

Decision No. C04-0999-A

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 04S-035E

RE: THE INVESTIGATION AND SUSPENSION OF TARIFF SHEETS FILED BY AQUILA, INC., DOING BUSINESS AS AQUILA NETWORKS-WPC, WITH ADVICE NO. 588.

ADDENDUM

ORDER GRANTING SETTLEMENT

Mailed Date: August 25, 2004
Adopted Date: August 17, 2004
Addendum Mailed Date: August 31, 2004

Add to Decision No. C04-0999, Order Granting Settlement, the attached:

SETTLEMENT AGREEMENT AND MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT;

and,

SETTLEMENT AGREEMENT ATTACHMENT A -- spreadsheet containing:

- Schedule 1. AQUILA NETWORKS-WPC -- CALCULATION OF SETTLEMENT REVENUE REQUIREMENT, 12 MONTHS ENDING AUGUST 31, 2003
 - Schedule 2. AQUILA NETWORKS-WPC -- STATEMENT OF OPERATIONS PER SETTLEMENT
 - Schedule 3. AQUILA NETWORKS-WPC -- JURISDICTIONAL RATE BASE PER SETTLEMENT AGREEMENT, TEST YEAR ENDED AUGUST 31, 2003
 - Schedule 4. AQUILA NETWORKS-WPC -- COST OF CAPITAL PER SETTLEMENT
-

SEAL



THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

A handwritten signature in cursive script that reads 'Bruce N. Smith'.

BRUCE N. SMITH
Director

Dated at Denver, Colorado this
31st day of August, 2004.

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 04S-035E

RE: THE INVESTIGATION AND SUSPENSION OF TARIFF SHEETS FILED BY AQUILA, INC., DOING BUSINESS AS AQUILA NETWORKS-WPC, WITH ADVICE NO. 588.

SETTLEMENT AGREEMENT
AND MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT

Aquila, Inc., doing business as Aquila Networks-WPC (“Aquila” or the “Company”), the Trial Staff of the Colorado Public Utilities Commission (“Staff”), the Colorado Office of Consumer Counsel (“OCC”), the Fountain Valley Authority, the Board of Water Works of Pueblo, the City of Canon City (collectively the latter three are referred to as “Public Intervenors”), and the Cripple Creek & Victor Gold Mining Company, Holcim (U.S.) Inc. and the Trane Company (collectively the latter three are referred to as “CHT”) (together cumulatively referred to as the “Parties”), by and through their respective undersigned counsel, and for good and valuable consideration, herewith enter into this Settlement Agreement (“Settlement Agreement”) to settle all disputed issues that have arisen or could have arisen in this docket regarding Advice Letter No. 588 and accompanying tariffs. The Parties respectfully submit that this Settlement Agreement results in a fair disposition of all disputed issues in this docket, that the revenue requirement and revenue increase that result from this Settlement Agreement are just and reasonable, and therefore, the Parties request that the Commission approve this Settlement Agreement.

I. PROCEDURAL HISTORY

1. This proceeding in Docket No. 04S-035E was commenced on December 29, 2003, when Aquila filed with the Commission Advice Letter No. 588 and accompanying tariff sheets, direct testimony and exhibits. Advice Letter No. 588 sought Commission approval for a revenue increase of \$11,358,847, based upon revenue requirements for the test year ending August 31, 2003, which would be implemented by a General Rate Schedule Adjustment (“GRSA”) rider of 9.60 percent applied to all base rates for all customers receiving electric power and energy under Aquila’s Colorado tariff (PUC No. 6). Aquila filed Advice Letter No. 588 and the accompanying tariff, direct testimony and exhibits, pursuant to the settlement agreement entered into between the parties in the Company’s last Phase I general rate case, Docket No. 02S-594E, and Decision No. C03-0697 in which the Commission approved that settlement agreement.

2. On January 8 and 16, 2004, Aquila caused a Notice concerning the filing of Advice Letter No. 588 and these tariffs to be published in *The Pueblo Chieftain*, a newspaper of general circulation in Aquila's electric service area. On January 7 and 13, 2004, Aquila caused the Notice concerning the filing of these tariffs to be published in *The Rocky Ford Daily*, and on January 8 and 15, 2004, in *The Canon City Daily Record*, newspapers of local circulation in Aquila's electric service area.

3. On January 21, 2004, the Commission entered Decision No. C04-0082, the effect of which was to suspend the effective date of Advice Letter No. 588 until May 28, 2004, and to direct that the matter be set for hearing. By subsequent order the suspension period was extended to August 26, 2004. (*See*, Decision No. C04-0497.)

4. Timely Notices of Intervention were filed by Staff and the OCC. Timely Petitions for Leave to Intervene were filed by the Public Intervenors and by CHT, whose interventions were granted by Decision No. C04-0207-I.

5. A prehearing conference was held on March 3, 2004. As a result, an order was entered scheduling hearings and certain testimony filing dates, as well as other procedural requirements and deadlines. (*See*, Decision No. R04-0227-I.) At the request of Staff and supported by the other Parties, a new procedural schedule was adopted, including an initial decision by the Commission, evidentiary hearings on July 26-30, 2004, and related dates for filing answer, cross-answer, and rebuttal testimony and exhibits, and statements of position. (*See*, Decision Nos. C04-0291 and R03-0341-I.)

6. On April 30, 2004, answer testimony and exhibits were filed by Staff, OCC, CHT and the Public Intervenors, whose witnesses recommended revenue requirement increases of varying amounts lower than the revenue requirement increase requested by Aquila. On June 21, 2004, Aquila filed rebuttal testimony and exhibits. On June 21, 2004, the Public Intervenors filed cross-answer testimony and a revised exhibit of one witness.

7. On July 20, 2004, the Commission held a hearing in Pueblo, Colorado, for the purpose of taking public comment from Aquila's electric customers.

8. During the prehearing phase of this docket, the Parties have actively engaged in prehearing investigation, including through audit requests, formal data requests, informal exchanges of information, informal discussions, and settlement negotiations. Over the past several weeks, Aquila and the other parties have spent substantial time and efforts in negotiations to settle this rate case.

9. An agreement in principle to settle all disputed issues in this docket was reached by the parties on July 23, 2004. At the request of the Parties, ALJ Dale Isley vacated the hearings set for July 26-29, 2004 to allow the Parties time to prepare and to file a written Settlement Agreement by Tuesday, July 27, 2004. A hearing on the settlement is scheduled for Friday, July 30, 2004.

10. This Settlement Agreement memorializes the negotiated settlement and stipulations among the Parties. As a result of the settlement negotiations, all Parties agree, as set forth below, that all disputed issues in this docket have been resolved to the satisfaction of the Parties and that the revenue requirement and rate increase for all customers to which the Parties agree in this Settlement Agreement are just and reasonable.

II. THE SETTLEMENT

1. **Revenue Requirement Increase.** Aquila requested approximately \$11.4 million in additional annual revenues in this rate case filing. As a result of this settlement, the Parties agree that the annual revenue requirement increase in this docket will be \$8.2 million.

2. **Components of the Settlement.** For purposes of settlement, the \$8.2 million annual revenue requirement increase consists of the following specific components. (Attachment A to this Settlement Agreement consists of spreadsheets that provide for the Commission's review of the details of the derivation of the \$8.2 million annual revenue requirement increase.)

- a) The settled rate of return on equity for Aquila in this docket is 10.25%.
- b) Aquila's WPC divisional capital structure is adopted, consisting of 47.50% equity and 52.50% debt, along with Staff's cost of debt of 7.42%.

producing an overall cost of capital, or rate of return on rate base, of 8.76%.

- c) The Parties agree that \$250,000 of capacity charges associated with a 2004 peaking contract should be eliminated.
- d) The Parties agree that \$1,204,903 of the new Public Service Company of Colorado (“Public Service”) Capacity costs and \$200,487 of the new Public Service Transmission costs will be excluded from the settlement revenue requirement.
- e) The Parties agree that other transmission expense of \$114,167 associated with an expired Basin Electric contract should be eliminated.
- f) The Parties agree that the Company’s payroll annualization should be reduced by \$15,987 to reflect the actual percentage wage increase granted by the Company.
- g) The Parties agree that the effect of the interest deduction associated with the embedded cost of debt will increase income taxes by \$142,127 in order to reflect the settled cost of debt.
- h) The Parties agree that administrative and general expense will be increased by \$19,467 to reflect the reconciliation adjustment.
- i) The Parties agree that the effect of these various adjustments will increase income taxes by \$686,075.
- j) The Parties agree that the overall \$8.2 million annual revenue requirement increase will be collected from all customers through a new, uniform

GRSA rider in such a manner that the overall percentage increase in base rates will be 6.93 percent.

- k) Aquila agrees to eliminate from the Cash Working Capital calculation the amortization of prepayments that resides in operating and maintenance expense in this docket and in the next revenue requirement proceeding.

3. **Incentive Cost Adjustment (“ICA”).** Currently, the ICA tariff contains a 75%/25% sharing mechanism that permits Aquila to recover from or credit to customers 75% of fuel and purchased energy cost changes above or below its base energy cost, based upon a historical test year of September 1st through August 31st. A revised ICA rider, to adjust rates to recover fuel and purchased energy costs, is filed each year on October 1st, and the approved costs are recovered during the next year from November 1st through October 31st. (*See, Aquila’s Colorado Electric Tariff, Sheets 89-91.*)

- a) The ICA will be modified to an Energy Cost Adjustment (“ECA”) effective with the \$8.2 million rate increase to allow Aquila to recover or to credit 100% of the fuel and purchased energy cost changes above or below its base energy cost. In addition, Aquila will file for ECA changes at least twice each year, in accordance with the schedule set forth in Paragraph 3(d). The ECA base cost will be increased to \$22.39 per Mwh effective with the new GRSA rider that is scheduled to go into effect on or about September 1, 2004.
- b) With the new Public Service power purchase contract effective on January 1, 2004, Aquila’s cost to serve electricity became more predictable. As a result of entering into the new Public Service power

purchase contract, Aquila is even more reliant upon power and energy supplied by Public Service than under the previous power purchase contract. Aquila's cost to serve is more predictable because the new Public Service power purchase contract is tied to Public Service's average system (coal and gas-fired generation) cost and not tied to the production cost of a single gas-fired generation plant or the spot market for energy. Moreover, the Public Service power purchase contract is expected to result in significant energy cost savings, which under the existing ICA clause would not be fully shared with Aquila's Colorado customers. The vast majority of Aquila's energy is purchased from third-party suppliers (e.g., Public Service). These fuel purchase decisions are made by the supplier's management, not Aquila's management, and are beyond Aquila's control. Therefore, given these circumstances, the 100% ECA makes better sense for Aquila's customers and Aquila than the existing ICA.

- c) The ECA test period will consist of a historical test period that contains two of the summer months, either June-July or August-September. The goal of the Parties is that this design of the six-month ECA test periods will better moderate the amount of deferred balances that would need to be recovered through the ECA in any one six-month period.
- d) The Parties contemplate the following ECA filing schedule:

File Date	Effective Date	Recovery Period	Test Period
On approval	1 September 2004	Sept. 2004 – Feb. 2005	Sept. 2003 – June 2004
1 February 2005	1 March 2005	March 2005 – Sept. 2005	July 2004 – Dec. 2004
1 September 2005	1 October 2005	Oct. 2005 – March 2006	Jan. 2005 – July 2005

1 March 2006	1 April 2006	April 2006 – Sept. 2006	August 2005 – Jan. 2006
1 September 2006	1 October 2006	Oct. 2006 – March 2007	Feb. 2006 – Aug. 2006

- e) An ECA charge of \$.00125 per kWh will be implemented simultaneously with the implementation of the new GRSA rider in September 2004. This ECA charge represents a decline of \$.00303 per kWh from the ICA charge currently in effect, and an annual decline in revenue of \$5.424 million. As a result of the combination of the rate increase and ICA decrease, the customers will see a net annual increase of \$2.776 million or 2.23% when the new GRSA rider is implemented on or about September 1, 2004.
- f) Aquila will sponsor the proposed new ECA tariff, incorporating the features agreed to above, as an exhibit in the July 30, 2004 hearing on this Settlement Agreement. Aquila will provide the proposed ECA tariff to the Parties prior to the hearing.
- g) The Parties agree that the revision of the ICA to a 100% ECA will be effective prospectively upon the effective date of the Commission's decision approving the rate changes stipulated in this Settlement Agreement; the effective date of the ECA is anticipated to be on or about September 1, 2004. The Parties further agree that the ICA fuel and purchased energy costs incurred by Aquila up to the effective date of the rate changes proposed in this Settlement Agreement shall continue to be shared on a 75%/25% basis with Aquila's customers. In order to transition to the ECA, in its February 1, 2005 ECA filing, Aquila will account for July and August 2004 in accordance with the ICA's 75%/25%

cost sharing and will account for September through December 2004 in accordance with the ECA's 100% cost recovery.

- h) By July 1, 2006, Aquila will file an application to continue the ECA beyond 2006, or for implementation of a new ECA clause. The Parties agree that the target date for the extension of the ECA or for the implementation of a new ECA clause is April 1, 2007.

4. **Compliance with Cost Allocation Rules.** Currently, within a revenue requirements rate case proceeding, the Commission must determine whether the utility has complied with certain Commission rules regarding cost allocations as between regulated and nonregulated activities (*see, 4 Colo. Code Regs. 723-47*), and whether the utility has complied with the statutory requirement that no ratepayer funds have been used to subsidize a utility's nonregulated activities. Colo. Rev. Stat. § 40-3-114.

- a) In Decision No. C03-0697 in Docket No. 02S-0594E, the Commission approved, pursuant to *4 Colo. Code Regs. 723-47-6.3*, Aquila's Fully Distributed Cost ("FDC") Study and changes to Aquila's Cost Allocation Manual ("CAM"), which were contained in the testimony and exhibits of Mr. Dan Tyrrell (*see, 4 Colo. Code Regs. 723-47-3.1.1.*). The Commission also found, in accordance with Colo. Rev. Stat. § 40-3-114, that no ratepayer funds were used to subsidize Aquila's nonregulated activities. (Decision No. C03-0697, Paragraphs III.I.60-73, pages 20-23.)
- b) In the instant docket, through the testimony and exhibits of Mr. Dan Tyrrell, Aquila filed a new FDC and presented a CAM updated with data from the test year ending August 31, 2003, using the same methods

approved in Decision No. C03-0697. Aquila believes that its FDC and CAM in this docket comply with the requirements of the Cost Allocation Rules, 4 *Colo. Code Regs.* 723-47, and Colo. Rev. Stat. § 40-3-114.

- c) The Commission is currently engaged in a rule-making proceeding to repeal and reenact the Cost Allocation Rules found in 4 *Colo. Code Regs.* 723-47. (*See*, Decision No. C04-0008 in Docket No. 04R-003EG.)
- d) The Parties agree that Aquila will discuss in a cooperative process with Staff, and any other Parties that may be interested (the “participants”), how Aquila’s CAM and its general ledger accounting system interact. Through this process, the participants will analyze cost allocation/assignments to and between Aquila’s regulated and non-regulated business activities. These discussions will occur through scheduled workshops, and they will utilize the new Cost Allocation Rules expected to be promulgated in Docket No. 04R-003EG (the “new rules”). The scheduling of the workshops would commence within 90 days of the effective date of the new rules. In the workshops, the participants will start with an evaluation of the CAM and the FDC study filed in Docket No. 04S-035E. The participants will then discuss the development of a new CAM and will discuss the new CAM on a department by department basis. The workshops will address the correlation between Aquila’s accounting system and the new CAM. This evaluation will result in fair and reasonable cost assignments and allocations of costs to and between the Company’s regulated and non-regulated business activities consistent

with the requirements of Colo. Rev. Stat. § 40-3-114 and the Commission's expected new rules. The participants shall have reasonable access to relevant information, subject to an appropriate non-disclosure agreement, concerning the Company's costs that could be assigned between and among regulated and non-regulated services. In the event the participants do not receive such information in a timely fashion, the participants may formally seek assistance from the Commission including, as necessary, a request to employ formal discovery processes. Finally, if the participants in the workshop process are not able to agree on an approach to accomplish a fair and reasonable allocation of costs to and between the Company's regulated and non-regulated business activities, the participants agree to notify all participants in writing that the unresolved issue(s) shall be submitted to the Commission no later than sixty (60) days after receipt of the written notification.

- e) Once a new CAM is developed that is consistent with the new rules, Aquila will file the new CAM and a new FDC study. The target date for such filing will be 18 months after the effective date of the new rules, which date may be extended by mutual agreement of the participants.

5. **The New GRSA Rider.** The Parties agree that the \$8.2 million revenue increase will be collected through the new GRSA rider of 6.93% for all customers. The new GRSA rider is intended to be in effect only until the Commission authorizes its revision and/or termination by entry of a lawful final decision in another docket. By agreeing to this Paragraph 5, the Parties, who are also parties in Aquila's currently pending Phase II (Docket No. 03S-539E), do

not waive any of their rights to make any arguments in that docket. Should a Party argue in an application for rehearing, reargument or reconsideration in Phase II any issue impacted by the 6.93% rider, the Parties to this Agreement will not oppose the filing of a reply to the application for rehearing, reargument or reconsideration on that issue.

6. If the Commission approves this Settlement Agreement, tariffs conforming to this Settlement Agreement and implementing the agreed upon rate revisions may be filed on one-day's notice.

III. GENERAL TERMS AND CONDITIONS

1. Through active prehearing investigation and negotiation, the Parties have reached the agreement set forth herein resolving all contested and disputed issues in this docket in a manner which the Parties agree is just and reasonable and in the public interest. The Parties further agree that reaching agreement by means of negotiation and settlement rather than through litigation is in the public interest.

2. The Parties agree to present, to support, and to defend this Settlement Agreement before the Commission and, except for Staff, the courts. The Parties further agree, if necessary, to present testimony and exhibits to the Commission to secure the approval of this Settlement Agreement.

3. The Parties hereby agree that all pre-filed testimony and exhibits shall be admitted into evidence in this docket without cross-examination. This Settlement Agreement reflects compromise and settlement of all issues raised or that could have been raised in this docket.

4. This Settlement Agreement shall not become effective until the issuance of a final Commission Order approving the Settlement Agreement, which Order does not contain any modification of the terms and conditions of this Settlement Agreement that is unacceptable to any of the Parties. In the event the Commission modifies this Settlement Agreement in a manner unacceptable to any Party, that Party shall have the right to withdraw from this Settlement Agreement and proceed to hearing on the issues that may be appropriately raised by that Party in this docket. The withdrawing Party shall notify the Commission and the Parties to this Settlement Agreement by e-mail and facsimile within five (5) business days of the Commission Order that the Party is withdrawing from the Settlement Agreement and that the Party is ready to proceed to hearing; the e-mail and facsimile notice shall designate the precise issue or issues on which the Party desires to proceed to hearing (the "Hearing Notice").

5. The withdrawal of a Party shall not automatically terminate this Settlement Agreement as to any other Party. However, within three (3) business days of the date of the Hearing Notice from the first withdrawing Party, all Parties shall confer to arrive at a comprehensive list of issues that shall proceed to hearing and a list of issues that remain settled as a result of the first Party's withdrawal from this Settlement Agreement. Within five (5) business days of the date of the Hearing Notice, the Parties shall file with the Commission a formal notice containing the list of issues that shall proceed to hearing and those issues that remain settled. The Parties who proceed to hearing shall have and be entitled to exercise all rights with respect to the issues that are heard that they would have had in the absence of this Settlement Agreement.

6. Hearing shall be scheduled on all of the issues designated in the formal notice filed with the Commission as soon as practicable. In the event that this Settlement Agreement is

not approved, or is approved with conditions that are unacceptable to any Party who subsequently withdraws, the negotiations or discussions undertaken in conjunction with the Settlement Agreement shall not be admissible into evidence in this or any other proceeding, except as may be necessary in any proceeding to enforce this Settlement Agreement.

7. Approval by the Commission of this Settlement Agreement shall constitute a determination that the Settlement Agreement represents a just, equitable and reasonable resolution of all issues that were or could have been contested among the Parties in this proceeding.

8. All Parties specifically agree and understand that this Settlement Agreement represents a negotiated settlement in the public interest with respect to the various Aquila rate matters and terms and conditions of service for the sole purpose of the settlement of the matters agreed to in this Settlement Agreement. No Party or person shall be deemed to have approved, accepted, agreed to, or consented to any concept, theory or principle underlying or supposed to underlie any of the matters provided for in this Settlement Agreement, other than as specifically provided for herein. Notwithstanding the resolution of the issues set forth in this Settlement Agreement, none of the methods or ratemaking principles herein contained shall be deemed by the Parties to constitute a settled practice or precedent in any future proceeding. Nothing in this Settlement Agreement shall preclude Aquila from seeking prospective changes in its electric rates by an appropriate filing with the Commission. Nothing in this Settlement Agreement shall preclude any other party from filing a Complaint or seeking an Order to Show Cause to obtain prospective changes in Aquila's electric rates.

9. This Settlement Agreement may be executed in counterparts and by facsimile copies of signatures, all of which when taken together shall constitute the entire Settlement Agreement with respect to the issues addressed by this Settlement Agreement.

CONCLUSION

For the reasons stated above, the Parties respectfully request that the Commission enter an order approving this Settlement Agreement with the finding that the Commission's approval of this Settlement Agreement represents a fair, just, and reasonable resolution of all disputed issues that have arisen, or which could have arisen, in this docket.

DATED this 27th day of July 2004.

Accepted on behalf of
AQUILA, INC., d/b/a AQUILA
NETWORKS--WPC:

By: _____
W. Scott Keith
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Approved as to form:

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City of Canon City, CO

CERTIFICATE OF SERVICE

I hereby certify that on this 27th day of July 2004, a true and correct copy of the foregoing SETTLEMENT AGREEMENT AND MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT was served via facsimile transmission, hand delivery, or placed in the United States mail, first class postage prepaid, addressed to the following:

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AQUILA NETWORKS-WPC
 CALCULATION OF SETTLEMENT REVENUE REQUIREMENT
 12 MONTHS ENDING AUGUST 31, 2003
 DOCKET NO. 04S-035E

Settlement Agreement
 Attachment A
 Schedule 1

LINE NO.	<u>Description</u>	<u>Amount</u>
1	Net CPUC Jurisdictional Rate Base	\$ 122,489,252
2	Return On Rate Base	8.76%
3	Required Net Operating Income	\$ 10,735,264
4	Net CPUC Jurisdictional Operating Income	\$ 5,652,043
5	Deficiency	\$ 5,083,221
6	Income Tax Factor	1.613150402
7	Required Revenue Change	\$ 8,200,000
8	As Adjusted Base Revenue	\$ 118,340,819
9	Proposed Base Rate Increase (Surcharge)	6.93%
10	Effect on Average Residential Customer Before ICA-Monthly	\$ 3.57
11	Effect on Average Small Business Customer Before ICA-Monthly	\$ 12.06
12	Effect on Average Residential Customer After ICA-Monthly	\$ 1.76
13	Effect on Average Small Business Customer After ICA-Monthly	\$ 4.96
14	Residential Average Usage per Month	596
15	Small Business Average Usage per Month	2,342

AQUILA NETWORKS-WPC
STATEMENT OF OPERATIONS PER SETTLEMENT
DOCKET NO. 04S-035E

Settlement Agreement
Attachment A
Schedule 2

NO	DESCRIPTION	AQUILA AS ADJUSTED	2004 Peaking Capacity	Public Service Capacity	Public Service Transmission	Other Transmission	Payroll Annualization	Reconciliation Adjustment	Interest Deduct	Income Taxes	Total Settlement Adjustments	SETTLEMENT AS ADJUSTED
1	<u>OPERATING REVENUE</u>											
2	SALES OF ELECTRICITY	\$ 123,506,364									\$ -	\$ 123,506,364
4	OTHER	924,062									-	924,062
5	TOTAL OPERATING REVENUE	<u>124,430,426</u>	-	-	-	-	-	-	-	-	-	<u>124,430,426</u>
6	<u>OPERATING EXPENSES</u>											
7	Total Cost of Sales	76,719,928	(250,000)	(1,204,903)							(1,454,903)	75,265,025
8	Production O & M	3,983,267			(200,487)	(114,167)					(314,654)	3,668,613
9	Transmission O & M	6,358,737									-	6,358,737
10	Distribution O & M	6,030,311									-	6,030,311
11	Customer O & M	3,206,184									-	3,206,184
12	Administrative & General O & M	11,218,400					(15,987)	19,467			3,480	11,221,880
14	DEPRECIATION & AMORTIZATION (403-407.2)	9,590,460									-	9,590,460
15	TAXES OTHER THAN INCOME (408.1)	2,873,438									-	2,873,438
16	INCOME TAXES:											
17	CURRENT (409)	1,145,966							142,127	686,075	828,203	1,974,169
18	DEFERRED (410)	(1,410,433)									-	(1,410,433)
20	TOTAL OPERATING EXPENSES	<u>119,716,257</u>	<u>(250,000)</u>	<u>(1,204,903)</u>	<u>(200,487)</u>	<u>(114,167)</u>	<u>(15,987)</u>	<u>19,467</u>	<u>142,127</u>	<u>686,075</u>	<u>(937,875)</u>	<u>118,778,383</u>
21	NET UTILITY OPERATING INCOME	<u>\$ 4,714,169</u>										<u>\$ 5,652,043</u>

AQUILA NETWORKS-WPC
 JURISDICTIONAL RATE BASE PER SETTLEMENT AGREEMENT
 DOCKET NO. 04S-035E
 TEST YEAR ENDED AUGUST 31, 2003

Settlement Agreement
 Attachment A
 Schedule 3

LINE NO.	DESCRIPTION	REFERENCE	AQUILA AS ADJUSTED	Prepayments	CWC Staff	ADIT	PER SETTLEMENT
1	PLANT IN SERVICE						
2	INTANGIBLE	SEC 4 SCH 1	\$ 200,900			\$	200,900
3	PRODUCTION	SEC 4 SCH 1	30,275,139				30,275,139
4	TRANSMISSION	SEC 4 SCH 1	39,337,093				39,337,093
5	DISTRIBUTION	SEC 4 SCH 1	144,376,374				144,376,374
6	GENERAL	SEC 4 SCH 1	14,401,712				14,401,712
7	GENERAL - COMMON	SEC 4 SCH 1	16,493,847				16,493,847
8	TOTAL PLANT IN SERVICE		245,085,065				245,085,065
9	CONSTRUCTION WORK IN PROGRESS	SEC 4 SCH 1	0				0
10	ACQUISITION ADJUSTMENT	SEC 4 SCH 1	0				0
11	TOTAL UTILITY PLANT		245,085,065				245,085,065
12	LESS:						0
13	ACCUM. PROV. FOR DEPR & AMORT	SEC 5 SCH 1	120,186,859				120,186,859
14	ACCUM AMORTIZATION & DEPLETION	SEC 5 SCH 1	93,710				93,710
15	ACCUM. PROV. FOR AMORT OF ACQ ADJ	SEC 5 SCH 1	0				0
16	TOTAL ACCUM. PROV. FOR DEPR & AMORT		120,280,569				120,280,569
17	NET PLANT IN SERVICE		124,804,496				124,804,496
18	OTHER RATE BASE ITEMS						0
19	MATERIALS & SUPPLIES-FUEL	SEC 6 SCH 1	662,571				662,571
20	MATERIALS & SUPPLIES-PLANT	SEC 6 SCH 1	861,015				861,015
21	PREPAYMENTS - OTHER	SEC 6 SCH 1	8,988,947	(271,277)			8,717,670
22	CUSTOMER ADVANCES FOR CONSTRUCTION	SEC 6 SCH 1	(5,115,657)				(5,115,657)
23	CASH WORKING CAPITAL	SEC 6 SCH 1	3,742,094		(4,068,427)		(326,333)
24	ACCUMULATED DEFERRED INCOME TAXES	SEC 6 SCH 1	(3,971,208)			(2,780,465)	(6,751,673)
25	CUSTOMER DEPOSITS	SEC 6 SCH 1	(362,838)				(362,838)
26	TOTAL OTHER RATE BASE ITEMS		4,804,925	(271,277)	(4,068,427)	(2,780,465)	(2,315,244)
27	TOTAL RATE BASE		\$ 129,609,421	\$ (271,277)	\$ (4,068,427)	\$ (2,780,465)	\$ 122,489,252

AQUILA NETWORKS-WPC
 COST OF CAPITAL PER SETTLEMENT
 DOCKET NO. 04S-035E

Settlement Agreement
 Attachment A
 Schedule 4

Line No.	Description	Ratio	Cost	
			Embedded	Weighted
1	Common Equity	47.50%	10.25%	4.87%
2	Long-term Debt	52.50%	7.42%	3.90%
3	Total	<u>100.00%</u>		<u>8.76%</u>
4	Annualized Interest-Staff			\$ 4,771,569
5	Annualized Interest-WPC		3.970%	5,145,494
6	Decrease in Interest Deduction			\$ (373,925)
7	Increase in Income Taxes			142,127