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Witness: Phillip K. Williams, CPA CIA

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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

PHILLIP K. WILLIAMS

AQUILA, INC.

**d/b/a AQUILA NETWORKS – MPS ELECTRIC
and AQUILA NETWORKS-L&P—ELECTRIC**

CASE NO. ER-2007-0004

*Jefferson City, Missouri
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AND AQUILA NETWORKS - L&P ELECTRIC

Case No. ER-2007-0004

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Direct Testimony of
Phillip K. Williams, CPA CIA

1 as a Certified Public Accountant in the state of Missouri. In May 1994, I passed the Certified
2 Internal Auditors (CIA) examination, and received my CIA designation.

3 Q Have you previously testified before this Commission?

4 A Yes. Please refer to Schedule PKW-1, attached to this direct testimony, for a
5 list of cases in which I have filed testimony before this Commission.

6 Q What knowledge, skill, experience, training or education do you have in
7 regulatory matters?

8 A I have acquired general knowledge of these topics through my experience and
9 analyses in prior rate cases and merger cases before this Commission. I have also acquired
10 knowledge of these topics through review of Staff workpapers for prior rate cases brought
11 before this Commission. I have reviewed prior Commission decisions with regard to these
12 areas. I have reviewed the Company's testimony, workpapers and responses to Staff's Data
13 Requests addressing these topics. In addition, my college coursework included accounting
14 and auditing classes. Additionally, I received a Masters in Business Administration degree. I
15 have also successfully passed the Certified Public Accountants Exam, which included
16 sections on accounting practice and theory, as well as, auditing. I currently hold a license to
17 practice in Missouri. I also successfully passed the Certified Internal Auditors Exam. Since
18 commencing employment with the Commission in September, 1980, I have attended various
19 in-house training seminars and NARUC conferences. I have participated in approximately 40
20 formal rate case proceedings. I have also participated in and supervised the work on a number
21 of informal rate proceedings. As a senior auditor and the Lead Auditor on a number of cases I
22 have participated in the supervision and instruction of new accountants and auditors within
23 the Utility Services Division.

PURPOSE OF TESTIMONY

Q. With reference to Case No. ER-2007-0004, have you made an examination of the books and records of Aquila Networks - MPS (MPS) and Aquila Networks - L&P (L&P) divisions of Aquila, Inc?

A. Yes, I have, in conjunction with other members of the Commission Staff (Staff).

Q. Does your testimony relate to both the MPS and L&P divisions?

A. Yes. References in this testimony to MPS refer to the Missouri jurisdictional Aquila Network – MPS division electric operations of Aquila. References in this testimony to L&P refer to the Missouri jurisdictional Aquila Networks – L&P division electric operations of Aquila.

Q. What are your areas of responsibility in regard to Case No. ER-2007-0004?

A. I am assigned the areas of allocations, plant-in-service, depreciation expense, depreciation reserve, property taxes, cash working capital, accounts receivable sales imputation used in cash working capital and the co-review of the South Harper construction costs to be included in rate base, and to support other Accounting Staff as needed. I am sponsoring the Accounting Authority Orders (AAOs) for Sibley and an ice storm. I am sponsoring jurisdictional allocations of administrative and general expense (A&G Expense). I address the test year and the update period for known and measurable changes the Staff plans to use in this case. Additionally, I will provide testimony about the rate increases and reductions of the MPS and L&P electric divisions of Aquila, Inc.

Q. What Accounting Schedules are you sponsoring in Case No. ER-2007-0004?

Direct Testimony of
Phillip K. Williams, CPA CIA

1 A. I am sponsoring the following Accounting Schedules:

2 Accounting Schedule 1	Revenue Requirement
3 Accounting Schedule 2	Rate Base
4 Accounting Schedule 3	Plant-in-Service
5 Accounting Schedule 4	Adjustments to Plant-in-Service
6 Accounting Schedule 5	Depreciation Expense
7 Accounting Schedule 6	Depreciation Reserve
8 Accounting Schedule 7	Adjustments to Depreciation Reserve
9 Accounting Schedule 8	Cash Working Capital
10 Accounting Schedule 9	Income Statement
11 Accounting Schedule 10	Adjustments to Income Statement

12 These schedules will apply to both the MPS and L&P divisions which will each have a
13 separate Revenue Requirement run filed.

14 **EXECUTIVE SUMMARY**

15 Q. Please provide a brief summary of your testimony.

16 A. My testimony covers an overview of what a test year is and how it is used, a
17 description of the known and measurable period, true-up and why each is appropriate in this
18 case. I address the areas of plant-in service, depreciation expense and depreciation reserve.

19 This testimony identifies adjustments Staff is making to the costs Aquila booked for
20 its newest generating facility, South Harper, before the Staff used those costs in developing
21 the costs it is imputing to MPS for the five CT generating facility the Staff is imputing to
22 Aquila. I calculated the cost of the five CT generating facility Staff is imputing to MPS by
23 adding the adjusted booked value of the three South Harper units and the value imputed by

1 Staff in ER-2005-0436 for two additional CT's. This testimony describes construction costs
2 adjustments to plant and the annualization of the South Harper plant maintenance expenses.

3 I also address jurisdictional allocations, unamortized accounting authority order
4 balances and property tax expense annualization.

5 The rate analysis I performed shows Aquila Networks - MPS's average 2005 electric
6 rates for residential customers are \$.074479 per kWh and are the second highest rates of
7 Missouri's five investor owned electric utilities. Furthermore, Aquila Networks - L&P's
8 average 2005 electric rate for residential customers of \$.059707 per kWh, which is the lowest
9 of Missouri's five investor-owned electric utilities as shown in Schedule PKW-2.

10 To include known and measurable changes through September 30, 2006, plant-in-
11 service and the depreciation reserve were taken to September 30, 2006. Staff also adjusted
12 the plant in service associated with the Jeffrey Energy Center to include the common plant
13 allocable to MPS.

14 Staff has included the unamortized balances of the AAO's associated with the Sibley
15 rebuild and the Sibley western coal conversion of the early 1990's. The Commission
16 authorized these deferrals in Case Nos. ER-90-101 and ER 93-37.

17 Staff has annualized the property taxes to reflect the plant in service as of
18 December 31, 2005, and the latest known ratio of taxes paid to plant in service. Staff used the
19 ratio of taxes paid in 2006 to annualize property taxes.

20 Staff has imputed expenses associated with the administration of an accounts
21 receivable sales program and has used a revenue lag in Cash Working Capital (CWC) which
22 assumes the sale of the accounts receivable program that was in use at the start of Aquila's
23 financial collapse and subsequent financial downgrade. Staff imputed the accounts receivable

1 sales program benefits into the revenue lag of the CWC to eliminate the adverse effects to the
2 ratepayers of the Company's financial problems and subsequent financial downgrade.

3 The jurisdictional allocation factors were updated to reflect Staff's demand and energy
4 allocators, as determined by Staff witness Erin Maloney. Staff reviewed the Company's
5 general allocation factors and determined that they were appropriate except for the
6 adjustments to the demand and energy factors made by Ms. Maloney.

7 **TEST YEAR, KNOWN AND MEASURABLE AND TRUE-UP**

8 Q. What test year is the Staff using in this case?

9 A. The test year authorized by the Commission in its August 22, 2006, Order was
10 the 12-month period ending December 31, 2005, with an update for known and measurable
11 changes through December 31, 2006. Staff used this test year in the determination of the
12 revenue requirement calculations that are being presented to the Commission in Case
13 No. ER-2007-0004 for the electric operations of MPS and L&P. Some of the major revenue
14 requirement components which are examined that typically change from test year levels are
15 utility plant-in-service, accumulated depreciation, deferred taxes, fuel prices, cash working
16 capital, capital structure and cost of capital, customer growth revenues, payroll, fuel and
17 purchased power expense, depreciation expense, system loads, taxes, purchased power
18 demand charges and allocation factors. Updates are known and measurable changes, which
19 occur within a reasonable time after the close of the test year

20 Q. What is a test year and how it is used?

21 A. A test year is a 12-month period, which is used as the basis for the audit of any
22 rate filing or earnings complaint case. This period serves as the starting point for review and
23 analysis of the utility's operations to determine the reasonableness and appropriateness of the

1 rate filing. The test year forms the basis from which adjustments are made to remove cost due
2 to abnormalities that occurred during the test year (normalization) and to reflect any increase
3 or decrease to the accounts of the utility so they reflect amounts for a full year (annualization).
4 Adjustments are made to the test year level of revenues, expenses and rate base to determine
5 the proper level of investment on which the utility is allowed to earn a return. After the
6 recommended rate of return is determined for the utility, a review of existing rates is made to
7 determine if any additional revenues are necessary. If the utility's earnings are deficient, rates
8 need to be increased. In some cases, existing rates generate earnings in excess of authorized
9 levels, which may indicate the need for rate reductions. The test year is the time period that is
10 used to evaluate and determine the proper relationship between revenue, expense and
11 investment. This relationship is essential to determine the appropriate level of earnings for
12 the utility. In this case, the parties recommended a test year of the 12-months ended
13 December 31, 2005, updated through December 31, 2006.

14 The Commission described the importance of the test year in its July 21, 2005, Order
15 Concerning Test Year and True-Up in Aquila's last rate case, Case No. ER-2005-0436:

16 The test year is a central component in the ratemaking process. Rates
17 are usually established based upon a historical test year which focuses
18 on four factors: (1) the rate of return the utility has an opportunity to
19 earn; (2) the rate base upon which a return may be earned; (3) the
20 depreciation costs of plant and equipment; and (4) allowable operating
21 expenses. From these four factors is calculated the 'revenue
22 requirement,' which, in context of ratemaking, is the amount of revenue
23 ratepayers must generate to pay the costs of producing the utility
24 service they receive while yielding a reasonable rate of return to the
25 utility's investors. A historical test year is used because the past
26 expenses of a utility provide a basis for determining what rate is
27 reasonable to be charged in the future.

28 Q. Why did the Staff and the other parties recommend a test year of the 12 months
29 ended December 31, 2005, updated through December 31, 2006?

1 A. Shortly after Aquila filed its case on July 3, 2006, it approached Staff to
2 discuss the test year Staff planned to recommend. Staff and Aquila met to discuss the test
3 year and the need for an update for known and measurable changes through the end of 2006.
4 Aquila believed there were a number of major changes that would occur between the end of
5 the test year and December 31, 2006, that should be taken into account in determining the
6 revenue requirement in this case.

7 Staff believed the 2005 test year would allow Aquila to supply data on a more timely
8 basis and any material changes that occurred between the end of the test year and the update
9 period could be alleviated by the taking the case out through the December 31, 2006, known
10 and measurable period.

11 Q. Why is a test year update being utilized in this case?

12 A. The use of a test year update allows test year data to remain current through the
13 update period for changes in material items that are known and measurable. Such items could
14 include plant additions and retirements, payroll increases and changes in employee levels,
15 customer growth, changes in fuel prices, etc. Test year amounts are adjusted to enable the
16 parties to make rate recommendations on the basis of the most recent auditable information
17 available.

18 Q. Has anyone proposed a true-up?

19 A. No. Once the update through the end of the year 2006 was established, Aquila
20 did not believe that a true-up in this case was necessary.

21 Q. Why wasn't the December 31, 2006, update used in this direct filing?

22 A. The direct filing date was set as January 18, 2007. There is not sufficient time
23 to obtain and review the necessary information through December 31, 2006, and meet the

1 January 18, 2007, direct filing date. Consequently, an update to the case using December 31,
2 2006, information will be developed in February.

3 Q. Aquila's Missouri gas properties were sold with the sale closing in 2006. Was
4 it necessary to remove the costs associated with Aquila's Missouri gas properties from the test
5 year amounts?

6 A. Yes, the 2005 test year included costs associated with the gas properties. With
7 the sale of the gas properties it became necessary remove from test year expense all costs
8 associated with the gas systems. These adjustments were made to both Aquila Networks -
9 MPS and Aquila Networks - L&P. The adjustments made to Aquila Networks - MPS to
10 remove the gas expenses are S-67.2, S-68.2, S-69.2, S-70.1, S-71.2, S-72.2, S-73.2, S-74.2,
11 S-75.2, S-76.2, S-77.2, S-78.1, S-79.2, S-80.2, S-81.1, S-82.2, S-83.1, S-84.1, S-85.2, S-86.1,
12 S-88.1, S-89.2, S-90.1, S-91.2, S-93.1 and S-94.1. The Adjustments made to Aquila
13 Networks - L&P to remove the gas expenses are S-65.2, S-66.2 S-67.2, S-68.1, S-69.2,
14 S-70.2, S-71.1, S-72.2, S-74.2, S-75.2, S-76.2, S-77.1, S-78.2, S-79.2, S-80.1, S-81.2,
15 S-82.1, S-83.1, S-84.2, S-85.1, S-87.1, S-88.2, S-89.1, S-90.2, S-92.1, S-93.1 and S-94.1.

16 **ACCOUNTING SCHEDULES**

17 Q. Did the Staff create separate Staff Accounting Schedules for Aquila's MPS and
18 L&P divisions?

19 A. Yes. There are separate Revenue Requirement runs for MPS and the L&P
20 divisions. The Accounting Schedule numbers and formats are the same for each Revenue
21 Requirement run.

22 Q. What is shown on Accounting Schedule 1, Revenue Requirement?

1 A. Accounting Schedule 1 is the Revenue Requirement Schedule, which contains
2 the calculations of the Staff's gross revenue requirement. This Accounting Schedule contains
3 information from the Rate Base, Income Statement and Income Tax Accounting Schedules to
4 determine the actual revenue requirements that the Staff recommends. This Accounting
5 Schedule details the net original cost rate base to which the rate of return, supplied by Staff
6 witness David C. Parcell, a consultant hired by Staff, is applied to determine the required net
7 operating income requirement before income taxes. This schedule compares the net operating
8 income requirement with the net income available determined from Accounting Schedule 9,
9 Income Statement, to determine the overall net revenue deficiency.

10 Q. What is shown on Staff Accounting Schedule 2, Rate Base?

11 A. This Accounting Schedule takes the adjusted jurisdictional plant in service
12 balance from Accounting Schedule 3, Total Plant in Service, and deducts adjusted
13 jurisdictional depreciation reserve from Accounting Schedule 6, Depreciation Reserve, to
14 compute the net plant in service. Added to net plant in service on this Accounting Schedule
15 are Missouri jurisdictional amounts for cash working capital, materials and supplies,
16 prepayments and fuel stock. Rate base deductions include cash working capital amounts for
17 the federal tax offset, state tax offset and interest expense offset. Rate base deductions also
18 include customer advances, customer deposits, injuries and damages reserve, amortization of
19 electric plant and reserve for deferred income taxes. The mathematical total of these items is
20 the Rate Base amount that is incorporated in the Gross Revenue Requirement
21 recommendation shown on Accounting Schedule 1, Revenue Requirement.

22 Q. What are the items that are added to net plant in service in determining the rate
23 base?

1 A. The Staff's calculation of materials, supplies and prepayments is discussed in
2 the direct testimony of Staff witness Kofi Boateng. The Staff's calculation of the level of fuel
3 stock inventory is discussed in the direct testimony of Staff witness Charles R. Hyneman.
4 Cash Working Capital is discussed later in this direct testimony.

5 Q. What are the items that are deducted from net plant in service in determining
6 rate base?

7 A. The Staff's calculation of customer advances and customer deposits are
8 discussed in the direct testimony of Staff witness Boateng. Staff's calculations of the reserve
9 for deferred income taxes and the unamortized investment tax credit are discussed in the
10 direct testimony of Staff witness Steve Traxler. The federal, state and city tax offsets and the
11 interest expense offset are discussed later in this direct testimony.

12 Q. Are there any additional items that you are sponsoring on Accounting
13 Schedule 2, Rate Base?

14 A. Yes, I am sponsoring the amounts for Amortization of Electric Plant and
15 Reserve.

16 Q. What is this component of rate base?

17 A. Amortization of Electric Plant is the Missouri jurisdictional balance of the
18 accumulated amortization reserve as of September 30, 2006. Use of the balance for this item
19 as of this date is consistent with the adjusted jurisdictional balance of net plant in service as of
20 September 30, 2006. This amount, along with other rate base amounts, will be updated to
21 December 31, 2006, to reflect the end of the known and measurable update period.

22 Q. What is shown on Staff Accounting Schedule 3, Plant-in-Service?

1 A. Accounting Schedule 3, Total Plant in Service, lists in Column B total plant
2 balances as of September 30, 2006. The plant adjustments are listed in Column C. Column D
3 lists the Missouri jurisdictional plant allocation factors. Column F contains the Missouri
4 adjusted jurisdictional plant in service balance as of September 30, 2006.

5 Q. What is shown on Staff Accounting Schedule 4, Adjustments to Total Plant?

6 A. Accounting Schedule 4, Adjustments to Total Plant, details the Staff's
7 individual adjustments to the total plant in service, which are listed in Column C of
8 Accounting Schedule 3.

9 Q. What is shown on Staff Accounting Schedule 5, Depreciation Expense?

10 A. Accounting Schedule 5, Depreciation Expense, lists in Column B the Missouri
11 adjusted jurisdictional plant in service balances from Accounting Schedule 3, Column F.
12 Column C contains the existing depreciation rates provided by Staff witness Rosella L. Schad
13 of the Engineering and Management Services Department. The rates in Column C are then
14 applied to the plant balances in Column B to determine the annualized level of depreciation
15 expense that appears in Column D.

16 Q. What is shown on Staff Accounting Schedule 6, Depreciation Reserve?

17 A. Accounting Schedule 6, Depreciation Reserve, lists in Column B total
18 depreciation reserve balances as of September 30, 2006. Column D lists the Missouri
19 jurisdictional depreciation reserve allocation factors. Column E lists the Staff's Missouri
20 jurisdictional depreciation reserve adjustments and Column F contains the Missouri adjusted
21 jurisdictional depreciation reserve balances as of September 30, 2006.

22 Q. What is shown on Staff Accounting Schedule 7, Adjustment to Depreciation
23 Reserve?

1 A. Accounting Schedule 7, Adjustments to the Depreciation Reserve, details the
2 Staff's individual adjustments to total depreciation reserve, which are listed in Column C of
3 Accounting Schedule 6.

4 Q. What is shown on Staff Accounting Schedule 8, Cash Working Capital?

5 A. Accounting Schedule 8, Cash Working Capital, depicts the calculation which
6 determines the level of Cash Working Capital (CWC). A complete description of Accounting
7 Schedule 8 and an explanation of calculations shown on Accounting Schedule 8 will be
8 provided later in this testimony.

9 Q. What is shown on Staff Accounting Schedule 9, Income Statement?

10 A. Accounting Schedule 9, Income Statement, contains the Staff's adjusted
11 Missouri jurisdictional revenues and expenses for the test year ended December 31, 2005, and
12 updated through September 30, 2006.

13 Q. What is shown on Staff Accounting Schedule 10, Adjustments to Income
14 Statement?

15 A. Accounting Schedule 10, Adjustments to Income Statement, contains a listing
16 of the specific adjustments Staff has made to the unadjusted test year income statement to
17 derive the Staff's adjusted net income. A brief explanation for each adjustment and the name
18 of the Staff witness sponsoring the adjustment are listed on Accounting Schedule 10.

19 **PLANT IN SERVICE, DEPRECIATION EXPENSE & DEPRECIATION RESERVE**

20 Q. Would you please explain the plant in service and depreciation reserve
21 balances included in Staff Accounting Schedules 3 and 6?

22 A. The plant in service and depreciation reserve balances shown in Staff
23 Accounting Schedules 3 and 6, respectively, are the September 30, 2006, balances that the

1 MPS and L&P divisions supplied for their electric operations through responses to Data
2 Request Nos. 47.1 and 47.2.

3 Adjustment to Plant in Service Nos. P-1.1, P-2.1, P-3.1, and P-7.1 were made to the
4 Revenue Requirement run for MPS to reflect the inclusion of the Jeffrey Energy Center
5 Common plant at September 30, 2006. Adjustments to Depreciation Reserve Nos. R-3.1,
6 R-4.1 and R-7.1 were made to the EMS run for MPS to reflect the inclusion of the Jeffrey
7 Energy Center Common Plant depreciation reserve at September 30, 2006. Staff made further
8 adjustments to the plant in service to reflect the inclusion of an amount based on the
9 South Harper generating station in rate base as of September 30, 2006. Those adjustments
10 and their rationale will be addressed next in my testimony.

11 Q. What are MPS Adjustment S-___ and L&P Adjustment S-___?

12 A. These adjustments were made to remove the transportation equipment
13 depreciation expense charged through clearing to maintenance expenses.

14 **SOUTH HARPER CONSTRUCTION AUDIT**

15 Q. Did you review the construction cost associated with the South Harper
16 construction project?

17 A. Yes. Staff witnesses Featherstone, Bender, Maloney and I conducted a review
18 of the construction costs associated with the South Harper generating facility in the last
19 Aquila rate case, Case No. ER-2005-0436. The analysis in the last case went through
20 October 31, 2005.

21 A review of the South Harper construction costs was continued in this case.
22 Mr. Featherstone and I have reviewed the costs and associated accounting entries and have
23 made an analysis of those costs to determine the amount that should be included in developing

1 the five CT facility costs Staff is imputing to MPS in the current rate proceeding. A summary
2 of those costs are included as Schedule PKW-2, pages 1 and 2 to my testimony. This
3 schedule shows the total project cost to date as of September 30, 2006. This represents the
4 costs included in the five CT facility costs Staff is imputing to Aquila in this case. This
5 schedule summarizes the transmission activities, generation activities and cost of the land.
6 The schedule then deducts the amounts of the write-downs taken in November, 2004, when
7 the property was transferred to MPS and the additional write-down associated with the
8 Stipulation and Agreement the Staff entered into Case No. EO-2005-0156.

9 In Case No. ER-2005-0436, Staff made a deduction to remove the Allowance for
10 Funds Used During Construction (AFUDC) associated with the write-down of the
11 South Harper assets. Aquila reflected the adjustments made in the last case in the plant in
12 service records relating to South Harper. The September 30, 2006, balances include those
13 write-down adjustments, so no further adjustments are necessary. In this case, additional
14 adjustments relating to the legal costs and other costs for the court activities surrounding
15 South Harper have been made, consistent with the approach taken in the last rate case. These
16 costs have been incurred since Staff last reviewed the South Harper construction costs through
17 October 31, 2005. These adjusted construction costs were then distributed to the plant as
18 shown on Schedule PKW-3. This schedule shows how Staff determined the distribution of
19 the construction costs to the different plant accounts. Staff distributed the adjusted
20 construction costs based upon the ratio of the plant accounts for the combined plant balances
21 of the South Harper production facilities. Adjustment Nos. MPS - P-9.1, P-10.1, P-11.1,
22 P-12.1, P-13.1, P-14.1, P-15.1 shown on Staff Accounting Schedule 4 were made to reflect
23 the additional costs that Staff believes should be removed from plant in service as of

1 September 30, 2006. A further discussion of South Harper and the appropriate criteria as to
2 when these items should be included in rate base will be addressed by Staff witness
3 Featherstone.

4 Q. Did Staff make further adjustments to South Harper construction costs?

5 A. No. All costs associated with the transfer of the turbines from a non-regulated
6 affiliated company, Aquila Merchant Services, were eliminated from the construction
7 amounts in Case No. ER-2005-0436, which Aquila has booked to the proper plant accounts.
8 The adjustments remove costs associated with the original purchase of the turbines and related
9 equipment by Aquila Merchant. This equipment was taken for delivery starting in August
10 2002, with shipments continuing through the end of 2002. Because the equipment was
11 originally purchased for Aquila's non-regulated operations, the turbines were placed in
12 storage over two-and-one-half years before they were installed at the South Harper site.

13 Staff has attempted to remove all cost impacts related to the purchase of the units by
14 the non-regulated affiliate to put the installation costs on the same basis as though MPS had
15 acquired the units on a stand-alone basis.

16 Q. Did the Staff remove any other costs that Aquila had booked as costs for
17 construction of South Harper?

18 A. Yes. Staff also removed all legal and consultant costs for South Harper that
19 was incurred in the Cass County Court case. These costs were for defense of the Court
20 decision where Aquila did not meet the County's building zoning permits. Staff updated the
21 original analysis performed in the last rate case for additional costs incurred since that time.

22 Other legal costs were removed for three cases before the Commission – Case
23 Nos. EA-2005-0248, EA-2006-0309 and EO-2005-0156. Case Nos. EA-2005-0248 and

1 EA-2006-0309 directly related to the Cass County Court cases. The Court held that Aquila
2 needed site-specific authorization from the Commission or Cass County approval to build a
3 generating facility in Cass County. In Case No. EA-2005-0248 Aquila sought such site-
4 specific authority from the Commission. Case No. EO-2005-0156 was an Application both
5 for authority to engage in a Chapter 100 financing arrangement with the City of Peculiar and
6 for the valuation of the three combustion turbines and ancillary equipment. That valuation
7 would not have been necessary if this equipment had been purchased from the turbine
8 manufacturer directly instead of MPS receiving the assets from a non-regulated affiliate.

9 Staff also removed the consultant fees for an R.W. Beck appraisal conducted to assist
10 Aquila in determining the value of the transferred equipment. This appraisal would not have
11 been necessary if the equipment had not have been transferred from a non-regulated affiliate.

12 Q. Does Staff believe that all consultant and legal costs associated with the
13 construction of South Harper should be disallowed?

14 A. No. Clearly, there are some consultant and legal costs that are needed to
15 construct the South Harper facility. There needs to be a breakdown of these costs to
16 determine those that relate to the appraisal of the turbines and those legal costs that relate to
17 the Court cases and cases before the Commission. Staff submitted data requests for the
18 breakdowns in consultant and legal costs and reviewed the material to identify costs that
19 should properly be included in the construction of these power plant facilities.

20 Q. How has Staff used Aquila's costs for the South Harper Generating facility in
21 determining cost of service?

22 A. Aquila obtained the site for the South Harper Generating facility and erected
23 three 105 MW combustion turbines on it, although it was designed for six combustion

1 turbines. Staff believes that when it installed the three 105 MW CTs Aquila should have
2 instead installed at that time five 105 MW CTS for a total of 525 MW of generation (five
3 105 MW CTs). Therefore, Staff is using costs Aquila actually incurred for the South Harper
4 facility, including the three 105 MW CTs it installed, as the basis for 315 MW of the 525 MW
5 facility the Staff is imputing to Aquila for purposes of MPS's cost-of-service. The costs Staff
6 has included in its revenue requirement for the 525 MW CT facility it is imputing to MPS
7 remain in Staff's case, regardless of whether Aquila ultimately keeps or removes the 315 MW
8 of generation capacity it built at the South Harper site.

9 **JURISDICTIONAL ALLOCATION FACTORS**

10 Q. What jurisdictional allocation factors did Staff use in this case?

11 A. The allocation factors are broken out between the following: 1) Aquila
12 corporate administrative and general allocators developed by Staff witness
13 Charles R. Hyneman; 2) demand allocators calculated and provided by Staff witness
14 Maloney; and 3) the allocation factors between L&P electric and steam operations based on
15 the allocation methodology approved in Case No. EO-94-36.

16 Staff then calculated Missouri jurisdictional factors, utilizing the factors described
17 above, which are appropriate for each individual Federal Energy Regulatory Commission
18 (FERC) account. The electric expense accounts that are 100% electric were multiplied by the
19 demand, distribution or transmission allocation factors. The electric allocation ratio is then
20 multiplied by the ratio of other operations and maintenance expenses to arrive at the
21 jurisdictional allocation factor.

22 Q. Why is it necessary to allocate costs in this case?

1 A. Aquila operates both its MPS and L&P divisions within the state of Missouri
2 and provides electric and steam service to Missouri customers. It also provides wholesale
3 electric power to several entities. Since it supplies power to various entities and jurisdictions,
4 an allocation process is needed to identify costs specific to the various Aquila utilities
5 operating within Missouri, i.e. electric and steam, and to specific jurisdictional operations that
6 are under the authority of either the Commission or the FERC.

7 **UNAMORTIZED ACCOUNTING AUTHORITY ORDER BALANCES**

8 Q. Please describe the unamortized Accounting Authority Order (AAO) balances
9 included in rate base.

10 A. Unamortized AAO balances at September 30, 2006 were included in rate base,
11 to reflect a return on the unamortized balance of the AAO deferrals authorized by the
12 Commission in Case Nos. ER-90-101, EO-91-247 and ER-93-37. These AAO deferrals are
13 the MPS Sibley rebuild project, Case No. ER-90-101, and the MPS Sibley Western Coal
14 Conversion, Case No. ER-93-37. The Commission has included the unamortized balance
15 associated with the Sibley rebuild project and the Sibley Western Coal Conversion in every
16 rate case since Case No. ER-93-37.

17 Q. Did the Staff include expense amortizations of the deferrals for each of the
18 above AAOs?

19 A. Yes. The Staff adopted the test year amortization for the Sibley rebuild and the
20 Sibley Western Coal Conversion deferrals. Staff adjusted the test year amortization of the
21 Case No. EU-2002-1053 ice storm deferral as determined in Case No. ER-2004-0034.

22 Staff has included the expense amortization for a 2003 ice storm that resulted in
23 significant costs to restore Aquila's transmission and distribution systems. However, Staff

1 did not include the unamortized balance for the ice storm in rate base. Allowing the recovery
2 (expense amortization) of the cost of the 2003 ice storm in cost of service, without rate base
3 recognition for the unamortized balance, results in a sharing of the abnormal cost between
4 ratepayers and shareholders.

5 **PROPERTY TAXES**

6 Q. What is MPS and L&P adjustment S-94.2, shown on Staff Accounting
7 Schedule 10?

8 A. This adjustment annualizes property tax expense for each of these divisions.

9 Q. How did the Staff compute property tax expense in this case?

10 A. The Staff examined the actual amounts of property tax payments made by
11 MPS and L&P for each year for the period 2001 through 2006. I developed a relationship of
12 actual property tax payments to the level of property at January 1 for each of those years. The
13 relationship was applied to the plant in service balance at the end of the test year,
14 December 31, 2005, to calculate an annualized property tax amount in this case.

15 Q. On what basis are property taxes paid?

16 A. The state and local taxing authorities determine the annual property tax
17 payment through an assessment of utilities' real property. This assessment is made based
18 upon the utilities' property balances on January 1 of each year. The taxing authorities also
19 determine a property tax rate that is applied to the assessed values to compute the property tax
20 amount billed to utilities.

21 Q. When are property taxes paid?

22 A. The property taxes are paid to the state and local taxing authorities at the end
23 of each year, generally by December 31st.

1 Q. Will Staff update property taxes through the end of December 31, 2006?

2 A. Yes. Since there will new assessment made as of January 1, 2007, Staff will
3 update the property tax calculation to reflect this new assessment period.

4 Q. Are all property taxes charged to expense?

5 A. No. Although the majority of property taxes are expensed, a portion of
6 property taxes relate to construction activity as of the assessment date of January 1 of each
7 year. Property taxes that relate to construction activities are capitalized and, therefore charged
8 to construction work orders.

9 Q. Did Staff include property taxes as part of the costs for the plant site Staff
10 included in rate base that relies on Aquila's South Harper plant costs for those costs?

11 A. No. Staff treated the plant site as being owned by a political subdivision as
12 part of a Chapter 100 financing arrangement. Aquila entered into such an arrangement with
13 the City of Peculiar, Missouri. The Chapter 100 financing arrangement requires annual lease
14 payments in lieu of the property tax (PILOT) payments. Adjustment S-94.3 has been made to
15 include the amount of the Pilot payment in expense in lieu of including this plant in property
16 taxes expense levels.

17 In addition, payments Aquila made prior to the in-service date of the units has been
18 capitalized and included in the South Harper work construction costs. These have been
19 included as part of the construction costs for the six CT plant site, with five 105 MW CTs
20 installed, that Staff has imputed to MPS and included in plant-in-service.

21 **CASH WORKING CAPITAL**

22 Q. What is Cash Working Capital (CWC)?

1 A. CWC is the amount of cash necessary for a utility to pay the day-to-day
2 expenses incurred to provide utility services to its respective customers.

3 Q. During Case No. ER-2005-0436, Staff determined that Aquila's financial
4 condition had impacted the calculation of CWC. Has Staff further examined this in the
5 current case?

6 A. Yes. Aquila is still having financial difficulties. Aquila's credit ratings are still
7 not investment grade. Since noting has substantially changed since the last rate case, Staff has
8 used many of the lags that were determined in Case ER-2005-0436. Staff will identify the
9 lags that were updated for this case when each of those lag calculations are discussed in
10 testimony.

11 Q. How did Aquila's financial condition impacted Staff's analysis of CWC in
12 Case ER-2005-0436 and in this case?

13 A. Aquila's financial condition was examined very closely in Case
14 No. ER-2005-0436 to ensure that any adverse effects of the Company's financial condition
15 were not reflected in the calculation of CWC. Since Aquila's financial condition has not
16 significantly changed from the last case, those calculations have been carried forward to the
17 CWC analysis in the current Case ER-2007-0004.

18 Q. What types of adverse effects due to Aquila's financial condition could be
19 reflected in the calculation of cash working capital?

20 A. As a result of Aquila's poor credit ratings, some vendors were requiring certain
21 expenses, such as purchased power and fuel purchases, to be paid differently than when
22 Aquila was considered an investment grade company.

23 Q. What types of requirements are you referring to?

1 A. Because of Aquila's poor financial condition, vendors have required changes
2 such as prepayments, early pays, letters of credit and collateral. The need to use different
3 methods of payment have associated costs which impact the Company's CWC needs.

4 Q. Can you please describe these different payment methods?

5 A. Yes. When a vendor requires prepayments, the customer must pay, in
6 advance, for goods or services. Early pays are a type of accelerated payments. Early
7 payments are usually required to be paid after the goods or services are provided, but prior to
8 the normal due date shown on the invoice/bill. Letters of credit are usually issued by banks,
9 to the Company, which the company can present to third parties as proof of ability to pay.
10 There are usually fees involved with letters of credit. The use of collateral is a means by
11 which vendors hold cash, which is usually obtained by wired funds from the Company, as a
12 type of "insurance" to cover defaulted payments. These methods of payments are required by
13 some vendors when a customer is considered to be a poor credit risk. Staff's approach to
14 calculating CWC for this case is to mitigate, as much as possible, any adverse effects relating
15 to Aquila's financial condition.

16 Q. How long has Aquila had financial difficulties?

17 A. Aquila first experienced financial difficulties in early 2002. Its financial
18 condition deteriorated after the collapse of Aquila's non-regulated operations. Much of the
19 information examined relating to the cash management of the company is impacted by its
20 financial condition. Because the adverse financial conditions were not related to the regulated
21 utility operations of Aquila, Staff has examined impacts that the adverse financial condition
22 has had on CWC. Staff has determined the appropriate CWC by removing the negative

1 impact of the financial condition caused by the non-regulated operations so that Aquila's
2 regulated utility customers would not be harmed.

3 Q. Where are the results of the Staff's CWC analysis shown?

4 A. The results of CWC is reflected on the Rate Base Staff Accounting Schedule 2,
5 line 4 - Cash Working Capital. In addition to calculation of CWC on Staff Accounting
6 Schedule 8, there are other off sets to rate base that are considered part of CWC. These
7 additional CWC components are show on line 16-Federal Tax Offset, line 17-State Tax
8 Offset, line 18-City Tax Offset and line 19-Interest Expense Offset on Schedule 2, Rate Base.

9 Q. Did Staff perform a lead/lag study in this case?

10 A. Yes. Staff reviewed the lead/lag study it performed in Case No.
11 ER-2005-0436, as well as the workpapers supporting Aquila's lead/lag study in this case.
12 Based upon its review of these studies Staff has updated some of the expense lags, however, a
13 majority of the lags from Case No. ER-2005-0436 calculated by the Staff under my
14 supervision were used in the current analysis.

15 Q. Did Staff use the same method to calculate MPS' and L&P's CWC
16 requirements as the Staff has used in previous rate cases?

17 A. Yes. The lead/lag method has been used by the Staff and adopted by the
18 Commission in numerous rate proceedings dating back to the 1970s, including MPS's and
19 L&P's most recent rate cases (Case Nos. ER-2005-0436, ER-2004-0034, GR-2004-0072 and
20 ER-2001-0672).

21 Q. Why does the Staff perform a lead/lag study?

22 A. A lead/lag study determines the amount of cash that is necessary on a day-to-
23 day basis for MPS and L&P to provide electric services to its customers. A lead/lag study

1 analyzes the cash flows related to the payments received from its customers for the provision
2 of electric services and the disbursements made by MPS and L&P to its suppliers and vendors
3 of goods and services necessary to provide this electric service. A lead/lag study determines
4 the number of days MPS and L&P has to make payments after receiving goods or services
5 from a vendor and is compared with the number of days it takes MPS and L&P to receive
6 payment for the electric service it provides to its customers. A lead/lag study also determines
7 who provides CWC.

8 Q. Who provides cash working capital?

9 A. The shareholders and ratepayers are the sources of CWC.

10 Q. How do shareholders supply CWC?

11 A. When MPS and/or L&P expend funds to pay for an expense before the
12 ratepayers provide the cash, the shareholders are the source of the funds. This cash represents
13 a portion of the shareholders' total investment in the MPS and/or L&P. The shareholders are
14 compensated for the CWC funds they provided by the inclusion of these funds in rate base.
15 By including these funds in rate base, the shareholders earn a return on the funds they have
16 invested.

17 Q. How do ratepayers provide CWC?

18 A. Ratepayers supply CWC when they pay for electric services received before
19 MPS and L&P pay the expenses incurred to provide that service. Ratepayers are compensated
20 for the CWC they provide by reducing rate base by the amount of CWC the ratepayers
21 provide.

22 Q. How does the Staff interpret lead/lag study results?

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1 A. A positive CWC requirement indicates that, in the aggregate, the shareholders
2 provided the CWC for the test year. This means that, on average, the utility paid the expenses
3 incurred to provide the electric service to its customers before those customers had to pay the
4 Company for the provision of utility service.

5 A negative CWC requirement indicates that, in the aggregate, the ratepayers provided
6 funds to the Company in advance of payments. This means that, on average, the ratepayers
7 paid for their electric services before the utility paid the expense incurred to provide those
8 services.

9 Q. Please explain the components of the Staff's calculation of CWC that appear
10 on Staff Accounting Schedule 8.

11 A. The components of the Staff's calculation are as follows:

12 1) Column A (Account Description): lists the types of cash
13 expenses, which MPS and L&P pay on a day-to-day basis;

14 2) Column B (Test Year Expenses): provides the amount of
15 annualized expense included in the cost of service. It shows the dollars
16 associated with the items listed in Column A on an adjusted Missouri
17 jurisdictional basis;

18 3) Column C (Revenue Lag): indicates the number of days
19 between the midpoint of the provision of service by MPS and L&P and the
20 payment for the service by the ratepayer. The revenue lag addressed in this
21 case is discussed later in this direct testimony;

22 4) Column D (Expense Lag): indicates the number of days
23 between the receipt of and payment for the goods and services (i.e., cash

1 expenditures) used to provide service to the ratepayer. The expense lags
2 addressed in this case are discussed later in this direct testimony;

3 5) Column E (Net Lag): results from the subtraction of the
4 Expense Lag (Column D) from the Revenue Lag (Column C);

5 6) Column F (Factor): expresses the CWC lag in days as a fraction
6 of the total days in the test year. This is accomplished by dividing the Net
7 Lags in Column E by 365;

8 7) Column G (CWC Requirement): shows the average amount of
9 cash necessary to provide service to the ratepayer. This is computed by
10 multiplying the Test Year Expenses (Column B) by the CWC Factor
11 (Column F).

12 Q. What is the revenue lag?

13 A. The revenue lag is the amount of time between the when MPS and L&P
14 divisions provide the utility service to customers, and when they receive payment from those
15 customers for that service. The overall revenue lag in this case is the sum of three
16 subcomponent lags. They are as follows:

17 1) Usage Lag: The midpoint of average time elapsed from the
18 beginning of the first day of a service period through the last day of that
19 service period;

20 2) Billing Lag: The period of time between the last day of the
21 service period, the day the meter is read, and the day the bill is placed in the
22 mail by the company;

1 3) Collection Lag: The period of time between the day the bill is
2 placed in the mail by the company and the day the company receives payment
3 from the ratepayer for services performed.

4 Q. Did the Staff use the same three subcomponent lags you just discussed in
5 developing a total revenue lag for Aquila's Missouri electric operations?

6 A. Yes. Staff's revenue lag subcomponents are identified below:

	<u>Staff</u>
Usage Lag	15.21 days
Billing Lag	2.00 days
Collection Lag	<u>4.38 days</u>
Total	<u>21.59 days</u>

12 Q. How did Staff determine the usage lag?

13 A. The usage lag was determined by dividing the number of days in a typical year
14 (365) by the number of months in a year (12) to yield the average number of days in a month
15 (30.42). The 30.42 was then divided by two to yield an average usage lag of 15.21 days. This
16 further calculation using two as the divisor is necessary since MPS and L&P bill monthly, and
17 Staff assumed that service is delivered to the customer evenly throughout the month.

18 Q. How did Staff approach the billing lag?

19 A. The billing lag is the time it takes between when MPS and L&P read the
20 meters and when the bills are subsequently mailed to the customer. Staff used the billing lag
21 from the previous Aquila rate case of two days.

22 Q. How did Staff approach the collection lag?

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1 A. The collection lag is the average number of days that elapse between the day
2 that the bills were mailed and the day when MPS and L&P receive payments for those bills.
3 The Staff used the collection lag from the three previous cases (Case Nos. ER-2005-0436 and
4 ER-2004-0034) of 4.38 days. The collection lag reflects the sale of accounts receivables
5 which accelerates the collection process for the Company. Staff's calculation of the
6 collection lag will be addressed later in this testimony immediately following the remainder of
7 the CWC testimony. The calculated total revenue lag was 21.59 days.

8 Q. How did Staff approach determining expense lags in this case?

9 A. Staff used the expense lags calculated in Aquila's last rate case in most
10 instances.

11 Q. Which expense lags did Staff take from those it used in Aquila's last rate case?

12 A. Staff used the following expense lags from the previous rate audit, Case
13 No. ER-2005-0436: (1) cash vouchers, (2) payroll expense; (3) federal, state and FICA taxes
14 withheld; (4) federal and state unemployment taxes; (5) Sibley coal and freight; (6) Jeffrey
15 operations and fuel; (7) Iatan operations and fuel; (8) Lake Road coal and freight; (9) city
16 franchise taxes; (10) purchased power; (11) gas and oil purchased; (12) pension fund,
17 (13) lease payments and (14) property taxes.

18 Q. What expense lags did Aquila calculate that the Staff accepted?

19 A. Staff accepted expense lags for accrued vacation.

20 Q. What is the expense lag for cash vouchers as found on line 1 of Staff
21 Accounting Schedule 8, for both MPS and L&P?

22 A. Cash vouchers are miscellaneous expenditures that do not coincide with other
23 operations and maintenance (O&M) expense items and that were not specifically examined

1 elsewhere in the CWC analysis study (e.g., payroll, fuel, etc.). Staff used the lag that was
2 accepted in previous cases of 44.14 days.

3 Q. What is the expense lag for federal income withholding taxes and Social
4 Security payroll taxes collected under authority of the Federal Insurance Contributions
5 Act (FICA) found on lines 2, 4 and 18 of Staff Accounting Schedule 8 for both MPS and
6 L&P?

7 A. The expense lag for FICA and federal income withholding taxes relating to
8 payroll taxes is the period of time between the midpoint of the pay period for which the taxes
9 are withheld and the date the tax withholdings must be paid to the taxing authorities.
10 Payments for the employee's portion of FICA taxes and employer's portion of FICA taxes are
11 made at the same time. An employer must typically deposit the income tax withheld and the
12 FICA taxes with an authorized commercial bank depository or Federal Reserve Bank on the
13 Monday following the previous Friday payday. The resulting tax lags are 16.5 days.

14 Q. What is the expense lag for state withholding taxes found on line 3 of Staff
15 Accounting Schedule 8 for both MPS and L&P?

16 A. The expense lag for the state withholding taxes is the period of time between
17 the midpoint of the pay period for which the taxes were withheld and the date that the tax
18 withholdings must be turned over to the taxing authorities. The lag for state withholding
19 taxes is 18.50 days.

20 Q. What is the payroll expense lag found on line 5 of Accounting Schedule 8 for
21 both MPS and L&P?

22 A. The payroll expense lag is the time lapse between the midpoint of the period in
23 which the employees earned wages and the date the Company paid the wages. Employees are

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1 paid on the Friday following the two-week pay period, which ended on the previous Friday.
2 The payroll expense lag is 13.42 days. This is seven days, to the midpoint of the
3 14-day period, plus 6.42 days between the end of the pay period and the Friday pay date.

4 Q. What is the vacation expense lag found on line 6 of Staff Accounting
5 Schedule 8 for both MPS and L&P?

6 A. The expense lag computation accounts for the time between the average date
7 the vacation is earned (i.e., the midpoint of the year) and the date when employees are
8 actually paid for vacation. The Company's employees are entitled to two weeks vacation at
9 the beginning of each calendar year, which is earned from the prior year. The Staff is
10 therefore using a vacation expense lag of 365 days.

11 Q. What is the expense lag for natural gas and oil on line 7 of Staff Accounting
12 Schedule 8 for both MPS and L&P?

13 A. The natural gas and oil expense lag is the difference in days between the
14 midpoint of the period when the Company received natural gas or oil from its suppliers and
15 the date when the natural gas/oil deliveries are paid. The natural gas and oil expense lag is
16 40.79.

17 Q. What is the injuries and damages lag as found on line 9 of Staff Accounting
18 Schedule 8 for both MPS and L&P?

19 A. A significant portion of injuries & damages claims were paid in multiple
20 installments. As a result, a weighted average lag was calculated between the reported date
21 and the mid point of each month which a specific payment was made. The injuries and
22 damages expense lag is 311.18 for MPS and 338.05 for L&P.

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1 Q. What is the purchased power expense lag as found on line 10 of Staff
2 Accounting Schedule 8 for MPS and L&P.

3 A. Purchased power expense lag is the difference in days between the midpoint of
4 the period when the Company received the purchased power and the date the Company paid
5 for the power. The purchased power expense lag is 36.42.

6 Q. What is the expense lag for Sibley coal and freight on line 11 of Staff
7 Accounting Schedule 8 for MPS?

8 A. The Sibley coal and freight expense lag is the time lapse between the date the
9 coal and/or freight services were received and the date the Company paid for these goods
10 and/or services. The Sibley coal and freight expense lag is 20.03 days.

11 Q. What is the expense lag for Lake Road coal and freight on line 11 of Staff
12 Accounting Schedule 8 for L&P?

13 A. The Lake Road coal and freight expense lag is the time lapse between the date
14 the coal and/or freight services were received and the date the Company paid for these goods
15 and/or services. The coal and freight expense lag for Lake Road is 20.02 days.

16 Q. What is the expense lag for Jeffrey fuel and operations found on lines 12 and
17 13 of Staff Accounting Schedule 8 for MPS?

18 A. The managing partner of the Jeffrey Energy Center (Jeffrey), a coal-fired
19 generating facility jointly owned by Aquila and Westar Energy, bills MPS bi-monthly
20 resulting in a time lapse between the midpoint of when services are provided and when MPS
21 pays for these services. The resulting lag is 30.62 days. The fuel and operations for Jeffrey
22 have been split into separate lines on Accounting Schedule 8 to clarify the types of expenses

1 incurred for Jeffrey. The lags are the same for both lines because of the manner in which the
2 managing partner bills.

3 Q. What is the expense lag for Iatan fuel and operations found on lines 12 and 13
4 of Staff Accounting Schedule 8 for L&P?

5 A. The managing partner of the Iatan plant, Kansas City Power & Light
6 Company, bills L&P as expenditures are incurred for fuel and freight. L&P is also billed
7 monthly for operational fees. This results in two different lags based on the variation in
8 billings from the managing partner and the date payment was made for the services by L&P.
9 The lags are 30.16 days for fuel and 52.74 days operations.

10 Q. What is the expense lag associated with pension fund payment found on
11 line 14 of Staff Accounting Schedule 8 for both MPS and L&P?

12 A. The pension fund payment lag is the number of days between the midpoint of
13 the calendar year and the date payment was made to the pension fund. Staff used the lag from
14 the previous case (Case No. ER-2004-0034) of 90 days.

15 Q. What is the expense lag associated with lease payments found on line 15 of
16 Accounting Schedule 8 for MPS?

17 A. The lease payment lag is the difference between the midpoint of the service
18 and the date payment was made for that service. The Staff has used the lag from the previous
19 cases (Case Nos. ER-2004-0034 and ER-2001-0672) of 67.32 days.

20 Q. What is the expense lag associated with property taxes found on line 17 of
21 Staff Accounting Schedule 8 for L&P and line 18 of Staff Accounting Schedule 8 for MPS?

22 A. The property tax payment lag is the weighted average number of days between
23 the midpoint of the calendar year and the statutory due date for each state that MPS and L&P

1 own property in. The property tax payment lag is 188.36 days for MPS and 182.52 days for
2 L&P.

3 Q. What are the federal and state unemployment tax lags as found on line 19 of
4 Staff Accounting Schedule 8 for L&P and line 20 of Staff Accounting Schedule 8 for MPS?

5 A. Federal and state unemployment taxes (FUTA and SUTA, respectively) are
6 paid quarterly and are due at the end of the month following each quarter. The Staff's
7 calculation for FUTA and SUTA resulted in an expense lag of 75.88 days for MPS and L&P.

8 Q. What is the corporate franchise tax lag found on line 20 of Staff Accounting
9 Schedule 8 for L&P and line 21 of Staff Accounting Schedule 8 for MPS?

10 A. Corporation franchise taxes are paid annually. The lag is the number of days
11 between the midpoint of the taxable period (calendar year) and the date the taxes are due to be
12 paid (April of the current year). The Staff determined a lag of negative 78 days for corporate
13 franchise tax. This means that Aquila must pay in advance of the average period for this item,
14 thus creating need for cash working capital.

15 Q. What is the city franchise tax lag found on line 21 of Staff Accounting
16 Schedule 8 for L&P and line 22 of Staff Accounting Schedule 8 for MPS?

17 A. City franchise taxes are remitted to each respective city either monthly,
18 semimonthly, quarterly, or semi-annually depending on the agreement between the city and
19 the Company. The lag is the weighted number of days between the taxable period and the
20 date that the taxes are due. The Staff calculated a lag of 98.20 days for MPS and 47.82 days
21 for L&P.

1 Q. What is the expense lags associated with sales and use taxes as found on
2 line 22 of Staff Accounting Schedule 8 for L&P and line 23 of Staff Accounting Schedule 8
3 for MPS?

4 A. The sales and use tax expense lag is the weighted number of days between the
5 taxable period and the date the taxes are due. The sales and use taxes lag was calculated at
6 35.68 days for MPS and 37.84 days for L&P.

7 Q. Why does the revenue lags for sales and use taxes differ from the revenue lags
8 discussed earlier?

9 A. The Company acts solely as an agent of the taxing authority in collecting sales
10 and use taxes from the ratepayer, and paying the proper institution on a timely basis. The
11 Company has not provided any service to the ratepayer associated with sales and use taxes.
12 Therefore, in order to match the same time frames for these components, the Staff adopted the
13 collection lag and used it as the revenue lag. As explained earlier, the Staff calculated a 4.38-
14 day collection lag and used this number as the revenue lag for the sales and use tax lag.

15 Q. What components of CWC are not on Staff Accounting Schedule 8?

16 A. The Federal Income Tax Offset, State Income Tax Offset and Interest Expense
17 Offset do not appear in the Accounting Schedule 8, CWC. These items appear as separate
18 line items in the Staff's Rate Base Schedule, Staff Accounting Schedule 2.

19 Q. Why are the Federal Income Tax Offset, State Income Tax Offset, and Interest
20 Expense Offset included in the Staff Accounting Schedule 2, rather than Staff Accounting
21 Schedule 8?

22 A. The normalized Missouri jurisdictional expense component used for these
23 offsets is tied directly to the computation of the revenue requirement. The revenue

1 requirement computer program (EMS run) has the capability to extract these amounts from
2 Staff Accounting Schedule 11, Income Tax. The computer program applies the CWC factor
3 to each component and places the CWC requirement directly in Staff Accounting Schedule 2,
4 Rate Base.

5 Q. How did Staff treat and include taxes in the Staff's analysis of CWC?

6 A. Unlike other line items reflected within the CWC Staff Accounting Schedule 2,
7 taxes are not considered as O&M expenses, but they are known and certain obligations of the
8 Company with payment periods and payment dates established by statutes. Rates paid by
9 customers to cover taxes payable represents a source of cash to the Company until passed on
10 to the appropriate taxing authority.

11 Q. What are the federal and state income tax expense lags?

12 A. The federal and state income tax expense lags represent the period of time
13 between the midpoint of the tax or calendar year and the dates the income taxes must be paid
14 to the federal and state taxing authority. Currently, 100% of the estimated federal tax must be
15 paid during the year in four installments, which are due by the 15th day of April, June,
16 September and December. The state of Missouri requires that at least 90% of the Company's
17 estimated tax liability be paid during the year in four equal installments, which must be paid
18 by the 15th day of April, June, September, and December. Unlike the estimated federal tax
19 requirements, the remaining 10% tax liability is due by April 15th following the close of the
20 tax year. Because there have been no known changes to these payment dates, the Staff
21 accepted the lags used by the Company of 36.5 and 61.55 days for the federal and state
22 income tax lags, respectively. The CWC factor is placed in the Rate Base Accounting

1 Schedule, and the Staff's computer program calculated the CWC requirement for income
2 taxes.

3 Q. Has Staff included interest expense in its lead/lag study?

4 A. Yes. Although not an O&M expense, interest expense is included in the
5 Staff's lead/lag analysis because interest is a source of cash provided by the ratepayer and,
6 therefore, properly considered in CWC. The Company has a known and certain obligation to
7 pay cash, in the form of interest on its debt. The interest is pre-collected through rates from
8 the ratepayer for the purpose of passing it on to the bondholder. The funds are a source of
9 cash to the Company for use toward any purpose that it desires until they are passed on to the
10 bondholder.

11 The expense lag for interest was computed by dividing the number of days in the year
12 by four. All Aquila's long-term debt bears semi-annual interest. The lag represents the
13 period of time between the midpoint of the semi-annual period, and the date interest paid.
14 The expense lag computed for interest is 90 days ($365 / 4$). The CWC factor was placed in
15 the Rate Base Accounting Schedule and the Staff's computer program calculated the CWC
16 requirement for interest.

17 Q. What is the overall result of the Staff's lead/lag study?

18 A. The lead/lag study performed by the Staff resulted in a negative CWC
19 requirement. This means that in the aggregate the ratepayer has provided the CWC to the
20 Aquila during the test year. Therefore, the ratepayer is compensated for the CWC that the
21 ratepayer provides, through a reduction to rate base. This rate base offset is shown on Staff
22 Accounting Schedule 2.

1 ACCOUNTS RECEIVABLE SALES

2 Q. Does Aquila sell its accounts receivables?

3 A. Yes. It sells them to enhance cash flow and reduces Aquila's need for short-
4 term loans from investors, banks and other financial institutions.

5 Q. Does MPS and L&P currently sell their accounts receivables?

6 A. Yes, but it is a much different program than the one Aquila had prior to its
7 financial collapse. The Company's current program was developed since Aquila's last rate
8 case when it did not have any kind of accounts receivable program. Because of Aquila's
9 financial difficulties that started in the spring of 2002, the third party lender (purchaser) of the
10 account receivables told Aquila that it did not want to continue to purchase the Company's
11 accounts receivables as they were too risky.

12 Q. What is the history associated with Aquila selling its accounts receivable?

13 A. In the late 1980's, Aquila implemented an accounts receivable sales program
14 to increase immediate cash flow and provide access to funds through lines of credit.
15 Depending upon Aquila's cash needs, Aquila sold its MPS and L&P Divisions' accounts
16 receivables, less uncollectibles, to Ciesco, an affiliate of Citibank. Also included in the
17 Program was payment of interest and administrative fees. Basically, the Program is a loan
18 from a third party backed by MPS and L&P divisions' accounts receivables. MPS was
19 initially the only Missouri division whose accounts receivables were sold until after the 2001
20 merger with St. Joseph Light and Power Company. As a result of the merger, both MPS and
21 L&P receivables were subsequently sold. The Program was phased out through September
22 and October of 2002 and was terminated on November 1, 2002 because of Aquila's financial
23 condition.

24 Q. Why was the Program terminated?

1 A. Aquila experienced a severe decline in its credit rating to non-investment
2 grade. Ciesco was no longer able to fund the Program because of Aquila's inability to issue
3 commercial paper.

4 Q. How has the Staff treated the sale of accounts receivable?

5 A. The Staff has treated Aquila as if it was still selling MPS' and L&P's accounts
6 receivable to Ciesco. The termination of the accounts receivable program was the direct
7 result of Aquila's poor financial condition and has caused a detriment to MPS, L&P and their
8 customers. The loss of the sale of the accounts receivables resulted directly from the
9 problems that Aquila has faced in its non-regulated ventures.

10 Q. Did Aquila include the effects of the accounts receivable sales program with
11 Ciesco in rate cases?

12 A. At one time Aquila included the reduced collection lag resulting from the sale
13 of accounts receivables in its rate cases dating back to the inception of the program in the late
14 1980s. However, since the termination of the program in 2002, Aquila has not reflected the
15 reduced collection lag in its case, thus creating an adverse impact on its regulated customers
16 as direct result of its poor financial condition.

17 Q. Has Staff attempted to eliminate all adverse impacts of Aquila's non-
18 investment grade status?

19 A. Yes. Aquila's financial collapse caused it to have to operate differently in the
20 way it financed its operations and in the way it paid its creditors. Throughout the case, Staff
21 has had to make sure that no adverse impacts from Aquila's financial problems are reflected
22 in any form in the revenue requirement calculation. Staff has attempted to insulate Aquila's
23 regulated businesses from any aspect of Aquila's poor financial condition. The Staff's goal is

1 to ensure that no adverse harm would come from Aquila's investment downgrade. Staff has
2 made its best effort to eliminate all costs associated with the corporate restructuring that
3 Aquila is facing due to its poor financial condition, as those costs are not directly related to
4 regulated activities. To achieve the elimination of corporate restructuring costs, the Staff has
5 treated the program as if it was still in place, which results in a shorter collection lag and the
6 inclusion of an annualized level of fees associated with the Program.

7 Q. Has Staff considered the financial condition of Aquila in other areas of this
8 case?

9 A. Yes. In the cash working capital area, Staff has not included any impacts of
10 Aquila's vendors and suppliers of goods and services who require advanced payments and
11 early accelerated payments because Aquila is higher risk customer. Staff calculated the
12 expense lags in this case removing any impacts of prepayments and early payments of goods
13 and services to Aquila.

14 Also, Staff witness Parcell has developed his rate of return recommendations based on
15 removing the poor financial condition of the Company as result to the non-regulated failures.

16 Q. How do ratepayers benefit from the sale of accounts receivable?

17 A. The ratepayer benefits from the reduction in the cash working capital. The sale
18 of accounts receivables significantly reduces the revenue lag in the cash working capital
19 calculation thereby decreasing the amount of funds that the shareholders must contribute to
20 cash working capital. Since the cash working capital amount is an offset to rate base, overall
21 revenue requirement is less, thus customers benefit.

22 Q. How does Aquila benefit from the sale of accounts receivables?

1 A. It benefits Aquila by providing short-term funds that Aquila uses for working
2 capital purposes at a cost less than a financial institution might charge.

3 Q. What expenses has Aquila incurred in selling its accounts receivable?

4 A. Under the agreement with the buyer of the accounts receivables, Aquila was
5 required to pay fees to various parties. These fees include interest on the outstanding balance
6 plus an administrative, program and investment fees. Also, Aquila was required to pay for
7 any defaults on the receivables sold.

8 Q. Were these accounts receivable program expenses booked above or below the
9 line in the MPS and L&P divisions' test year expenses?

10 A. According to Aquila's response to Staff Data Request No. 421 in Case
11 No. ER-2004-0034, all accounts receivable sales program expenses were booked below the
12 line to FERC account 426.500 and resource code 2502. When Aquila and Staff both reflected
13 the sale of accounts receivable in the rate case, an adjustment was made to include these
14 expenses above the line for ratemaking purposes.

15 Q. What are adjustments S-69.5 for MPS and S-67.5 for L&P shown on Staff
16 Accounting Schedule 10?

17 A. The Staff has made these adjustments to include in the cost of service interest
18 for the accounts receivable program and a one percent corporate administrative fee. These
19 adjustments were necessary as the costs of the Program were charged below the line. In order
20 to reflect these costs consistent with the use of the Program, the above adjustments were
21 necessary.

22 Q. What experience do you have with regard to the impacts of selling accounts
23 receivable on cash working capital?

1 A. I have conducted numerous CWC analyses during my 26 years as a Regulatory
2 Auditor. I have been the primary supervisor of a number of CWC analyses for both Aquila,
3 Inc., Empire District Electric Company (Empire) and Missouri Gas Energy since the mid
4 1990's. Specifically I have been the supervisor responsible to oversee the CWC analyses in
5 each of the last four Aquila rate proceedings including this current case. Those cases include
6 Case Nos. ER-2005-0436, ER-2004-0034 and ER-2001-0672. Additionally, I was directly
7 involved in the discussions between Staff and the Company during the 1980's as to the
8 implementation of the Accounts Receivable Sales program and how it would affect the rate
9 case.

10 I was recently involved in KCPL's rate increase case, Case No. ER-2006-0314, where
11 I was responsible for the development and review of the CWC analysis performed by Staff.
12 KCPL has an accounts receivable sales program and both KCPL and Staff reflected the
13 impact of this program on the revenue lag included in the CWC analysis.

14 **HISTORICAL RATE INCREASES/REDUCTIONS**

15 Q. What has been the rate history of the MPS and L&P divisions of Aquila, Inc.?

16 A. Aquila's MPS division has experienced both rate increases and rate reductions
17 during the 1990's and through 2005. Aquila's MPS division provides both electric and
18 natural gas service to Missouri customers. Aquila's L&P division provides electric, natural
19 gas and steam service to Missouri customers. MPS's actual growth in rates over its January 1,
20 1990, level is due to the refurbishment of its Sibley Generating Unit for plant upgrades and
21 modifications to this unit that were required to convert to the burning of western coal. Once
22 these construction projects were completed in 1993, the Commission ordered MPS to
23 decrease its electric rates as a result of Staff's earnings complaint filed in 1997, Case

Nos. EO-97-144 and EC-97-362. MPS's rates were also reduced as a result of the earnings complaint that resulted from the rate request filed by MPS in 2001, Case No. ER-2001-672. MPS requested a rate increase in Case No. ER-2004-0034 which resulted in an increase of \$14,500,000 in permanent rates and an additional \$16,100,000 in interim rates through an Interim Energy Charge or IEC adjustment. The L&P Division has experienced an overall reduction in electric rates since January 1986.

Q. What is the history of rate changes for the past twenty years for what are now the territories served by MPS and L&P?

A. Since June 1986, MPS electric operations has had five rate reductions and four rate increases and is currently seeking an additional \$94,500,000 increase in electric rates. Since January 1986, L&P has had four rate reductions and three rate increases and is currently seeking an additional \$24,400,000 increase in electric rates.

The following Table 1 summarizes MPS's rate changes that have occurred since June 1986:

Table 1 MPS Rate Changes

Date of Order	Case Number	Rate Request	Public Service Commission Decision
06/11/1986	EO-86-83	Not Applicable	(\$ 308,575)
09/12/1986	EO-87-9	Not Applicable	(\$10,000,000)
09/10/1987	EO-88-36	Not Applicable	(\$ 5,400,000)
10/05/1990	ER-90-101	\$25,000,000	\$ 12,400,000
06/18/1993	ER-93-37	\$19,400,000	\$ 4,900,000
03/06/1998	ER-97.394	\$25,000,000	(\$17,000,000)
02/22 /2002	ER-2001-672	\$49,000,000	(\$ 4,000,000)
04/13/2004	ER-2004-0034	\$65,000,000	\$14,500,000 Prem
		\$69,200,000	\$16,100,000 IEC
2/23/2006	ER-2005-0436	\$94,500,000	\$38,500,000
7/3/2006	ER-2007-0004		pending

1 MPS had a permanent rate change in 2004 resulting from Case No. ER-2004-0034 of
2 \$14,500,000 and an additional \$16,100,000 of interim rates subject to refund for an Interim
3 Energy Charge (IEC) as agreed to in the Commission-approved Stipulation and Agreement
4 between the parties in that case. MPS' last general rate change resulted in an increase of
5 \$38,500,000 as agreed to in a Commission-approved Stipulation and Agreement between the
6 parties in that case.

7 L&P is currently seeking a \$24.4 million rate increase in this case. L&P's last general
8 rate change resulted in an increase of \$6.3 million as agreed to in a Stipulation and Agreement
9 between the parties in that case.

10 L&P's rates have been reduced four times since February 1987, totaling \$12,076,000,
11 in addition to a rate increase in 1994 of \$2,150,000 and another in 2004 of \$3,250,000 of
12 permanent rates with and additional \$2,400,000 of interim rates subject to refund for an
13 Interim Energy Charge (IEC) which was agreed to in a Commission-approved Stipulation and
14 Agreement among the parties to Case No. ER-2004-0034. On December 31, 2000, Aquila
15 acquired St. Joseph Light and Power Company and now serves the former St. Joseph Light
16 and Power Company customers through its L&P division.

17 The following Table 2 summarizes L&P's rate changes that have occurred since
18 January 1986:

Table 2 Light & Power Rate Changes

Date of Order	Case Number	Rate Request	Public Service Commission Decision
02/22/1986	EO-87-87	Not Applicable	(\$5,000,000)
12/22/1987	ER-85.157	Not Applicable	(\$3,700,000)
06/25/1993	ER-93-41	\$ 6,100,000	(\$ 876,000)
06/03/1994	ER-94-163	\$ 5,500,000	\$ 2,150,000
08/27/1999	ER-99-247	\$19,400,000	(\$2,500,000)

Date of Order	Case Number	Rate Request	Public Service Commission Decision
04/13/2004	ER-2004-0034	\$14,640,000	\$3,251,000 Prem
		\$9,400,000	\$2,400,000 IEC
2/23/2006	ER-2005-0436	\$24,400,000	\$6,300,000
7/3/2006	ER-2007-0004		pending

1 The net reduction in rates to L&P's customers since January 1986 has been
2 \$4,275,000. L&P's last general rate change resulted in a rate increase to permanent rates of
3 \$6,300,000. In 2004, L&P rates were changed by \$3,251,000 and an additional \$2,400,000 of
4 interim rates subject to refund for an Interim Energy Charge (IEC) agreed to in the Stipulation
5 and Agreement between the parties in Case No. ER-2004-0034.

6 The rate analysis I performed shows Aquila's Networks - MPS average 2005 electric
7 rates for residential customers are \$.074479 per kWh and are the second highest rates of
8 Missouri's five investor owned electric utilities. Furthermore, Aquila's Networks - L&P
9 average 2005 electric rate for residential customers is \$.059707 per kWh is the lowest of
10 Missouri's five investor owned electric utilities as shown in Schedule 2.

11 Q. Mr. Williams, does this conclude your direct testimony?

12 A. Yes, it does.

CASE PROCEEDING PARTICIPATION

PHILLIP K. WILLIAMS, CPA, CIA

Date Filed	Issue	Case Number	Exhibit	Company Name
	Advertising, Dues & Donations, Plant, Depreciation Reserve, Property Taxes	ER-81-42		Kansas City Power & Light Company
	Material and Supplies, Cash Working Capital	GR-81-155		The Gas Service Company
	Cash Working Capital	TR-81-302		United Telephone Company
	Payroll, O&M Expenses	GR-81-332		Rich Hill-Hume Gas Company
	Cash Working Capital	ER-82-39		Missouri Public Service Company
	Cash Working Capital	WR-82-50		Missouri Public Service Company
	Cash Working Capital	GR-82-151		The Gas Service Company
		GR-82-194		Missouri Public Service Company
	Revenues	WR-82-279		Missouri Water Company-Lexington Division
	Fuel Expense	ER-83-40		Missouri Public Service Company
	Cash Working Capital	GR-83-225		The Gas Service Company
	Revenues	GR-14-24		Rich Hill-Hume Gas Company
	Unit 3/Extra Work, Unit 3/Back charges; Phase IV	ER-85-128		Kansas City Power & Light Company
	Unit 3/Extra Work, Unit 3/Back charges; Phase IV	ER-85-185		Kansas City Power & Light Company
	Payroll, Payroll Taxes, Pensions	GR-86-76		KPL Gas Service Company
	Payroll, Payroll Taxes	TC-87-57		General Telephone Company of the Midwest
	Pensions	GR-88-194		Missouri Public Service Company

Date Filed	Issue	Case Number	Exhibit	Company Name
	Revenues, Pumping Power Expense, Chemical Expense, Vehicle Lease Expense, Interest Expense on Customer Deposits, Bad Debt Expense, Materials & Supplies, Prepayments, Customer Advances, Contributions in Aid of Construction	WR-88-255	Direct	U.S. Water/Lexington, Mo., Inc.
	Cash Working Capital	GR-90-50		KPL Gas Service
		ER-90-101		UtiliCorp United, Inc., Missouri Public Service
09/06/1991	Deferred Income Taxes; Liability Insurance Expense; Commission Assessment Expense; Income Taxes; Injuries & Damages Accrual; WOMAC Employee Expense; Exempt Employee Compensation Study Expense; Rate Case Expense; Employee Relocation Expense	GR-91-291	Direct	Kansas Power and Light Company Gas Service Division
	Revenue Requirement, Project Feasibility	GA-92-269	Direct	Missouri Public Service Company
	Payroll, Employee Benefits, Payroll Taxes, Administrative & General Expense, Donations, Board Fees, Outside Services, Rate Case Expense	WR-92- 85	Direct	Raytown Water Company
	Payroll, Salary Increases	WR-92- 85	Surrebuttal	Raytown Water Company
		GR-93-240		Western Resources, Inc.

Date Filed	Issue	Case Number	Exhibit	Company Name
01/22/1993	Ralph Green No. 3 Lease Expense; Injuries & Damages Expense; Property Tax Expense ; Interest Expense on Customer Deposits; Customer Deposits; Customer Advances; Prepayments; Materials & Supplies; Depreciation Expense; Plant in Service; Amortization Expense; Rate Base; Depreciation Reserve	ER-93-37	Direct	UtiliCorp United Inc. d/b/a MO Public Service
05/28/1993	Plant in Service; Accounting Authority Order; Corporate Overheads; Injuries & Damages Expense; Property Tax Expense; Interest Expense on Customer Deposits; Customer Deposits; Customer Advances; Prepayments; Materials & Supplies; Amortization Expense; Depreciation Reserve; Rate Base; Depreciation Expense	GR-93-172	Direct	Missouri Public Service a Division of UtiliCorp United, Inc.
	Payroll, Payroll Taxes, Insurance, Employee Benefits, Materials and Supplies, Prepayments, Customer Deposits, PSC Assessment, Maintenance Expense, Admin and General Expenses, Donations, Board Fees	WR-94-211	Direct	Raytown Water Company
		GR-96-285		Missouri Gas Energy

Date Filed	Issue	Case Number	Exhibit	Company Name
03/28/1997	Plant; Amortization of Authority Orders; Sale of Accounts Receivable; Property Taxes; Customer Advances; Customer Deposits; Prepayments; Materials and Supplies; Depreciation Reserve; Depreciation Expense	EO-97-144	Direct	UtiliCorp United Inc. d/b/a MO Public Service
03/28/1997	Prepayments; Amortization of Authority Orders; Sale of Accounts Receivable; Plant; Property Taxes; Customer Advances; Customer Deposits; Materials and Supplies; Depreciation Reserve; Depreciation Expense	EC-97-362	Direct	UtiliCorp United Inc. d/b/a MO Public Service
09/16/1997	Plant; Property Taxes; Depreciation Reserve; Depreciation Expense; Accounting Authority Order Amortization; Accounts Receivable Sales; Property Taxes	ER-97-394	Direct	MO Public Service, A Division of UtiliCorp United Inc.
09/30/1997	Gain on Sale of Assets	GM-97-435	Rebuttal	Missouri Public Service, A Division of UtiliCorp United Inc.
		EC-98-126		UtiliCorp United, Inc., Missouri Public Service
05/15/1998	Public Affairs and Community Relations	GR-98-140	Surrebuttal	Missouri Gas Energy, A Division of Southern Union Company
07/10/1998	Staffs' Accounting Schedules; True-Up Methodology; Payroll; Payroll Taxes; Payroll Expense Ratio; AMR Employee Savings	GR-98-140	True-Up	Missouri Gas Energy, A Division of Southern Union Company

Date Filed	Issue	Case Number	Exhibit	Company Name
01/04/1999	Gross Down Factor; Gross Up	GR-98-140	Rehearing Rebuttal	Missouri Gas Energy, A Division of Southern Union Company
04/26/1999	Rate Disparity; Advertising Savings; Insurance Savings; Vehicle Savings; Facility Savings; Administrative and General Savings	EM-97-515	Rebuttal	Western Resources Inc. and Kansas City Power and Light Company
05/02/2000	Historical Rate Increases/ Reductions; Cost per kWh Comparison	EM-2000-292	Rebuttal	UtiliCorp United Inc. / St. Joseph Light and Power
06/21/2000	Historical Rate Increases/ Reductions; Cost Per kWh Comparisons	EM-2000-369	Rebuttal	UtiliCorp United Inc. / Empire District Electric Company
11/30/2000	Revenue Requirements	TT-2001-116	Rebuttal	Iamo Telephone Company
04/03/2001	Postage Expense; Test Year/True Up; Iatan Maintenance Expense; Bad Debt; Banking Fees; State Line Plant Maintenance Expense; Interest on Customer Deposits; Injuries and Damages;	ER-2001-299	Direct	The Empire District Electric Company
08/07/2001	Maintenance Expense	ER-2001-299	True-up Direct	The Empire District Electric Company
12/06/2001	AFUDC; Test Year; Sale of Accounting Receivable; Plant; True-Up; Jurisdictional Allocations; Cost per Kwh Comparison; Historical Rate Increases/Decreases; Cash Working Capital; Depreciation Expense/Depreciation Reserve; Accounting Authority Order; Pensions and OPEBS	ER-2001-672	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
01/22/2002	Cost Per kWh Comparison	ER-2001-672	Surrebuttal	UtiliCorp United Inc. d/b/a Missouri Public Service

Date Filed	Issue	Case Number	Exhibit	Company Name
12/06/2001	Accounting Authority Order; Test Year; True-Up Jurisdictional Allocations; Historical Rate Increases/Decreases; Depreciation Expense/ Depreciation Reserve; Cost per Kwh Comparison; Revenues; Uncollectible Expense; AFUDC and Sale of Accounts Receivable; Cash Working Capital Plant	EC-2002-265	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
01/22/2002	Cost Per kwh Comparison	EC-2002-265	Surrebuttal	UtiliCorp United Inc. d/b/a Missouri Public
08/16/2002	Test Year; Jurisdictional Allocators; State Line Maintenance Contract; State Line 1 and Energy Center 1 & 2 Maintenance Contract; Iatan Maintenance Expense; Asbury Maintenance Expense; Miscellaneous Expenses & Banking Fees;	ER-2002-424	Direct	The Empire District Electric Company
09/24/2002	Security Rider	ER-2002-424	Rebuttal	The Empire District Electric Company
12/09/2003	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Direct	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P
01/06/2004	Test Year, Jurisdictional Allocation Factors, Asset Impairment Write-Down of Eastern System	GR-2004-0072	Direct	Aquila, Inc. d/b/a Aquila Networks MPS Gas and Aquila Networks-L&P Gas
01/26/2004	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Rebuttal	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P
02/27/2004	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Modified Direct	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P
02/27/2004	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Modified Rebuttal	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P

Date Filed	Issue	Case Number	Exhibit	Company Name
10/14/2004	Merger Recommendations, Asset Impairment Write-down, Original Cost of Rate Base, Description of Chilled Water System, Acquisition Premium, Affiliated Transactions	HM-2004-0618	Rebuttal	Trigen-Kansas City Energy Corp. and Thermal North American, Inc.
06/13/2005	Asset Impairment, Write-down of the three Natural Gas Combustion Turbines, Regulatory Accounting	EO-2005-0156	Rebuttal	Aquila, Inc. d/b/a Aquila Networks – MPS
10/14/2005	Test Year; Jurisdictional Allocations; Revenue Requirement; Plant in Service; Depreciation Expense; Depreciation Reserve; Accounting Authority Orders; Property Taxes; South Harper Construction Costs; South Harper Maintenance	ER-2005-0436	Direct	Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks - L&P
11/18/2005	Accounting Authority Orders (AAOs)	ER-2005-0436	Rebuttal	Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks - L&P
12/13/2005	Cash Working Capital; Chapter 100 Ratemaking Treatment; South Harper Construction Costs; South Harper AFUDC; Accounting Authority Orders (AAOs)	ER-2005-0436	Surrebuttal	Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks - L&P

Date Filed	Issue	Case Number	Exhibit	Company Name
08/08/2006	Test Year; Jurisdictional Allocations; Revenue Requirement; Plant in Service; Depreciation Expense; Depreciation Reserve; Accounting Authority Orders; Cash Working Capital; Property Taxes; Expense; Customer Advances; Customer Deposit; Materials & Supplies; Prepayments, Lobbying; Accounting Treatment of Hawthorne 5; and Dues and Donations	ER-2006-0314	Direct	Kansas City Power & Light Company
10/06/2006	Hawthorn 5 AFDC and Depreciation Expense, Lobbying Expenses, Cash Working Capital and EEI	ER-2006-0314	Surrebuttal	Kansas City Power & Light Company