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**Missouri Public
Service Commission**

Exhibit No:
Issues:

Rate Base
Adjustments
COS Adjustments
Rebecca J.
Tangeman
Direct Testimony
Aquila

Witness:

Type of Exhibit:
Sponsoring Party:
Case No:

Date Testimony to be filed:

August 1, 2003

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. _____

DIRECT TESTIMONY

OF

REBECCA J. TANGEMAN

ON BEHALF OF

AQUILA, INC.

d/b/a

AQUILA NETWORKS – MPS

and

AQUILA NETWORKS – L&P

**Omaha, Nebraska
August 2003**

Exhibit No. 25
Date 3/31/04 Case No. GR-2004-0072
Reporter XR

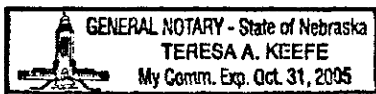
State of Nebraska)
) ss
County of Douglas)

AFFIDAVIT OF REBECCA J. TANGEMAN

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

Rebecca J. Tangeman

Subscribed and sworn to before me this 24 day of June, 2003.



Teresa A. Keefe
Notary Public

My Commission expires:

October 31, 2005

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1 **DIRECT TESTIMONY OF REBECCA J. TANGEMAN**

2

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Rebecca J. Tangeman and my business address is 1815 Capitol
5 Avenue, Omaha, Nebraska.

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am presently employed by Aquila, Inc. ("Aquila" or "Company") as a Senior
8 Regulatory Analyst.

9 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL HISTORY.**

10 A. I hold a Bachelors of Arts degree with honors in Business Management from Buena
11 Vista College awarded in 1980. I have been employed by Aquila. since 1981 in
12 various capacities within the organization. I have been in the Regulatory Services
13 (Gas) department as a Senior Regulatory Accountant from 1989 until June 1998
14 and have had the title of Senior Regulatory Analyst since June 1998.

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

16 A. The purpose of my testimony is to support and explain certain adjustments to rate
17 base and cost of service in support of Aquila's rate case filings for the Aquila
18 Networks – MPS and Aquila Networks – L&P gas divisions (hereinafter "MPS" and
19 "L&P").

20 **Q. PLEASE IDENTIFY THE ADJUSTMENTS THAT YOU ARE SPONSORING.**

21 A. I am sponsoring the following adjustments in rate base:

- 1 • RB-10 Direct and RB-20 Allocated Common Construction Work in Progress
2 (“CWIP”) adjustment (MPS and L&P); and
3 • RB-15 Direct and RB-25 Allocated Common Accumulated Depreciation
4 adjustment (MPS and L&P).

5 I am also sponsoring the following adjustment to cost of service:

- 6 • CS-95 Depreciation Annualization adjustment (MPS and L&P).

7 **RATE BASE**

8 **Q. PLEASE EXPLAIN ADJUSTMENTS RB-10 DIRECT AND RB-20 ALLOCATED**
9 **COMMON CWIP.**

10 A. For adjustments RB-10 Direct CWIP and RB-20 Allocated Common CWIP, a study
11 was performed on Aquila’s project cost accounting system to identify all open MPS
12 direct gas construction projects, L&P direct gas construction projects and Aquila
13 common construction projects with the following characteristics:

- 14 1) A balance of greater than \$50,000 at the completion of test year December 31,
15 2002; and
16 2) An estimated in service date of on or before the known and measurable date of
17 September 30, 2003.

18 The Aquila common construction projects were then allocated to the MPS and L&P
19 divisions following the Aquila corporate allocation manual outlined in the testimony
20 of Aquila witness Beverly Agut.

21 The activities were assigned a Federal Energy Regulatory Commission (“FERC”) utility plant account based on a combination of activity description and discussions
22

1 with project management. Finally, utility class allocation factors were applied for
2 MPS and L&P.

3 **Q. WHAT IS THE PURPOSE OF THESE ADJUSTMENTS?**

4 A. The purpose of these adjustments is to identify and adjust plant in service for any
5 construction work in progress that is expected to be in service and the assets
6 qualify as being used and useful at the known and measurable date of September
7 30, 2003.

8 **Q. WHAT IS THE ADJUSTMENT MADE FOR BOTH MPS AND L&P?**

9 A. For MPS, the gas direct plant and allocated common plant adjustment totaled
10 \$656,260, and for L&P, the gas direct plant and allocated common plant adjustment
11 totaled \$12,373. The effect of this adjustment will be to narrow the regulatory lag in
12 placing the items into rate base.

13 **Q. WHAT HAPPENS IF ONE OR MORE OF THESE PROJECTS HAVE NOT
14 BEEN PLACED INTO SERVICE BY SEPTEMBER 30, 2003?**

15 A. We will update the plant additions in our rate filing after 09/30/2003 to reflect any
16 projects that are not completed by that date.

17 **Q. PLEASE EXPLAIN ADJUSTMENT RB-15 DIRECT AND RB-25 ALLOCATED
18 COMMON ACCUMULATED DEPRECIATION ADJUSTMENT (MPS AND L&P).**

19 A. The purpose of these adjustments is to include in accumulated depreciation the
20 additional depreciation expense calculated on the known and measurable work in
21 progress and construction projects added to plant in service on or before
22 September 30, 2003 for both direct and allocated plant.

1 Q. DOES THE ACCUMULATED DEPRECIATION ALSO FOLLOW THE SAME
2 REPORTING METHODOLOGY AS THE GROSS PLANT IN SERVICE?

3 A. Yes.

4 Q. DOES THE ACCUMULATED DEPRECIATION ALSO FOLLOW THE UTILITY
5 ALLOCATION METHODS USED IN DERIVING THE ALLOCATED GROSS
6 PLANT IN SERVICE?

7 A. Yes.

8 Q. WHAT IS THE DIRECT AND ALLOCATED ACCUMULATED DEPRECIATION
9 FOR MPS?

10 A. The direct and allocated balance for accumulated depreciation for MPS at
11 September 30, 2003 is forecasted to be \$56,282.

12 Q. WHAT IS THE DIRECT AND ALLOCATED ACCUMULATED DEPRECIATION
13 ADJUSTMENT FOR L&P?

14 A. The direct and allocated accumulated depreciation at September 30, 2003 for L&P
15 is forecasted to be \$2,576.

16 Q. ARE THERE ANY OTHER RATE BASE ITEMS THAT YOU WOULD LIKE TO
17 DISCUSS?

18 A. No, I have no further testimony on rate base items.

19 COST OF SERVICE

20 Q. PLEASE EXPLAIN THE CS-95 DEPRECIATION ANNUALIZATION
21 ADJUSTMENT.

1 A. This adjustment computes the annualized depreciation expense on plant-in-service
2 for both direct and allocated plant at the known and measurable date of September
3 30, 2003.

4 **Q. HOW WAS THE PLANT-IN-SERVICE COMPUTED FOR THE DEPRECIATION**
5 **CALCULATION?**

6 A. The plant-in-service for the depreciation calculation is calculated using the ending
7 balance of gross plant, both direct and allocated, on the known and measurable
8 date of September 30, 2003.

9 **Q. WHAT DEPRECIATION RATES ARE USED IN YOUR DEPRECIATION**
10 **CALCULATION?**

11 A. The rates used for the depreciation annualization calculation for MPS and L&P
12 direct plant are from depreciation studies performed by Foster Associates, Inc.
13 using actual plant data at December 31, 2001. A separate study was performed by
14 Foster Associates, Inc. for Aquila's corporate assets using plant data forecasted
15 through December 31, 2002. This separate study and corresponding rates are
16 applied to all allocated corporate plant. The testimony of Aquila witness Ron White
17 of Foster Associates, Inc. will address the actual rates and the methodology applied
18 in calculating these rates.

19 **Q. WHY WAS A SEPARATE STUDY USED TO ANNUALIZE THE**
20 **DEPRECIATION EXPENSE FOR ALLOCATED ASSETS VERSUS DIRECT**
21 **ASSETS?**

1 A. A separate study was done for the allocated assets because these assets are
2 shared by multiple jurisdictions and this depreciation study had already been
3 prepared for submission to other jurisdictions using the most current data available
4 for the depreciation rate calculation.

5 **Q. ARE YOU RECOMMENDING ANY ADJUSTMENTS TO DEPRECIATION**
6 **EXPENSE?**

7 A. Yes. I am recommending an adjustment to eliminate the costs associated with the
8 depreciation of transportation equipment charged to capital projects from the
9 computed annualized depreciation expense because transportation depreciation is
10 charged to a clearing account and is not part of this adjustment.

11 **Q. WHAT IS THE AMOUNT OF THE ANNUALIZED DEPRECIATION EXPENSE**
12 **ADJUSTMENT FOR MPS AND L&P?**

13 A. The adjustment of the annualized depreciation expense is an increase of \$451,458
14 for MPS and an increase of \$30,442 for L&P.

15 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

16 A. Yes it does.