it is predictable that the net revenue pattern of an asset will either decrease or increase over time, then an accelerated or decelerated time-based method should be used to approximate the rate at which service potential is actually consumed.

The time period over which the cost of an asset will be allocated to operations is determined by the combination of a procedure and a technique. A depreciation procedure describes the level of grouping or sub-grouping of assets within a plant category. The broad group, vintage group, equal-life group, and item or unit are a few of the more widely used procedures. A depreciation technique describes the life statistic used in a depreciation system. The whole life and remaining life (or expectancy) are the most common techniques.

Depreciation rates recommended in this study were developed using a system composed of the straight-line method, vintage group procedure, whole-life technique with amortization of reserve imbalances over the estimated remaining life of each rate category. This formulation of the accrual rate is equivalent to a straight-line method, vintage group procedure, remaining-life technique. It is the opinion of Foster Associates that this system will remain appropriate for SJLP, provided depreciation studies are conducted periodically and parameters are routinely adjusted to reflect changing operating conditions.

STATEMENTS

INTRODUCTION

This section provides a comparative summary of depreciation rates, annual depreciation accruals, recorded and computed depreciation reserves, and present and proposed service life and net salvage statistics recommended for SJLP Gas Operations. The content of these statements is briefly described below.

- Statement A provides a comparative summary of present and proposed annual depreciation rates using the vintage group procedure, whole-life technique with amortization of reserve imbalances.
- Statement B provides a comparison of the present and proposed annualized 2002 depreciation accruals using the depreciation rates developed in Statement A.
- Statement C provides a comparison of the recorded, computed and redistributed reserves for each rate category at December 31, 2001.
- Statement D provides a summary of the components used to obtain a weighted average net salvage rate for each rate category.
- Statement E provides a comparative summary of present and proposed parameters including projection life, projection curve, average service life, and average remaining life.

Present depreciation accruals shown on Statement B are the product of the plant investment (Column B) and the present depreciation rates (Column D) shown on Statement A. These are the effective rates used by the Company for the mix of investments recorded on December 31, 2001. Similarly, proposed depreciation accruals shown on Statement B are the product of the plant investment and the proposed depreciation rates (Column I) shown on Statement A. Proposed accrual rates shown on Statement A are given by:

$$Accrual\ Rate = \frac{1.0 - Average\ Net\ Salvage}{Average\ Life} + \frac{Computed\ Reserve - Recorded\ Reserve}{Remaining\ Life}$$

where *Average Net Salvage*, *Computed Reserve* and *Recorded Reserve* are expressed in percent. This formulation of the accrual rate is equivalent to

$$Accrual\ Rate = \frac{1.0 - Reserve\ Ratio - Future\ Net\ Salvage\ Rate}{Remaining\ Life},$$

AQUILA NETWORKS - SJLP (GAS OPERATIONS) Statement A

Comparison of Present and Proposed Accrual Rates
Present: BG Procedure / WL Technique
Proposed: VG Procedure / RL Technique

Account Description	Present Avg. Life	Present Net Salvage	Present Accrual Rate	Proposed Avg. Life	Proposed Avg. Net Salvage	Proposed W/L Rate	Proposed Amorti-zation	Proposed R/L Rate
A	B	C	D	E	F	G	H	I=G+H
DISTRIBUTION PLANT								
375001 Structures and Improvements			2.00%	41.26	-9.3%	2.65%	0.54%	3.19%
376100 Mains - Metallic			1.31%	55.39	-49.7%	2.70%	0.68%	3.38%
376200 Mains - Nonmetallic			1.31%	55.01	-50.0%	2.73%	0.10%	2.83%
378000 Measuring and Regulating Equipment			3.69%	40.50	-5.3%	2.60%	0.16%	2.76%
379000 Meas. and Reg. Equipment - City Gate			2.18%	32.79	-4.5%	3.19%	0.19%	3.38%
380100 Services - Metallic			3.54%	44.48	-118.3%	4.91%	1.07%	5.98%
380200 Services - Nonmetallic			3.54%	41.12	-99.7%	4.86%	0.32%	5.18%
381000 Meters			3.07%	38.53	0.2%	2.59%	0.30%	2.89%
383001 House Regulators			2.44%	35.90		2.79%	0.26%	3.05%
385001 Meas. and Reg. Equipment - Industrial			3.85%	32.28	-5.0%	3.25%	0.93%	4.18%
385002 Large Volume Meters			3.85%	40.72	-5.0%	2.58%	0.29%	2.87%
387000 Other Equipment			10.92%	30.16		3.32%	0.67%	3.99%
Total Distribution Plant			2.24%	45.92	-45.7%	3.17%	0.38%	3.55%
GENERAL PLANT								
391001 Office Furniture and Equipment				18.31		5.46%	-0.35%	5.11%
391003 Computer Hardware				13.85		7.22%	-1.52%	5.70%
394000 Tools, Shop and Garage Equipment			2.48%	25.58		3.91%	-0.40%	3.51%
395000 Laboratory Equipment			4.55%	25.00		4.00%	-0.55%	3.45%
398000 Miscellaneous Equipment			3.73%	25.81		3.87%	-0.88%	2.99%
Total General Plant			2.60%	25.12		3.98%	-0.49%	3.49%
TOTAL DEPRECIABLE PLANT			2.24%	45.39	-44.8%	3.19%	0.36%	3.55%

AQUILA NETWORKS - SJLP (GAS OPERATIONS)

Statement B

Comparison of Present and Proposed Accruals
Present: BG Procedure / WL Technique
Proposed: VG Procedure / RL Technique

Account Description	12/31/01 Plant Investment	2002 Annualized Accrual				
			Proposed			
		Present	Whole-Life	Amortization	Total	Difference
A	B	C	D	E	F=D+E	G=F-C
DISTRIBUTION PLANT						
375001 Structures and Improvements	$24,136	$483	$640	$130	$770	$287
376100 Mains - Metallic	2,166,815	28,385	58,504	14,734	73,238	44,853
376200 Mains - Nonmetallic	1,561,015	20,449	42,616	1,561	44,177	23,728
378000 Measuring and Regulating Equipment	333,113	12,292	8,661	533	9,194	(3,098)
379000 Meas. and Reg. Equipment - City Gate	475,048	10,356	15,154	903	16,057	5,701
380100 Services - Metallic	201,012	7,116	9,870	2,151	12,021	4,905
380200 Services - Nonmetallic	1,338,105	47,369	65,032	4,282	69,314	21,945
381000 Meters	822,753	25,259	21,309	2,469	23,778	(1,481)
383001 House Regulators	449,273	10,962	12,535	1,168	13,703	2,741
385001 Meas. and Reg. Equipment - Industrial	22,683	873	737	211	948	75
385002 Large Volume Meters	76,623	2,950	1,977	222	2,199	(751)
387000 Other Equipment	5,472	598	182	36	218	(380)
Total Distribution Plant	$7,476,048	$167,092	$237,217	$28,400	$265,617	$98,525
GENERAL PLANT						
391001 Office Furniture and Equipment	$1,413		$77	($5)	$72	$72
391003 Computer Hardware	3,022		218	(46)	172	172
394000 Tools, Shop and Garage Equipment	131,118	3,252	5,127	(525)	4,602	1,350
395000 Laboratory Equipment	810	37	32	(4)	28	(9)
398000 Miscellaneous Equipment	22,411	836	867	(197)	670	(166)
Total General Plant	$158,774	$4,125	$6,321	($777)	$5,544	$1,419
TOTAL DEPRECIABLE PLANT	$7,634,822	$171,217	$243,538	$27,623	$271,161	$99,944

AQUILA NETWORKS - SJLP (GAS OPERATIONS)

Statement C

Depreciation Reserve Summary
Vintage Group Procedure
December 31, 2001

Account Description	Plant Investment	Recorded Reserve		Computed Reserve		Redistributed Reserve	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
A	B	C	D=C/B	E	F=E/B	G	H=G/B
DISTRIBUTION PLANT							
375001 Structures and Improvements	$24,136	$10,437	43.24%	$14,529	60.20%	$12,069	50.00%
376100 Mains - Metallic	2,166,815	1,735,282	80.08%	1,940,202	89.54%	1,611,620	74.38%
376200 Mains - Nonmetallic	1,561,015	304,147	19.48%	422,674	27.08%	351,093	22.49%
378000 Measuring and Regulating Equipment	333,113	86,201	25.88%	93,578	28.09%	77,730	23.33%
379000 Meas. and Reg. Equipment - City Gate	475,048	94,292	19.85%	131,061	27.59%	108,865	22.92%
380100 Services - Metallic	201,012	132,988	66.16%	226,816	112.84%	188,404	93.73%
380200 Services - Nonmetallic	1,338,105	550,047	41.11%	747,446	55.86%	620,863	46.40%
381000 Meters	822,753	273,115	33.20%	333,029	40.48%	276,629	33.62%
383001 House Regulators	449,273	186,636	41.54%	160,061	35.63%	132,954	29.59%
385001 Meas. and Reg. Equipment - Industrial	22,683	12,096	53.33%	14,956	65.93%	12,423	54.77%
385002 Large Volume Meters	76,623	31,417	41.00%	32,502	42.42%	26,997	35.23%
387000 Other Equipment	5,472	5,472	100.00%	2,990	54.64%	2,484	45.39%
Total Distribution Plant	$7,476,048	$3,422,131	45.77%	$4,119,845	55.11%	$3,422,131	45.77%
GENERAL PLANT							
391001 Office Furniture and Equipment	$1,413	$353	24.95%	$272	19.22%	$344	24.36%
391003 Computer Hardware	3,022	461	15.26%	1,333	44.12%	1,689	55.89%
394000 Tools, Shop and Garage Equipment	131,118	43,347	33.06%	36,342	27.72%	46,045	35.12%
395000 Laboratory Equipment	810	221	27.34%	274	33.88%	348	42.93%
398000 Miscellaneous Equipment	22,411	17,114	76.36%	10,315	46.03%	13,070	58.32%
Total General Plant	$158,774	$61,495	38.73%	$48,537	30.57%	$61,495	38.73%
TOTAL DEPRECIABLE PLANT	$7,634,822	$3,483,626	45.63%	$4,168,382	54.60%	$3,483,626	45.63%

AQUILA NETWORKS - SJLP (GAS OPERATIONS)
Average Net Salvage

Statement D

Account Description	Plant Investment			Salvage Rate		Net Salvage			Average Rate
	Additions	Retirements	Survivors	Realized	Future	Realized	Future	Total	
A	B	C	D=B-C	E	F	G=E*C	H=F*D	I=G+H	J=I/B
DISTRIBUTION PLANT									
375001 Structures and Improvements	$25,908	$1,772	$24,136		-10.0%		($2,414)	($2,414)	-9.3%
376100 Mains - Metallic	2,304,684	137,869	2,166,815	-44.3%	-50.0%	(61,076)	(1,083,408)	(1,144,483)	-49.7%
376200 Mains - Nonmetallic	1,561,015		1,561,015		-50.0%		(780,508)	(780,508)	-50.0%
378000 Measuring and Regulating Equipment	361,028	27,915	333,113	-8.7%	-5.0%	(2,429)	(16,656)	(19,084)	-5.3%
379000 Meas. and Reg. Equipment - City Gate	609,806	134,758	475,048	-2.7%	-5.0%	(3,638)	(23,752)	(27,391)	-4.5%
380100 Services - Metallic	295,703	94,691	201,012	-157.1%	-100.0%	(148,760)	(201,012)	(349,772)	-118.3%
380200 Services - Nonmetallic	1,350,317	12,212	1,338,105	-62.8%	-100.0%	(7,669)	(1,338,105)	(1,345,774)	-99.7%
381000 Meters	963,724	140,971	822,753	1.1%		1,551		1,551	0.2%
383001 House Regulators	459,074	9,801	449,273						
385001 Meas. and Reg. Equipment - Industrial	22,683		22,683		-5.0%		(1,134)	(1,134)	-5.0%
385002 Large Volume Meters	76,623		76,623		-5.0%		(3,831)	(3,831)	-5.0%
387000 Other Equipment	5,472		5,472						
Total Distribution Plant	$8,036,037	$559,989	$7,476,048	-39.6%	-46.2%	($222,021)	($3,450,819)	($3,672,840)	-45.7%
GENERAL PLANT									
391001 Office Furniture and Equipment	$1,413		$1,413						
391003 Computer Hardware	3,022		3,022						
394000 Tools, Shop and Garage Equipment	140,288	9,170	131,118						
395000 Laboratory Equipment	2,946	2,136	810						
398000 Miscellaneous Equipment	22,411		22,411						
Total General Plant	$170,080	$11,306	$158,774						
TOTAL DEPRECIABLE PLANT	$8,206,117	$571,295	$7,634,822	-38.9%	-45.2%	($222,021)	($3,450,819)	($3,672,840)	-44.8%

AQUILA NETWORKS - SJLP (GAS OPERATIONS)

Statement E

Present and Proposed Parameters
Vintage Group Procedure

Account Description	Present Parameters P-Life/ AYFR	Curve Shape	BG ASL	Rem. Life	Avg. Sal.	Fut. Sal.	Proposed Parameters P-Life/ AYFR	Curve Shape	VG ASL	Rem. Life	Avg. Sal.	Fut. Sal.
A	B	C	D	E	F	G	H	I	J	K	L	M
DISTRIBUTION PLANT												
375001 Structures and Improvements							40.00	R3	41.26	18.80	-9.3	-10.0
376100 Mains - Metallic							55.00	R4	55.39	22.37	-49.7	-50.0
376200 Mains - Nonmetallic							55.00	R4	55.01	45.08	-50.0	-50.0
378000 Measuring and Regulating Equipment							40.00	R2	40.50	29.58	-5.3	-5.0
379000 Meas. and Reg. Equipment - City Gate							33.00	S1	32.79	24.29	-4.5	-5.0
380100 Services - Metallic							40.00	R1.5	44.48	17.76	-118.3	-100.0
380200 Services - Nonmetallic							40.00	R1.5	41.12	29.68	-99.7	-100.0
381000 Meters							38.00	R3	38.53	22.98	0.2	
383001 House Regulators							35.00	R3	35.90	23.11		
385001 Meas. and Reg. Equipment - Industrial							30.00	R3	32.28	12.01	-5.0	-5.0
385002 Large Volume Meters							40.00	R3	40.72	24.27	-5.0	-5.0
387000 Other Equipment							30.00	S3	30.16	13.68		
Total Distribution Plant									45.92	28.27	-45.7	-46.2
GENERAL PLANT												
391001 Office Furniture and Equipment							18.00	L0	18.31	14.79		
391003 Computer Hardware							12.00	SC	13.85	7.74		
394000 Tools, Shop and Garage Equipment							25.00	L2	25.58	18.49		
395000 Laboratory Equipment							25.00	S3	25.00	16.53		
398000 Miscellaneous Equipment							25.00	S3	25.81	13.93		
Total General Plant									25.12	17.55		
TOTAL DEPRECIABLE PLANT									45.39	28.04	-44.8	-45.2

ANALYSIS

INTRODUCTION

This section provides an explanation of the supporting schedules developed in the SJLP gas operations depreciation study to estimate appropriate projection curves, projection lives and statistics for each rate category. The form and content of the schedules developed for an account depend upon the method of analysis adopted for the category.

This section also includes an example of the supporting schedules developed for Account 376100 – Mains (Metallic) as an illustration. Documentation for all other plant accounts is contained in the study work papers. The supporting schedules developed in the SJLP study include:

Schedule A – Generation Arrangement;

Schedule B – Age Distribution;

Schedule C – Unadjusted Plant History;

Schedule D – Adjusted Plant History;

Schedule E – Actuarial Life Analysis;

Schedule F – Graphics Analysis; and

Schedule G – Historical Net Salvage Analysis.

The format and content of these schedules are briefly described below.

SCHEDULE A – GENERATION ARRANGEMENT

The purpose of this schedule is to obtain appropriate weighted-average life statistics for a rate category. The weighted-average remaining-life is the sum of Column H divided by the sum of Column I. The weighted average life is the sum of Column C divided by the sum of Column I.

It should be noted that the generation arrangement does not include parameters for net salvage. Computed Net Plant (Column H) and Accruals (Column I) must be adjusted for net salvage to obtain a correct measurement of theoretical reserves and annualized depreciation accruals.

The following table provides a description of each column in the generation arrangement.

Generation Arrangement

Column	Title	Description
A	Vintage	Vintage or placement year of surviving plant.
B	Age	Age of surviving plant at beginning of study year.
C	Surviving Plant	Actual dollar amount of surviving plant.
D	Average Life	Estimated average life of each vintage. This statistic is the sum of the realized life and the unrealized life, which is the product of the remaining life (Column E) and the theoretical proportion surviving.
E	Remaining Life	Estimated remaining life of each vintage.
F	Net Plant Ratio	Theoretical net plant ratio of each vintage.
G	Allocation Factor	A pivotal ratio which determines the amortization period of the difference between the recorded and computed reserve.
H	Computed Net Plant	Plant in service less theoretical reserve for each vintage.
I	Accrual	Ratio of computed net plant (Column H) and remaining life (Column E).

TABLE 2. GENERATION ARRANGEMENT

SCHEDULE B – AGE DISTRIBUTION

This schedule provides the age distribution and realized life of surviving plant shown in Column C of the Generation Arrangement (Schedule A). The format of the schedule depends upon the availability of either aged or unaged data. Derived additions for vintage years older than the earliest activity year in an account for unaged data are obtained from the age distribution of surviving plant at the beginning of the earliest activity year. The amount surviving from these vintages is shown in Column D. The realized life (Column G) is derived from the dollar years of service provided by a vintage over the period of years the vintage has been in service. Plant additions for vintages older than the earliest activity year in an account are represented by the opening balances shown in Column D.

The computed proportion surviving (Column D) for unaged is derived from a computed mortality analysis. The average service life displayed in the title block is the life statistic derived for the most recent activity year, given the derived age distribution at the start of the year and the specified retirement dispersion. The realized life (Column F) is obtained by finding the slope of an SC retirement dispersion, which connects the computed survivors of a vintage (Column E) to the recorded vintage addition (Column B). The realized life is the area bounded by the SC dispersion, the computed proportion surviving and the age of the vintage.

SCHEDULE C – UNADJUSTED PLANT HISTORY

This schedule provides a summary of recorded plant data extracted from the continuing property records maintained by the Company. Activity year total amounts shown on this schedule for aged data are obtained from a historical arrangement of the data base in which all plant accounting transactions are identified by vintage and activity year. Activity year totals for unaged data are obtained from a transaction file without vintage identification. Information displayed in the unadjusted plant history is consistent with regulated investments reported internally by the Company.

SCHEDULE D – ADJUSTED PLANT HISTORY

This schedule provides a summary of recorded plant data extracted from the continuing property records maintained by the Company with sales, transfers, and adjustments appropriately aged for depreciation study purposes. Activity year total amounts shown on this schedule for aged data are obtained from a historical arrangement of the data base in which all plant accounting transactions are identified by vintage and activity year. Ageing of adjusting transactions is achieved using transaction codes that identify an adjusting year associated with the dollar amount of a transaction. Adjusting transactions processed in the adjusted plant history are not aged in the Company's records nor in the unadjusted plant history.

SCHEDULE E – ACTUARIAL LIFE ANALYSIS

These schedules provide a summary of the dispersion and life indications obtained from an actuarial life analysis for a specified placement band. The observation band (Column A) is specified to produce either a rolling-band or a shrinking-band analysis depending upon the movement of the end points of the band. The degree of censoring (or point of truncation) of the observed life table is shown in Column B for each observation band. The estimated average service life, best fitting Iowa dispersion, and a statistical measure of the goodness of fit are shown for each degree polynomial (First, Second, and Third) fitted to the estimated hazard rates. Options available in the analysis include the width and location of both the placement and observation bands; the interval of years included in a selected rolling or shrinking band analysis; the estimator of the hazard rate (actuarial, conditional proportion retired, or maximum likelihood); the elements to include on the diagonal of a weight matrix (exposures, inverse of age, inverse of variance, or unweighted); and the age at which an observed life table is truncated.

The estimated average service lives (Columns C, F, and I) are flagged with an asterisk if negative hazard rates are indicated by the fitted polynomial. All negative hazard rates are set equal to zero in the calculation of the graduated survivor curve. The Conformance Index (Columns E, H, and K) is the square root of the mean sum-of-squared differences between the graduated survivor curve and

the best fitting Iowa curve. A Conformance Index of zero would indicate a perfect fit.

SCHEDULE F – GRAPHICS ANALYSIS

This schedule provides a graphics plot of a) the observed proportion surviving for a selected placement and observation band; b) the statistically best fitting Iowa dispersion and derived average service life; and c) the projection curve and projection life selected to describe future forces of mortality.

SCHEDULE G – HISTORICAL NET SALVAGE ANALYSIS

This schedule provides a moving average analysis of the ratio of realized net salvage (Column I) to the associated retirements (Column B). The schedule also provides a moving average analysis of the components of net salvage related to retirements. The ratio of gross salvage to retirements is shown in Column D and the ratio of cost of removal to retirements is shown in Column G.

AQUILA NETWORKS - SJLP GAS OPERATIONS

Distribution Plant
Account: 376100 Mains - Metallic

Dispersion: 55 - R4
Procedure: Vintage Group

Generation Arrangement

	December 31, 2001				Net			
Vintage	Age	Surviving Plant	Avg. Life	Rem. Life	Plant Ratio	Alloc. Factor	Computed Net Plant	Accrual
A	B	C	D	E	F	G	H=C*F*G	I=H/E
2001	0.5	4,041	55.00	54.50	0.9909	1.0000	4,004	73
2000	1.5	91,368	55.00	53.50	0.9728	1.0000	88,878	1,661
1999	2.5	8,915	55.00	52.50	0.9546	1.0000	8,510	162
1998	3.5	2,306	55.00	51.50	0.9364	1.0000	2,159	42
1997	4.5	3,575	54.47	50.51	0.9272	1.0000	3,315	66
1996	5.5	16,106	55.00	49.51	0.9002	1.0000	14,498	293
1995	6.5	42	55.00	48.51	0.8820	1.0000	37	1
1994	7.5	1,001	55.00	47.52	0.8639	1.0000	864	18
1993	8.5	140	55.00	46.52	0.8458	1.0000	119	3
1992	9.5	67	55.00	45.53	0.8277	1.0000	56	1
1988	13.5	1,018	55.01	41.56	0.7556	1.0000	769	19
1985	16.5	4,938	55.01	38.62	0.7020	1.0000	3,467	90
1981	20.5	10,271	55.03	34.73	0.6312	1.0000	6,483	187
1980	21.5	2,281	52.47	33.77	0.6437	1.0000	1,468	43
1979	22.5	9,731	55.04	32.82	0.5963	1.0000	5,803	177
1978	23.5	1,808	51.55	31.87	0.6184	1.0000	1,118	35
1977	24.5	3,074	55.06	30.93	0.5618	1.0000	1,727	56
1976	25.5	14,291	53.26	30.00	0.5634	1.0000	8,051	268
1975	26.5	11,832	51.66	29.08	0.5628	1.0000	6,659	229
1974	27.5	99,218	54.80	28.16	0.5139	1.0000	50,986	1,811
1973	28.5	93,753	55.13	27.25	0.4944	1.0000	46,348	1,701
1972	29.5	27,521	55.16	26.36	0.4779	1.0000	13,152	499
1971	30.5	33,085	54.99	25.47	0.4632	1.0000	15,326	602
1970	31.5	54,591	54.36	24.60	0.4525	1.0000	24,700	1,004
1969	32.5	34,477	54.12	23.73	0.4385	1.0000	15,119	637
1968	33.5	178,760	55.25	22.88	0.4141	1.0000	74,025	3,235
1967	34.5	336,631	55.31	22.04	0.3985	1.0000	134,137	6,086
1966	35.5	145,272	55.40	21.21	0.3829	1.0000	55,623	2,622
1965	36.5	66,733	55.46	20.40	0.3678	1.0000	24,546	1,203
1964	37.5	42,379	55.53	19.60	0.3529	1.0000	14,958	763
1963	38.5	29,096	55.62	18.81	0.3382	1.0000	9,840	523
1962	39.5	8,090	55.73	18.04	0.3237	1.0000	2,619	145
1961	40.5	507,726	55.78	17.28	0.3098	1.0000	157,293	9,102
1960	41.5	18,172	55.95	16.54	0.2955	1.0000	5,370	325
1959	42.5	15,131	56.09	15.80	0.2818	1.0000	4,263	270
1958	43.5	122,988	55.40	15.08	0.2723	1.0000	33,487	2,220
1957	44.5	23,916	56.40	14.38	0.2549	1.0000	6,097	424

AQUILA NETWORKS - SJLP GAS OPERATIONS

Distribution Plant
Account: 376100 Mains - Metallic

Dispersion: 55 - R4
Procedure: Vintage Group

Generation Arrangement

Vintage	December 31, 2001 Age	Surviving Plant	Avg. Life	Rem. Life	Net Plant Ratio	Alloc. Factor	Computed Net Plant	Accrual
A	B	C	D	E	F	G	H=C*F*G	I=H/E
1956	45.5	15,883	56.58	13.69	0.2419	1.0000	3,842	281
1955	46.5	10,038	56.78	13.01	0.2290	1.0000	2,299	177
1954	47.5	9,864	57.00	12.34	0.2165	1.0000	2,135	173
1953	48.5	19,783	56.44	11.69	0.2070	1.0000	4,096	350
1952	49.5	65,692	57.25	11.05	0.1931	1.0000	12,683	1,147
1951	50.5	9,005	54.47	10.45	0.1918	1.0000	1,727	165
1950	51.5	12,012	53.19	9.86	0.1855	1.0000	2,228	226
1949	52.5	40	58.45	9.31	0.1593	1.0000	6	1
1947	54.5	154	50.88	8.29	0.1630	1.0000	25	3
Total	34.7	$2,166,815	55.39	22.37	0.4038	1.0000	$874,918	$39,119

AQUILA NETWORKS - SJLP GAS OPERATIONS

Distribution Plant

Account: 376100 Mains - Metallic

Age Distribution

Vintage	Age as of 12/31/2001	Derived Additions	1980 Opening Balance	Experience to 12/31/2001 Amount Surviving	Proportion Surviving	Realized Life
A	B	C	D	E	F=E/(C+D)	G
2001	0.5	4,041		4,041	1.0000	0.5000
2000	1.5	91,368		91,368	1.0000	1.5000
1999	2.5	8,915		8,915	1.0000	2.5000
1998	3.5	2,306		2,306	1.0000	3.5000
1997	4.5	4,212		3,575	0.8488	3.9707
1996	5.5	16,106		16,106	1.0000	5.5000
1995	6.5	42		42	1.0000	6.5000
1994	7.5	1,001		1,001	1.0000	7.5000
1993	8.5	140		140	1.0000	8.5000
1992	9.5	67		67	1.0000	9.5000
1988	13.5	1,018		1,018	1.0000	13.5000
1985	16.5	4,938		4,938	1.0000	16.5000
1981	20.5	10,271		10,271	1.0000	20.5000
1980	21.5	22,896		2,281	0.0996	18.9375
1979	22.5		9,731	9,731	1.0000	22.5000
1978	23.5		3,772	1,808	0.4794	19.9948
1977	24.5		3,074	3,074	1.0000	24.5000
1976	25.5		16,193	14,291	0.8825	23.6794
1975	26.5		20,659	11,832	0.5727	23.0735
1974	27.5		101,578	99,218	0.9768	27.1915
1973	28.5		93,753	93,753	1.0000	28.5000
1972	29.5		27,521	27,521	1.0000	29.5000
1971	30.5		38,118	33,085	0.8680	30.3019
1970	31.5		68,206	54,591	0.8004	30.6441
1969	32.5		37,444	34,477	0.9208	31.3600
1968	33.5		179,826	178,760	0.9941	33.4508
1967	34.5		339,726	336,631	0.9909	34.4611
1966	35.5		145,806	145,272	0.9963	35.4945
1965	36.5		67,212	66,733	0.9929	36.4868
1964	37.5		42,921	42,379	0.9874	37.4811
1963	38.5		29,269	29,096	0.9941	38.4911
1962	39.5		8,090	8,090	1.0000	39.5000
1961	40.5		520,008	507,726	0.9764	40.4456
1960	41.5		18,172	18,172	1.0000	41.5000
1959	42.5		15,131	15,131	1.0000	42.5000
1958	43.5		129,591	122,988	0.9490	42.6659
1957	44.5		23,916	23,916	1.0000	44.5000
1956	45.5		15,883	15,883	1.0000	45.5000

AQUILA NETWORKS - SJLP GAS OPERATIONS

Distribution Plant

Account: 376100 Mains - Metallic

Age Distribution

Vintage	Age as of 12/31/2001	Derived Additions	1980 Opening Balance	Experience to 12/31/2001		
				Amount Surviving	Proportion Surviving	Realized Life
A	B	C	D	E	F=E/(C+D)	G
1955	46.5		10,038	10,038	1.0000	46.5000
1954	47.5		9,864	9,864	1.0000	47.5000
1953	48.5		24,047	19,783	0.8227	47.7021
1952	49.5		69,398	65,692	0.9466	49.2477
1951	50.5		14,795	9,005	0.6087	47.1736
1950	51.5		37,463	12,012	0.3206	46.5810
1949	52.5		40	40	1.0000	52.5000
1947	54.5		9,798	154	0.0157	46.1338
1938	63.5		308		0.0000	42.0000
1933	68.5		367		0.0000	47.0000
1931	70.5		5,645		0.0000	50.2811
Total		$167,322	$2,137,362	$2,166,815	0.9402	

AQUILA NETWORKS - SJLP GAS OPERATIONS

Distribution Plant

Account: 376100 Mains - Metallic

Unadjusted Plant History

Year	Beginning Balance	Additions	Retirements	Sales, Transfers & Adjustments	Ending Balance
A	B	C	D	E	F=B+C-D+E
1980	1,895,967	64,729	3,231		1,957,465
1981	1,957,465	68,494	1,880		2,024,079
1982	2,024,079	25,148	449		2,048,778
1983	2,048,778	42,151	5,935		2,084,994
1984	2,084,994	28,600	3,006		2,110,588
1985	2,110,588	35,614	622		2,145,580
1986	2,145,580	21,779	6,431		2,160,928
1987	2,160,928	33,793			2,194,721
1988	2,194,721	40,013			2,234,734
1989	2,234,734	63,922	641		2,298,015
1990	2,298,015	28,492	2,548		2,323,959
1991	2,323,959	3,205			2,327,164
1992	2,327,164	288,010			2,615,174
1993	2,615,174	104,219	29,852		2,689,541
1994	2,689,541	146,063	3,399		2,832,205
1995	2,832,205	131,009	11,765		2,951,449
1996	2,951,449	422,834	510		3,373,773
1997	3,373,773	61,018	19,962		3,414,829
1998	3,414,829	100,206	2,359		3,512,676
1999	3,512,676	16,626	5,394		3,523,908
2000	3,523,908	251,301	39,885		3,735,324
2001	3,735,324	4,041		(1,572,550)	2,166,815

AQUILA NETWORKS - SJLP GAS OPERATIONS

Distribution Plant

Account: 376100 Mains - Metallic

Adjusted Plant History

Year	Beginning Balance	Additions	Retirements	Sales, Transfers & Adjustments	Ending Balance
A	B	C	D	E	F=B+C-D+E
1980	2,210,670	64,729	3,231		2,272,168
1981	2,272,168	68,494	1,880		2,338,782
1982	2,338,782	25,148	449		2,363,481
1983	2,363,481	42,151	5,935		2,399,697
1984	2,399,697	28,600	3,006		2,425,291
1985	2,425,291	40,552	622		2,465,221
1986	2,465,221	21,779	6,431		2,480,569
1987	2,480,569	33,793			2,514,362
1988	2,514,362	41,031			2,555,393
1989	2,555,393	63,922	641		2,618,674
1990	2,618,674	28,492	2,548		2,644,618
1991	2,644,618	3,205			2,647,823
1992	2,647,823	321,198			2,969,021
1993	2,969,021	81,552	29,852		3,020,721
1994	3,020,721	142,999	3,399		3,160,321
1995	3,160,321	123,552	11,765		3,272,108
1996	3,272,108	102,175	510		3,373,773
1997	3,373,773	61,018	19,962		3,414,829
1998	3,414,829	100,206	2,359		3,512,676
1999	3,512,676	16,626	5,394		3,523,908
2000	3,523,908	251,301	39,885		3,735,324
2001	3,735,324	4,041		(1,572,550)	2,166,815

AQUILA NETWORKS - SJLP GAS OPERATIONS

Distribution Plant

Account: 376100 Mains - Metallic

T-Cut: None

Placement Band: 1931-2001

Hazard Function: Proportion Retired

Weighting: Exposures

Rolling Band Life Analysis

		First Degree			Second Degree			Third Degree		
Observation Band	Censoring	Average Life	Dispersion	Conf. Index	Average Life	Dispersion	Conf. Index	Average Life	Dispersion	Conf. Index
A	B	C	D	E	F	G	H	I	J	K
1980-1984	0.0	78.1	L2 *	0.75	43.7	R3 *	1.93	40.6	R4 *	3.22
1981-1985	6.4	98.3	L1.5 *	1.09	51.1	S3 *	1.62	42.9	R4 *	2.96
1982-1986	0.1	149.4	R1	5.68	63.5	S2	1.52	46.5	R4 *	2.52
1983-1987	0.1	166.9	R2	11.00	70.4	R2.5	1.34	48.3	R4 *	2.49
1984-1988	0.1	193.0	S6 *	12.93	75.1	R2.5	1.76	48.5	R4 *	3.00
1985-1989	0.1	194.0	S6 *	12.25	78.0	R3 *	1.86	50.5	R4 *	2.77
1986-1990	0.4	192.7	S6 *	13.05	76.5	S2 *	1.77	53.8	R4 *	2.06
1987-1991	95.5	165.6	R2 *	7.12	87.0	S2 *	1.37	64.0	S4 *	1.36
1988-1992	97.6	169.0	R2.5 *	7.99	91.7	S2 *	1.24	67.8	R4 *	1.53
1989-1993	1.1	77.7	L2 *	0.95	49.3	S3 *	2.46	42.3	R4 *	6.07
1990-1994	1.2	81.5	L2 *	0.73	51.8	S3 *	1.73	43.7	R4 *	5.67
1991-1995	1.2	77.7	L2 *	0.72	50.8	S3 *	2.00	42.5	R3 *	6.83
1992-1996	41.4	81.4	L2 *	0.77	52.9	S3 *	1.67	44.3	R4 *	6.22
1993-1997	50.1	75.4	L2 *	0.87	52.9	S3 *	1.42	44.6	R3 *	6.13
1994-1998	78.0	104.6	L1.5 *	0.81	66.6	S3 *	1.25	53.6	R4 *	2.56
1995-1999	73.5	102.2	L1.5 *	0.72	66.4	S3 *	1.03	55.6	R4 *	1.80
1996-2000	61.9	96.5	L1	0.64	133.7	SC *	10.11	56.9	R2.5 *	3.61
1997-2001	64.8	101.2	L0.5	1.46	163.6	R1 *	17.19	58.0	R2.5 *	4.16

AQUILA NETWORKS - SJLP GAS OPERATIONS

Distribution Plant

Account: 376100 Mains - Metallic

T-Cut: None

Placement Band: 1931-2001

Hazard Function: Proportion Retired

Weighting: Exposures

Shrinking Band Life Analysis

		First Degree			Second Degree			Third Degree		
Observation Band	Censoring	Average Life	Dispersion	Conf. Index	Average Life	Dispersion	Conf. Index	Average Life	Dispersion	Conf. Index
A	B	C	D	E	F	G	H	I	J	K
1980-2001	0.1	97.8	L1.5 *	0.73	64.1	S3 *	1.80	54.0	R4 *	1.83
1982-2001	0.1	100.5	L1.5 *	0.66	66.1	S2 *	1.68	54.8	R4 *	1.77
1984-2001	0.1	100.8	L1.5 *	0.66	65.8	S2 *	1.85	54.5	R4 *	2.02
1986-2001	0.3	100.0	L1.5 *	0.63	66.0	S2 *	1.84	54.5	R4 *	2.18
1988-2001	67.3	97.1	L1.5 *	0.63	65.9	S3 *	1.82	54.6	R4 *	2.18
1990-2001	66.1	94.3	L1.5 *	0.55	65.5	S2 *	1.85	54.0	R4 *	2.74
1992-2001	64.8	91.6	L1.5 *	0.51	65.4	S2 *	1.58	53.2	R4 *	3.71
1994-2001	71.1	104.4	L1 *	1.07	82.1	S1	0.96	57.2	R3 *	3.20
1996-2001	70.2	107.4	L1	1.47	164.2	R1 *	16.67	60.0	R3 *	3.75
1998-2001	68.7	114.9	S-.5	1.67	170.2	R1.5 *	17.86	60.3	R2.5 *	4.73
2000-2001	59.0	107.9	SC	7.34	144.7	SC *	17.46	47.9	R0.5 *	6.72

AQUILA NETWORKS - SJLP GAS OPERATIONS

Distribution Plant

Account: 376100 Mains - Metallic

T-Cut: None

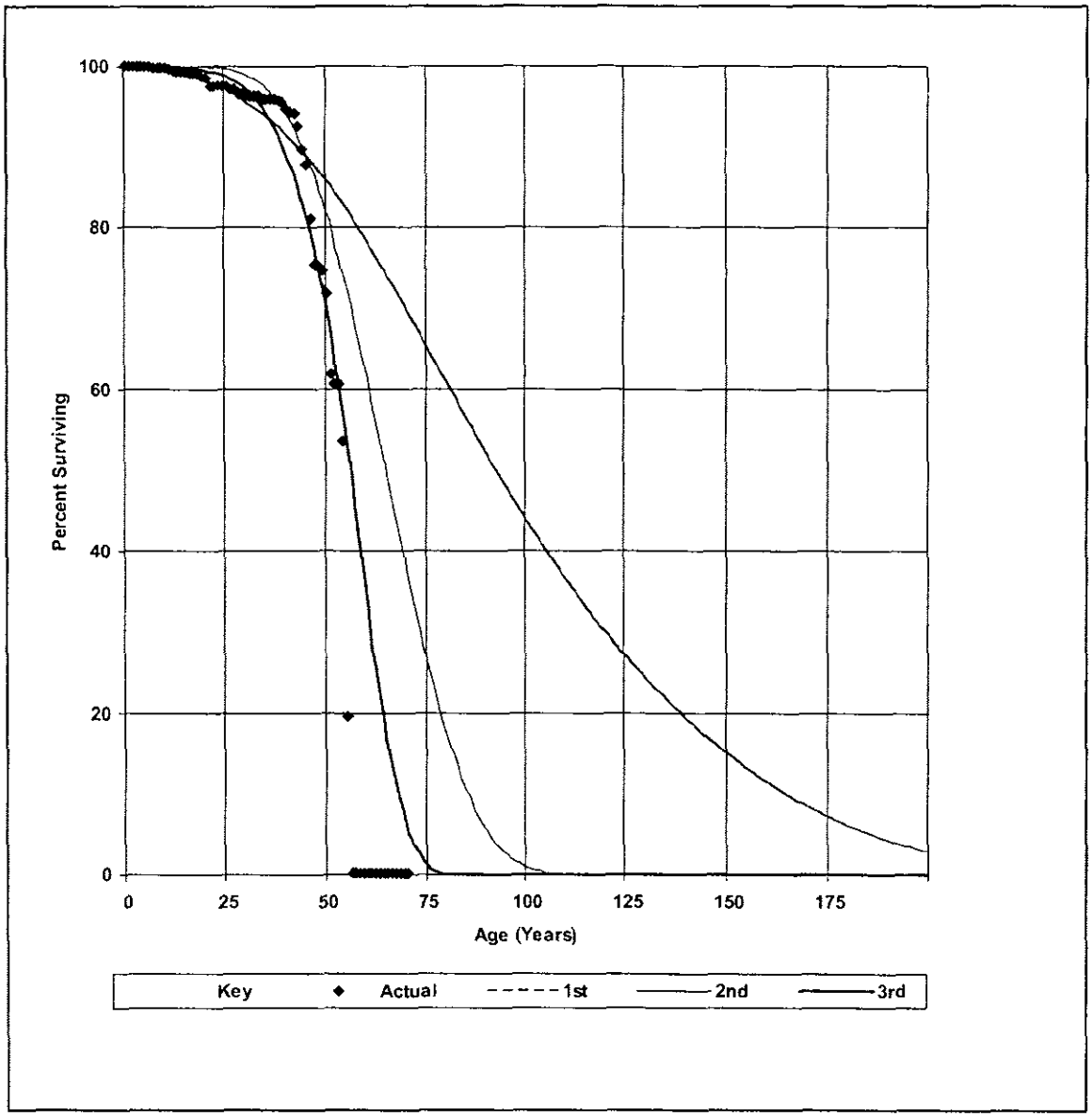
Placement Band: 1931-2001 Observation Band: 1980-2001

Hazard Function: Proportion Retired

Weighting: Exposures

Graphics Analysis

1st: 97.8-L1.5 2nd: 64.1-S3 3rd: 54.0-R4



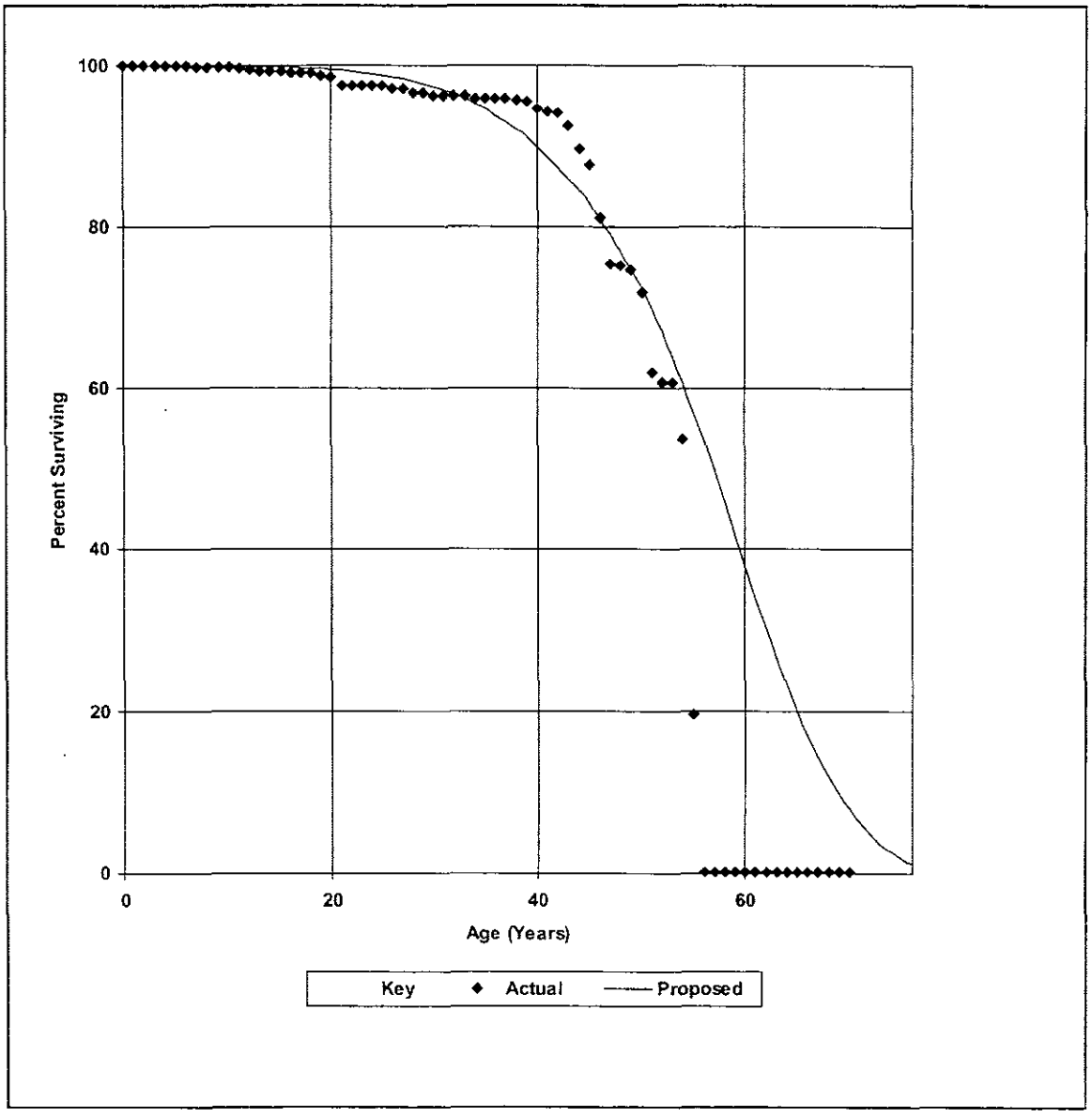
AQUILA NETWORKS - SJLP GAS OPERATIONS

Distribution Plant

Account: 376100 Mains - Metallic

T-Cut: None
Placement Band: 1931-2001
Observation Band: 1980-2001
55.0-R4

Proposed Projection Life Curve



AQUILA NETWORKS - SJLP GAS OPERATIONS

Distribution Plant

Account: 376100 Mains - Metallic

Unadjusted Net Salvage History

		Gross Salvage			Cost of Retiring			Net Salvage		
Year	Retirements	Amount	Pct.	5-Yr Avg.	Amount	Pct.	5-Yr Avg.	Amount	Pct.	5-Yr Avg.
A	B	C	D=C/B	E	F	G=F/B	H	I=C-F	J=I/B	K
1980	3,231		0.0		608	18.8		(608)	-18.8	
1981	1,880		0.0			0.0			0.0	
1982	449	115	25.6		1,017	226.5		(902)	-200.9	
1983	5,935		0.0			0.0			0.0	
1984	3,006		0.0	0.8	814	27.1	16.8	(814)	-27.1	-16.0
1985	622		0.0	1.0		0.0	15.4		0.0	-14.4
1986	6,431		0.0	0.7	2,311	35.9	25.2	(2,311)	-35.9	-24.5
1987			0.0	0.0		0.0	19.5		0.0	-19.5
1988			0.0	0.0		0.0	31.1		0.0	-31.1
1989	641		0.0	0.0		0.0	30.0		0.0	-30.0
1990	2,548		0.0	0.0	5,767	226.3	84.0	(5,767)	-226.3	-84.0
1991			0.0	0.0		0.0	180.8		0.0	-180.8
1992			0.0	0.0		0.0	180.8		0.0	-180.8
1993	29,852		0.0	0.0	19,169	64.2	75.5	(19,169)	-64.2	-75.5
1994	3,399	190	5.6	0.5	2,280	67.1	76.0	(2,090)	-61.5	-75.5
1995	11,765		0.0	0.4	1,538	13.1	51.1	(1,538)	-13.1	-50.6
1996	510		0.0	0.4	311	61.0	51.2	(311)	-61.0	-50.8
1997	19,962		0.0	0.3	205	1.0	35.9	(205)	-1.0	-35.6
1998	2,359		0.0	0.5	1,002	42.5	14.0	(1,002)	-42.5	-13.5
1999	5,394		0.0	0.0	27,175	503.8	75.6	(27,175)	-503.8	-75.6
2000	39,885	240	0.6	0.4	7,643	19.2	53.3	(7,403)	-18.6	-53.0
2001		8,511	0.0	12.9	351	0.0	53.8	8,159	0.0	-40.9
Total	137,869	9,056	6.6		70,191	50.9		(61,136)	-44.3	

AQUILA NETWORKS - SJLP GAS OPERATIONS

Distribution Plant

Account: 376100 Mains - Metallic

Adjusted Net Salvage History

		Gross Salvage			Cost of Retiring			Net Salvage		
Year	Retirements	Amount	Pct.	5-Yr Avg.	Amount	Pct.	5-Yr Avg.	Amount	Pct.	5-Yr Avg.
A	B	C	D=C/B	E	F	G=F/B	H	I=C-F	J=I/B	K
1980	3,231		0.0		608	18.8		(608)	-18.8	
1981	1,880		0.0			0.0			0.0	
1982	449	115	25.6		1,017	226.5		(902)	-200.9	
1983	5,935		0.0			0.0			0.0	
1984	3,006		0.0	0.8	814	27.1	16.8	(814)	-27.1	-16.0
1985	622		0.0	1.0		0.0	15.4		0.0	-14.4
1986	6,431		0.0	0.7	2,311	35.9	25.2	(2,311)	-35.9	-24.5
1987			0.0	0.0		0.0	19.5		0.0	-19.5
1988			0.0	0.0		0.0	31.1		0.0	-31.1
1989	641		0.0	0.0		0.0	30.0		0.0	-30.0
1990	2,548		0.0	0.0	5,767	226.3	84.0	(5,767)	-226.3	-84.0
1991			0.0	0.0		0.0	180.8		0.0	-180.8
1992			0.0	0.0		0.0	180.8		0.0	-180.8
1993	29,852		0.0	0.0	19,169	64.2	75.5	(19,169)	-64.2	-75.5
1994	3,399	190	5.6	0.5	2,280	67.1	76.0	(2,090)	-61.5	-75.5
1995	11,765		0.0	0.4	1,538	13.1	51.1	(1,538)	-13.1	-50.6
1996	510		0.0	0.4	311	61.0	51.2	(311)	-61.0	-50.8
1997	19,962		0.0	0.3	205	1.0	35.9	(205)	-1.0	-35.6
1998	2,359		0.0	0.5	1,002	42.5	14.0	(1,002)	-42.5	-13.5
1999	5,394		0.0	0.0	27,175	503.8	75.6	(27,175)	-503.8	-75.6
2000	39,885	240	0.6	0.4	7,643	19.2	53.3	(7,403)	-18.6	-53.0
2001			0.0	0.4	351	0.0	53.8	(351)	0.0	-53.5
Total	137,869	545	0.4		70,191	50.9		(69,646)	-50.5	

Schedule REW–4

2003 Depreciation Rate Study

Aquila Corporate Assets
(Missouri Operations)

Prepared by
Foster Associates, Inc.

CONTENTS

ANALYSIS

GENERAL

EXECUTIVE SUMMARY

INTRODUCTION

This report presents the findings and recommendations developed in a 2003 Depreciation Rate Study for Aquila Corporate Assets (Corporate). The 2003 study provides depreciation rates and annualized depreciation accruals for calendar year 2003, based on forecasted December 31, 2002 investments and depreciation reserves. The forecast period (*i.e.*, calendar year 2002) includes actual plant and reserve activity through September 30, 2002 and forecasted plant additions and depreciation accruals over the period October 1 through December 31, 2002. Work on the study, conducted by Foster Associates, Inc., commenced in August 2002 and progressed through mid-December 2002, at which time the project was completed.

Foster Associates, Inc. is a public utility economics consulting firm headquartered in Bethesda, Maryland offering economic research and consulting services on issues and problems arising from governmental regulation of business. Areas of specialization supported by our Fort Myers office include property life forecasting, technological forecasting, depreciation estimation, and valuation of industrial property.

Foster Associates has undertaken numerous depreciation engagements for both public and privately owned corporations including detailed statistical life studies, analyses of required net salvage rates, and the selection of depreciation systems that will most nearly achieve the goals of depreciation accounting under the constraints of either government regulation or competitive market pricing. Foster Associates is widely recognized for industry leadership in the development of depreciation systems, life analysis techniques and computer software for conducting depreciation and valuation studies.

Depreciation rates currently used for Corporate Assets allocated to jurisdictions other than Missouri were approved by the Missouri Public Service Commission (Commission) in Case No. ER-97-394 (Order dated August 14, 1998). The approved rates were developed for Aquila – MPS (formerly Missouri Public Service) electric and common operations. Recognizing that a significant portion of Corporate Assets property is located in the state of Missouri and the Missouri order represented the most recent Commission review of parameters for general plant assets, Aquila elected to adopt the MPS depreciation rates for all Corporate Assets. Service life and net salvage statistics (*e.g.*, projection life, projection curve, remaining life and future net salvage rates) used to derive the approved MPS depreciation rates were not identified in either the Order or other documents related to the case.

Depreciation rates currently used for Corporate Assets allocated to Missouri were approved by the Missouri Public Service Commission pursuant to a Stipulation and Agreement in consolidated Case Nos. ER-2001-672 and EC-2002-265

(Agreement dated February 5, 2002). The approved General Common Plant rates were developed for Aquila Networks – MPS electric and common operations and adopted by Aquila for Corporate Assets allocated to Missouri. Depreciable rate categories for Corporate Assets in which no corresponding depreciation rate was approved for General Common Plant have been assigned a zero percent rate. Average service lives used to derive the settled General Common Plant depreciation rates were included in an appendix attached to the Stipulation and Agreement.

Depreciation reserves allocated to Missouri are adjusted for differences in the accrual rates prescribed in Missouri and those currently used for all other jurisdictions and non-regulated business units. The reserve adjustment is the cumulative difference in accruals resulting from the application of unique depreciation rates in Missouri. Reserve adjustments are shown on Statement C of this report.

The principal findings and recommendations of the Corporate Assets Depreciation Rate Study for Missouri are summarized in the Statements section of this report. Statement A provides a comparative summary of present and proposed annual depreciation rates for each rate category. Statement B provides a comparison of present and proposed annual depreciation accruals. Statement C provides a comparison of the computed, recorded and redistributed depreciation reserves for each rate category. Statement D provides a summary of the components used to obtain a weighted-average net salvage rate for each account. Statement E provides a comparative summary of present and proposed parameters and statistics including projection life, projection curve, average service life, average remaining life, and average and future net salvage rates. Statement F provides plant and reserve allocation factors and the derivation of plant and reserves allocated to Missouri operations. A set of statements is included in this report for a) Corporate Assets allocated to MPS operations; and b) Corporate Assets allocated to SJLP operations.

SCOPE OF STUDY

The principal activities undertaken in the course of the current study included:

- Collection of plant data;
- Reconciliation of data to the official records of the Company;
- Discussions with Corporate plant accounting personnel;
- Estimation of projection lives and retirement dispersion patterns;
- Analysis of gross salvage and removal expense;
- Analysis and redistribution of recorded depreciation reserves; and
- Development of recommended accrual rates for each rate category.

DEPRECIATION SYSTEM

A depreciation rate is formed by combining the elements of a depreciation system. A depreciation system is composed of a method, a procedure and a technique. A depreciation method (*e.g.*, straight-line) describes the component of the system that determines the acceleration or deceleration of depreciation accruals in relation to either time or use. A depreciation procedure (*e.g.*, vintage group) identifies the level of grouping or sub-grouping of assets within a plant category. The level of grouping specifies the weighting used to obtain composite life statistics for an account. A depreciation technique (*e.g.*, remaining-life) describes the life statistic used in the system.

The depreciation system presently used for Corporate Assets is composed of the straight-line method, broad group procedure, whole-life technique for all plant categories. The rates proposed in this study are derived from a system composed of the straight-line method, vintage group procedure, whole-life technique with amortization of reserve imbalances over the estimated remaining life of each rate category. This formulation of the accrual rate is equivalent to a straight-line method, vintage group procedure, remaining-life technique.

The matching and expense recognition principles of accounting provide that the cost of an asset (or group of assets) should be allocated to operations over an estimate of the economic life of the asset in proportion to the consumption of service potential. It is the opinion of Foster Associates that the objectives of depreciation accounting can be more nearly achieved using the vintage-group procedure combined with the remaining-life technique. Unlike the broad group procedure in which each vintage is estimated to have the same average service life, the vintage group procedure distinguishes average service lives among vintages and provides cost apportionment over the estimated weighted-average remaining life or average life of a rate category.

The level of asset grouping identified in the broad group procedure is the total plant in service from all vintages in an account. Each vintage is estimated to have the same average service life. It is highly unlikely, therefore, that compensating deviations (*i.e.,* over and underestimates of average service life) will be created among vintages to achieve cost allocation over the average service life of each vintage. The level of asset grouping identified in the vintage group procedure is the plant in service from each vintage. The average service life (or remaining life) is estimated independently for each vintage and composite life statistics are computed for each plant account. It is more likely, therefore, that compensating deviations will be created with a vintage group procedure than with a broad group procedure.

The dependency of both the broad group procedure and the vintage group procedure on compensating deviations in the estimate of service lives is attribut-

able to the use of the whole-life technique. A permanent excess or deficiency will be created in the depreciation reserve by a continued application of the whole-life technique if these deviations are not exactly offsetting. The potential for a permanent reserve imbalance can be eliminated, however, by an application of the remaining-life technique.

The principal distinction between a whole-life rate and a remaining-life rate is the treatment of depreciation reserve imbalances. A reserve imbalance is the difference between a theoretical or computed reserve and the corresponding recorded reserve for a rate category. The remaining-life technique provides a systematic amortization of these differences over the composite weighted average remaining life of a rate category.

Although the emergence of economic factors such as bypass and incentive forms of regulation may ultimately encourage abandonment of the straight-line method, no attempt was made in the current study to address these concerns.

PROPOSED DEPRECIATION RATES

Table 1 provides a summary of the changes in annual depreciation rates and accruals applicable to Corporate Assets devoted to MPS operations.

Rates and Accruals

Function	Accrual Rate			2003 Annualized Accrual		
	Present	Proposed	Difference	Present	Proposed	Difference
General Plant	1.39%	11.86%	10.47%	$732,797	$6,256,676	$5,523,879

TABLE 1. CORPORATE ASSETS – MPS RATES AND ACCRUALS

The composite accrual rate recommended for MPS operations is 11.86 percent. The current equivalent rate is 1.39 percent. The recommended change in the composite rate is an increase of 10.47 percentage points.

A continued application of rates currently adopted for MPS would provide annualized depreciation expense of $732,797 compared to an annualized expense of $6,256,676 using the rates developed in this study. The proposed expense increase is $5,523,879. Of this increase, $1,985,795 represents amortization of a $12,229,229 reserve imbalance. The remaining portion of the increase is attributable to recommended changes in service life parameters.

Of the 10 primary accounts included in the 2003 study, a rate reduction is recommended for one account and rate increases for nine accounts.

Table 2 provides a summary of the changes in annual depreciation rates and accruals applicable to Corporate Assets devoted to SJLP operations.

Rates and Accruals

Function	Accrual Rate			2003 Annualized Accrual		
	Present	Proposed	Difference	Present	Proposed	Difference
General Plant	1.41%	11.97%	10.56%	$241,203	$2,046,124	$1,804,921

TABLE 2. CORPORATE ASSETS – SJLP RATES AND ACCRUALS

The composite accrual rate recommended for SJLP operations is 11.97 percent. The current equivalent rate is 1.41 percent. The recommended change in the composite rate is an increase of 10.56 percentage points.

A continued application of rates currently adopted for SJLP would provide annualized depreciation expense of $241,203 compared to an annualized expense of $2,046,124 using the rates developed in this study. The proposed expense increase is $1,804,921. Of this increase, $663,511 represents amortization of a $4,020,601 reserve imbalance. The remaining portion of the increase is attributable to recommended changes in service life parameters.

Of the 10 primary accounts included in the 2003 study, a rate reduction is recommended for one account and rate increases for nine accounts.

COMPANY PROFILE

GENERAL

Aquila began as Green Light and Power Company in 1917. In 1922 the name was changed to West Missouri Power Company and in 1927 was merged with Missouri Public Service Company, adopting the Missouri Public Service Company name. Over the ensuing years, the Company continued to grow and acquire other utilities. In 1985, the Company name was changed to UtiliCorp United to better describe the numerous areas of the country being served by the Company. In 2002, the Company changed its name to Aquila.

Based in Kansas City, Missouri, Aquila operates electric and natural gas distribution networks serving customers in seven states, Canada, the United Kingdom, and Australia. The Company also owns and operates power generation assets.

At June 30, 2002, Aquila had total assets of $11.9 billion. Aquila Corporate Assets included in this study are used to provide corporate support to the networks and power generation asset groups. Corporate Assets and associated costs are distributed to other business units based on annually adjusted allocation factors.

STUDY PROCEDURE

INTRODUCTION

The purpose of a depreciation study is to analyze the mortality characteristics, net salvage rates and adequacy of the depreciation accrual and recorded depreciation reserve for each rate category. This study provides the foundation and documentation for recommended changes in the depreciation accrual rates used for Aquila Corporate Assets – MPS and Aquila Corporate Assets - SJLP.

SCOPE

The steps involved in conducting a depreciation study can be grouped into five major tasks:

- Data Collection;
- Life Analysis and Estimation;
- Net Salvage Analysis;
- Depreciation Reserve Analysis; and
- Development of Accrual Rates.

The scope of the 2003 study of Corporate Assets included a consideration of each of these tasks as described below.

DATA COLLECTION

The minimum database required to conduct a statistical life study consists of a history of vintage year additions and unaged activity year retirements, transfers and adjustments. These data must be appropriately adjusted for transfers, sales and other plant activity that would otherwise bias the measured service life of normal retirements. The age distribution of surviving plant for unaged data can be estimated by distributing the plant in service at the beginning of the study year to prior vintages in proportion to the theoretical amount surviving from a projection or survivor curve identified in the life study. The statistical methods of life analysis used to examine unaged plant data are known as *semi-actuarial techniques*.

A far more extensive database is required to apply the statistical methods of life analysis known as *actuarial techniques*. Plant data used in an actuarial life study most often include the age distribution of surviving plant at the beginning of the study year and the vintage year, activity year, and dollar amounts associated with normal retirements, reimbursed retirements, sales, abnormal retirements, transfers, corrections, and extraordinary adjustments over a series of prior activity years. An actuarial database may include the age distribution of surviving plant at the beginning of the earliest activity year, rather than at the beginning of the study year. Plant additions, however, must be included in a database containing an opening age distribution to derive aged survivors at the beginning of the study year. All activity year transactions with vintage year identification are

coded and stored in a data file. The data are processed by a computer program and transaction summary reports are created in a format reconcilable to the Company's official plant records. The availability of such detailed information is dependent upon an accounting system that supports aged property records. The Continuing Property Record (CPR) system used by Aquila for Corporate Assets provides aged transactions for all plant accounts.

The database used in the 2003 study was compiled from the current CPR system installed by Aquila in October 1998. The database was provided to Foster Associates in an electronic format containing activity year transactions over the period 1999 through September 30, 2002. Forecasted plant additions and depreciation accruals were provided over the period October 1 through December 31, 2002.

Transaction codes are used to describe the nature of the detailed accounting activity extracted from the CPR. Transaction codes for plant additions, for example, are used to distinguish normal additions from acquisitions, purchases, reimbursements and adjustments. Similar transaction codes are used to distinguish normal retirements from sales, reimbursements, abnormal retirements and adjustments. Transaction codes are also assigned to transfers, capital leases and other accounting activity which should be considered in a depreciation study.

The database was initially constructed to provide a reverse calculation of the historical arrangement over the period 1998–2002 for each account. Age distributions of plant exposed to retirement at the beginning of each activity year were obtained by adding (or subtracting) transaction amounts to the coded age distribution of surviving plant at the end of 2002. Plant additions for each activity year and age distributions of surviving plant at the beginning of 1999 derived from these transactions were subsequently coded and added to the database. The age distribution of surviving plant at the end of 2002 was then removed from the database. This conversion of the database from a reverse construction to a forward construction of the historical arrangement was made to facilitate maintaining the database for future depreciation studies. Future activity-year transactions (including plant additions) can now be appended to the database without removing or adjusting prior coded transactions.

The accuracy and completeness of the assembled data base was verified by Foster Associates for activity years 1999 through September 30, 2002 by comparing the beginning plant balance, additions, retirements, transfers and adjustments, and the ending plant balance derived for each activity year to the official plant records of the Company. Forecasted plant and reserve activity could not be reconciled to any official plant records of the Company.

LIFE ANALYSIS AND ESTIMATION

Life analysis and life estimation are terms used to describe a two-step procedure for estimating the mortality characteristics of a plant category. The first step (*i.e.*, life analysis) is largely mechanical and primarily concerned with history. Statistical techniques are used in this step to obtain a mathematical description of the forces of retirement acting upon a plant category and an estimate of service life known as the *projection life* of the account. The mathematical expressions used to describe these life characteristics are known as *survival functions* or *survivor curves*.

The second step (*i.e.*, life estimation) is concerned with predicting the expected remaining life of property units still exposed to the forces of retirement. It is a process of blending the results of a life analysis with informed judgment (including expectations about the future) to obtain an appropriate projection life and curve. The amount of weight given to the life analysis will depend upon the extent to which past retirement experience is considered descriptive of the future.

The analytical methods used in a life analysis are broadly classified as actuarial and semi-actuarial techniques. Actuarial techniques can be applied to plant accounting records that reveal the age of a plant asset at the time of its retirement from service. Stated differently, each property unit must be identifiable by date of installation and age at retirement. Semi-actuarial techniques can be used to derive service life and dispersion estimates when age identification of retirements is not maintained or readily available.

An actuarial life analysis program designed and developed by Foster Associates was used in this study. The first step in an actuarial analysis involves a systematic treatment of the available data for the purpose of constructing an observed life table. A complete life table contains the life history of a group of property units installed during the same accounting period and various probability relationships derived from the data. A life table is arranged by age-intervals (usually defined as one year) and shows the number of units (or dollars) entering and leaving each age-interval and probability relationships associated with this activity. A life table minimally shows the age of each survivor and the age of each retirement from a group of units installed in a given accounting year.

A life table can be constructed in any one of at least five alternative methods. The annual-rate or retirement-rate method was used in this study. The mechanics of the annual-rate method require the calculation of a series of ratios obtained by dividing the number of units (or dollars) surviving at the beginning of an age interval into the number of units (or dollars) retired during the same interval. This ratio (or set of ratios) is commonly referred to as retirement ratios. The cumulative proportion surviving is obtained by multiplying the retirement ratio for each age interval by the proportion of the original group surviving at the beginning of

that age interval and subtracting this product from the proportion surviving at the beginning of the same interval. The annual-rate method is applied to multiple groups or vintages by combining the retirements and/or survivors of like ages for each vintage included in the analysis.

The second step in an actuarial analysis involves graduating or smoothing the observed life table and fitting the smoothed series to a family of survival functions. The functions used in this study are the Iowa-type curves which were mathematically derived from the Pearson frequency curve family. The observed life table was smoothed by a weighted least-squares procedure in which first, second and third degree polynomials were fitted to the observed retirement ratios. The resulting function can be expressed as a survivorship function which is numerically integrated to obtain an estimate of the average service life. The smoothed survivorship function is then fitted by a weighted least-squares procedure to the Iowa-curve family to obtain a mathematical description or classification of the dispersion characteristics of the data.

The set of computer programs used in this analysis provides multiple rolling-band and shrinking-band analyses of an account. Observation bands are defined for a "retirement era" which restricts the analysis to the retirement activity of all vintages represented by survivors at the beginning of a selected era. In a rolling-band analysis, a year of retirement experience is added to each successive retirement band and the earliest year from the preceding band is dropped. A shrinking-band analysis begins with the total retirement experience available and the earliest year from the preceding band is dropped for each successive band. Rolling and shrinking band analyses are used to detect the emergence of trends in the behavior of the dispersion and average service life.

Options available in the actuarial life analysis program developed by Foster Associates include the width and location of both placement and observation bands; the interval of years included in a selected rolling or shrinking band analysis; the estimator of the hazard rate (actuarial, conditional proportion retired, or maximum likelihood); the elements to include on the diagonal of a weight matrix (exposures, inverse of age, inverse of variance, or unweighted); and the age at which an observed life table is truncated. The program also provides tabular and graphics output as an aid in the analysis and optionally produces data output files used in the calculation of depreciation accruals.

While actuarial and semi-actuarial statistical methods are well suited to an analysis of plant categories containing a large number of homogeneous units (*e.g.*, mains and services), the concept of retirement dispersion is inappropriate for plant categories composed of major items of plant that will most likely be retired as a single unit. Plant retirements from an integrated system prior to the retirement of the entire facility are more properly viewed as interim retirements that will be re-

placed in order to maintain the integrity of the system. Additionally, plant facilities may be added to the existing system (*i.e.*, interim additions) in order to expand or enhance its productive capacity without extending the service life of the present system. A proper depreciation rate can be developed for an integrated system using a life-span method. All plant accounts were treated as full mortality categories in this study.

Without exception, service life indications were indeterminate from a statistical analysis of the available activity years. Much of the plant activity over the period 1999–2002 consisted of transfers, adjustments, and several large retirements associated with the formation of the Corporate Assets business unit. Service life indications were generally much shorter than either experience or the anticipated future use of the assets would suggest. Absent meaningful indications from the analysis of historical retirement activity, the service-life statistics recommended in this study were based largely on judgment and a consideration of the parameters approved for similar assets managed by other Aquila business units.

NET SALVAGE ANALYSIS

Depreciation rates designed to achieve the goals and objectives of depreciation accounting will include a parameter for future net salvage and a variable for average net salvage which reflects both realized and future net salvage rates.

An estimate of the net salvage rate applicable to future retirements is most often obtained from an analysis of gross salvage and removal expense realized in the past. An analysis of past experience (including an examination of trends over time) provides an appropriate basis for estimating future salvage and cost of removal. Consideration should also be given, however, to events that may cause deviations from net salvage realized in the past.

Special consideration should also be given to the treatment of insurance proceeds and other forms of third-party reimbursements credited to the depreciation reserve. A properly conducted net salvage study will exclude such activity from the estimate of future parameters and include the activity in the computation of realized and average net salvage rates.

A traditional, historical analysis using a one-year moving average of the ratio of realized salvage and removal expense to the associated retirements was used in this study to a) estimate realized net salvage rates; b) detect the emergence of historical trends; and c) provide a basis for estimating future net salvage rates. Cost of removal and salvage opinions obtained from the Company were blended with judgment and historical indications in developing estimates of the future.

Account 390001 (Structures and Improvements) is the only account for which net salvage has been recorded. Salvage proceeds resulted from the sale infrastructure improvements on developable land. Foster Associates was advised by

Aquila that any future interim salvage from Corporate Assets will, most likely, be offset by removal expense. Accordingly, a future net salvage rate of zero percent is recommended for all Corporate Asset accounts.

The average net salvage rate for Account 390001 was estimated using direct dollar weighting of historical retirements with the historical net salvage rate, and future retirements (*i.e.*, surviving plant) with the estimated future net salvage rate. The computation of the estimated average net salvage rate for this account is shown in Statement D.

DEPRECIATION RESERVE ANALYSIS

The purpose of a depreciation reserve analysis is to compare the current level of the recorded reserve with the level required to achieve the goals or objectives of depreciation accounting if the amount and timing of future retirements and net salvage are realized as predicted. The difference between the required depreciation reserve and the recorded reserve provides a measurement of the expected excess or shortfall that will remain in the depreciation reserve if corrective action is not taken to eliminate the reserve imbalance.

Unlike a recorded reserve which represents the net amount of depreciation expense charged to previous periods of operations, a theoretical reserve is a measure of the implied reserve requirement at the beginning of a study year if the timing of future retirements and net salvage is in exact conformance with a survivor curve chosen to predict the probable life of plant units still exposed to the forces of retirement. Stated differently, a theoretical depreciation reserve is the difference between the recorded cost of plant presently in service and the sum of the depreciation expense and net salvage that will be charged in the future if plant retirements are distributed over time according to a specified retirement frequency distribution.

The survivor curve used in the calculation of a theoretical depreciation reserve is intended to describe forces of retirement that will be operative in the future. However, retirements caused by forces such as accidents, physical deterioration and changing technology seldom, if ever, remain stable over time. It is unlikely, therefore, that a probability or retirement frequency distribution can be identified that will accurately describe the age of plant retirements over the complete life cycle of a vintage. It is for this reason that depreciation rates should be reviewed periodically and adjusted for observed or expected changes in the parameters chosen to describe the underlying forces of mortality.

Although reserve records are commonly maintained by various account classifications, the total reserve for a company is the most important measure of the status of the company's depreciation practices and procedures. If a company has not previously conducted statistical life studies or considered retirement disper-

sion in setting depreciation rates, it is likely that some accounts will be over-depreciated and other accounts will be under-depreciated relative to a calculated theoretical reserve. Differences between the theoretical reserve and the recorded reserve also will arise as a normal occurrence when service lives, dispersion patterns and net salvage estimates are adjusted in the course of depreciation reviews. It is appropriate, therefore, and consistent with group depreciation theory to periodically redistribute or rebalance the total recorded reserve among the various primary accounts based upon the most recent estimates of retirement dispersion and net salvage rates.

A redistribution of recorded reserves is considered appropriate for Corporate Assets at this time. Although recorded reserves have been maintained by primary account, these reserves were largely ignored in the development of the currently used whole-life accrual rates. The MPS rates adopted for Corporate Assets were established by negotiations and compromise without specifying the projection curve and reserve ratios contemplated in the settled rates. The failure to address prior reserve imbalances produces an added dimension of instability in accrual rates beyond the variability attributable to the parameters estimated in the current study. A redistribution of the recorded reserve is necessary, therefore, to develop an initial reserve balance for each primary account consistent with the age distributions and estimates of retirement dispersion developed in this study. Reserves should also be realigned in this study to reflect implementation of the vintage group procedure.

A redistribution of the recorded reserve was achieved for Corporate Assets by multiplying the calculated reserve for each primary account within the general function by the ratio of the function total recorded reserve to the function total calculated reserve. The sum of the redistributed reserves within the general function is, therefore, equal to the function total recorded depreciation reserve before the redistribution.

Statement C (page 19) provides a comparison of the computed and recorded reserves forecasted for Corporate Assets – MPS on December 31, 2002. The recorded reserve is $2,051,206, or 3.9 percent of the depreciable plant investment. The corresponding computed reserve is $14,280,435 or 27.1 percent of the depreciable plant investment. A proportionate amount of the measured reserve imbalance of $12,229,229 will be amortized over the composite weighted-average remaining life of each rate category.

Statement C (page 26) provides a comparison of the computed and recorded reserves forecasted for Corporate Assets – SJLP on December 31, 2002. The recorded reserve is $697,985, or 4.1 percent of the depreciable plant investment. The corresponding computed reserve is $4,718,586 or 27.6 percent of the depreciable plant investment. A proportionate amount of the measured reserve imbal-

ance of $4,020,601 will be amortized over the composite weighted-average remaining life of each rate category.

Development of Accrual Rates

The goal or objective of depreciation accounting is cost allocation over the economic life of an asset in proportion to the consumption of service potential. Ideally, the cost of an asset—which represents the cost of obtaining a bundle of service units—should be allocated to future periods of operation in proportion to the amount of service potential expended during an accounting interval. The service potential of an asset is the present value of future net revenue (*i.e.*, revenue less expenses exclusive of depreciation and other non-cash expenses) or cash inflows attributable to the use of that asset alone.

Cost allocation in proportion to the consumption of service potential is often approximated by the use of depreciation methods employing time rather than net revenue as the apportionment base. Examples of time-based methods include sinking-fund, straight-line, declining balance, and sum-of-the-years' digits. The advantage of using a time-based method is that it does not require an estimate of the remaining amount of service capacity an asset will provide or the amount of capacity actually consumed during an accounting interval. Using a time-based allocation method, however, does not change the goal of depreciation accounting. If it is predictable that the net revenue pattern of an asset will either decrease or increase over time, then an accelerated or decelerated time-based method should be used to approximate the rate at which service potential is actually consumed.

The time period over which the cost of an asset will be allocated to operations is determined by the combination of a procedure and a technique. A depreciation procedure describes the level of grouping or sub-grouping of assets within a plant category. The broad group, vintage group, equal-life group, and item or unit are a few of the more widely used procedures. A depreciation technique describes the life statistic used in a depreciation system. The whole life and remaining life (or expectancy) are the most common techniques.

Depreciation rates recommended in this study were developed using a system composed of the straight-line method, vintage group procedure, whole-life technique with amortization of reserve imbalances over the estimated remaining life of each rate category. This formulation of the accrual rate is equivalent to a straight-line method, vintage group procedure, remaining-life technique. It is the opinion of Foster Associates that this system will remain appropriate for Corporate Assets, provided depreciation studies are conducted periodically and parameters are routinely adjusted to reflect changing operating conditions.

STATEMENTS

INTRODUCTION

This section provides a comparative summary of depreciation rates, annual depreciation accruals, recorded and computed depreciation reserves, and present and proposed service life statistics recommended for Corporate Assets – MPS and Corporate Assets - SJLP. The content of these statements is briefly described below.

- Statement A provides a comparative summary of present and proposed annual depreciation rates using the vintage group procedure, whole-life technique with amortization of reserve imbalances.
- Statement B provides a comparison of the present and proposed 2003 annualized depreciation accruals based upon the rates developed in Statement A.
- Statement C provides a comparison of the recorded, computed and re-distributed reserves for each rate category at December 31, 2002.
- Statement D provides a summary of the components used to obtain a weighted average net salvage rate for each plant account.
- Statement E provides a comparative summary of present and proposed parameters including projection life, projection curve and future net salvage rates. The statement also contains present and proposed statistics including average service life, average remaining life, and average net salvage rates.
- Statement F provides plant and reserve allocation factors and the derivation of plant and reserves allocated to Missouri operations.

Present depreciation accruals shown on Statement B are the product of the plant investment (Column B) and the present depreciation rates (Column D) shown on Statement A. These are the current Missouri rates used by the Company for the mix of investments estimated at December 31, 2002. Similarly, proposed depreciation accruals shown on Statement B are the product of the plant investment and the proposed depreciation rates (Column I) shown on Statement A. Proposed accrual rates shown on Statement A are given by:

$$Accrual\ Rate = \frac{1.0 - Average\ Net\ Salvage}{Average\ Life} + \frac{Computed\ Reserve - Recorded\ Reserve}{Remaining\ Life}$$

where *Average Net Salvage*, *Computed Reserve* and *Recorded Reserve* are expressed in percent. This formulation of the accrual rate is equivalent to

$$Accrual\ Rate = \frac{1.0 - Reserve\ Ratio - Future\ Net\ Salvage\ Rate}{Remaining\ Life}.$$

Statements A through F

Aquila Corporate Assets - MPS

Statement A

Comparison of Present and Proposed Accrual Rates
Present: BG Procedure / WL Technique
Proposed: VG Procedure / RL Technique

Account Description	Present Avg. Life	Present Net Salvage	Present Accrual Rate	Proposed Avg. Life	Proposed Avg. Net Salvage	Proposed W/L Rate	Proposed Amorti-zation	Proposed R/L Rate
A	B	C	D	E	F	G	H	I=G+H
GENERAL PLANT								
390001 Structures and Improvements			2.22%	44.97	2.9%	2.16%	0.28%	2.44%
391001 Office Furniture and Equipment			7.69%	19.95		5.01%	0.77%	5.78%
391003 Computers - Hardware				4.95		20.20%	12.96%	33.16%
391004 Computer Software				9.85		10.15%	3.59%	13.74%
391005 Computer Systems Development				9.37		10.67%	9.20%	19.87%
392004 Trans. Equip. - Medium Trucks			11.11%	11.27		8.87%	39.46%	48.33%
394000 Tools, Shop & Garage Equipment				20.39		4.90%	2.80%	7.70%
395000 Laboratory Equipment				15.11		6.62%	8.63%	15.25%
397000 Communication Equipment			5.00%	9.97		10.03%	5.98%	16.01%
398000 Miscellaneous Equipment			5.56%	10.07		9.93%	6.65%	16.58%
Total General Plant			1.39%	12.27	0.7%	8.09%	3.77%	11.86%

Aquila Corporate Assets - MPS

Statement B

Comparison of Present and Proposed Accruals
Present: BG Procedure / WL Technique
Proposed: VG Procedure / RL Technique

Account Description	12/31/02 Plant Investment	2003 Annualized Accrual				
			Proposed			
		Present	Whole-Life	Amortization	Total	Difference
A	B	C	D	E	F=D+E	G=F-C
GENERAL PLANT						
390001 Structures and Improvements	$16,586,756	$368,226	$358,274	$46,443	$404,717	$36,491
391001 Office Furniture and Equipment	3,283,822	252,526	164,519	25,286	189,805	(62,721)
391003 Computers - Hardware	3,847,681		777,232	498,659	1,275,891	1,275,891
391004 Computer Software	21,104,602		2,142,117	757,655	2,899,772	2,899,772
391005 Computer Systems Development	5,636,230		601,386	518,533	1,119,919	1,119,919
392004 Trans. Equip. - Medium Trucks	5,688	632	505	2,244	2,749	2,117
394000 Tools, Shop & Garage Equipment	83,065		4,070	2,326	6,396	6,396
395000 Laboratory Equipment	16,201		1,073	1,398	2,471	2,471
397000 Communication Equipment	2,065,696	103,285	207,189	123,529	330,718	227,433
398000 Miscellaneous Equipment	146,187	8,128	14,516	9,722	24,238	16,110
Total General Plant	$52,775,928	$732,797	$4,270,881	$1,985,795	$6,256,676	$5,523,879

Aquila Corporate Assets - MPS

Statement C

Depreciation Reserve Summary
Vintage Group Procedure
December 31, 2002

Account Description	Plant Investment	Recorded Reserve				Computed Reserve		Redistributed Reserve	
		Allocated	Adjustment	Total	Ratio	Amount	Ratio	Amount	Ratio
A	B	C	D	E=C+D	F=E/B	G	H=G/B	I	J=I/B
GENERAL PLANT									
390001 Structures and Improvements	$16,586,756	$1,126,697	($28,659)	$1,098,038	6.62%	$2,175,038	13.11%	$312,417	1.88%
391001 Office Furniture and Equipment	3,283,822	289,291	3,928	293,219	8.93%	500,392	15.24%	71,875	2.19%
391003 Computers - Hardware	3,847,681	(465,078)	(372,863)	(837,941)	-21.78%	1,647,896	42.83%	236,700	6.15%
391004 Computer Software	21,104,602	2,608,430	(2,106,578)	501,852	2.38%	6,170,686	29.24%	886,342	4.20%
391005 Computer Systems Development	5,636,230	1,249,231	(598,233)	650,998	11.55%	2,827,138	50.16%	406,083	7.20%
392004 Trans. Equip. - Medium Trucks	5,688	(2,813)	(144)	(2,957)	-51.98%	4,769	83.85%	685	12.04%
394000 Tools, Shop & Garage Equipment	83,065	66,090	(4,743)	61,347	73.85%	33,161	39.92%	4,763	5.73%
395000 Laboratory Equipment	16,201	1,867	(614)	1,253	7.74%	9,778	60.36%	1,405	8.67%
397000 Communication Equipment	2,065,696	220,960	(10,003)	210,957	10.21%	847,412	41.02%	121,720	5.89%
398000 Miscellaneous Equipment	146,187	74,307	133	74,440	50.92%	64,165	43.89%	9,217	6.30%
Total General Plant	$52,775,928	$5,168,982	($3,117,776)	$2,051,206	3.89%	$14,280,435	27.06%	$2,051,206	3.89%

Aquila Corporate Assets - MPS
Average Net Salvage

Statement D

Account Description	Plant Investment			Salvage Rate		Net Salvage			Average Rate
	Additions	Retirements	Survivors	Realized	Future	Realized	Future	Total	
A	B	C	D=B-C	E	F	G=E*C	H=F*D	I=G+H	J=I/B
GENERAL PLANT									
390001 Structures and Improvements	$17,730,438	$1,143,682	$16,586,756	44.3%		$506,651		$506,651	2.9%
391001 Office Furniture and Equipment	4,973,263	1,689,441	3,283,822						
391003 Computers - Hardware	15,924,258	12,076,577	3,847,681						
391004 Computer Software	26,128,438	5,023,836	21,104,602						
391005 Computer Systems Development	8,018,639	2,382,409	5,636,230						
392004 Trans. Equip. - Medium Trucks	11,159	5,471	5,688						
394000 Tools, Shop & Garage Equipment	112,696	29,631	83,065						
395000 Laboratory Equipment	29,654	13,453	16,201						
397000 Communication Equipment	2,534,514	468,818	2,065,696						
398000 Miscellaneous Equipment	214,264	68,077	146,187						
Total General Plant	$75,677,324	$22,901,396	$52,775,928	2.2%		$506,651		$506,651	0.7%

Aquila Corporate Assets - MPS

Statement E

Proposed Parameters

Vintage Group Procedure

Account Description	Present Parameters P-Life/ AYFR	Curve Shape	BG ASL	Rem. Life	Average Salvage	Future Salvage	Proposed Parameters P-Life/ AYFR	Curve Shape	VG ASL	Rem. Life	Average Salvage	Future Salvage
A	B	C	D	E	F	G	H	I	J	K	L	M
GENERAL PLANT												
390001 Structures and Improvements							45.00	R5	44.97	40.24	2.9	
391001 Office Furniture and Equipment							20.00	L1.5	19.95	16.91		
391003 Computers - Hardware							5.00	R4	4.95	2.83		
391004 Computer Software							10.00	R4	9.85	6.97		
391005 Computer Systems Development							10.00	R4	9.37	4.67		
392004 Trans. Equip. - Medium Trucks							10.00	S3	11.27	1.82		
394000 Tools, Shop & Garage Equipment							20.00	L1.5	20.39	12.25		
395000 Laboratory Equipment							15.00	R4	15.11	5.99		
397000 Communication Equipment							10.00	S2	9.97	5.88		
398000 Miscellaneous Equipment							10.00	S2	10.07	5.65		
Total General Plant									12.27	8.11	0.7	

Aquila Corporate Assets - MPS
Jurisdictional Allocations

Statement F

Account Description	Plant Investment			Depreciation Reserve		
	Corporate	Factor	Allocated	Corporate	Factor	Allocated
A	B	C	D=B-C	B	C	D=B-C
GENERAL PLANT						
390001 Structures and Improvements	$65,250,810	25.42%	$16,586,756	$4,634,704	24.31%	$1,126,697
391001 Office Furniture and Equipment	12,933,525	25.39%	3,283,822	1,137,150	25.44%	289,291
391003 Computers - Hardware	15,795,080	24.36%	3,847,681	(2,091,178)	22.24%	(465,078)
391004 Computer Software	98,850,597	21.35%	21,104,602	12,805,254	20.37%	2,608,430
391005 Computer Systems Development	29,022,811	19.42%	5,636,230	6,432,704	19.42%	1,249,231
392004 Trans. Equip. - Medium Trucks	22,305	25.50%	5,688	(11,030)	25.50%	(2,813)
394000 Tools, Shop & Garage Equipment	326,258	25.46%	83,065	259,176	25.50%	66,090
395000 Laboratory Equipment	63,534	25.50%	16,201	7,321	25.50%	1,867
397000 Communication Equipment	4,972,787	41.54%	2,065,696	523,850	42.18%	220,960
398000 Miscellaneous Equipment	594,983	24.57%	146,187	304,289	24.42%	74,307
Total General Plant	$227,832,690	23.16%	$52,775,928	$24,002,240	21.54%	$5,168,982

Statements A through F

Aquila Corporate Assets - SJLP

Statement A

Comparison of Present and Proposed Accrual Rates
Present: BG Procedure / WL Technique
Proposed: VG Procedure / RL Technique

Account Description	Present Avg. Life	Present Net Salvage	Present Accrual Rate	Proposed Avg. Life	Proposed Avg. Net Salvage	Proposed W/L Rate	Proposed Amorti-zation	Proposed R/L Rate
A	B	C	D	E	F	G	H	I=G+H
GENERAL PLANT								
390001 Structures and Improvements			2.22%	44.97	2.9%	2.16%	0.28%	2.44%
391001 Office Furniture and Equipment			7.69%	19.95		5.01%	0.77%	5.78%
391003 Computers - Hardware				4.95		20.20%	12.90%	33.10%
391004 Computer Software				9.85		10.15%	3.58%	13.73%
391005 Computer Systems Development				9.37		10.67%	9.15%	19.82%
392004 Trans. Equip. - Medium Trucks			11.11%	11.27		8.87%	39.26%	48.13%
394000 Tools, Shop & Garage Equipment				20.39		4.90%	2.78%	7.68%
395000 Laboratory Equipment				15.11		6.62%	8.58%	15.20%
397000 Communication Equipment			5.00%	9.97		10.03%	5.94%	15.97%
398000 Miscellaneous Equipment			5.56%	10.07		9.93%	6.62%	16.55%
Total General Plant			1.41%	12.28	0.7%	8.09%	3.88%	11.97%

Aquila Corporate Assets - SJLP

Statement B

Comparison of Present and Proposed Accruals
Present: BG Procedure / WL Technique
Proposed: VG Procedure / RL Technique

Account Description	12/31/02 Plant Investment	2003 Annualized Accrual				
			Proposed			
		Present	Whole-Life	Amortization	Total	Difference
A	B	C	D	E	F=D+E	G=F-C
GENERAL PLANT						
390001 Structures and Improvements	$5,376,667	$119,362	$116,136	$15,055	$131,191	$11,829
391001 Office Furniture and Equipment	1,064,429	81,855	53,328	8,196	61,524	(20,331)
391003 Computers - Hardware	1,222,539		246,953	157,707	404,660	404,660
391004 Computer Software	6,356,093		645,143	227,549	872,692	872,692
391005 Computer Systems Development	2,249,268		239,997	205,808	445,805	445,805
392004 Trans. Equip. - Medium Trucks	1,851	206	164	727	891	685
394000 Tools, Shop & Garage Equipment	27,014		1,324	751	2,075	2,075
395000 Laboratory Equipment	5,273		349	452	801	801
397000 Communication Equipment	742,934	37,147	74,516	44,131	118,647	81,500
398000 Miscellaneous Equipment	47,361	2,633	4,703	3,135	7,838	5,205
Total General Plant	$17,093,429	$241,203	$1,382,613	$663,511	$2,046,124	$1,804,921

Aquila Corporate Assets - SJLP
Depreciation Reserve Summary
Vintage Group Procedure
December 31, 2002

Statement C

Account Description	Plant Investment	Recorded Reserve				Computed Reserve		Redistributed Reserve	
		Allocated	Adjustment	Total	Ratio	Amount	Ratio	Amount	Ratio
A	B	C	D	E=C+D	F=E/B	G	H=G/B	I	J=I/B
GENERAL PLANT									
390001 Structures and Improvements	$5,376,667	$364,751	($9,414)	$355,337	6.61%	$705,048	13.11%	$104,292	1.94%
391001 Office Furniture and Equipment	1,064,429	93,701	1,205	94,906	8.92%	162,199	15.24%	23,993	2.25%
391003 Computers - Hardware	1,222,539	(149,101)	(120,570)	(269,671)	-22.06%	523,592	42.83%	77,451	6.34%
391004 Computer Software	6,356,093	795,206	(654,649)	140,557	2.21%	1,858,431	29.24%	274,904	4.33%
391005 Computer Systems Development	2,249,268	498,535	(241,384)	257,151	11.43%	1,128,235	50.16%	166,891	7.42%
392004 Trans. Equip. - Medium Trucks	1,851	(915)	(48)	(963)	-52.02%	1,552	83.85%	230	12.40%
394000 Tools, Shop & Garage Equipment	27,014	21,512	(1,550)	19,962	73.90%	10,784	39.92%	1,595	5.91%
395000 Laboratory Equipment	5,273	608	(201)	407	7.72%	3,183	60.36%	471	8.93%
397000 Communication Equipment	742,934	79,625	(3,439)	76,186	10.25%	304,774	41.02%	45,083	6.07%
398000 Miscellaneous Equipment	47,361	24,069	43	24,112	50.91%	20,788	43.89%	3,075	6.49%
Total General Plant	$17,093,429	$1,727,991	($1,030,006)	$697,985	4.08%	$4,718,586	27.60%	$697,985	4.08%

Aquila Corporate Assets - SJLP
Average Net Salvage

Statement D

Account Description	Plant Investment			Salvage Rate		Net Salvage			Average
	Additions	Retirements	Survivors	Realized	Future	Realized	Future	Total	Rate
A	B	C	D=B-C	E	F	G=E*C	H=F*D	I=G+H	J=I/B
GENERAL PLANT									
390001 Structures and Improvements	$5,747,396	$370,729	$5,376,667	44.3%		$164,233		$164,233	2.9%
391001 Office Furniture and Equipment	1,612,050	547,621	1,064,429						
391003 Computers - Hardware	5,059,678	3,837,139	1,222,539						
391004 Computer Software	7,869,127	1,513,034	6,356,093						
391005 Computer Systems Development	3,200,023	950,755	2,249,268						
392004 Trans. Equip. - Medium Trucks	3,632	1,781	1,851						
394000 Tools, Shop & Garage Equipment	36,651	9,637	27,014						
395000 Laboratory Equipment	9,652	4,379	5,273						
397000 Communication Equipment	911,547	168,613	742,934						
398000 Miscellaneous Equipment	69,416	22,055	47,361						
Total General Plant	$24,519,172	$7,425,743	$17,093,429	2.2%		$164,233		$164,233	0.7%

Aquila Corporate Assets - SJLP

Statement E

Proposed Parameters

Vintage Group Procedure

Account Description	Present Parameters P-Life/ AYFR	Curve Shape	BG ASL	Rem. Life	Average Salvage	Future Salvage	Proposed Parameters P-Life/ AYFR	Curve Shape	VG ASL	Rem. Life	Average Salvage	Future Salvage
A	B	C	D	E	F	G	H	I	J	K	L	M
GENERAL PLANT												
390001 Structures and Improvements							45.00	R5	44.97	40.24	2.9	
391001 Office Furniture and Equipment							20.00	L1.5	19.95	16.91		
391003 Computers - Hardware							5.00	R4	4.95	2.83		
391004 Computer Software							10.00	R4	9.85	6.97		
391005 Computer Systems Development							10.00	R4	9.37	4.67		
392004 Trans. Equip. - Medium Trucks							10.00	S3	11.27	1.82		
394000 Tools, Shop & Garage Equipment							20.00	L1.5	20.39	12.25		
395000 Laboratory Equipment							15.00	R4	15.11	5.99		
397000 Communication Equipment							10.00	S2	9.97	5.88		
398000 Miscellaneous Equipment							10.00	S2	10.07	5.65		
Total General Plant									12.28	8.01	0.7	

Aquila Corporate Assets - SJLP
Jurisdictional Allocations

Statement F

Account Description	Plant Investment			Depreciation Reserve		
	Corporate	Factor	Allocated	Corporate	Factor	Allocated
A	B	C	D=B-C	B	C	D=B-C
GENERAL PLANT						
390001 Structures and Improvements	$65,250,810	8.24%	$5,376,667	$4,634,704	7.87%	$364,751
391001 Office Furniture and Equipment	12,933,525	8.23%	1,064,429	1,137,150	8.24%	93,701
391003 Computers - Hardware	15,795,080	7.74%	1,222,539	(2,091,178)	7.13%	(149,101)
391004 Computer Software	98,850,597	6.43%	6,356,093	12,805,254	6.21%	795,206
391005 Computer Systems Development	29,022,811	7.75%	2,249,268	6,432,704	7.75%	498,535
392004 Trans. Equip. - Medium Trucks	22,305	8.30%	1,851	(11,030)	8.30%	(915)
394000 Tools, Shop & Garage Equipment	326,258	8.28%	27,014	259,176	8.30%	21,512
395000 Laboratory Equipment	63,534	8.30%	5,273	7,321	8.30%	608
397000 Communication Equipment	4,972,787	14.94%	742,934	523,850	15.20%	79,625
398000 Miscellaneous Equipment	594,983	7.96%	47,361	304,289	7.91%	24,069
Total General Plant	$227,832,690	7.50%	$17,093,429	$24,002,240	7.20%	$1,727,991

ANALYSIS

INTRODUCTION

This section provides an explanation of the supporting schedules developed in the Corporate Assets depreciation study to estimate appropriate projection curves, projection lives and statistics for each rate category. The form and content of the schedules developed for an account depend upon the method of analysis adopted for the category.

This section also includes an example of the supporting schedules developed for Account 390001 – Structures and Improvements as an illustration. Documentation for all other plant accounts is contained in the study work papers. The supporting schedules developed in the Corporate Assets study include:

Schedule A – Generation Arrangement;

Schedule B – Age Distribution;

Schedule C – Unadjusted Plant History;

Schedule D – Adjusted Plant History;

Schedule E – Actuarial Life Analysis;

Schedule F – Graphics Analysis; and

Schedule G – Historical Net Salvage Analysis.

The format and content of these schedules are briefly described below.

SCHEDULE A – GENERATION ARRANGEMENT

The purpose of this schedule is to obtain appropriate weighted-average life statistics for a rate category. The weighted-average remaining-life is the sum of Column H divided by the sum of Column I. The weighted average life is the sum of Column C divided by the sum of Column I.

It should be noted that the generation arrangement does not include parameters for net salvage. Computed Net Plant (Column C) and Accruals (Column I) must be adjusted for net salvage to obtain a correct measurement of theoretical reserves and annualized depreciation accruals.

The following table provides a description of each column in the generation arrangement.

Generation Arrangement

Column	Title	Description
A	Vintage	Vintage or placement year of surviving plant.
B	Age	Age of surviving plant at beginning of study year.
C	Surviving Plant	Actual dollar amount of surviving plant.
D	Average Life	Estimated average life of each vintage. This statistic is the sum of the realized life and the unrealized life, which is the product of the remaining life (Column E) and the theoretical proportion surviving.
E	Remaining Life	Estimated remaining life of each vintage.
F	Net Plant Ratio	Theoretical net plant ratio of each vintage.
G	Allocation Factor	A pivotal ratio which determines the amortization period of the difference between the recorded and computed reserve.
H	Computed Net Plant	Plant in service less theoretical reserve for each vintage.
I	Accrual	Ratio of computed net plant (Column H) and remaining life (Column E).

TABLE 3. GENERATION ARRANGEMENT

SCHEDULE B – AGE DISTRIBUTION

This schedule provides the age distribution and realized life of surviving plant shown in Column C of the Generation Arrangement (Schedule A). The format of the schedule depends upon the availability of either aged or unaged data. Derived additions for vintage years older than the earliest activity year in an account for unaged data are obtained from the age distribution of surviving plant at the beginning of the earliest activity year. The amount surviving from these vintages is shown in Column D. The realized life (Column G) is derived from the dollar years of service provided by a vintage over the period of years the vintage has been in service. Plant additions for vintages older than the earliest activity year in an account are represented by the opening balances shown in Column D.

The computed proportion surviving (Column D) for unaged is derived from a computed mortality analysis. The average service life displayed in the title block is the life statistic derived for the most recent activity year, given the derived age distribution at the start of the year and the specified retirement dispersion. The realized life (Column F) is obtained by finding the slope of an SC retirement dispersion, which connects the computed survivors of a vintage (Column E) to the recorded vintage addition (Column B). The realized life is the area bounded by the SC dispersion, the computed proportion surviving and the age of the vintage.

SCHEDULE C – UNADJUSTED PLANT HISTORY

This schedule provides a summary of recorded plant data extracted from the continuing property records maintained by Company. Activity year total amounts shown on this schedule for aged data are obtained from a historical arrangement of the data base in which all plant accounting transactions are identified by vintage and activity year. Activity year totals for unaged data are obtained from a transaction file without vintage identification. Information displayed in the unadjusted plant history is consistent with regulated investments reported internally by the Company.

SCHEDULE D – ADJUSTED PLANT HISTORY

This schedule provides a summary of recorded plant data extracted from the continuing property records maintained by the Company with sales, transfers, and adjustments appropriately aged for depreciation study purposes. Activity year total amounts shown on this schedule for aged data are obtained from a historical arrangement of the data base in which all plant accounting transactions are identified by vintage and activity year. Ageing of adjusting transactions is achieved using transaction codes that identify an adjusting year associated with the dollar amount of a transaction. Adjusting transactions processed in the adjusted plant history are not aged in the Company's records nor in the unadjusted plant history.

SCHEDULE E – ACTUARIAL LIFE ANALYSIS

These schedules provide a summary of the dispersion and life indications obtained from an actuarial life analysis for a specified placement band. The observation band (Column A) is specified to produce either a rolling-band or a shrinking-band analysis depending upon the movement of the end points of the band. The degree of censoring (or point of truncation) of the observed life table is shown in Column B for each observation band. The estimated average service life, best fitting Iowa dispersion, and a statistical measure of the goodness of fit are shown for each degree polynomial (First, Second, and Third) fitted to the estimated hazard rates. Options available in the analysis include the width and location of both the placement and observation bands; the interval of years included in a selected rolling or shrinking band analysis; the estimator of the hazard rate (actuarial, conditional proportion retired, or maximum likelihood); the elements to include on the diagonal of a weight matrix (exposures, inverse of age, inverse of variance, or unweighted); and the age at which an observed life table is truncated.

The estimated average service lives (Columns C, F, and I) are flagged with an asterisk if negative hazard rates are indicated by the fitted polynomial. All negative hazard rates are set equal to zero in the calculation of the graduated survivor curve. The Conformance Index (Columns E, H, and K) is the square root of the mean sum-of-squared differences between the graduated survivor curve and

the best fitting Iowa curve. A Conformance Index of zero would indicate a perfect fit.

SCHEDULE F – GRAPHICS ANALYSIS

This schedule provides a graphics plot of a) the observed proportion surviving for a selected placement and observation band; b) the statistically best fitting Iowa dispersion and derived average service life; and c) the projection curve and projection life selected to describe future forces of mortality.

SCHEDULE G – HISTORICAL NET SALVAGE ANALYSIS

This schedule provides a moving analysis of the ratio of realized net salvage (Column I) to the associated retirements (Column B). This schedule also provides a moving average analysis of the components of net salvage related to retirements. The ratio of gross salvage to retirements is shown in Column D and the ratio of cost of removal to retirements is shown in Column G.

AQUILA CORPORATE ASSETS

General Plant

Depreciable General Plant
Account: 390001 Structures and Improvements

Dispersion: 45 - R5
Procedure: Vintage Group

Generation Arrangement

	December 31, 2002				Net			
Vintage	Age	Surviving Plant	Avg. Life	Rem. Life	Plant Ratio	Alloc. Factor	Computed Net Plant	Accrual
A	B	C	D	E	F	G	H=C*F*G	I=H/E
2002	0.5	4,764,788	44.93	44.50	0.9904	1.0000	4,718,943	106,044
2001	1.5	11,441,163	45.00	43.50	0.9667	1.0000	11,059,792	254,248
2000	2.5	269,189	44.03	42.50	0.9652	1.0000	259,811	6,113
1999	3.5	454,812	44.96	41.50	0.9230	1.0000	419,810	10,116
1998	4.5	470,277	44.99	40.50	0.9002	1.0000	423,335	10,453
1997	5.5	44,703,387	45.00	39.50	0.8778	1.0000	39,239,705	993,410
1996	6.5	42,261	44.29	38.50	0.8693	1.0000	36,736	954
1995	7.5	60,988	44.41	37.50	0.8445	1.0000	51,504	1,373
1994	8.5	174,587	44.15	36.50	0.8268	1.0000	144,350	3,955
1993	9.5	960,384	44.75	35.50	0.7934	1.0000	761,948	21,463
1992	10.5	213,692	43.88	34.50	0.7862	1.0000	168,010	4,870
1991	11.5	331,302	44.36	33.50	0.7552	1.0000	250,195	7,468
1990	12.5	63,200	45.00	32.50	0.7222	1.0000	45,645	1,404
1989	13.5	21,086	44.12	31.50	0.7140	1.0000	15,055	478
1988	14.5	12,272	43.88	30.50	0.6951	1.0000	8,530	280
1987	15.5	364,145	44.70	29.50	0.6599	1.0000	240,312	8,146
1986	16.5	140,712	44.91	28.50	0.6346	1.0000	89,294	3,133
1985	17.5	81,206	44.11	27.50	0.6235	1.0000	50,633	1,841
1984	18.5	642,823	44.31	26.50	0.5981	1.0000	384,463	14,508
1983	19.5	38,537	43.66	25.50	0.5841	1.0000	22,508	883
Total	4.8	$65,250,810	44.97	40.24	0.8949	1.0000	$58,390,577	$1,451,140

AQUILA CORPORATE ASSETS

General Plant

Depreciable General Plant

Account: 390001 Structures and Improvements

Age Distribution

Vintage	Age as of 12/31/2002	Derived Additions	1999 Opening Balance	Experience to 12/31/2002 Amount Surviving	Proportion Surviving	Realized Life
A	B	C	D	E	F=E/(C+D)	G
2002	0.5	5,510,775		4,764,788	0.8646	0.4323
2001	1.5	11,441,163		11,441,163	1.0000	1.5000
2000	2.5	756,033		269,189	0.3561	1.5341
1999	3.5	467,241		454,812	0.9734	3.4601
1998	4.5		473,143	470,277	0.9939	4.4909
1997	5.5		44,705,584	44,703,387	1.0000	5.4999
1996	6.5		53,527	42,261	0.7895	5.7906
1995	7.5		100,987	60,988	0.6039	6.9059
1994	8.5		405,706	174,587	0.4303	7.6455
1993	9.5		1,156,784	960,384	0.8302	9.2453
1992	10.5		842,056	213,692	0.2538	9.3807
1991	11.5		577,917	331,302	0.5733	10.8599
1990	12.5		63,200	63,200	1.0000	12.5000
1989	13.5		51,047	21,086	0.4131	12.6196
1988	14.5		48,310	12,272	0.2540	13.3810
1987	15.5		454,659	364,145	0.8009	15.2014
1986	16.5		149,572	140,712	0.9408	16.4111
1985	17.5		201,245	81,206	0.4035	16.6053
1984	18.5		1,175,737	642,823	0.5467	17.8086
1983	19.5		183,079	38,537	0.2105	18.1614
1978	24.5		40,187		0.0000	21.0000
1977	25.5		19,827		0.0000	22.0000
1976	26.5		938		0.0000	23.0000
1975	27.5		14,345		0.0000	24.0000
1973	29.5		959		0.0000	26.0000
1971	31.5		1,765		0.0000	28.0000
1969	33.5		2,940		0.0000	30.0000
1968	34.5		353		0.0000	31.0000
1967	35.5		1,464		0.0000	32.0000
1966	36.5		1,832		0.0000	33.0000
1965	37.5		284		0.0000	34.0000
1962	40.5		291		0.0000	37.0000
1961	41.5		397		0.0000	38.0000
1960	42.5		616		0.0000	39.0000
1959	43.5		9,131		0.0000	40.0000
1958	44.5		33,889		0.0000	41.0000
1957	45.5		802,970		0.0000	42.0295
Total		$18,175,213	$51,574,740	$65,250,810	0.9355	

AQUILA CORPORATE ASSETS

General Plant

Depreciable General Plant

Account: 390001 Structures and Improvements

Unadjusted Plant History

Year	Beginning Balance	Additions	Retirements	Sales, Transfers & Adjustments	Ending Balance
A	B	C	D	E	F=B+C-D+E
1999	45,144,336	874,914	930,896	7,639,934	52,728,289
2000	52,728,289	1,478,779	41,831	(341,431)	53,823,805
2001	53,823,805	10,032,260	2,780,428	(2,073,442)	59,002,195
2002	59,002,195	6,994,602	745,987		65,250,810

AQUILA CORPORATE ASSETS

General Plant

Depreciable General Plant

Account: 390001 Structures and Improvements

Adjusted Plant History

Year	Beginning Balance	Additions	Retirements	Sales, Transfers & Adjustments	Ending Balance
A	B	C	D	E	F=B+C-D+E
1999	45,687,028	606,983	930,896	7,639,934	53,003,048
2000	53,003,048	1,179,195	41,831	(341,431)	53,798,981
2001	53,798,981	11,540,912	2,780,428	(2,073,442)	60,486,023
2002	60,486,023	5,510,775	745,987		65,250,810

AQUILA CORPORATE ASSETS

General Plant

Depreciable General Plant

Account: 390001 Structures and Improvements

T-Cut: None

Placement Band: 1957-2002

Hazard Function: Proportion Retired

Weighting: Exposures

Rolling Band Life Analysis

		First Degree			Second Degree			Third Degree		
Observation Band	Censoring	Average Life	Dispersion	Conf. Index	Average Life	Dispersion	Conf. Index	Average Life	Dispersion	Conf. Index
A	B	C	D	E	F	G	H	I	J	K
1999-2002	0.0	13.3	L2 *	1.39	16.1	S1.5	0.45	16.2	S1.5 *	0.43

AQUILA CORPORATE ASSETS

General Plant

Depreciable General Plant

Account: 390001 Structures and Improvements

T-Cut: None

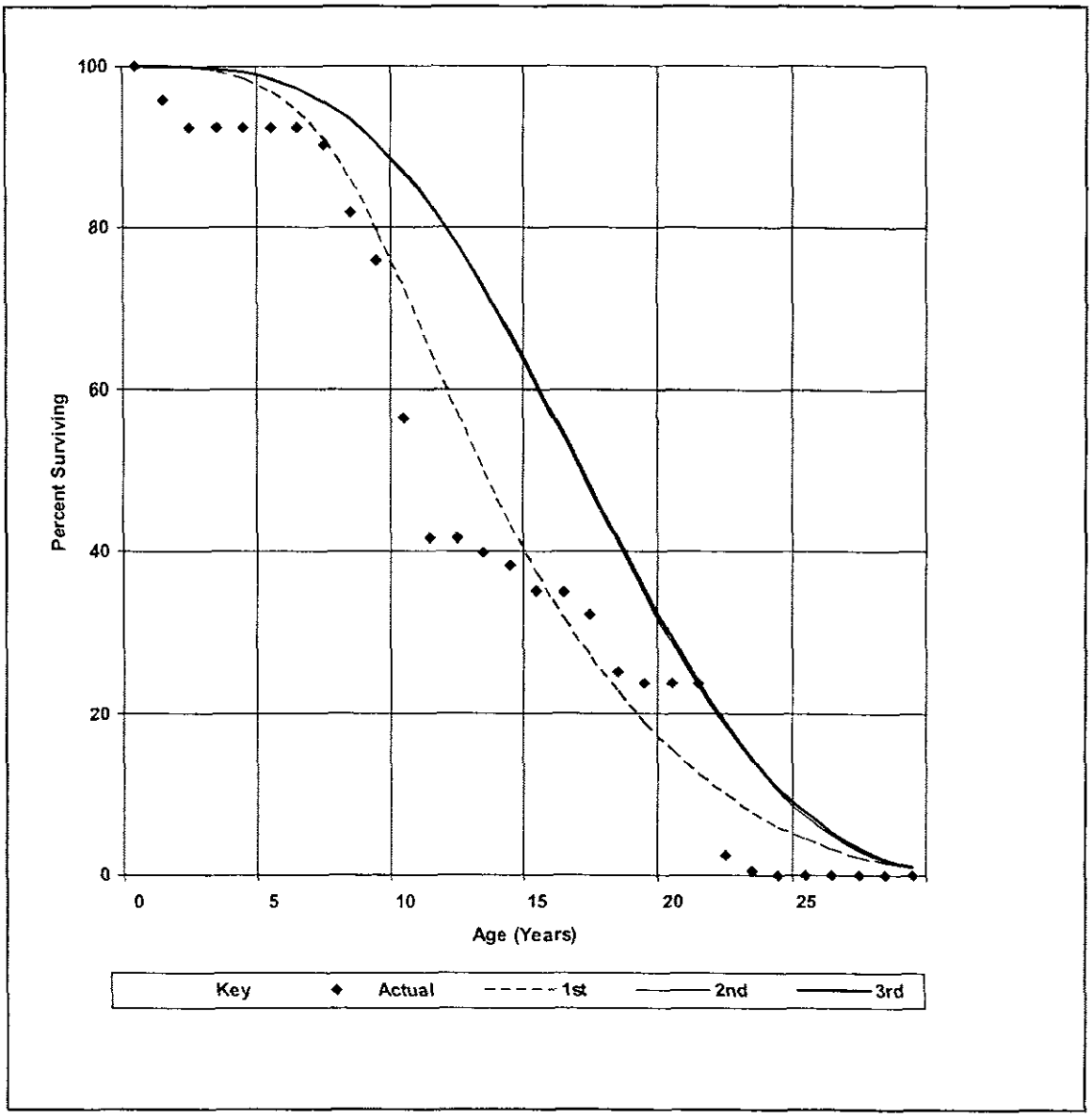
Placement Band: 1957-2002 Observation Band: 1999-2002

Hazard Function: Proportion Retired

Weighting: Exposures

Graphics Analysis

1st: 13.3-L2 2nd: 16.1-S1.5 3rd: 16.2-S1.5



AQUILA CORPORATE ASSETS

General Plant

Depreciable General Plant

Account: 390001 Structures and Improvements

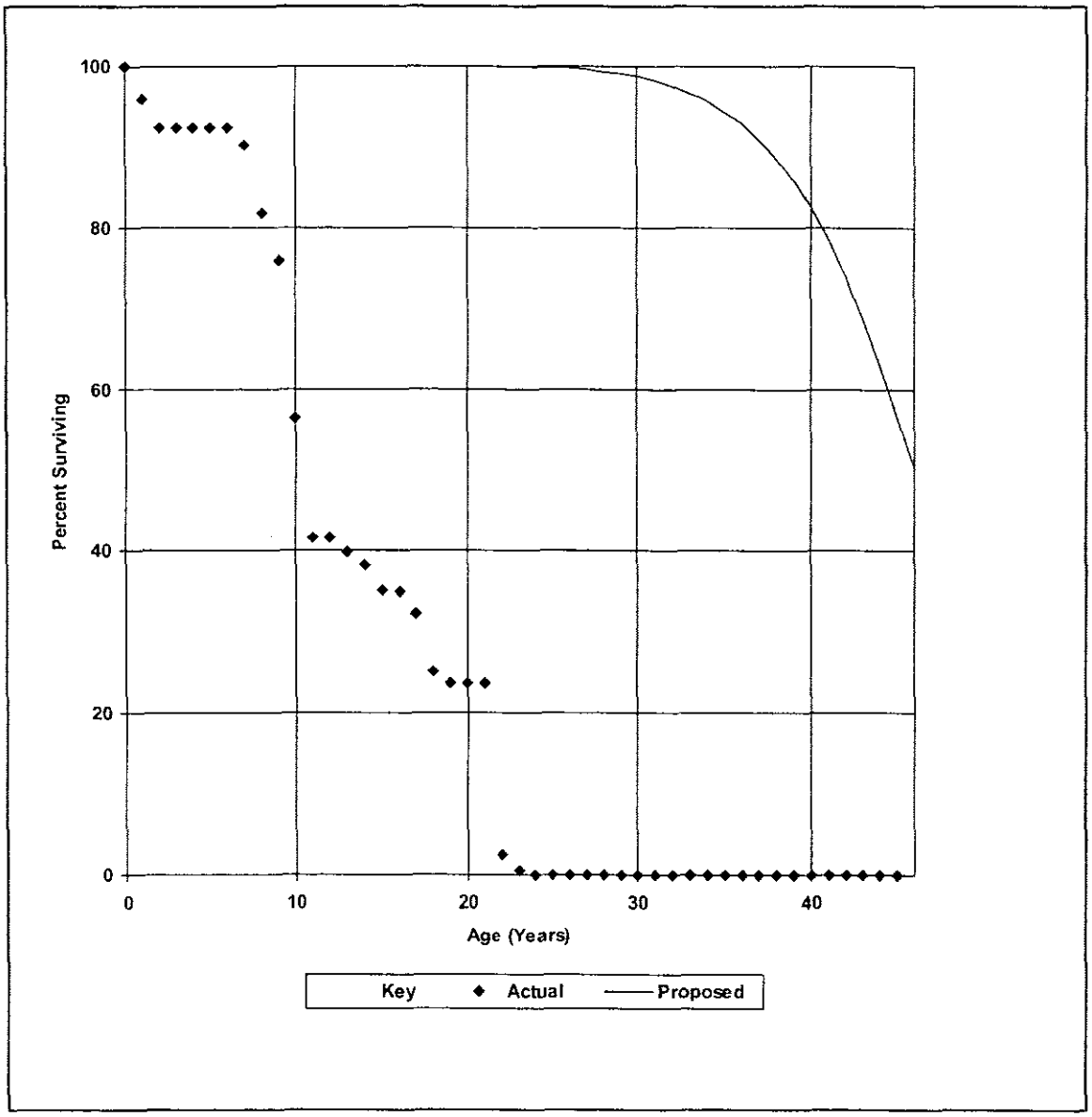
T-Cut: None

Placement Band: 1957-2002

Observation Band: 1999-2002

45.0-R5

Proposed Projection Life Curve



AQUILA CORPORATE ASSETS

General Plant

Depreciable General Plant

Account: 390001 Structures and Improvements - Owned

Unadjusted Net Salvage History

		Gross Salvage			Cost of Retiring			Net Salvage		
Year	Retirements	Amount	Pct.	1-Yr Avg.	Amount	Pct.	1-Yr Avg.	Amount	Pct.	1-Yr Avg.
A	B	C	D=C/B	E	F	G=F/B	H	I=C-F	J=I/B	K
1999	930,896	155	0.0	0.0		0.0	0.0	155	0.0	0.0
2000	41,831		0.0	0.0		0.0	0.0		0.0	0.0
2001	2,780,428	1,145,739	41.2	41.2		0.0	0.0	1,145,739	41.2	41.2
2002	745,987	847,000	113.5	113.5		0.0	0.0	847,000	113.5	113.5
Total	4,499,143	1,992,894	44.3			0.0		1,992,894	44.3	

Schedule REW–5

2002 Depreciation Rate Study

Aquila Networks—MPS
(Electric and Common)

Revised June 9, 2003

Prepared by
Foster Associates, Inc.

CONTENTS

DISTRIBUTION

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EXECUTIVE SUMMARY

INTRODUCTION

This report presents the findings and recommendations developed in a 2002 Depreciation Rate Study for utility plant owned by Aquila Networks – MPS (Electric and Common). Work on the study, conducted by Foster Associates, Inc., commenced in October 2001 and progressed through mid-September 2002, at which time the project was completed.

Foster Associates, Inc. is a public utility economic consulting firm headquartered in Bethesda, Maryland offering economic research and consulting services on issues and problems arising from governmental regulation of business. The areas of specialization supported by our Fort Myers office include property life forecasting, technological forecasting, depreciation estimation, and valuation of industrial property.

Foster Associates has undertaken numerous depreciation engagements for both public and privately owned corporations including detailed statistical life studies, analyses of required net salvage rates, and the selection of depreciation systems that will most nearly achieve the goals of depreciation accounting under the constraints of either government regulation or competitive market pricing. Foster Associates is widely recognized for industry leadership in the development of depreciation systems, life analysis techniques and computer software for conducting depreciation and valuation studies.

Depreciation rates currently used by MPS were approved by the Missouri Public Service Commission (Commission) pursuant to a Stipulation and Agreement in Formal Case No. ER-2001-672 and EC-2002-265 dated February 5, 2002.[1] With the exception of General Plant Account 391001 (Office Furniture and Equipment), average service lives used to derive the settled depreciation rates were included in an appendix attached to the Stipulation and Agreement.

In addition to specifying depreciation rates, the settlement Agreement provided that "UtiliCorp shall book for its MPS electric operations, now and in the future, current levels of net salvage costs as an expense, and not against accrued depreciation reserve." The agreement further provides that "... in the next general rate increase case or complaint case in which MPS's retail electric rates are under review, the Parties shall be free to contest how future net salvage costs should be booked." The parties further agreed that "On or before August 1, 2002, [Aquila

[1]Depreciation rates used by MPS prior to the 2002 Agreement were prescribed by the Commission in Case No. ER-97-394. Service life and net salvage statistics (e.g., projection life, projection curve, remaining life and future net salvage rates) used to derive the approved depreciation rates were not identified in either the Order or other documents related to the case. Parameters contained in a set of schedules captioned "Staff Recommended Depreciation Rates" did not produce either the Staff recommended rates or the prescribed rates transmitted to the Missouri Public Service Commission by correspondence dated May 1, 1998.

would] file with the Commission its next depreciation study for its MPS electric operations, provide to the Staff its work papers for that study, and supply the underlying data for that study to the Staff in Gannett Fleming format."

A 2002 Depreciation Rate Study for MPS electric and common was provided to the Commission Staff on September 30, 2002 in accordance with the settlement Agreement and subsequent approval for an extension of time. This report is identical to the filed study with the exception of the reported present rate for Common Utility Account 393000 (Stores Equipment), Account 394000 (Tools, Shop and Garage Equipment) and Account 395000 (Laboratory Equipment). Additionally, this report provides a correction to the computation of future net salvage rates for Steam Production plant. The whole-life and amortization components of the proposed remaining-life accrual rates are also provided in this report.

The principal findings and recommendations of the MPS Depreciation Rate Study are summarized in the Statements section of this report. Statement A provides a comparative summary of present and proposed annual depreciation rates for each rate category. Statement B provides a comparison of present and proposed annual depreciation accruals. Statement C provides a comparison of the computed, recorded and redistributed depreciation reserves for each rate category. Statement D provides a summary of the components used to obtain a weighted-average net salvage rate for each plant account. Statement E provides a computation of the estimated future net salvage rate for steam production facilities. Statement F provides a comparative summary of present and proposed parameters and statistics including projection life, projection curve, average service life, and average remaining life.

SCOPE OF STUDY

The principal activities undertaken in the current study included:

- Collection of plant and net salvage data;
- Reconciliation of data to the official records of the Company;
- Discussions with MPS plant accounting personnel;
- On-site plant inspections;
- Estimation of projection lives and retirement dispersion patterns;
- Analysis of gross salvage and removal expense;
- Analysis and redistribution of recorded depreciation reserves; and
- Development of recommended accrual rates for each rate category.

DEPRECIATION SYSTEM

A depreciation rate is formed by combining the elements of a depreciation system. A depreciation system is composed of a method, a procedure and a tech-

nique. A depreciation method (*e.g.*, straight-line) describes the component of the system that determines the acceleration or deceleration of depreciation accruals in relation to either time or use. A depreciation procedure (*e.g.*, vintage group) identifies the level of grouping or sub-grouping of assets within a plant category. The level of grouping specifies the weighting used to obtain composite life statistics for an account. A depreciation technique (*e.g.*, remaining-life) describes the life statistic used in the system.

MPS is presently using a depreciation system composed of the straight-line method, broad group procedure, whole-life technique for all plant categories. Depreciation rates proposed in this study are derived from a system composed of the straight-line method, vintage group procedure, whole-life technique with amortization of reserve imbalances over the estimated remaining life of each rate category. This formulation of the accrual rate is equivalent to a straight-line method, vintage group procedure, remaining-life technique.

The matching and expense recognition principles of accounting provide that the cost of an asset (or group of assets) should be allocated to operations over an estimate of the economic life of the asset in proportion to the consumption of service potential. It is the opinion of Foster Associates that the objectives of depreciation accounting can be more nearly achieved using the vintage-group procedure combined with the remaining-life technique. Unlike the broad group procedure in which each vintage is estimated to have the same average service life, the vintage group procedure distinguishes average service lives among vintages and provides cost apportionment over the estimated weighted-average remaining life or average life of a rate category.

The level of asset grouping identified in the broad group procedure is the total plant in service from all vintages in an account. Each vintage is estimated to have the same average service life. It is highly unlikely, therefore, that compensating deviations (*i.e.*, over and underestimates of average service life) will be created among vintages to achieve cost allocation over the average service life of each vintage. The level of asset grouping identified in the vintage group procedure is the plant in service from each vintage. The average service life (or remaining life) is estimated for each vintage and composite life statistics are computed for each plant account. It is more likely, therefore, that compensating deviations will be created with a vintage group procedure than with a broad group procedure.

The dependency of both the broad group procedure and the vintage group procedure on compensating deviations in the estimate of service lives is attributable to the use of the whole-life technique. A permanent excess or deficiency will be created in the depreciation reserve by a continued application of the whole-life technique if these deviations are not exactly offsetting. The potential for a permanent reserve imbalance can be eliminated, however, by an application of the re-

maining-life technique.

The principal distinction between a whole-life rate and a remaining-life rate is the treatment of depreciation reserve imbalances. A reserve imbalance is the difference between a theoretical or computed reserve and the corresponding recorded reserve for a rate category. The remaining-life technique provides a systematic amortization of these differences over the composite weighted average remaining life of a rate category.

Although the emergence of economic factors such as bypass and incentive forms of regulation may ultimately encourage abandonment of the straight-line method, no attempt was made in the current study to address these concerns.

PROPOSED DEPRECIATION RATES

Table 1 provides a summary of the changes in annual rates and accruals resulting from adoption of the parameters and depreciation system recommended in this study.

Rates and Accruals

Function	Accrual Rate			2002 Annualized Accrual		
	Present	Proposed	Difference	Present	Proposed	Difference
Steam Production	2.75%	4.28%	1.53%	$9,583,823	$14,910,910	$5,327,087
Other Production	3.46%	4.05%	0.59%	1,023,877	1,199,677	175,800
Transmission	1.99%	2.04%	0.05%	3,008,839	3,087,251	78,412
Distribution	2.79%	3.16%	0.37%	14,139,774	16,015,491	1,875,717
General Plant	5.06%	4.20%	-0.86%	1,274,665	1,059,085	-215,580
Common Plant	4.90%	3.06%	-1.84%	933,983	582,784	-351,199
Total Utility	2.78%	3.41%	0.63%	$29,964,961	$36,855,198	$6,890,237

TABLE 1. PRESENT AND PROPOSED RATES AND ACCRUALS

Foster Associates is recommending primary account depreciation rates equivalent to a composite rate of 3.41 percent. Depreciation expense is presently accrued at an equivalent composite rate of 2.78 percent. The recommended change in the composite depreciation rate is, therefore, an increase of 0.63 percentage points.

A continued application of rates currently prescribed would provide annualized depreciation expense of $29,964,961 compared to an annualized expense of $36,855,198 using the rates developed in this study. The proposed expense increase is $6,890,237. Of this increase, ($1,928,876) represents amortization of a ($36,459,274) reserve imbalance. The remaining portion of the increase is attributable to recommended changes in service life and net salvage parameters.

Of the 57 primary accounts included in the 2002 study, Foster Associates is recommending rate reductions for 30 accounts and rate increases 27 accounts.

STUDY PROCEDURE

INTRODUCTION

The purpose of a depreciation study is to analyze the mortality characteristics, net salvage rates and adequacy of the depreciation accrual and recorded depreciation reserve for each rate category. This study provides the foundation and documentation for recommended changes in the depreciation accrual rates used by Aquila for its MPS (Electric and Common) operations. The proposed rates are subject to approval by the Missouri Public Service Commission.

SCOPE

The steps involved in conducting a depreciation study can be grouped into five major tasks:

- Data Collection;
- Life Analysis and Estimation;
- Net Salvage Analysis;
- Depreciation Reserve Analysis; and
- Development of Accrual Rates.

The scope of the 2002 study for MPS included a consideration of each of these tasks as described below.

DATA COLLECTION

The minimum database required to conduct a statistical life study consists of a history of vintage year additions and unaged activity year retirements, transfers and adjustments. These data must be appropriately adjusted for transfers, sales and other plant activity that would otherwise bias the measured service life of normal retirements. The age distribution of surviving plant for unaged data can be estimated by distributing the plant in service at the beginning of the study year to prior vintages in proportion to the theoretical amount surviving from a projection or survivor curve identified in the life study. The statistical methods of life analysis used to examine unaged plant data are known as *semi-actuarial techniques*.

A far more extensive database is required to apply the statistical methods of life analysis known as *actuarial techniques*. Plant data used in an actuarial life study most often include the age distribution of surviving plant at the beginning of the study year and the vintage year, activity year, and dollar amounts associated with normal retirements, reimbursed retirements, sales, abnormal retirements, transfers, corrections, and extraordinary adjustments over a series of prior activity years. An actuarial database may include the age distribution of surviving plant at the beginning of the earliest activity year, rather than at the beginning of the study year. Plant additions, however, must be included in a database containing an opening age distribution to derive aged survivors at the beginning of the

study year. All activity year transactions with vintage year identification are coded and stored in a data file. The data are processed by a computer program and transaction summary reports are created in a format reconcilable to the Company's official plant records. The availability of such detailed information is dependent upon an accounting system that supports aged property records. The Continuing Property Record (CPR) system used by Aquila for MPS assets provides aged transactions for all plant accounts.

The database used in the 2002 study was compiled from two sources. Detailed accounting transactions were extracted from these sources and assigned transaction codes which identify the nature of the accounting activity. Transaction codes for plant additions, for example, are used to distinguish normal additions from acquisitions, purchases, reimbursements and adjustments. Similar transaction codes are used to distinguish normal retirements from sales, reimbursements, abnormal retirements and adjustments. Transaction codes are also assigned to transfers, capital leases and other accounting activity which should be considered in a depreciation study.

The first data source was an electronic file historically provided to the Missouri Commission to conduct independent analyses. While the file included vintage years since inception through 1997, it did not provide a distinction between additions, transfers, and adjustments. The file, therefore, was recreated by the Company using a legacy system database to provide the appropriate distinctions. A translation program was then used by Foster Associates to create a database in a format compatible with the software used to conduct the depreciation study.

The second source of data was the current CPR system installed by Aquila in 1998. The database obtained from this system included activity year transactions over the period 1998-2001 and the age distribution of surviving plant at December 31, 2001. Age distributions at December 31, 2001 were used in conjunction with activity year transactions to reverse the transaction flow and generate an age distribution at December 31, 1997. The resulting age distributions were then compared to the age distributions generated by the Commission database. Differences were coded as vintage adjustments in 1997 to interconnect and provide continuity between the two databases. Care was taken in creating the Foster Associates database to ensure a proper mapping of the legacy system account structure to the current CPR account structure. No attempt, however, was made to reconcile the Foster Associates database to the historical Commission database because of the treatment of adjusting transactions in the Commission database.

The accuracy and completeness of the assembled data base was verified by Foster Associates for activity years 1998 through 2001 by comparing the beginning plant balance, additions, retirements, transfers and adjustments, and the ending plant balance derived for each activity year to the official plant records of the

Company. Age distributions of surviving plant at December 31, 2001 were reconciled to the CPR.

LIFE ANALYSIS AND ESTIMATION

Life analysis and life estimation are terms used to describe a two-step procedure for estimating the mortality characteristics of a plant category. The first step (*i.e.*, life analysis) is largely mechanical and primarily concerned with history. Statistical techniques are used in this step to obtain a mathematical description of the forces of retirement acting upon a plant category and an estimate of service life known as the *projection life* of the account. The mathematical expressions used to describe these life characteristics are known as *survival functions* or *survivor curves*.

The second step (*i.e.*, life estimation) is concerned with predicting the expected remaining life of property units still exposed to the forces of retirement. It is a process of blending the results of the life analysis with informed judgment (including expectations about the future) to obtain an appropriate projection life and curve. The amount of weight given to the life analysis will depend upon the extent to which past retirement experience is considered descriptive of the future.

The analytical methods used in a life analysis are broadly classified as actuarial and semi-actuarial techniques. Actuarial techniques can be applied to plant accounting records that reveal the age of a plant asset at the time of its retirement from service. Stated differently, each property unit must be identifiable by date of installation and age at retirement. Semi-actuarial techniques can be used to derive service life and dispersion estimates when age identification of retirements is not maintained or readily available.

An actuarial life analysis program designed and developed by Foster Associates was used in this study. The first step in an actuarial analysis involves a systematic treatment of the available data for the purpose of constructing an observed life table. A complete life table contains the life history of a group of property units installed during the same accounting period and various probability relationships derived from the data. A life table is arranged by age-intervals (usually defined as one year) and shows the number of units (or dollars) entering and leaving each age-interval and probability relationships associated with this activity. A life table minimally shows the age of each survivor and the age of each retirement from a group of units installed in a given accounting year.

A life table can be constructed in any one of at least five alternative methods. The annual-rate or retirement-rate method was used in this study. The mechanics of the annual-rate method require the calculation of a series of ratios obtained by dividing the number of units (or dollars) surviving at the beginning of an age interval into the number of units (or dollars) retired during the same interval. This

ratio (or set of ratios) is commonly referred to as retirement ratios. The cumulative proportion surviving is obtained by multiplying the retirement ratio for each age interval by the proportion of the original group surviving at the beginning of that age interval and subtracting this product from the proportion surviving at the beginning of the same interval. The annual-rate method is applied to multiple groups or vintages by combining the retirements and/or survivors of like ages for each vintage included in the analysis.

The second step in an actuarial analysis involves graduating or smoothing the observed life table and fitting the smoothed series to a family of survival functions. The functions used in this study are the Iowa-type curves which are mathematically described in terms of the Pearson frequency curve family. The observed life table was smoothed by a weighted least-squares procedure in which first, second and third degree polynomials were fitted to the observed retirement ratios. The resulting function can be expressed in terms of a survivorship function which is numerically integrated to obtain an estimate of the average service life. The smoothed survivorship function is then fitted by a weighted least-squares procedure to the Iowa-curve family to obtain a mathematical description or classification of the dispersion characteristics of the data.

The set of computer programs used in this analysis provides multiple rolling-band and shrinking-band analyses of an account. Observation bands are defined for a "retirement era" which restricts the analysis to the retirement activity of all vintages represented by survivors at the beginning of a selected era. In a rolling-band analysis, a year of retirement experience is added to each successive retirement band and the earliest year from the preceding band is dropped. A shrinking-band analysis begins with the total retirement experience available and the earliest year from the preceding band is dropped for each successive band. Rolling and shrinking band analyses are used to detect the emergence of trends in the behavior of the dispersion and average service life.

Options available in the actuarial life analysis program include the width and location of both placement and observation bands; the interval of years included in a selected rolling or shrinking band analysis; the estimator of the hazard rate (actuarial, conditional proportion retired, or maximum likelihood); the elements to include on the diagonal of a weight matrix (exposures, inverse of age, inverse of variance, or unweighted); and the age at which an observed life table is truncated. The program also provides tabular and graphics output as an aid in the analysis and optionally produces data output files used in the calculation of depreciation accruals.

While actuarial and semi-actuarial statistical methods are well suited to an analysis of plant categories containing a large number of homogeneous units (*e.g.*, poles and conductors), the concept of retirement dispersion is inappropriate for

plant categories composed of major items of plant that will most likely be retired as a single unit. Plant retirements from an integrated system prior to the retirement of the entire facility are more properly viewed as interim retirements that will be replaced in order to maintain the integrity of the system. Additionally, plant facilities may be added to the existing system (*i.e.*, interim additions) in order to expand or enhance its productive capacity without extending the service life of the present system. A proper depreciation rate can be developed for an integrated system using a life-span method.

The life-span method requires the selection of a coterminous retirement date for all plant additions to a specific facility. A composite depreciation rate is calculated for the facility using the technique of harmonic weighting of the expected life span of each vintage addition. The resulting accrual rate must be adjusted for interim retirements to the extent that such retirements can be reasonably expected. Absent this adjustment, the depreciation accumulated over the life span of the facility will be deficient by an amount equal to a portion of the interim retirements. Properly implemented, the life-span method does not include plant additions or replacements of interim retirements until such activity is reported. All plant accounts classified in the Steam and Other Production functions were identified by location and treated as life-span categories in this study.

NET SALVAGE ANALYSIS

Depreciation rates designed to achieve the goals and objectives of depreciation accounting will include a parameter for future net salvage and a variable for average net salvage which reflects both realized and future net salvage rates.

An estimate of the net salvage rate applicable to future retirements is most often obtained from an analysis of gross salvage and removal expense realized in the past. An analysis of past experience (including an examination of trends over time) provides an appropriate basis for estimating future salvage and cost of removal. However, consideration should also be given to events that may cause deviations from net salvage realized in the past. Among the factors that should be considered are the age of plant retirements; the portion of retirements likely to be reused; changes in the method of removing plant; the type of plant to be retired in the future; inflation expectations; the shape of the projection life curve; and economic conditions that may warrant greater or lesser weight to be given to the net salvage observed in the past.

Special consideration should also be given to the treatment of insurance proceeds and other forms of third-party reimbursements credited to the depreciation reserve. A properly conducted net salvage study will exclude such activity from the estimate of future parameters and include the activity in the computation of realized and average net salvage rates.

A traditional, historical analysis using a five-year moving average of the ratio of realized salvage and removal expense to the associated retirements was used in this study to a) estimate a realized net salvage rate; b) detect the emergence of historical trends; and c) establish a basis for estimating a future net salvage rate. Cost of removal and salvage opinions obtained from Company engineers were blended with judgment and historical net salvage indications in developing estimates of the future.

Consideration was also given in the 2002 MPS depreciation study to the cost of dismantling the Sibley Generating Station and the Jeffery Energy Center. The projected cost of dismantling these facilities was derived, as shown in Table 2, from an estimated cost of $50 per kW, denominated in 2001 dollars. This cost estimate is intended to serve as a placeholder pending completion of a detailed dismantling cost study. The Company is prepared to undertake a dismantling cost study upon receipt of authorization by the Commission to include removal expense in the accrual for depreciation.

Plant	Capacity (MW)	Cost per kW	2001 Cost	Inflation Rate	AYFR	Dismantlement Cost
Jeffrey	172.0	$50.00	$8,600,000	1.50%	2022	$11,756,697
Sibley	512.2	50.00	25,610,000	1.50%	2015	31,545,264

Table 2. Dismantlement Cost

The average net salvage rate for an account was estimated using direct dollar weighting of historical retirements with the historical net salvage rate, and future retirements (*i.e.*, surviving plant) with the estimated future net salvage rate. The computation of the estimated average net salvage rate for each rate category is shown in Statement D. Future net salvage rates estimated for Jeffrey and Sibley are shown in Statement E.

DEPRECIATION RESERVE ANALYSIS

The purpose of a depreciation reserve analysis is to compare the current level of the recorded reserve with the level required to achieve the goals or objectives of depreciation accounting if the amount and timing of future retirements and net salvage are realized as predicted. The difference between the required depreciation reserve and the recorded reserve provides a measurement of the expected excess or shortfall that will remain in the depreciation reserve if corrective action is not taken to eliminate the reserve imbalance.

Unlike a recorded reserve which represents the net amount of depreciation expense charged to previous periods of operations, a theoretical reserve is a measure of the implied reserve requirement at the beginning of a study year if the timing of future retirements and net salvage is in exact conformance with a survivor curve chosen to predict the probable life of plant units still exposed to the

forces of retirement. Stated differently, a theoretical depreciation reserve is the difference between the recorded cost of plant presently in service and the sum of the depreciation expense and net salvage that will be charged in the future if plant retirements are distributed over time according to a specified retirement frequency distribution.

The survivor curve used in the calculation of a theoretical depreciation reserve is intended to describe forces of retirement that will be operative in the future. However, retirements caused by forces such as accidents, physical deterioration and changing technology seldom, if ever, remain stable over time. It is unlikely, therefore, that a probability or retirement frequency distribution can be identified that will accurately describe the age of plant retirements over the complete life cycle of a vintage. It is for this reason that depreciation rates should be reviewed periodically and adjusted for observed or expected changes in the parameters chosen to describe the underlying forces of mortality.

Although reserve records are commonly maintained by various account classifications, the total reserve for a company is the most important measure of the status of the company's depreciation practices. If statistical life studies have not been conducted or retirement dispersion has been ignored in setting depreciation rates, it is likely that some accounts will be over-depreciated and other accounts will be under-depreciated relative to a calculated theoretical reserve. Differences between the theoretical reserve and the recorded reserve also will arise as a normal occurrence when service lives, dispersion patterns and net salvage estimates are adjusted in the course of depreciation reviews. It is appropriate, therefore, and consistent with group depreciation theory to periodically redistribute or rebalance the total recorded reserve among the various primary accounts based upon the most recent estimates of retirement dispersion and net salvage rates.

A redistribution of recorded reserves is appropriate for MPS at this time. Although recorded reserves have been maintained by primary account (and locations within primary accounts), these reserves were largely ignored in the development of the presently prescribed whole-life accrual rates. The present rates were established by negotiations and compromise without specifying the projection curve and reserve ratios contemplated in the settled rates. This failure to address prior reserve imbalances produces an added dimension of instability in accrual rates beyond the variability attributable to the parameters estimated in the current study. A redistribution of the recorded reserve is necessary, therefore, to develop an initial reserve balance for each primary account consistent with the age distributions and estimates of retirement dispersion developed in this study. Reserves should also be realigned in this study to reflect implementation of the vintage group procedure.

A redistribution of the recorded reserve was achieved for MPS by multiply-

ing the calculated reserve for each primary account within a function by the ratio of the function total recorded reserve to the function total calculated reserve. The sum of the redistributed reserves within a function is, therefore, equal to the function total recorded depreciation reserve before the redistribution.

Statement C provides a comparison of the computed and recorded reserves for MPS on December 31, 2001. The recorded reserve was $464,379,209, or 43.0 percent of the depreciable plant investment. The corresponding computed reserve is $427,919,935 or 39.6 percent of the depreciable plant investment. A proportionate amount of the measured reserve imbalance of ($36,459,274) will be amortized over the composite weighted-average remaining life of each rate category.

DEVELOPMENT OF ACCRUAL RATES

The goal or objective of depreciation accounting is cost allocation over the economic life of an asset in proportion to the consumption of service potential. Ideally, the cost of an asset—which represents the cost of obtaining a bundle of service units—should be allocated to future periods of operation in proportion to the amount of service potential expended during an accounting interval. The service potential of an asset is the present value of future net revenue (*i.e.*, revenue less expenses exclusive of depreciation and other non-cash expenses) or cash inflows attributable to the use of that asset alone.

Cost allocation in proportion to the consumption of service potential is often approximated by the use of depreciation methods employing time rather than net revenue as the apportionment base. Examples of time-based methods include sinking-fund, straight-line, declining balance, and sum-of-the-years' digits. The advantage of using a time-based method is that it does not require an estimate of the remaining amount of service capacity an asset will provide or the amount of capacity actually consumed during an accounting interval. Using a time-based allocation method, however, does not change the goal of depreciation accounting. If it is predictable that the net revenue pattern of an asset will either decrease or increase over time, then an accelerated or decelerated time-based method should be used to approximate the rate at which service potential is actually consumed.

The time period over which the cost of an asset will be allocated to operations is determined by the combination of a procedure and a technique. A depreciation procedure describes the level of grouping or sub-grouping of assets within a plant category. The broad group, vintage group, equal-life group, and item or unit are a few of the more widely used procedures. A depreciation technique describes the life statistic used in a depreciation system. The whole- life and remaining-life (or expectancy) are the most common techniques.

Depreciation rates recommended in this study were developed using a system composed of the straight-line method, vintage group procedure, whole-life tech-

nique with amortization of reserve imbalances over the estimated remaining life of each rate category. This formulation of the accrual rate is equivalent to a straight-line method, vintage group procedure, remaining-life technique. It is the opinion of Foster Associates that this system will remain appropriate for MPS, provided depreciation studies are conducted periodically and parameters are routinely adjusted to reflect changing operating conditions.

STATEMENTS

INTRODUCTION

This section provides a comparative summary of depreciation rates, annual depreciation accruals, recorded and computed depreciation reserves, and present and proposed service life statistics recommended for MPS electric and common operations. The content of these statements is briefly described below.

- Statement A provides a comparative summary of present and proposed annual depreciation rates using the vintage group procedure, whole-life technique with amortization of reserve imbalances.
- Statement B provides a comparison of the present and proposed annualized 2002 depreciation accruals based upon the rates developed in Statement A.
- Statement C provides a comparison of the recorded, computed and redistributed reserves for each rate category at December 31, 2001.
- Statement D provides a summary of the components used to obtain a weighted average net salvage rate for each rate category.
- Statement E provides a computation of the estimated future net salvage rate for steam production facilities.
- Statement F provides a comparative summary of present and proposed parameters including projection life, projection curve, average service life, and average remaining life.

Present depreciation accruals shown on Statement B are the product of the plant investment (Column B) and the present depreciation rates (Column D) shown on Statement A. These are the effective rates used by the Company for the mix of investments recorded on December 31, 2001. Similarly, proposed depreciation accruals shown on Statement B are the product of the plant investment and the proposed depreciation rates (Column I) shown on Statement A. Proposed accrual rates shown on Statement A are given by:

$$Accrual\ Rate = \frac{1.0 - Average\ Net\ Salvage}{Average\ Life} + \frac{Computed\ Reserve - Recorded\ Reserve}{Remaining\ Life}$$

where *Average Net Salvage*, *Computed Reserve* and *Recorded Reserve* are expressed in percent. This formulation of the accrual rate is equivalent to

$$Accrual\ Rate = \frac{1.0 - Reserve\ Ratio - Future\ Net\ Salvage\ Rate}{Remaining\ Life}.$$

AQUILA NETWORKS - MPS (ELECTRIC and COMMON)

Statement A

Comparison of Present and Proposed Accrual Rates
Present: BG Procedure / WL Technique
Proposed: VG Procedure / RL Technique

Account Description	Present Avg. Life	Present Net Salvage	Present Accrual Rate	Proposed Avg. Life	Proposed Avg. Net Salvage	Proposed W/L Rate	Proposed Amorti-zation	Proposed R/L Rate
A	B	C	D	E	F	G	H	I=G+H
STEAM PRODUCTION								
311000 Structures and Improvements			3.23%	27.86	-13.2%	4.06%	-0.20%	3.86%
312000 Boiler Plant Equipment			2.48%	26.27	-15.4%	4.39%	-0.19%	4.20%
314000 Turbogenerator Units			2.85%	22.96	-14.0%	4.97%	-0.12%	4.85%
315000 Accessory Electric Equipment			3.46%	26.37	-13.6%	4.31%	-0.18%	4.13%
316000 Misc. Power Plant Equipment			3.13%	28.35	-13.7%	4.01%	-0.21%	3.80%
Total Steam Production Plant			2.75%	25.73	-14.6%	4.45%	-0.17%	4.28%
OTHER PRODUCTION								
341000 Structures and Improvements	40.20		2.49%	23.25	-4.9%	4.51%	-1.17%	3.34%
342000 Fuel Holders and Accessories	32.70		3.06%	21.81	-4.9%	4.81%	-1.23%	3.58%
343000 Prime Movers	24.10		4.15%	19.46	-5.8%	5.44%	-0.66%	4.78%
343100 Wind Turbines	24.10		4.15%	23.45	-5.0%	4.48%	-0.26%	4.22%
344000 Generators	32.00		3.13%	23.43	-6.4%	4.54%	-1.15%	3.39%
345000 Accessory Electric Equipment	31.30		3.19%	21.58	-5.4%	4.88%	-1.18%	3.70%
346000 Misc. Power Plant Equipment	36.40		2.75%	13.66		7.32%	-0.19%	7.13%
Total Other Production Plant			3.46%	21.15	-5.7%	5.00%	-0.95%	4.05%
TRANSMISSION PLANT								
352000 Structures and Improvements	45.00		2.22%	60.36	-10.2%	1.83%	-0.23%	1.60%
353000 Station Equipment	50.00		2.00%	60.17	-4.8%	1.74%	-0.11%	1.63%
354000 Towers and Fixtures	55.00		1.82%	53.92		1.85%	-0.50%	1.35%
355000 Poles and Fixtures	48.00		2.08%	55.05	-60.1%	2.91%	-0.20%	2.71%
356000 Overhead Conductors and Devices	54.00		1.85%	59.92	-40.2%	2.34%	-0.22%	2.12%
358000 Underground Conductors and Devices	32.00		3.13%	60.27	-20.0%	1.99%	-0.30%	1.69%
Total Transmission Plant			1.99%	58.41	-28.8%	2.21%	-0.17%	2.04%
DISTRIBUTION PLANT								
361000 Structures and Improvements	43.00		2.33%	60.04	-9.7%	1.83%	-0.01%	1.82%
362000 Station Equipment	44.00		2.27%	54.62	-3.4%	1.89%		1.89%
364000 Poles, Towers and Fixtures	40.00		2.50%	43.16	-75.3%	4.06%	-0.03%	4.03%
365000 Overhead Conductors and Devices	50.00		2.00%	54.82	-30.0%	2.37%	-0.01%	2.36%
366000 Underground Conduit	55.00		1.82%	54.91	-10.0%	2.00%		2.00%
367000 Underground Conductors and Devices	37.00		2.70%	44.91	-20.1%	2.67%	-0.01%	2.66%
368000 Line Transformers	29.00		3.45%	30.02	-14.9%	3.83%	-0.03%	3.80%
369001 Overhead Services	48.00		2.08%	55.07	-154.7%	4.63%	-0.05%	4.58%
369002 Underground Services	28.00		3.57%	35.05	-15.0%	3.28%	-0.02%	3.26%
370001 Meters	40.00		2.50%	50.18	-5.1%	2.09%	-0.01%	2.08%
370002 Load Research Meters	10.00		10.00%	12.16		8.22%	-0.27%	7.95%
371000 Installations on Customers' Premises	20.00		5.00%	24.97	-30.4%	5.22%	-0.03%	5.19%
373000 Street Lighting and Signal Systems	27.00		3.70%	30.36	-9.5%	3.61%	-0.02%	3.59%
Total Distribution Plant			2.79%	40.73	-29.7%	3.18%	-0.02%	3.16%
GENERAL PLANT								
390001 Structures and Improvements	45.00		2.22%	40.26	-22.7%	3.05%	-0.31%	2.74%
391001 Office Furniture and Equipment			3.60%	18.17	-0.1%	5.51%	-0.75%	4.76%
391200 Computer Hardware	10.00		10.00%	5.99	-0.1%	16.71%	-3.61%	13.10%
391300 Computer Software	10.00		10.00%	6.02		16.61%	-8.28%	8.33%
392000 Transportation Equipment			10.06%	13.46	10.0%	6.69%	-1.31%	5.38%
393000 Stores Equipment	18.00		5.56%	26.25		3.81%	-0.72%	3.09%
394000 Tools, Shop and Garage Equipment	16.00		6.25%	23.37	-1.0%	4.32%	-0.53%	3.79%
395000 Laboratory Equipment	25.00		4.00%	27.98	0.7%	3.55%	-0.61%	2.94%
396000 Power Operated Equipment			6.67%	14.65	0.1%	6.82%	-1.40%	5.42%
397000 Communication Equipment	16.00		6.25%	26.50	-0.2%	3.78%	-0.70%	3.08%
398000 Miscellaneous Equipment	20.00		5.00%	22.41	3.4%	4.31%	-1.08%	3.23%
Total General Plant			5.06%	20.99	-7.8%	5.14%	-0.94%	4.20%
TOTAL ELECTRIC UTILITY			2.74%	34.71	-23.5%	3.56%	-0.14%	3.42%

AQUILA NETWORKS - MPS (ELECTRIC and COMMON) Statement A

Comparison of Present and Proposed Accrual Rates
Present: BG Procedure / WL Technique
Proposed: VG Procedure / RL Technique

Account Description	Present Avg. Life	Present Net Salvage	Present Accrual Rate	Proposed Avg. Life	Proposed Avg. Net Salvage	Proposed W/L Rate	Proposed Amorti-zation	Proposed R/L Rate
A	B	C	D	E	F	G	H	I=G+H
COMMON UTILITY								
390001 Structures and Improvements	45.00		2.22%	39.73	-12.9%	2.84%	-0.40%	2.44%
391001 Office Furniture and Equipment	13.00		7.69%	19.72	5.1%	4.81%	-0.93%	3.88%
391200 Computer Hardware	9.00			10.04	6.7%	9.29%	-1.64%	7.65%
392000 Transportation Equipment			6.45%	11.23	9.3%	8.08%	-4.95%	3.13%
393000 Stores Equipment	18.00		5.56%	15.91		6.29%	-1.96%	4.33%
394000 Tools, Shop and Garage Equipment			6.25%	15.77		6.34%	-3.15%	3.19%
395000 Laboratory Equipment	25.00		4.00%	15.20		6.58%	-2.18%	4.40%
396000 Power Operated Equipment			6.67%	13.11	5.2%	7.23%	-2.64%	4.59%
397000 Communication Equipment	20.00		5.00%	26.31		3.80%	-0.97%	2.83%
398000 Miscellaneous Equipment	18.00		5.56%	24.79		4.03%	-1.02%	3.01%
Total Common Utility			4.90%	17.58	4.1%	5.46%	-2.40%	3.06%
TOTAL ELECTRIC AND COMMON PLANT			2.78%	34.02	-22.2%	3.59%	-0.18%	3.41%
STEAM PRODUCTION								
Jeffery								
311000 Structures and Improvements	31.00		3.23%	38.39	-12.4%	2.93%	-0.59%	2.34%
312000 Boiler Plant Equipment	38.80		2.58%	37.25	-12.1%	3.01%	-0.57%	2.44%
314000 Turbogenerator Units	27.00		3.70%	31.75	-11.6%	3.51%	-0.45%	3.06%
315000 Accessory Electric Equipment	28.90		3.46%	44.07	-13.3%	2.57%	-0.66%	1.91%
316000 Misc. Power Plant Equipment	32.00		3.13%	28.17	-14.5%	4.06%	-0.28%	3.78%
Total Jeffery			2.94%	36.53	-12.1%	3.07%	-0.56%	2.51%
Sibley								
311000 Structures and Improvements	31.00		3.23%	24.68	-13.5%	4.60%	-0.02%	4.58%
312000 Boiler Plant Equipment	41.20		2.43%	23.36	-16.9%	5.00%	-0.02%	4.98%
314000 Turbogenerator Units	38.50		2.60%	21.28	-14.7%	5.39%	-0.02%	5.37%
315000 Accessory Electric Equipment	28.90		3.46%	23.29	-13.6%	4.88%	-0.02%	4.86%
316000 Misc. Power Plant Equipment	32.00		3.13%	28.72	-11.6%	3.89%	-0.03%	3.86%
Total Sibley			2.67%	23.04	-15.6%	5.02%	-0.02%	5.00%

AQUILA NETWORKS - MPS (ELECTRIC and COMMON) Statement B

Comparison of Present and Proposed Accruals
Present: BG Procedure / WL Technique
Proposed: VG Procedure / RL Technique

Account Description	12/31/01 Plant Investment	2002 Annualized Accrual				
		Present	Proposed			
			Whole-Life	Amortization	Total	Difference
A	B	C	D	E	F=D+E	G=F-C
STEAM PRODUCTION						
311000 Structures and Improvements	$56,771,294	$1,833,713	$2,307,069	($115,256)	$2,191,813	$358,100
312000 Boiler Plant Equipment	191,046,861	4,729,960	8,391,230	(359,121)	8,032,109	3,302,149
314000 Turbogenerator Units	74,708,709	2,128,386	3,708,976	(87,635)	3,621,341	1,492,955
315000 Accessory Electric Equipment	23,897,737	826,862	1,029,448	(42,669)	986,779	159,917
316000 Misc. Power Plant Equipment	2,073,533	64,902	83,148	(4,280)	78,868	13,966
Total Steam Production Plant	$348,498,134	$9,583,823	$15,519,871	($608,961)	$14,910,910	$5,327,087
OTHER PRODUCTION						
341000 Structures and Improvements	$2,133,946	$53,135	$96,241	($24,967)	$71,274	$18,139
342000 Fuel Holders and Accessories	1,286,981	39,362	61,904	(15,830)	46,074	6,692
343000 Prime Movers	10,957,158	454,722	596,069	(72,317)	523,752	69,030
343100 Wind Turbines	179,373	7,444	8,036	(466)	7,570	126
344000 Generators	11,133,659	348,484	505,468	(128,037)	377,431	28,947
345000 Accessory Electric Equipment	3,049,611	97,283	148,821	(35,985)	112,836	15,553
346000 Misc. Power Plant Equipment	851,895	23,427	62,359	(1,619)	60,740	37,313
Total Other Production Plant	$29,592,622	$1,023,877	$1,478,898	($279,221)	$1,199,677	$175,800
TRANSMISSION PLANT						
352000 Structures and Improvements	$2,641,211	$58,635	$48,334	($6,075)	$42,259	($16,376)
353000 Station Equipment	70,387,348	1,407,747	1,224,740	(77,426)	1,147,314	(260,433)
354000 Towers and Fixtures	332,143	6,045	6,145	(1,661)	4,484	(1,561)
355000 Poles and Fixtures	40,942,159	851,597	1,191,417	(81,885)	1,109,532	257,935
356000 Overhead Conductors and Devices	36,918,960	683,001	863,904	(81,222)	782,682	99,681
358000 Underground Conductors and Devices	57,959	1,814	1,153	(173)	980	(834)
Total Transmission Plant	$151,279,780	$3,008,839	$3,335,693	($248,442)	$3,087,251	$78,412
DISTRIBUTION PLANT						
361000 Structures and Improvements	$3,354,806	$78,167	$61,393	($336)	$61,057	($17,110)
362000 Station Equipment	56,207,405	1,275,908	1,062,320		1,062,320	(213,588)
364000 Poles, Towers and Fixtures	96,704,253	2,417,606	3,926,193	(29,012)	3,897,181	1,479,575
365000 Overhead Conductors and Devices	59,931,318	1,198,626	1,420,372	(5,993)	1,414,379	215,753
366000 Underground Conduit	22,660,951	412,429	453,219		453,219	40,790
367000 Underground Conductors and Devices	66,527,910	1,796,254	1,776,295	(6,653)	1,769,642	(26,612)
368000 Line Transformers	99,095,931	3,418,810	3,795,374	(29,729)	3,765,645	346,835
369001 Overhead Services	11,774,224	244,904	545,147	(5,888)	539,259	294,355
369002 Underground Services	36,748,862	1,311,934	1,205,363	(7,350)	1,198,013	(113,921)
370001 Meters	21,420,615	535,515	447,691	(2,142)	445,549	(89,966)
370002 Load Research Meters	2,045,596	204,560	168,148	(5,523)	162,625	(41,935)
371000 Installations on Customers' Premises	11,384,984	569,249	594,296	(3,415)	590,881	21,632
373000 Street Lighting and Signal Systems	18,265,202	675,812	659,374	(3,653)	655,721	(20,091)
Total Distribution Plant	$506,122,057	$14,139,774	$16,115,185	($99,694)	$16,015,491	$1,875,717
GENERAL PLANT						
390001 Structures and Improvements	$8,627,571	$191,532	$263,141	($26,746)	$236,395	$44,863
391001 Office Furniture and Equipment	843,885	30,380	46,498	(6,329)	40,169	9,789
391200 Computer Hardware	1,981,733	198,173	331,148	(71,541)	259,607	61,434
391300 Computer Software	247,261	24,726	41,070	(20,473)	20,597	(4,129)
392000 Transportation Equipment	466,243	46,904	31,192	(6,108)	25,084	(21,820)
393000 Stores Equipment	98,332	5,467	3,746	(708)	3,038	(2,429)
394000 Tools, Shop and Garage Equipment	2,467,415	154,213	106,592	(13,077)	93,515	(60,698)
395000 Laboratory Equipment	1,805,261	72,210	64,087	(11,012)	53,075	(19,135)
396000 Power Operated Equipment	2,583,837	172,342	176,218	(36,174)	140,044	(32,298)
397000 Communication Equipment	5,962,555	372,660	225,385	(41,738)	183,647	(189,013)
398000 Miscellaneous Equipment	121,170	6,058	5,222	(1,308)	3,914	(2,144)
Total General Plant	$25,205,262	$1,274,665	$1,294,299	($235,214)	$1,059,085	($215,580)
TOTAL ELECTRIC UTILITY	$1,060,697,855	$29,030,978	$37,743,946	($1,471,532)	$36,272,414	$7,241,436

AQUILA NETWORKS - MPS (ELECTRIC and COMMON) Statement B

Comparison of Present and Proposed Accruals
Present: BG Procedure / WL Technique
Proposed: VG Procedure / RL Technique

Account Description	12/31/01 Plant Investment	2002 Annualized Accrual				
			Proposed			
		Present	Whole-Life	Amortization	Total	Difference
A	B	C	D	E	F=D+E	G=F-C
COMMON UTILITY						
390001 Structures and Improvements	$6,228,235	$138,267	$176,882	($24,913)	$151,969	$13,702
391001 Office Furniture and Equipment	1,241,962	95,507	59,738	(11,550)	48,188	(47,319)
391200 Computer Hardware	150,782		14,008	(2,473)	11,535	11,535
392000 Transportation Equipment	7,043,398	454,299	569,107	(348,649)	220,458	(233,841)
393000 Stores Equipment	14,724	819	926	(288)	638	(181)
394000 Tools, Shop and Garage Equipment	141,872	8,867	8,995	(4,469)	4,526	(4,341)
395000 Laboratory Equipment	17,867	715	1,176	(390)	786	71
396000 Power Operated Equipment	1,408,853	93,971	101,860	(37,194)	64,666	(29,305)
397000 Communication Equipment	2,755,152	137,758	104,696	(26,725)	77,971	(59,787)
398000 Miscellaneous Equipment	67,991	3,780	2,740	(693)	2,047	(1,733)
Total Common Utility	$19,070,836	$933,983	$1,040,128	($457,344)	$582,784	($351,199)
TOTAL ELECTRIC AND COMMON PLANT	$1,079,768,690	$29,964,961	$38,784,074	($1,928,876)	$36,855,198	$6,890,237
STEAM PRODUCTION						
Jeffery						
311000 Structures and Improvements	$18,228,211	$588,771	$534,087	($107,547)	$426,540	($162,231)
312000 Boiler Plant Equipment	58,347,427	1,505,364	1,756,258	(332,581)	1,423,677	(81,687)
314000 Turbogenerator Units	16,905,473	625,502	593,382	(76,075)	517,307	(108,195)
315000 Accessory Electric Equipment	5,920,401	204,846	152,154	(39,074)	113,080	(91,766)
316000 Misc. Power Plant Equipment	1,462,927	45,790	59,395	(4,096)	55,299	9,509
Total Jeffery	$100,864,440	$2,970,273	$3,095,276	($559,373)	$2,535,903	($434,370)
Sibley						
311000 Structures and Improvements	$38,543,083	$1,244,942	$1,772,982	($7,709)	$1,765,273	$520,331
312000 Boiler Plant Equipment	132,699,434	3,224,596	6,634,972	(26,540)	6,608,432	3,383,836
314000 Turbogenerator Units	57,803,236	1,502,884	3,115,594	(11,560)	3,104,034	1,601,150
315000 Accessory Electric Equipment	17,977,336	622,016	877,294	(3,595)	873,699	251,683
316000 Misc. Power Plant Equipment	610,605	19,112	23,753	(184)	23,569	4,457
Total Sibley	$247,633,694	$6,613,550	$12,424,595	($49,588)	$12,375,007	$5,761,457

AQUILA NETWORKS - MPS (ELECTRIC and COMMON)

Statement C

Depreciation Reserve Summary
Vintage Group Procedure
December 31, 2001

Account Description	Plant Investment	Recorded Reserve Amount	Recorded Reserve Ratio	Computed Reserve Amount	Computed Reserve Ratio	Redistributed Reserve Amount	Redistributed Reserve Ratio
A	B	C	D=C/B	E	F=E/B	G	H=G/B
STEAM PRODUCTION							
311000 Structures and Improvements	$56,771,294	$35,001,923	61.65%	$29,875,420	52.62%	$32,105,373	56.55%
312000 Boiler Plant Equipment	191,046,861	105,193,764	55.06%	98,838,542	51.74%	105,789,131	55.37%
314000 Turbogenerator Units	74,708,709	35,347,618	47.31%	34,160,676	45.73%	35,835,598	47.97%
315000 Accessory Electric Equipment	23,897,737	12,278,699	51.38%	13,153,028	55.04%	13,983,311	58.51%
316000 Misc. Power Plant Equipment	2,073,533	753,911	36.36%	774,025	37.33%	862,502	41.60%
Total Steam Production Plant	$348,498,134	$188,575,916	54.11%	$176,801,692	50.73%	$188,575,916	54.11%
OTHER PRODUCTION							
341000 Structures and Improvements	$2,133,946	$952,953	44.66%	$720,383	33.76%	$1,113,635	52.19%
342000 Fuel Holders and Accessories	1,286,981	985,824	76.60%	430,255	33.43%	665,129	51.68%
343000 Prime Movers	10,957,158	2,990,982	27.30%	2,086,714	19.04%	3,225,839	29.44%
343100 Wind Turbines	179,373	20,756	11.57%	17,910	9.99%	27,688	15.44%
344000 Generators	11,133,659	5,939,906	53.35%	3,706,914	33.29%	5,730,498	51.47%
345000 Accessory Electric Equipment	3,049,611	1,492,284	48.93%	985,751	32.32%	1,523,867	49.97%
346000 Misc. Power Plant Equipment	851,895	(36,277)	-4.26%	38,666	4.54%	59,773	7.02%
Total Other Production Plant	$29,592,622	$12,346,428	41.72%	$7,986,593	26.99%	$12,346,428	41.72%
TRANSMISSION PLANT							
352000 Structures and Improvements	$2,641,211	$1,060,357	40.15%	$934,543	35.38%	$1,181,646	44.74%
353000 Station Equipment	70,387,348	23,303,271	33.11%	14,570,310	20.70%	18,422,848	26.17%
354000 Towers and Fixtures	332,143	265,873	80.05%	168,597	50.76%	213,176	64.18%
355000 Poles and Fixtures	40,942,159	13,674,165	33.40%	13,390,228	32.71%	16,930,741	41.35%
356000 Overhead Conductors and Devices	36,918,960	15,581,196	42.20%	13,557,318	36.72%	17,142,011	46.43%
358000 Underground Conductors and Devices	57,959	37,602	64.88%	25,341	43.72%	32,042	55.28%
Total Transmission Plant	$151,279,780	$53,922,464	35.64%	$42,646,337	28.19%	$53,922,464	35.64%
DISTRIBUTION PLANT							
361000 Structures and Improvements	$3,354,806	$955,391	28.48%	$841,241	25.08%	$854,957	25.48%
362000 Station Equipment	56,207,405	16,606,811	29.55%	8,943,543	15.91%	9,089,369	16.17%
364000 Poles, Towers and Fixtures	96,704,253	45,902,961	47.47%	57,094,608	59.04%	58,025,547	60.00%
365000 Overhead Conductors and Devices	59,931,318	23,158,544	38.64%	19,470,572	32.49%	19,788,044	33.02%
366000 Underground Conduit	22,660,951	4,350,642	19.20%	4,094,736	18.07%	4,161,502	18.36%
367000 Underground Conductors and Devices	66,527,910	18,350,441	27.58%	17,457,747	26.24%	17,742,399	26.67%
368000 Line Transformers	99,095,931	31,934,540	32.23%	37,344,840	37.69%	37,953,755	38.30%

AQUILA NETWORKS - MPS (ELECTRIC and COMMON)

Statement C

Depreciation Reserve Summary
Vintage Group Procedure
December 31, 2001

Account Description	Plant Investment	Recorded Reserve		Computed Reserve		Redistributed Reserve	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
A	B	C	D=C/B	E	F=E/B	G	H=G/B
369001 Overhead Services	11,774,224	9,420,248	80.01%	10,261,583	87.15%	10,428,901	88.57%
369002 Underground Services	36,748,862	15,010,918	40.85%	12,539,697	34.12%	12,744,159	34.68%
370001 Meters	21,420,615	10,142,768	47.35%	6,798,002	31.74%	6,908,844	32.25%
370002 Load Research Meters	2,045,596	1,081,366	52.86%	1,374,384	67.19%	1,396,794	68.28%
371000 Installations on Customers' Premises	11,384,984	4,968,709	43.64%	4,330,379	38.04%	4,400,987	38.66%
373000 Street Lighting and Signal Systems	18,265,202	6,237,359	34.15%	4,551,230	24.92%	4,625,439	25.32%
Total Distribution Plant	$506,122,057	$188,120,697	37.17%	$185,102,562	36.57%	$188,120,697	37.17%
GENERAL PLANT							
390001 Structures and Improvements	$8,627,571	$847,289	9.82%	$2,227,881	25.82%	$2,964,354	34.36%
391001 Office Furniture and Equipment	843,885	90,631	10.74%	246,484	29.21%	327,965	38.86%
391200 Computer Hardware	1,981,733	108,350	5.47%	782,894	39.51%	1,041,696	52.56%
391300 Computer Software	247,261	45,720	18.49%	148,685	60.13%	197,837	80.01%
392000 Transportation Equipment	466,243	262,289	56.26%	155,876	33.43%	207,405	44.48%
393000 Stores Equipment	98,332	61,831	62.88%	35,774	36.38%	47,600	48.41%
394000 Tools, Shop and Garage Equipment	2,467,415	2,105,229	85.32%	667,395	27.05%	888,017	35.99%
395000 Laboratory Equipment	1,805,261	920,506	50.99%	619,361	34.31%	824,104	45.65%
396000 Power Operated Equipment	2,583,837	1,119,345	43.32%	991,036	38.36%	1,318,645	51.03%
397000 Communication Equipment	5,962,555	5,091,471	85.39%	2,147,906	36.02%	2,857,942	47.93%
398000 Miscellaneous Equipment	121,170	92,462	76.31%	52,277	43.14%	69,558	57.41%
Total General Plant	$25,205,262	$10,745,122	42.63%	$8,075,570	32.04%	$10,745,122	42.63%
TOTAL ELECTRIC UTILITY	$1,060,697,855	$453,710,626	42.77%	$420,612,754	39.65%	$453,710,626	42.77%
COMMON UTILITY							
390001 Structures and Improvements	$6,228,235	$1,038,051	16.67%	$1,606,946	25.80%	$2,346,162	37.67%
391001 Office Furniture and Equipment	1,241,962	900,971	72.54%	349,091	28.11%	509,677	41.04%
391200 Computer Hardware	150,782	102,362	67.89%	41,909	27.79%	61,188	40.58%
392000 Transportation Equipment	7,043,398	6,093,508	86.51%	3,619,880	51.39%	5,285,074	75.04%
393000 Stores Equipment	14,724	4,337	29.45%	5,941	40.35%	8,674	58.91%
394000 Tools, Shop and Garage Equipment	141,872	115,570	81.46%	73,680	51.93%	107,574	75.82%
395000 Laboratory Equipment	17,867	6,203	34.72%	7,488	41.91%	10,932	61.19%
396000 Power Operated Equipment	1,408,853	1,104,358	78.39%	592,679	42.07%	865,319	61.42%
397000 Communication Equipment	2,755,152	1,247,278	45.27%	985,404	35.77%	1,438,703	52.22%

AQUILA NETWORKS - MPS (ELECTRIC and COMMON)

Statement C

Depreciation Reserve Summary
Vintage Group Procedure
December 31, 2001

Account Description	Plant Investment	Recorded Reserve Amount	Recorded Reserve Ratio	Computed Reserve Amount	Computed Reserve Ratio	Redistributed Reserve Amount	Redistributed Reserve Ratio
A	B	C	D=C/B	E	F=E/B	G	H=G/B
398000 Miscellaneous Equipment	67,991	55,945	82.28%	24,163	35.54%	35,278	51.89%
Total Common Utility	$19,070,836	$10,668,583	55.94%	$7,307,181	38.32%	$10,668,583	55.94%
TOTAL ELECTRIC AND COMMON PLANT	$1,079,768,690	$464,379,209	43.01%	$427,919,935	39.63%	$464,379,209	43.01%
STEAM PRODUCTION							
Jeffery							
311000 Structures and Improvements	$18,228,211	$12,530,615	68.74%	$9,804,859	53.79%	$11,940,941	65.51%
312000 Boiler Plant Equipment	58,347,427	38,461,008	65.92%	30,435,506	52.16%	37,066,171	63.53%
314000 Turbogenerator Units	16,905,473	7,346,698	43.46%	7,107,295	42.04%	8,655,687	51.20%
315000 Accessory Electric Equipment	5,920,401	3,827,584	64.65%	3,606,137	60.91%	4,391,768	74.18%
316000 Misc. Power Plant Equipment	1,462,927	373,430	25.53%	398,049	27.21%	484,767	33.14%
Total Jeffery	$100,864,440	$62,539,334	62.00%	$51,351,846	50.91%	$62,539,334	62.00%
Sibley							
311000 Structures and Improvements	$38,543,083	$22,471,308	58.30%	$20,070,561	52.07%	$20,164,432	52.32%
312000 Boiler Plant Equipment	132,699,434	66,732,757	50.29%	68,403,036	51.55%	68,722,961	51.79%
314000 Turbogenerator Units	57,803,236	28,000,921	48.44%	27,053,381	46.80%	27,179,911	47.02%
315000 Accessory Electric Equipment	17,977,336	8,451,115	47.01%	9,546,891	53.11%	9,591,543	53.35%
316000 Misc. Power Plant Equipment	610,605	380,481	62.31%	375,976	61.57%	377,735	61.86%
Total Sibley	$247,633,694	$126,036,582	50.90%	$125,449,846	50.66%	$126,036,582	50.90%

AQUILA NETWORKS - MPS (ELECTRIC and COMMON)
Average Net Salvage

Statement D

Account Description	Plant Investment			Salvage Rate		Net Salvage			Average Rate
	Additions	Retirements	Survivors	Realized	Future	Realized	Future	Total	
A	B	C	D=B-C	E	F	G=E*C	H=F*D	I=G+H	J=I/B
STEAM PRODUCTION									
311000 Structures and Improvements	$58,048,792	$1,277,498	$56,771,294	-30.2%	-12.8%	($386,223)	($7,272,986)	($7,659,209)	-13.2%
312000 Boiler Plant Equipment	207,059,261	16,012,400	191,046,861	-46.7%	-12.8%	(7,484,214)	(24,502,012)	(31,986,226)	-15.4%
314000 Turbogenerator Units	80,669,566	5,960,857	74,708,709	-27.5%	-12.9%	(1,640,052)	(9,634,692)	(11,274,744)	-14.0%
315000 Accessory Electric Equipment	27,616,282	3,718,545	23,897,737	-17.9%	-12.9%	(665,561)	(3,077,320)	(3,742,881)	-13.6%
316000 Misc. Power Plant Equipment	2,207,371	133,838	2,073,533	-32.0%	-12.5%	(42,846)	(258,466)	(301,312)	-13.7%
Total Steam Production Plant	$375,601,272	$27,103,138	$348,498,134	-37.7%	-12.8%	($10,218,895)	($44,745,476)	($54,964,371)	-14.6%
OTHER PRODUCTION									
341000 Structures and Improvements	$2,203,565	$69,619	$2,133,946	-3.2%	-5.0%	($2,228)	($106,697)	($108,925)	-4.9%
342000 Fuel Holders and Accessories	1,303,230	16,249	1,286,981		-5.0%		(64,349)	(64,349)	-4.9%
343000 Prime Movers	11,648,304	691,146	10,957,158	-19.0%	-5.0%	(131,318)	(547,858)	(679,176)	-5.8%
343100 Wind Turbines	179,373	0	179,373		-5.0%		(8,969)	(8,969)	-5.0%
344000 Generators	11,237,975	104,316	11,133,659	-153.3%	-5.0%	(159,917)	(556,683)	(716,600)	-6.4%
345000 Accessory Electric Equipment	3,201,841	152,230	3,049,611	-13.3%	-5.0%	(20,247)	(152,481)	(172,727)	-5.4%
346000 Misc. Power Plant Equipment	858,839	6,944	851,895						
Total Other Production Plant	$30,633,127	$1,040,505	$29,592,622	-30.1%	-4.9%	($313,709)	($1,437,036)	($1,750,746)	-5.7%
TRANSMISSION PLANT									
352000 Structures and Improvements	$2,659,222	$18,011	$2,641,211	-34.8%	-10.0%	($6,268)	($264,121)	($270,389)	-10.2%
353000 Station Equipment	75,293,911	4,906,563	70,387,348	-2.4%	-5.0%	(117,758)	(3,519,367)	(3,637,125)	-4.8%
354000 Towers and Fixtures	352,679	20,536	332,143						
355000 Poles and Fixtures	45,026,505	4,084,347	40,942,159	-61.5%	-60.0%	(2,511,873)	(24,565,295)	(27,077,168)	-60.1%
356000 Overhead Conductors and Devices	39,269,966	2,351,006	36,918,960	-43.8%	-40.0%	(1,029,740)	(14,767,584)	(15,797,325)	-40.2%
358000 Underground Conductors and Devices	57,959	0	57,959	-43.8%	-20.0%	(0)	(11,592)	(11,592)	-20.0%
Total Transmission Plant	$162,660,242	$11,380,462	$151,279,780	-32.2%	-28.5%	($3,665,639)	($43,127,960)	($46,793,599)	-28.8%
DISTRIBUTION PLANT									
361000 Structures and Improvements	$3,412,602	$57,796	$3,354,806	5.7%	-10.0%	$3,294	($335,481)	($332,186)	-9.7%
362000 Station Equipment	66,033,075	9,825,670	56,207,405	6.0%	-5.0%	589,540	(2,810,370)	(2,220,830)	-3.4%
364000 Poles, Towers and Fixtures	103,436,941	6,732,688	96,704,253	-79.3%	-75.0%	(5,339,021)	(72,528,190)	(77,867,211)	-75.3%
365000 Overhead Conductors and Devices	65,587,497	5,656,179	59,931,318	-30.4%	-30.0%	(1,719,478)	(17,979,395)	(19,698,874)	-30.0%
366000 Underground Conduit	23,050,038	389,087	22,660,951	-11.9%	-10.0%	(46,301)	(2,266,095)	(2,312,396)	-10.0%
367000 Underground Conductors and Devices	68,207,048	1,679,138	66,527,910	-22.1%	-20.0%	(371,089)	(13,305,582)	(13,676,671)	-20.1%
368000 Line Transformers	116,104,683	17,008,752	99,095,931	-14.1%	-15.0%	(2,398,234)	(14,864,390)	(17,262,624)	-14.9%
369001 Overhead Services	12,311,437	537,213	11,774,224	-256.7%	-150.0%	(1,379,027)	(17,661,335)	(19,040,362)	-154.7%
369002 Underground Services	37,066,430	317,568	36,748,862	-16.3%	-15.0%	(51,764)	(5,512,329)	(5,564,093)	-15.0%
370001 Meters	23,892,314	2,471,699	21,420,615	-6.1%	-5.0%	(150,774)	(1,071,031)	(1,221,804)	-5.1%
370002 Load Research Meters	2,330,669	285,073	2,045,596						
371000 Installations on Customers' Premises	13,229,102	1,844,118	11,384,984	-32.7%	-30.0%	(603,027)	(3,415,495)	(4,018,522)	-30.4%
373000 Street Lighting and Signal Systems	22,592,596	4,327,394	18,265,202	-7.5%	-10.0%	(324,555)	(1,826,520)	(2,151,075)	-9.5%
Total Distribution Plant	$557,254,432	$51,132,375	$506,122,057	-23.1%	-30.3%	($11,790,435)	($153,576,214)	($165,366,649)	-29.7%

AQUILA NETWORKS - MPS (ELECTRIC and COMMON)
Average Net Salvage

Statement D

Account Description	Plant Investment			Salvage Rate		Net Salvage			Average Rate
	Additions	Retirements	Survivors	Realized	Future	Realized	Future	Total	
A	B	C	D=B-C	E	F	G=E*C	H=F*D	I=G+H	J=I/B
GENERAL PLANT									
390001 Structures and Improvements	$10,546,238	$1,918,667	$8,627,571	-80.0%	-10.0%	($1,534,934)	($862,757)	($2,397,691)	-22.7%
391001 Office Furniture and Equipment	896,224	52,339	843,885	-1.1%		(576)		(576)	-0.1%
391200 Computer Hardware	2,687,874	706,141	1,981,733	-0.2%		(1,412)		(1,412)	-0.1%
391300 Computer Software	281,626	34,365	247,261						
392000 Transportation Equipment	528,409	62,166	466,243	9.9%	10.0%	6,154	46,624	52,779	10.0%
393000 Stores Equipment	167,968	69,636	98,332						
394000 Tools, Shop and Garage Equipment	3,939,517	1,472,102	2,467,415	-2.6%		(38,275)		(38,275)	-1.0%
395000 Laboratory Equipment	2,171,042	365,781	1,805,261	3.9%		14,265		14,265	0.7%
396000 Power Operated Equipment	2,744,137	160,300	2,583,837	1.9%		3,046		3,046	0.1%
397000 Communication Equipment	6,163,194	200,639	5,962,555	-5.0%		(10,032)		(10,032)	-0.2%
398000 Miscellaneous Equipment	174,502	53,332	121,170	11.1%		5,920		5,920	3.4%
Total General Plant	$30,300,731	$5,095,469	$25,205,262	-30.5%	-3.2%	($1,555,843)	($816,133)	($2,371,976)	-7.8%
TOTAL ELECTRIC UTILITY	$1,156,449,804	$95,751,949	$1,060,697,855	-28.8%	-23.0%	($27,544,522)	($243,702,818)	($271,247,340)	-23.5%
COMMON UTILITY									
390001 Structures and Improvements	$8,312,673	$2,084,438	$6,228,235	-21.6%	-10.0%	($450,239)	($622,824)	($1,073,062)	-12.9%
391001 Office Furniture and Equipment	3,339,154	2,097,192	1,241,962	5.1%	5.0%	106,957	62,098	169,055	5.1%
391200 Computer Hardware	8,166,963	8,016,181	150,782	6.8%		545,100		545,100	6.7%
392000 Transportation Equipment	23,980,265	16,936,867	7,043,398	9.0%	10.0%	1,524,318	704,340	2,228,658	9.3%
393000 Stores Equipment	67,573	52,849	14,724						
394000 Tools, Shop and Garage Equipment	141,872	(0)	141,872						
395000 Laboratory Equipment	17,867	0	17,867						
396000 Power Operated Equipment	5,498,919	4,090,066	1,408,853	5.3%	5.0%	216,773	70,443	287,216	5.2%
397000 Communication Equipment	3,513,182	758,030	2,755,152	-0.1%		(758)		(758)	
398000 Miscellaneous Equipment	122,561	54,570	67,991						
Total Common Utility	$53,161,029	$34,090,193	$19,070,836	5.7%	1.1%	$1,942,152	$214,057	$2,156,209	4.1%
TOTAL ELECTRIC AND COMMON PLANT	$1,209,610,833	$129,842,143	$1,079,768,690	-19.7%	-22.6%	($25,602,370)	($243,488,761)	($269,091,131)	-22.2%
STEAM PRODUCTION									
Jeffery									
311000 Structures and Improvements	$18,294,813	$66,602	$18,228,211	-78.1%	-12.2%	($52,016)	($2,223,842)	($2,275,858)	-12.4%
312000 Boiler Plant Equipment	61,847,146	3,499,719	58,347,427	-9.7%	-12.2%	(339,473)	(7,118,386)	(7,457,859)	-12.1%
314000 Turbogenerator Units	19,922,487	3,017,014	16,905,473	-8.5%	-12.2%	(256,446)	(2,062,468)	(2,318,914)	-11.6%
315000 Accessory Electric Equipment	6,030,471	110,070	5,920,401	-70.3%	-12.2%	(77,379)	(722,289)	(799,668)	-13.3%
316000 Misc. Power Plant Equipment	1,532,517	69,590	1,462,927	-63.6%	-12.2%	(44,259)	(178,477)	(222,736)	-14.5%
Total Jeffery	$107,627,434	$6,762,994	$100,864,440	-11.4%	-12.2%	($769,573)	($12,305,462)	($13,075,035)	-12.1%
Sibley									
311000 Structures and Improvements	$39,753,979	$1,210,896	$38,543,083	-27.6%	-13.1%	($334,207)	($5,049,144)	($5,383,351)	-13.5%
312000 Boiler Plant Equipment	145,212,115	12,512,681	132,699,434	-57.1%	-13.1%	(7,144,741)	(17,383,626)	(24,528,367)	-16.9%
314000 Turbogenerator Units	60,747,079	2,943,843	57,803,236	-47.0%	-13.1%	(1,383,606)	(7,572,224)	(8,955,830)	-14.7%
315000 Accessory Electric Equipment	21,585,811	3,608,475	17,977,336	-16.3%	-13.1%	(588,181)	(2,355,031)	(2,943,212)	-13.6%
316000 Misc. Power Plant Equipment	674,854	64,249	610,605	2.2%	-13.1%	1,413	(79,989)	(78,576)	-11.6%
Total Sibley	$267,973,838	$20,340,144	$247,633,694	-46.5%	-13.1%	($9,449,322)	($32,440,014)	($41,889,336)	-15.6%

AQUILA NETWORKS - MPS (ELECTRIC and COMMON)
Average Net Salvage

Statement D

Account Description	Plant Investment			Salvage Rate		Net Salvage			Average Rate
	Additions	Retirements	Survivors	Realized	Future	Realized	Future	Total	
A	B	C	D=B-C	E	F	G=E*C	H=F*D	I=G+H	J=I/B
GENERAL PLANT									
390001 Structures and Improvements	$10,546,238	$1,918,667	$8,627,571	-80.0%	-10.0%	($1,534,934)	($862,757)	($2,397,691)	-22.7%
391001 Office Furniture and Equipment	896,224	52,339	843,885	-1.1%		(576)		(576)	-0.1%
391200 Computer Hardware	2,687,874	706,141	1,981,733	-0.2%		(1,412)		(1,412)	-0.1%
391300 Computer Software	281,626	34,365	247,261						
392000 Transportation Equipment	528,409	62,166	466,243	9.9%	10.0%	6,154	46,624	52,779	10.0%
393000 Stores Equipment	167,968	69,636	98,332						
394000 Tools, Shop and Garage Equipment	3,939,517	1,472,102	2,467,415	-2.6%		(38,275)		(38,275)	-1.0%
395000 Laboratory Equipment	2,171,042	365,781	1,805,261	3.9%		14,265		14,265	0.7%
396000 Power Operated Equipment	2,744,137	160,300	2,583,837	1.9%		3,046		3,046	0.1%
397000 Communication Equipment	6,163,194	200,639	5,962,555	-5.0%		(10,032)		(10,032)	-0.2%
398000 Miscellaneous Equipment	174,502	53,332	121,170	11.1%		5,920		5,920	3.4%
Total General Plant	$30,300,731	$5,095,469	$25,205,262	-30.5%	-3.2%	($1,555,843)	($816,133)	($2,371,976)	-7.8%
TOTAL ELECTRIC UTILITY	$1,156,449,804	$95,751,949	$1,060,697,855	-28.8%	-23.0%	($27,544,522)	($243,702,818)	($271,247,340)	-23.5%
COMMON UTILITY									
390001 Structures and Improvements	$8,312,673	$2,084,438	$6,228,235	-21.6%	-10.0%	($450,239)	($622,824)	($1,073,062)	-12.9%
391001 Office Furniture and Equipment	3,339,154	2,097,192	1,241,962	5.1%	5.0%	106,957	62,098	169,055	5.1%
391200 Computer Hardware	8,166,963	8,016,181	150,782	6.8%		545,100		545,100	6.7%
392000 Transportation Equipment	23,980,265	16,936,867	7,043,398	9.0%	10.0%	1,524,318	704,340	2,228,658	9.3%
393000 Stores Equipment	67,573	52,849	14,724						
394000 Tools, Shop and Garage Equipment	141,872	(0)	141,872						
395000 Laboratory Equipment	17,867	0	17,867						
396000 Power Operated Equipment	5,498,919	4,090,066	1,408,853	5.3%	5.0%	216,773	70,443	287,216	5.2%
397000 Communication Equipment	3,513,182	758,030	2,755,152	-0.1%		(758)		(758)	
398000 Miscellaneous Equipment	122,561	54,570	67,991						
Total Common Utility	$53,161,029	$34,090,193	$19,070,836	5.7%	1.1%	$1,942,152	$214,057	$2,156,209	4.1%
TOTAL ELECTRIC AND COMMON PLANT	$1,209,610,833	$129,842,143	$1,079,768,690	-19.7%	-22.6%	($25,602,370)	($243,488,761)	($269,091,131)	-22.2%
STEAM PRODUCTION									
Jeffery									
311000 Structures and Improvements	$18,294,813	$66,602	$18,228,211	-78.1%	-12.2%	($52,016)	($2,223,842)	($2,275,858)	-12.4%
312000 Boiler Plant Equipment	61,847,146	3,499,719	58,347,427	-9.7%	-12.2%	(339,473)	(7,118,386)	(7,457,859)	-12.1%
314000 Turbogenerator Units	19,922,487	3,017,014	16,905,473	-8.5%	-12.2%	(256,446)	(2,062,468)	(2,318,914)	-11.6%
315000 Accessory Electric Equipment	6,030,471	110,070	5,920,401	-70.3%	-12.2%	(77,379)	(722,289)	(799,668)	-13.3%
316000 Misc. Power Plant Equipment	1,532,517	69,590	1,462,927	-63.6%	-12.2%	(44,259)	(178,477)	(222,736)	-14.5%
Total Jeffery	$107,627,434	$6,762,994	$100,864,440	-11.4%	-12.2%	($769,573)	($12,305,462)	($13,075,035)	-12.1%
Sibley									
311000 Structures and Improvements	$39,753,979	$1,210,896	$38,543,083	-27.6%	-13.1%	($334,207)	($5,049,144)	($5,383,351)	-13.5%
312000 Boiler Plant Equipment	145,212,115	12,512,681	132,699,434	-57.1%	-13.1%	(7,144,741)	(17,383,626)	(24,528,367)	-16.9%
314000 Turbogenerator Units	60,747,079	2,943,843	57,803,236	-47.0%	-13.1%	(1,383,606)	(7,572,224)	(8,955,830)	-14.7%
315000 Accessory Electric Equipment	21,585,811	3,608,475	17,977,336	-16.3%	-13.1%	(588,181)	(2,355,031)	(2,943,212)	-13.6%
316000 Misc. Power Plant Equipment	674,854	64,249	610,605	2.2%	-13.1%	1,413	(79,989)	(78,576)	-11.6%
Total Sibley	$267,973,838	$20,340,144	$247,633,694	-46.5%	-13.1%	($9,449,322)	($32,440,014)	($41,889,336)	-15.6%

AQUILA NETWORKS - MPS (ELECTRIC and COMMON)

Statement E

Future Net Salvage
Steam Production

Account Description	Derived Additions	12/31/01 Plant Investment	Interiim Retirements		Interim Net Salvage				Future Rate
					Realized		Future		
			Historical	Future	Rate	Amount	Rate	Amount	
A	B	C	D=B-C	E	F	G=D*F	H	I=E*H	J=I/C
STEAM PRODUCTION									
Jeffery									
311000 Structures and Improvements	$18,294,813	$18,228,211	$66,602	$959,264	-78.1%	($52,016)	-10.0%	($95,926)	
312000 Boiler Plant Equipment	61,847,146	58,347,427	3,499,719	3,065,639	-9.7%	(339,473)	-10.0%	(306,564)	
314000 Turbogenerator Units	19,922,487	16,905,473	3,017,014	877,162	-8.5%	(256,446)	-10.0%	(87,716)	
315000 Accessory Electric Equipment	6,030,471	5,920,401	110,070	310,685	-70.3%	(77,379)	-10.0%	(31,069)	
316000 Misc. Power Plant Equipment	1,532,517	1,462,927	69,590	78,695	-63.6%	(44,259)	-10.0%	(7,870)	
Interim Net Salvage	$107,627,434	$100,864,440	$6,762,994	$5,291,445	-11.4%	($769,573)	-10.0%	($529,145)	-0.5%
Dismantlement Cost								(11,756,697)	-11.7%
Total Jeffery		$100,864,440						($12,285,842)	-12.2%
Sibley									
311000 Structures and Improvements	$39,753,979	$38,543,083	$1,210,896	$1,307,786	-27.6%	($334,207)	-10.0%	($130,779)	
312000 Boiler Plant Equipment	145,212,115	132,699,434	12,512,681	4,138,613	-57.1%	(7,144,741)	-10.0%	(413,861)	
314000 Turbogenerator Units	60,747,079	57,803,236	2,943,843	1,803,227	-47.0%	(1,383,606)	-10.0%	(180,323)	
315000 Accessory Electric Equipment	21,585,811	17,977,336	3,608,475	564,168	-16.3%	(588,181)	-10.0%	(56,417)	
316000 Misc. Power Plant Equipment	674,854	610,605	64,249	20,914	2.2%	1,413	-10.0%	(2,091)	
Interim Net Salvage	$267,973,838	$247,633,694	$20,340,144	$7,834,708	-46.5%	($9,449,322)	-10.0%	($783,471)	-0.3%
Dismantlement Cost								(31,545,264)	-12.7%
Total Sibley		$247,633,694						($32,328,735)	-13.1%
Total Steam Production Plant	$375,601,272	$348,498,134	$27,103,138	$13,126,153	-37.7%	($10,218,895)	-10.0%	($44,614,577)	-12.8%

AQUILA NETWORKS - MPS (ELECTRIC and COMMON)

Statement F

Proposed Parameters
Vintage Group Procedure

Account Description	Present Parameters P-Life/ AYFR	Curve Shape	BG ASL	Rem. Life	Avg. Sal.	Fut. Sal.	Proposed Parameters P-Life/ AYFR	Curve Shape	VG ASL	Rem. Life	Avg. Sal.	Fut. Sal.
A	B	C	D	E	F	G	H	I	J	K	L	M
STEAM PRODUCTION												
311000 Structures and Improvements								200-SC	27.86	11.25	-13.2	
312000 Boiler Plant Equipment								200-SC	26.27	10.61	-15.4	
314000 Turbogenerator Units								200-SC	22.96	10.73	-14.0	
315000 Accessory Electric Equipment								200-SC	26.37	10.05	-13.6	
316000 Misc. Power Plant Equipment								200-SC	28.35	15.36	-13.7	
Total Steam Production Plant									25.73	13.73	-14.6	-12.8
OTHER PRODUCTION												
341000 Structures and Improvements	40.20		40.20				2018	100-SC	23.25	15.79	-4.9	-5.0
342000 Fuel Holders and Accessories	32.70		32.70				2017	100-SC	21.81	14.88	-4.9	-5.0
343000 Prime Movers	24.10		24.10				2018	100-SC	19.46	15.81	-5.8	-5.0
343100 Wind Turbines	24.10		24.10				2024	100-SC	23.45	21.22	-5.0	-5.0
344000 Generators	32.00		32.00				2018	100-SC	23.43	15.79	-6.4	-5.0
345000 Accessory Electric Equipment	31.30		31.30				2017	100-SC	21.58	14.88	-5.4	-5.0
346000 Misc. Power Plant Equipment	36.40		36.40				2015	100-SC	13.66	13.04		
Total Other Production Plant									21.15	15.57	-5.7	-4.9
TRANSMISSION PLANT												
352000 Structures and Improvements	45.00		45.00				60.00	S2	60.36	40.87	-10.2	-10.0
353000 Station Equipment	50.00		50.00				60.00	S0	60.17	48.40	-4.8	-5.0
354000 Towers and Fixtures	55.00		55.00				55.00	R4	53.92	26.55		
355000 Poles and Fixtures	48.00		48.00				55.00	L1.5	55.05	43.77	-60.1	-60.0
356000 Overhead Conductors and Devices	54.00		54.00				60.00	S1.5	59.92	44.14	-40.2	-40.0
358000 Underground Conductors and Devices	32.00		32.00				60.00	S1.5	60.27	38.31	-20.0	-20.0
Total Transmission Plant									58.41	45.50	-28.8	-28.5
DISTRIBUTION PLANT												
361000 Structures and Improvements	43.00		43.00				60.00	S2	60.04	46.48	-9.7	-10.0
362000 Station Equipment	44.00		44.00				55.00	R0.5	54.62	47.06	-3.4	-5.0
364000 Poles, Towers and Fixtures	40.00		40.00				43.00	S3	43.16	28.55	-75.3	-75.0
365000 Overhead Conductors and Devices	50.00		50.00				55.00	S1	54.82	41.12	-30.0	-30.0
366000 Underground Conduit	55.00		55.00				55.00	R4	54.91	45.89	-10.0	-10.0
367000 Underground Conductors and Devices	37.00		37.00				45.00	S2	44.91	35.06	-20.1	-20.0
368000 Line Transformers	29.00		29.00				30.00	S1.5	30.02	20.20	-14.9	-15.0

AQUILA NETWORKS - MPS (ELECTRIC and COMMON)

Statement F

Proposed Parameters
Vintage Group Procedure

Account Description	Present Parameters P-Life/ AYFR	Curve Shape	BG ASL	Rem. Life	Avg. Sal.	Fut. Sal.	Proposed Parameters P-Life/ AYFR	Curve Shape	VG ASL	Rem. Life	Avg. Sal.	Fut. Sal.
A	B	C	D	E	F	G	H	I	J	K	L	M
369001 Overhead Services	48.00		48.00				55.00	S3	55.07	35.21	-154.7	-150.0
369002 Underground Services	28.00		28.00				35.00	R4	35.05	24.65	-15.0	-15.0
370001 Meters	40.00		40.00				50.00	S1	50.18	34.98	-5.1	-5.0
370002 Load Research Meters	10.00		10.00				12.00	R4	12.16	3.99		
371000 Installations on Customers' Premises	20.00		20.00				25.00	S1	24.97	17.61	-30.4	-30.0
373000 Street Lighting and Signal Systems	27.00		27.00				30.00	L0.5	30.36	23.59	-9.5	-10.0
Total Distribution Plant									40.73	29.43	-29.7	-30.3
GENERAL PLANT												
390001 Structures and Improvements	45.00		45.00				40.00	R2.5	40.26	27.62	-22.7	-10.0
391001 Office Furniture and Equipment							18.00	S2	18.17	12.85	-0.1	
391200 Computer Hardware	10.00		10.00				6.00	L1.5	5.99	3.62	-0.1	
391300 Computer Software	10.00		10.00				6.00	R5	6.02	2.40		
392000 Transportation Equipment							13.00	S3	13.46	8.46	10.0	10.0
393000 Stores Equipment	18.00		18.00				25.00	L0.5	26.25	16.70		
394000 Tools, Shop and Garage Equipment	16.00		16.00				23.00	L0	23.37	16.88	-1.0	
395000 Laboratory Equipment	25.00		25.00				28.00	S1.5	27.98	18.51	0.7	
396000 Power Operated Equipment							13.00	L1	14.65	9.04	0.1	
397000 Communication Equipment	16.00		16.00				26.00	L1.5	26.50	16.92	-0.2	
398000 Miscellaneous Equipment	20.00		20.00				22.00	S1.5	22.41	13.19	3.4	
Total General Plant									20.99	14.41	-7.8	-3.2
TOTAL ELECTRIC UTILITY									34.71	23.46	-23.5	-23.0
COMMON UTILITY												
390001 Structures and Improvements	45.00		45.00				40.00	S0.5	39.73	29.63	-12.9	-10.0
391001 Office Furniture and Equipment	13.00		13.00				20.00	L0	19.72	13.90	5.1	5.0
391200 Computer Hardware	9.00		9.00				10.00	R2.5	10.04	7.77	6.7	
392000 Transportation Equipment							11.00	L2	11.23	4.78	9.3	10.0
393000 Stores Equipment	18.00		18.00				10.00	O4	15.91	9.49		
394000 Tools, Shop and Garage Equipment							15.00	S3	15.77	7.58		
395000 Laboratory Equipment	25.00		25.00				15.00	S3	15.20	8.83		
396000 Power Operated Equipment							13.00	L1	13.11	7.32	5.2	5.0
397000 Communication Equipment	20.00		20.00				26.00	L1.5	26.31	16.90		

AQUILA NETWORKS - MPS (ELECTRIC and COMMON)

Statement F

Proposed Parameters
Vintage Group Procedure

Account Description	Present Parameters P-Life/ AYFR	Curve Shape	BG ASL	Rem. Life	Avg. Sal.	Fut. Sal.	Proposed Parameters P-Life/ AYFR	Curve Shape	VG ASL	Rem. Life	Avg. Sal.	Fut. Sal.
A	B	C	D	E	F	G	H	I	J	K	L	M
398000 Miscellaneous Equipment	18.00		18.00				23.00	L0	24.79	15.98		
Total Common Utility									17.58	14.06	4.1	1.1
TOTAL ELECTRIC AND COMMON PLANT									34.02	23.32	-22.2	-22.6
STEAM PRODUCTION												
Jeffery												
311000 Structures and Improvements	31.00		31.00				2022	200-SC	38.39	19.95	-12.4	-12.2
312000 Boiler Plant Equipment	38.80		38.80				2022	200-SC	37.25	19.95	-12.1	-12.2
314000 Turbogenerator Units	27.00		27.00				2022	200-SC	31.75	19.96	-11.6	-12.2
315000 Accessory Electric Equipment	28.90		28.90				2022	200-SC	44.07	19.95	-13.3	-12.2
316000 Misc. Power Plant Equipment	32.00		32.00				2023	200-SC	28.17	20.91	-14.5	-12.2
Total Jeffery									36.53	19.97	-12.1	-12.2
Sibley												
311000 Structures and Improvements	31.00		31.00				2015	200-SC	24.68	13.27	-13.5	-13.1
312000 Boiler Plant Equipment	41.20		41.20				2014	200-SC	23.36	12.30	-16.9	-13.1
314000 Turbogenerator Units	38.50		38.50				2014	200-SC	21.28	12.30	-14.7	-13.1
315000 Accessory Electric Equipment	28.90		28.90				2014	200-SC	23.29	12.30	-13.6	-13.1
316000 Misc. Power Plant Equipment	32.00		32.00				2015	200-SC	28.72	13.26	-11.6	-13.1
Total Sibley									23.04	12.45	-15.6	-13.1