the purpose of working capital Adjustment No. WC-30 for fuel inventory 13 for Aquila Networks - L&P steam operations. 14 A. Fuel inventories are properly includable in the working capital computation. A utility 15 must carry the appropriate level of fuel stock to ensure that a customers' service is not 16 interrupted. As a result of maintaining minimum levels of fuel stock, the utility incurs 17 carrying costs. By including fuel stock in rate base, the utility is able to earn a return on 18 those fuel inventory levels. 19 Q. How were the annualized levels of fuel inventory calculated for inclusion in rate base? 20 A. L&P's recommendation in this case for coal inventory levels for Lake Road 1, 2 and 3 is 21 equivalent to a 75-day burn. First, the annualized fuel price and quantity of coal burned 22 for the annualized test period was used to calculate an annualized price per unit. Second,

- 1 the annualized price per ton of coal was multiplied by the 75-day supply of coal, or
- 2 17,097 tons. The annualized level of coal inventory that has been included in rate base
- 3 for Lake Road 1, 2 and 3 is \$445,835.
- 4 Q. Please explain why a 75-day supply of coal for Lake Road was chosen as the target level
- 5 of coal inventory to include in rate base.
- 6 A. A 75-day supply was used for Lake Road coal which is representative of current day
- 7 inventory levels. This quantity has proven to be adequate but not excessive for the risks
- 8 assessed for the Lake Road facility to ensure that customers are protected against
- 9 disruption of service.

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- 10 Q. How was the annualized level of No. 2 oil inventory computed for inclusion in rate base?
- 11 A. First, the annualized level of fuel consumed in gallons was determined for the Lake Road
- 12 900 lb System. Second, the number of gallons were multiplied by an annualized price per
- unit of \$1.10 obtained from the fuel dispatch model.
- Q. What is the annualized level of No. 2 oil inventory that has been included in rate base for
- the Lake Road 900 lb System?
- 16 A. The annualized level of No. 2 oil inventory that has been included in rate base is
- 17 \$122,572.
- 18 Q. What level of fuel inventory has L&P included in rate base for purposes of this rate
- 19 proceeding?
- 20 A. In total, L&P has included \$568,407 in fuel inventory related to its steam operations.

1		FUEL AND PURCHASED POWER ENERGY	
2	Q.	What is the purpose of cost of service Adjustment No. FPP-10 made to Aquila Networks	
3		- L&P's steam operations?	
4	A.	The purpose of Adjustment No. FPP-10 is to annualize fuel expense and to compare the	
5		annualized level to actual expenses for the test year ended December 31, 2002.	
6	Q.	Please explain how Adjustment No. FPP-10 was calculated for Aquila Networks - L&P's	
7		steam operations.	
8	A.	The recommended annualized level of fuel expense for L&P's steam operations is	
9		\$6,245,410. The annualized fuel expense was obtained from the L&P steam fuel run	
10		utilizing the Fuel and Purchased Power Dispatch Model. The inputs used in this model	
11		will be further addressed in the direct testimony of Company witness Tim Nelson.	
12	Q.	How do the annualized expenses compare to actual expenses for the test year?	
13	A.	Actual energy costs for L&P's steam operations for the twelve months ended December	
14		31, 2002 total \$3,827,696. Adjustment No. FPP-10 increases fuel expense by	
15		\$2,417,714.	
16		GAS COST CAP ADJUSTMENT	
17	Q.	Please explain Adjustment No. FPP-40 made to Aquila Networks - L&P's steam	
18		operations?	
19	A.	Adjustment No. FPP-40 annualizes gas costs at \$.50 above base fuel costs of \$5.14 per	
20		Mcf included in Adjustment No. FPP-10. Adjustment No. FPP-40 increases L&P's cost	
21		of service by \$379,291. This differential relates to the gas cost recovery mechanism and	
22		is discussed further in the direct testimony of Company witness Keith Stamm	

ELIMINATION OF TRANS UCU EXPENSES

2	Q.	What are Trans UCU expenses?
3	A.	Trans UCU expenses are an allocation of expenses to Aquila Networks divisions such as
4		L&P from Aquila Corporate. The Trans UCU department 4499 housed corporate flight
5		and other miscellaneous transportation related expenses. In addition to department 4499
6		some Trans UCU expenses were directly charged to department 6130, UED
7		Headquarters, during the test year. Since Aquila Networks - L&P receives an allocation
8		of the expenses charged to department 6130, this department was also included in the
9		elimination of Trans UCU expenses.
10	Q.	Where were these expenses recorded during the test year?
11	A.	Trans UCU expenses allocated to L&P's steam operations, in the amount of \$5,597 were
12		recorded during the test year to FERC Account 921, office supplies and expenses.
13	Q.	How were these expenses treated in this preceding?
14	A.	These expenses were eliminated in total from the test year due to the elimination of the
15		corporate aircraft as part of the overall restructuring efforts at Aquila.

Does this conclude your testimony?

16

17

Q.

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 LISA	A. STARKEBAUM
Lisa A. Starkebaum, being first duly sworn sponsors the accompanying testimony entitled "D said testimony was prepared by her and under her comade as to the facts in said testimony and schedule that the aforesaid testimony and schedules are trainformation, and belief.	direction and supervision; that if inquiries were es, she would respond as therein set forth; and
	Lisa A. Starkebaum
Subscribed and sworn to before me this 2711 day	y of
My Commission expires:	
8-20-2004	TERRY D. LUTES Jackson County My Commission Expires

TERRY D. LUTES Jackson County My Commission Expires August 20, 2004